

Report On
Analysis of Investment Risk Management Efficiency of Islami Bank Bangladesh
Limited compared to Conventional Banks in Bangladesh

By
Afia Mehjabin
ID: 17304102

An internship report submitted to the BRAC Business School in partial fulfillment
of the requirements for the degree of Bachelor of Business Administration (BBA)

BRAC Business School

BRAC University

13 February 2022

©2022, BRAC University

All rights reserved

Declaration

It is hereby declared that

1. The internship report submitted is my own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

Student's Full Name & Signature:

Afia Mehjabin

Afia Mehjabin

Student ID: 17304102

Supervisor's Full Name & Signature:

Mohammad Mujibul Haque,PhD

Professor and associate dean, Brac Business School

Brac University

LETTER OF TRANSMITTAL

Date: February 13, 2022

Mohammad Mujibul Haque, PhD

Professor and Associate Dean

BRAC Business School

BRAC University

Subject: Submission of Internship Report

Respected Sir,

I am submitting my internship report which is the mandatory part of the BBA program. It is a huge blessing for me to work under your supervision.

Basically, this report is based on “Risk Management efficiency of Islami Bank Bangladesh Limited” I have got the opportunity in Islami Bank Training and research Academy and they have sent me to work in Islami Bank Bangladesh Limited on Rampura branch. Here I have worked for 90 days under Md. Khairul Islam, FAVP & Manager Operations of Islami Bank, Rampura Branch and Hosne Ara, VP of Islami Bank Training and Research Academy.

This internship has given me the practical knowledge and make my academic knowledge complete. Firstly, I have learnt the banking environment and organization culture of Islami Bank Bangladesh Limited. Secondly, this report has given me the guidelines of analyzing practically by working with the organization.

I therefore pray and hope that you would be kind enough to grant my internship report and give your precious judgement. It would be a great achievement for me if you find any important and eye-catching information.

Sincerely yours

Afia Mehjabin

BRAC Business School

ID: 17304102

BRAC University

Non-Disclosure Agreement

This agreement is created and entered into by and between Islami Bank Training and research academy and the undersigned student at BRAC University Afia Mehjabin (ID-17304102)



Islami Bank Training and Research Academy

Afia Mehjabin

Afia Mehjabin

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

No. 74255

Islamic Bank Training and Research Academy



Dhaka - Bangladesh

This is to certify that

Afia Mejjabin

BBA

BRAC University

participated in the

Internship Program for the University Students

Course/Programme conducted by the Academy from 03-10-2021

to

31-12-2021

and has successfully completed the same.

Dated, Dhaka

The Saturday, January 01, 2022

Managing Director

Principal

ACKNOWLEDGEMENT

First of all, I want to express my special gratitude to Almighty Allah for giving me the opportunity & strength to complete the report on time.

I am very much grateful to make my advisor Mohammad Mujibul Haque, PhD who is the professor and associate dean of BRAC business school, BRAC University. Moreover, I profoundly grateful to Hosena Ara vice president Islami Bank Training and Research Academy, Md. Dider Hossain VP, Branch Head, Md. Mizanur Rahman SVP, Investment in charge, Md. Khairul Islam, FAVP & Manager Operations of Islami Bank, Rampura Branch for their supervision, guidance and cooperation.

Lastly, I am very much in debt to OCSAR, BRAC University for organizing the internship program and giving us the opportunity to impose our knowledge in practical life.

EXECUTIVE SUMMARY

BBS students must do an internship in order to graduate from BRAC University. So, I finished my internship with Islami Bank Bangladesh Limited, one of Bangladesh's most reputable banks. The effectiveness of Islami Bank Bangladesh Limited's investment risk management has been highlighted in this report, along with a comparison to three selected conventional banks. The entire report has been divided into three chapters for ease of analysis.

The first chapter covered an overview of internships. The internship details, the conclusion of my internship, the services I contributed to my company, and how I benefited working as an intern are all discussed in this chapter, along with some recommendations for future IBBL internship programs.

The second chapter examines IBBL's overview, operations, and strategic audit. The goal, technique, scope, and importance of evaluating this chapter were outlined in the first section of this chapter. Ratio analysis, secondary data collecting, primary data collection, SWOT analysis, and Porter's five forces were all employed to analyze this chapter. This chapter also recapitulates management practices such as risk management and human resource management, the financial information analysis over the past five years, including deposit, investment, and asset amounts. Islami Bank Bangladesh Limited's comparative and industry analysis over the past five years has been examined utilizing SWOT analysis, Porter's Five Forces Analysis, and Ratio Analysis. Also, some suggestions have been provided for IBBL in the light of this chapter.

The effectiveness of IBBL's investment risk management, as well as comparisons with three traditional banks, are reviewed in Chapter 3. Ratio analysis is one of the ways that has been utilized to complete this study. Furthermore, primary and secondary sources were employed to gather data. Different ratios were calculated to assess the bank's risk management efficiency, and the data was collected over a five-year period. The average of five years' ratios was used for comparison purposes. By evaluating this chapter, the suggestion for IBBL has been proven at the end of this chapter.

As a result, IBBL's total investment performance is improving day by day. Because the majority of our country's citizens are religious and desire to invest their money in accordance with Islamic Shariah. Furthermore, as compared to other private commercial banks in the nation, IBBL allows people from all walks of life to trade with ease.

Table of Content

Contents

Declaration.....	2
LETTER OF TRANSMITTAL	3
Non-Disclosure Agreement.....	4
ACKNOWLEDGEMENT.....	5
EXECUTIVE SUMMARY	6
Table of Content	7
List of Tables.....	10
List of Figures.....	11

CHAPTER 1: OVERVIEW OF INTERNSHIP

1.1 Student Information.....	13
1.2 Internship Information.....	13
1.2.1 Period, Company name, Department, Address	13
1.2.2 Internship Company Supervisor’s Information: Name and Position	13
1.2.3 Job Scope – Job Description/Duties/Responsibilities	13
1.3 Internship Outcome	14
1.3.1 Contribution to my bank	14
1.3.2 Benefits to the student (Myself):.....	14
1.3.3 Problems and difficulties faced during Internship:.....	15
1.3.4 Suggestion for my bank on future internship program:	15

CHAPTER 2: ORGANIZATION PART: OVERVIEW, OPERATION AND STRATIGIC AUDIT

2.1 Introduction.....	16
2.1.1 Objective.....	16
2.1.2Methodology.....	16

2.1.3	Scope.....	17
2.1.4	Limitations.....	17
2.1.5	Significance.....	17
2.2	Overview of the company.....	18
2.2.1	Organization information.....	18
2.2.2	CSR activity of Islami Bank Bangladesh Limited.....	18
2.2.3	Achievements of IBBL	18
2.3	Management Practices:	19
2.3.1	Risk management practices	19
2.3.2	Human Resource Management Practices.....	20
2.3.3	Green Banking management of my assigned bank	20
2.4	Marketing practices:.....	21
2.4.1	4P.....	21
2.5	Financial Performance and Accounting practices:.....	25
2.5.1	Financial Information and performance analysis	25
2.5.2	Accounting practices.....	29
2.6	Operation management and Information system practice.....	30
2.6.1	Operation Management practices.....	30
2.6.2	Information system practices.....	31
2.7	Industry and competitive analysis.....	31
	SWOT Analysis:.....	31
	Porter's five forces:.....	32
2.8	Summary and conclusion.....	33
2.9	Recommendations.....	34

CHAPTER 3: RISK MANAGEMENT EFFICIENCY OF IBBL AND COMPARISON WITH CONVENTIONAL BANKS

3.1	INTRODUCTION:.....	35
3.1.1	BACKGROUND:.....	35
3.1.2	Objective.....	36

3.1.3 Significance:.....	36
3.2Methodology:.....	36
3.3 Findings and analysis:.....	37
3.3.1 Ratio analysis:.....	37
3.4 Summary and conclusion:.....	64
3.5Recommendation:.....	65
3.6 Reference:.....	66
3.7 APPENDIX.....	67

List of Tables

Table 1 Organization Information of IBBL.....	22
Table 2 Human Resource Strength of IBBL.....	26
Table 3 Total Workforce by Age Distribution of IBBL.....	26
Table 4 Provisional Profit Rate.....	32
Table 5 Key Ratios of IBBL.....	34
Table 6 Key Ratios of IBBL compared with standard ratio.....	34
Table 7: Sector wise investment of IBBL.....	38
Table 8: Mode wise investment of IBBL.....	38
Table 9: Division wise investment of IBBL.....	39

List of Figures

Figure 1: Organogram of IBBL.....	23
Figure 2: Deposit and Investment of IBBL.....	37
Figure 3: Area wise investment of IBBL.....	39
Figure 4: Process of Investment in IBBL.....	40
Figure 5: Credit Approval Process of IBBL.....	40
Figure 6: The Investment (Credit) Risk Process of IBBL.....	51
Figure 7: General Investment Trend of IBBL.....	52
Figure 8: Year Wise Investment Outstanding of IBBL.....	53
Figure 9: Return on Investment of IBBL.....	53
Figure 10: Investment Deposit Ratio of IBBL.....	54
Figure 11: IDR of IBBL compared to conventional Banks.....	55
Figure 12: Non-Performing Investment ratio of IBBL.....	56
Figure 13: NPI of IBBL compared to conventional Banks.....	56
Figure 14: Capital Adequacy Ratio of IBBL	57
Figure 15: CAR of IBBL compared to conventional Banks.....	58
Figure 16: Return on Assets of IBBL.....	59
Figure 17: ROA of IBBL compared to conventional Banks.....	59
Figure 18: Return on equity of IBBL	60
Figure 19: ROE of IBBL compared to conventional Banks.....	61
Figure 20: Efficiency Ratio of IBBL	62
Figure 21: Efficiency Ratio of IBBL compared to conventional Banks.....	62

Chapter 1

Overview of Internship

1.1 Student Information

Name: Afia Mehjabin

ID: 17304102

Program: BBA

Major: Finance & Marketing

1.2 Internship Information

1.2.1 Period, Company name, Department, Address

Period: 90 days (October to December)

Company Name: Islami Bank Bangladesh Limited (under Islami Bank Training and Research Academy)

Department: Investment

Address: Islami Bank Bangladesh Limited, Rampura branch, Dhaka & Online.

1.2.2 Internship Company Supervisor's Information:

1. Name: Md. Khairul Islam

Position: FAVP & Operation Manager, IBBL Rampura Branch

2. Name: Hosne Ara

Position: Vice president, Islami Bank Training and research Academy.

1.2.3 Job Responsibilities

As an intern, I will be responsible for the following tasks.

- ✓ Assisting officers in opening accounts
- ✓ Assisting superiors in issuing and activating debit cards, credit cards and check books
- ✓ Helping customers in withdrawing money with POS machine and Client Contact as needed.
- ✓ Working with the concerned officer to examine the paperwork and securities presented by the loan applicants.

- ✓ Examining the papers and areas where the Bank will invest
- ✓ Assisting officers in calculating the bank's daily performance and preparing the bank's monthly report.

1.3 Internship Outcome

1.3.1 Contribution to IBBL:

Islami Bank Bangladesh Limited has benefited from my contributions in a number of ways. To begin with, the bank's efficiency increased per employee as a result of the support they received. Following my arrival, the number of clients they could service grew. In addition, as an intern at Islami Bank Bangladesh Limited, I assisted a lot of customers in filling out account application forms. This also aided the officers in their goal of opening the most accounts in those three days. Because I spent three days on the account creation area. Not only that, but I also assisted them in computing daily accounts such as how many deposits were received, how much money was taken out of the bank, and how many checks were ordered or issued. So, since I began assisting the officers in this area, the time it took to compute all of those things has decreased. Second, at the investment department, I reviewed the loan seekers' paperwork as well as the papers of the mortgages they gave against the loan amount sought. As a result, the process has sped up since I began assisting the officers with this. So that concludes my contributions to Islami Bank Bangladesh Limited.

1.3.2 Benefits of Myself:

I learned in a variety of ways as an intern at Islami Bank Bangladesh Limited. First and foremost, I have studied corporate conduct. They've trained me about the formalities that an organization or business must follow. Furthermore, I have gotten practical experience with fundamental banking understanding. I learnt how to issue a cheque book, a debit card, a credit card, RTGs (Real Time Gross Settlement), clear a cheque, pay a salary to a separate firm through the bank, examine investment paperwork, and apply for a home loan. These are the practical skills that I have acquired. Not only that, but I've developed my ability to operate under duress. For example, many clients expect their work to be completed quickly. However, managing a large number of clients and completing tasks on schedule might be tough at times. This

internship has taught me how to deal with a variety of situations and serve a large number of clients by working quickly. Furthermore, this internship has provided me with valuable experience that will aid in the advancement of my profession. Internship has increased my confidence and capacity to communicate with many officials. It also aided in the development and acceleration of my abilities. Finally, I received 7,000 takas for my work in bank. So, these are the advantages of doing the internship for me.

1.3.3 Problems faced during Internship:

My internship has been a successful event. During the Internship term, however, I had certain problems. The biggest issue during the internship was computer work. IBBL assigns me certain jobs that I must accomplish from home. However, it was tough to contact with them if there was an issue about the allotted assignment.

1.3.4 Suggestion for IBBL on future internship program:

There are some recommendations for Islami Bank Bangladesh Limited in terms of intern placement and management. The following are some of them:

- 1) They do not assign an intern to a certain computer. As a result, the interns had to complete the tasks assigned to them from home. If they could provide an intern with a computer, the interns would be able to learn more and approach supervisors for assistance more quickly.
- 2) It has been observed that clients do not always identify the intern. As a result, the intern's ID card might be identical to that of the authorities, making it easier for consumers to comprehend.
- 3) Rather of traveling to the bank's training facility, they can recruit the intern directly through the bank. Except for Islami Bank Bangladesh Limited, most banks do.

So, these are the recommendation for Islami Bank Bangladesh Limited on future internship program.

Chapter 2

Organization Part

2.1 Introduction

2.1.1 Objective

The following is the goal of examining the overview, operational description, and strategic unit practices:

- ✓ Analyzing management, marketing, and financial methods will give readers and future academics a clear picture of IBBL's activities.
- ✓ After studying the various types of practices, readers will learn about the areas in which IBBL has to develop.
- ✓ The readers will be informed about IBBL's status in Bangladesh in compare to conventional banks.

These are the goals of the analysis of the overall operation and strategic audit.

2.1.2 Methodology

I gathered several sorts of information from various credible locations in order to provide an overview of my bank. I have two sorts of resources at my disposal. The following is a list of what they are:

1) Primary Resources:

- ❖ Working under the close supervision of the training facility's director of operations and vice president gave practical experience.
- ❖ Practical knowledge of operations management techniques
- ❖ They've given me several documents, which are also one of my main sources of information.

2) Secondary Resources:

- Islami Bank Bangladesh Limited's website
- IBBL's annual report
- Bangladesh Bank's website

- IBBL's various news and events from online media
- IBBL's many research papers

Ratio Analysis- Ratio analysis was performed using data from the previous five years (2016-2020). Because several banks have yet to issue their annual reports, the year 2021 has been omitted.

SWOT analysis is a strategy for assessing IBBL's strengths, weaknesses, and opportunities.

Porter's five forces analysis is a way for calculating an industry's competitive intensity.

2.1.3 Scope

The research will benefit from this analysis in deciding managerial, promotional, financial, and operational approaches. This will enable a more thorough investigation of banking management and operation.

2.1.4 Limitations

Despite the fact that the employees at Islami Bank Bangladesh Limited, Rampura Branch, and Islami Bank Training and Research Academy were quite helpful, I came into the following challenges throughout my research that may be considered study limitations. Some restrictions are as follows:

- The research's principal restriction was a lack of information, which was essential for the investigation. Due to security and other business duties, the bank employee is unable to reveal some information.
- It was quite difficult to learn all of the banking activities as well as investment risk management in just 60 days.
- Secondary sources provided the significant data and info used in this investigation.
- A large-scale investigation was not possible due to the bank's restrictions and bans. Another issue in this paper is the bank's practice of withholding some information and data for clear reasons, that might make the report very helpful.

These limits have been encountered in the report, which may obstruct the study's development, but I am working hard to reduce the negative consequences of these restrictions.

2.1.5 Significance

There are a few advantages to studying an organization. It will highlight the genuine situation of IBBL and how they may improve it by studying marketing, management, and financial processes. Furthermore, the comparative and industry average will highlight where IBBL stands and how they may improve. So, these are the benefits of conducting an organization analysis.

2.2 Overview of IBBL

The interest-based banking structure and procedure are well-known to us all. Islami Bank Bangladesh Limited was founded on March 13, 1983 as Southeast Asia's first Shariah-based interest-free bank as a public limited corporation. The bank's first office, the Local Office in Motijheel, Dhaka, opened informally on March 30, 1983. On August 12, 1983, it was officially opened to the public. Moreover, Islami Bank Bangladesh Limited is a commercial banking joint venture public limited corporation with a large branch network. It was created on the principles of Islami Shariah and also has a foreign involvement of 63.09 percent. Islamic banking systems presently accounts for 25% of all private bank deposits and 30% of all private bank investments, according to the Bangladesh Bank, the country's central bank.

Mission: To establish Islamic banking through the introduction of a welfare-oriented banking system, as well as to ensure equity and justice in all economic activities, to achieve balanced growth and equitable development through diversified investment operations, particularly in priority sectors and underdeveloped areas of the country, and to achieve balanced growth and equitable development through diversified investment operations. Encourage low-income people, particularly in rural regions, to participate in socioeconomic development and financial services.

Vision: IBBL's aim is to continually strive for exceptional financial performance and to be recognized as a leading Islamic bank in terms of reputation and performance:

- To establish and maintain modern banking techniques, to ensure the soundness and development of the financial system based on Islamic principles, and to become a strong and efficient organization with highly motivated professionals working for the benefit of people, based on accountability, transparency, and integrity in order to ensure financial system stability.
- To stimulate direct investment of savings, particularly in initiatives that are more likely to result in increased employment.

2.2.1 Organization information

Organizational Information:	
Chairman, Board of Director	Mohammad Nazmul Hassan
Managing Director & CEO	Mohammed <u>Monirul Moula</u>
Company Secretary	J. Q. M. Habibullah, FCS
Total Branch	373
Sub Branch	162
SME/Agriculture Branch	30
Zone	16
AD Branch	61
Offshore banking Unit	03
ATM Booth (own) & CRM	1752
ATM Booth (shared)	12,000+
Instant Deposit Machine (IDM)	126
Sheba <u>Ghar</u>	47

Agent Banking Outlet	2273
Employees	18,621
Directors	20
Sponsors	19
Placement holders	17
Shareholders	33,869
MPB holders	13,974
Local Shareholders	57.38%
Foreign Shareholders	42.62%
Foreign Correspondents	610
Total Branch	373
Sub Branch	162
SME/Agriculture Branch	30
Zone	16

Table 1 Organization Information of IBBL

The data presented above is for the period ending December 31, 2020.

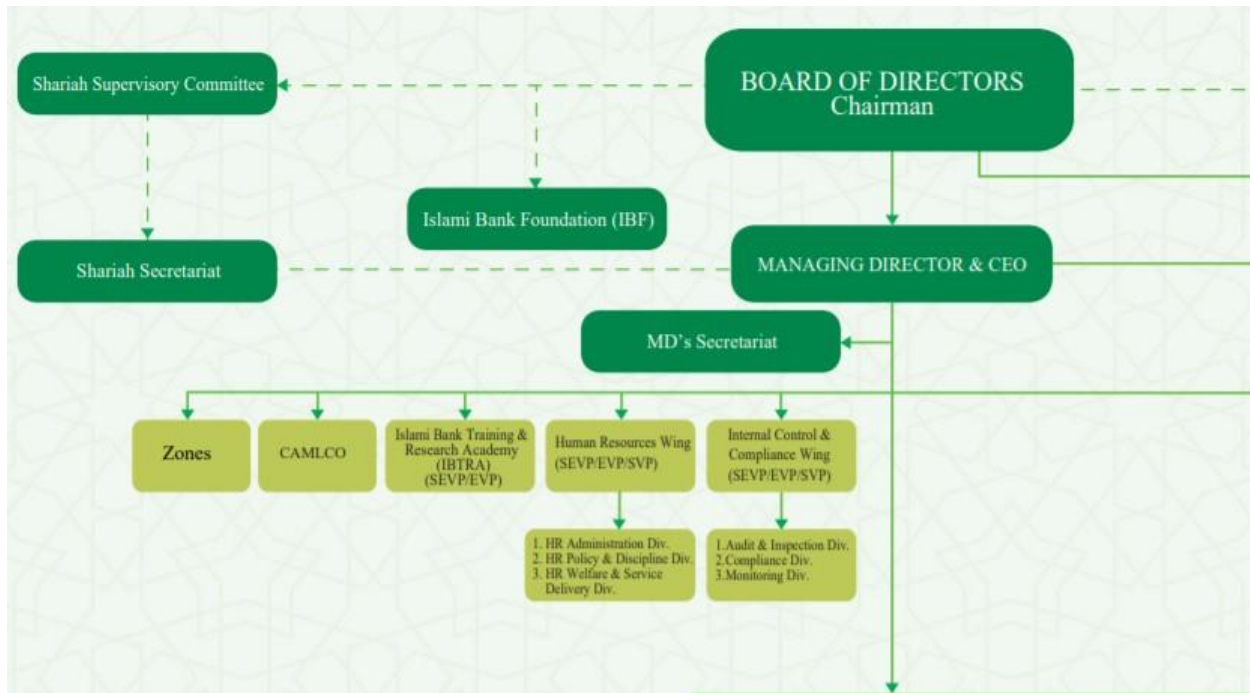


Figure 1: Organogram of IBBL

2.2.2 CSR activity of Islami Bank Bangladesh Limited

IBBL has made major contributions to the social welfare of the people. IBBL has formed a charity organization named "Sadaqah Tahbil" through which it carries out its charitable activities. This is also accomplished through the establishment of a Islami Bank (IBF). They do have a corporate social activities department to safeguard people's well-being. They also established a sustainable financing division in 2017. Banks' long-term existence depends on their capacity to provide sustainable finance. They also gather "Zakat" from the general public and give it to them. The total amount spent on corporate social responsibility is 430,358 million dollars. As a consequence, IBBL is heavily active in corporate social responsibility (CSR) activities.

2.2.3 Achievements of IBBL

IBBL has won several honors both at home and abroad. The following are their major accomplishments:

- In a ranking of the top 1000 banks around the world prepared by a UK-based financial newspaper, IBBL is the only bank in Bangladesh (The banker).
- IBBL earned the first award of the SARRC Anniversary Award for Corporate Governance from the Institute of Chartered Accountants of Bangladesh.
- IBBL was honored by the United Arab Emirates Exchange for mobilizing 30% of the country's entire remittances (ICAB).

So, these are IBBL's significant accomplishments.

2.3 Management Practices:

The "management committee" of IBBL, which is made up of 12 people, is the senior management body. This management committee investigates problems before submitting them towards the board of directors, internal auditor, executive body, & risk management. IBBL has excellent management systems and procedures, which have allowed it to become Bangladesh's number one bank. The following are the primary management practices that the management employs:

- They place a high importance on effective fund management since the bank will improve day by day if the input and outflow of liquid money are effectively managed.
- Both on-site and off-site oversight, IBBL management ensures 100 percent compliance.
- IBBL has developed a Islami Bank training and research academy to manage staff quality.

2.3.1 Risk management practices

Stress testing is how IBBL controls its risk. Islami Bank Bangladesh Limited conducts periodic stress tests and analyzes capital stress by delivering individual and cumulative shocks to various sectors. The following are the elements that are taken into account during stress testing:

1. Investment risk of my assigned bank
 - a) Dilate of non-performing Investment (overall)
 - b) Default of top large browser leads to amplify of NPI
 - c) Reduction of forced sale value of mortgage collateral
 - d) When there is a downward shift of NPI categories

2. Profit rate risk of my assigned bank
 - a) Simple sensitivity analysis of IBBL
 - b) Duration GAP analysis of IBBL

3. Exchange rate risk of my assigned bank
4. Equity price risk of my assigned bank
5. Liquidity risk of my assigned bank
6. Value risk of my assigned bank

2.3.2 Human Resource Management Practices

The human resource management branch of IBBL is one of the most essential. There are 11831 employees in all, which is a large amount. They founded the "Islami Bank Training and Research Academy" to teach this large number of personnel. Their direct supervision is in charge of the training and internship program. During the year 2019, IBTRA hosted 188 programs. In 2019, however, they held a total of 524 programs. Furthermore, several tests are given in order to improve the performance of their employees. The promotion mechanism is based on prior experience as well as exam results. IBBL hires employees based on their qualifications. They frequently seek out exceptional individuals in diverse fields and train them. The recruitment policy is approved by the board of directors to guarantee that the right person is hired for the right role. It is estimated that 70% of the workforce is under the age of 40. As a result, IBBL is empowering young people.

Category	2019	2020
Executive	842	928
Officer	9,730	10,945
Sub-Staff	1,962	1,932
Sub total	12,534	13,805
Rural Development Scheme (RDS)	2,832	2,756
Others (Temporary)	1,441	2,060
Total Manpower	16,807	18,621
Total Branch	357	373
Per Branch Employee (including RDS & others)	47	50
Per Branch Employee (Excluding RDS & others)	35	37

Table 2 Human Resource Strength of IBBL

Age Group	Female	Male	Total
18-25	37	640	677
26-35	720	5,569	6,289
36-45	226	7,307	7,533
46-55	20	2,315	2,335
>56	0	358	358
N/A	11	1,418	1,429
Total	1,014	17,607	18,621

Table 3 Total Workforce by Age Distribution of IBBL

2.3.3 Green Banking management of IBBL

IBBL's green banking management unit strives to invest in industries that are ecologically friendly and minimize carbon emissions. The following are the sectors in which IBBL invests:

- 1) Renewable energy sources
- 2) Energy that can be used effectively
- 3) Waste disposal
- 4) Recycle, as well as the goods created from recycled materials.
- 5) Products that are environmentally friendly

In 2019, they finished 14,328 projects for a total of 291,120 million Tk on social and environmental risk management. They have an environmental policy fund as well. Green investment will make up 10% of the total disbursed funded investment at IBBL.

As a result, IBBL's management procedures are as follows.

2.4 Marketing practices:

IBBL is concentrating its marketing efforts on the recently launched lounge goods and services. However, they are currently concentrating their efforts on publicizing the digital services they offer. Islami Bank Bangladesh Limited employs a variety of marketing techniques. They do not, however, distribute any advertisements that are in violation of Islamic law since they are founded on Islami Shariah. As a result, the marketing media they employ are as follows:

2.4.1 4P's

Product, pricing, location, and promotion are the four P's:

Product: IBBL provides a variety of items. The following are the products:

Deposit product: In the deposit product, people can open a variety of accounts. There are essentially two types of deposit items in IBBL. Al-Wadeah and Mudaraba are the two sorts of accounts. There has been no profit sharing in the Al-Wadeah accounts, and no losses will be incurred by the account holder. Mudaraba accounts, but at the other hand, are available in a wide range of sizes and forms.

The following are some of them:

Al-Wadeah Current Account (AWCA)

Mudaraba Savings Account (MSA)

Mudaraba Term Deposit Account (MTDR)

Mudaraba Special Notice Account (MSNA)

Mudaraba Hajj Savings Account (MHSA)

Mudaraba Special Savings (Pension) Account (MSSA)

Mudaraba Savings Bond (MSB)

Mudaraba Monthly Profit Deposit Account (MMPDA)

Mudaraba Muhor Savings Account (MMSA)

Mudaraba Waqf Cash Deposit Account (MWCDA)

Mudaraba NRB Savings Bond (MNSB) Account

Mudaraba Foreign Currency Deposit Account (MFCD)

Students Mudaraba Savings Account (SMSA)

Mudaraba Farmers Savings Account (MFSA)

Investment Product and services: The investment can be made in one of three ways. Furthermore, there are other investing options. The three investing options are as follows:

Bai Modes

- i. Bai – Murabaha:** The phrase 'Bai-Murabaha' is derived from the Arabic terms and (Bai'un and Ribhun), respectively. The term refers to the purchase and selling of goods, as well as a profit that has been agreed upon. 'Bai-Murabaha' refers to a profit-sharing arrangement.
- ii. Bai-Muajjal:** Bai-Mujjal is described as an agreement between a buyer and a seller in which the seller offers the buyer certain designated items (allowable according Islamic Shariah and national law) for a predetermined price payable in installments or fixed payments at a future date. The vendor may also sell the things he has acquired according to the buyer's order and specifications.
- iii. Bai-Salam:** Bai-Salam is a combination of the Arabic words Bai and Salam. Bai and Salam are two words that indicate selling and purchasing. As a result, Bai-Salam refers to selling and buying ahead of time. The bank will enter into a contract with the consumer for the executive buy & pays against by the proposed price in the manufacturing process under this approach.
- iv. Bai-Istishna:** The Istishna is derived from the term Istishna, which signifies manufacturing firm or industry. Istishna refers to things produced as a result of placing

orders with producers. Istishna is indeed an agreement in between sender and a receiver where the seller sells a specified product to the buyer after it has been manufactured. In a nutshell, it's a contract with such a manufacturer to produce a product.

- v. **Bai-As-Sarf:** Bai-As-Sarf is indeed an Islamic manner of post-shipment exporting finance in which a compliant export document is acquired at a discounted rate and then modified on maturity using the export revenues.

Share Modes

- i. **Mudaraba:** Mudaraba is an agreement between two parties in which one party (the Bank) provides capital and the other party (the Client) contributes his efficiency, labor, and other required business operations. In such a company, the bank is known as Shahib-al-Maal, and the customer is known as Mudarib. In a mudaraba, Shahib-al-Maal suffers the entire loss (100%) and profits are distributed according to the agreement. However, if the mudarib's attitude is deemed to be negligent, he or she must recompense to cover the damage.
- ii. **Musharakah:** The Arabic words "Shirkah" and "Sharika" were used to coin the terms "Shirkat" and "Musharakah." Shirkah is a term that refers to a collaboration between two or more people. As a result, the terms "Musharakah" and "Shirkat" refer to a partnership formed by two parties for the purpose of a business endeavor in which they share both capital and management. The profit and loss may be split among the partners according to an agreed-upon ratio.

Ijarah Modes

The word Ijarah comes from the Arabic word ijarah, which signifies consideration, repayment, salary, or rent. This is the asset's trade value or consideration, as well as its return, wages, and rent of service. Ijarah is a contractual arrangement, the Hiree and the Hirer, in which the Hirer receives a certain service or benefit in exchange for a specific fee or rent from the Hiree's asset. It is a hiring arrangement in which the Hiree hires out a specific asset to a Hirer for a certain length of time in exchange for a fixed rent or fee.

i. HPSM (Hire Purchase Under Shirkatul Melk):

The Bank may provide tools, equipment, or items on a rental basis under this manner. The Bank and the client will jointly own the implements/equipment/goods, with the client's half remaining as a mortgage until the investment account is closed, however the customer will be entitled to retain the equipment for a certain term. After the installments are completed, the customer will become the owners of the implements/equipment/goods. Purchase/hire A particular sort of contract known as Shirkatul Melk has been evolved via practice. This category includes structures, apartments, machinery equipment (commercial, industrial, agricultural, transportation, real estate, and other schemes). It is actually a combination of 3 agreements: 1. Shirkat, 2. Ijarah, and 3. Sale.

Investment Scheme

House Hold Investment Scheme

Investment Scheme for Doctors (ISD)

Transport Investment Scheme (TIS)

Car Investment Scheme (CIS)

Small Business Investment Scheme (SBIS)

Micro Industries Investment Scheme (MIIS)

Agricultural Implement Investment Scheme (AIIS)

Real Estate Investment Program (REIP)

Real Estate Investment (Commercial & Working Capital)

Agricultural Investment of IBBL

NRB (Non-Resident Bangladeshi) Entrepreneurs Investment Scheme (NEIS)

Women Entrepreneurs Investment Scheme (WEIS)

Rural development schemes: For the betterment of rural populations, a rural development program has been implemented. The following is a list of IBBL's services:

IBBL offers a wide range of services. The following are the service names:

- ❖ NRB service
- ❖ SME service
- ❖ SMS service
- ❖ Foreign exchange business service
- ❖ Locker service
- ❖ Off shore banking service
- ❖ I-banking service
- ❖ SWIFT service
- ❖ M cash
- ❖ Credit card and debit card
- ❖ Remittance card

Price: Interest is not charged by IBBL. They do, however, make money off of the services they provide, and the profit percentage changes from day to day. The following are approximate rates:

Deposit Type	Deposit Accounts Name	Term	Rate (Provisional)
MSA	Mudaraba Savings Account		2.25
SMSA	Student Mudaraba Saving Account		2.25
MPSA	Mudaraba Priority Saving Account		4.4
MFSA	Mudaraba Farmers Saving Account		2.25
MSNDA	Mudaraba Special Notice Deposit Account		1.8
MIESA	Mudaraba Industrial Employee Saving Account		2.6
mCash	mCash Deposit Scheme		2
MPSA	Mudaraba Payrol Saving Account		2.6
MUDA	Mudaraba Upohar Deposit Account		2.25

MSSA	Mudaraba Special Savings (Pension) Account	10 years	5
MSSA	Mudaraba Special Savings (Pension) Account	5 years	4.75
MSSA	Mudaraba Special Savings (Pension) Account	3 years	4.6
MMPDSA	Mudaraba Monthly Profit Deposit Scheme	5 years	6.25
MMPDSA	Mudaraba Monthly Profit Deposit Scheme	3 years	5.75
MBSA	Mudaraba Bibaho Saving Account	5 years	5.1
MBSA	Mudaraba Bibaho Saving Account	3 years	5
MTDRA	Mudaraba Term Deposits Receipt	1 month	3.1
MTDRA	Mudaraba Term Deposits Receipt	3 months	5.5
MTDRA	Mudaraba Term Deposits Receipt	100 days	5.5
MTDRA	Mudaraba Term Deposits Receipt	6 months	5.51
MTDRA	Mudaraba Term Deposits Receipt	200 days	5.51
MTDRA	Mudaraba Term Deposits Receipt	300 days	5.52
MTDRA	Mudaraba Term Deposits Receipt	12 months	5.52
MTDRA	Mudaraba Term Deposits Receipt	24 months	5.53
MTDRA	Mudaraba Term Deposits Receipt	36 months	5.54
MSBA	Mudaraba Savings Bond Account	8 years	5.2
MSBA	Mudaraba Savings Bond Account	5 years	5
MNRBSBA	Mudaraba NRB Savings Bond Account	10 years	5.5
MNRBSBA	Mudaraba NRB Savings Bond Account	5 years	5

MHSA	Mudaraba Hajj Savings Account	(11-25) years	6
MHSA	Mudaraba Hajj Savings Account	(01-10) years	5.25
MWCDA	Mudaraba Waqf Cash Deposit Account		6.25
MMSA	Mudaraba Muhor Savings Account	10 years	5.5
MMSA	Mudaraba Muhor Savings Account	5 years	5

Table 4 Provisional Profit Rate

The charges of some other service are given below:

- For ATM service they charge 300 Taka yearly
- For locker service IBBL charges the small locker for 2000 Taka yearly, medium locker 3000 Taka yearly and 5000 Taka yearly.

Place: In Bangladesh, IBBL has 552 branches. There are 17 zones that have been created from all of the branches. Furthermore, there are 59 AD branches. IBBL has set up ATMs all around the country to facilitate digital transactions. IBBL has a total of 1131 ATM booths. As a result, the numbers are enormous, and they serve people in all areas.

Promotions: IBBL employs a variety of promotional strategies to reach out to the general public. The following are some of their promotional activities:

Free of cost media casting: Free media casting includes press releases and good news regarding Islami Bank Bangladesh Limited which appear in different electronic and print media, as well as on television. Islami Bank Bangladesh Limited earned a significant amount of free media exposure in 2019, with nearly 8070 slots across printed, electronic, and online media. It has a news value of Tk. 56.83 crore and a PR value of Tk. 170.50.

Main area of branding the products and services: IBBL develops their brand using a variety of media. IBBL, on the other hand, has switched to digital marketing as the world becomes more technologically advanced and people become more reliant on it. On their Facebook page in 2019, IBBL has 412 static and video posts. In addition to online advertising through social media, IBBL also advertises on television and radio. In addition, IBBL places advertisements in newspapers.

Branding through Games involvement: The Bangladesh cricket board organizes the BCL (Bangladesh cricket league), and the IBBL features a team named "Islami Bank East Zone." They do admirably in sports, finishing second last year. As a consequence, they are also considering investing in the games industry, which has a lot of potential given that cricket is our country's most popular sport. So, these are IBBL's marketing techniques for reaching out to the normal community.

2.5 Financial Performance and Accounting practices:

IBBL's financial performance is excellent. They have maintained a strong financial position from the commencement of their operations, and certain figures suggest that they are expanding.

2.5.1 Financial Information and performance analysis

For the past five years, some of the most important IBBL ratios have been listed below:

Ratios	Years				
	2016	2017	2018	2019	2020
ROI	8.20%	8.29%	8.14%	8.60%	8.59%
ROE	9.28%	9.63%	11.07%	9.08%	7.38%
CAR	10.82%	11.30%	11.97%	12.95%	13.55%
IDR	86.43%	87.80%	90.80%	89.39%	80.42%

EPS	2.77%	2.91%	3.77%	3.31%	2.81%
NPI	3.83%	3.59%	4.12%	3.82%	3.41%

Table 5 Key Ratios of IBBL

Sl.	Name of the Ratio	Standard Ratio	IBBL'S Ratio
01	Cash Reserve Ratio (CRR)	4%	17.05%
02	Statutory Liquidity Requirement (SLR)	5.50%	19.86%
03	Investment Deposit Ratio (IDR)	<92%	80.42%
04	Liquidity Coverage Ratio (LCR)	≥100%	253.79%
05	Net Stable Funding Ratio (NSFR)	>100%	105.75%

Table 6 Key Ratios of IBBL compared with standard ratio

The return on investment of IBBL has improved from 2016 to 2018, as seen in the table above. On the other hand, has dropped to some level in 2019. With the exception of 2019, we can claim that IBBL was earning a good return on their investments.

As shown in the table above, the return on equity is indeed not constant. In 2018, the return on equity is quite high (11.07 percent). In 2020, however, it has dropped to 7.38 percent. This indicates that the bank's profitability has decreased in relation to stockholders' equity, which is not a positive indicator. As a result, IBBL has the potential to excel in this area.

The capital adequacy ratio assesses a bank's capacity to meet its obligations and also other concerns such as credit risk and operational risk. A 10 percent ratio generally deemed acceptable in general, and the bank was able to achieve this requirement. From 2016 to 2020, the bank's capital adequacy ratios remained regularly over 10%, suggesting that the bank's capacity to fulfill liabilities and other risks including credit risk and operational risk was sufficient.

As seen in the table above, the investment deposit ratio for IBBL changed throughout time. It may be assumed that the bank has the ability to transform its deposit in to investment, that is a

good sign. During the previous five years, the bank has never had an investment deposit ratio of less than 85 percent and has always attempted to achieve 90 percent, as per Bangladesh Bank instructions.

The IBBL seems to have been variable in non-performing investments during the previous five years, as seen in the table above (2016 to 2020). They significantly decreased non-performing investment in 2019 compared to 2018. As a consequence, IBBL's investment revenue grew in 2019 as compared to 2018. In conventional banks, this figure is referred to it as the nonperforming loan ratio.

2.5.1.1 Five Years Performance of IBBL at a Glance:

(Amount in million Taka)

Sl. No.	Particulars	2020	2019	2018	2017	2016
Balance Sheet Matrix						
1	Authorized Capital	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
2	Paid up Capital	16,099.91	16,099.91	16,099.91	16,099.91	16,099.91
3	Share Premium	1.99	1.99	1.99	1.99	1.99
4	Reserve Fund	43,902.99	40,941.78	37,186.41	32,619.08	31,029.05
5	Retained Earnings	1,609.99	1,609.99	1,609.99	1,609.99	1,609.99
6	Shareholders' Equity	61,612.88	58,651.67	54,896.30	50,328.98	48,738.95
7	Total Deposit	1,179,476.48	946,216.97	822,573.12	755,022.25	681,352.25
8	Total Investment	1,109,395.31	953,150.85	847,370.71	748,672.54	676,747.80
9	General Investment	1,035,287.88	899,013.21	805,760.06	710,728.93	616,418.91
10	Investment Deposit Ratio	80.42%	89.39%	90.80%	87.80%	86.43%
11	Total Assets (including Contra)	1,624,916.66	1,316,169.23	1,170,422.26	1,069,709.07	936,945.69
12	Total Assets (excluding Contra)	1,416,828.50	1,141,492.97	997,429.60	899,959.78	797,699.66
13	Fixed Assets	17,809.90	16,186.65	15,346.42	15,475.41	15,586.91

Capital Measure Matrix

14	Total Risk Weighted Assets (RWA)	644,139.50	610,712.38	581,444.97	513,097.86	467,212.42
15	Core Capital-Tier-I	55,181.93	52,221.30	48,523.68	44,026.11	40,848.31
16	Supplementary Capital (Tier-II)	32,070.80	26,858.40	21,094.90	13,931.96	9,708.15
17	Regulatory Capital (Tier I, II & III)	87,252.72	79,079.70	69,618.58	57,958.08	50,556.47
18	Statutory Capital (Paid up Capital & Statutory Reserve)	35,835.37	34,835.38	33,835.37	32,835.38	32,199.82
19	Equity/Capital Surplus/(Deficit)	6,740.89	2,740.65	571.99	234.33	915.15
20	Capital Adequacy Ratio	13.55%	12.95%	11.97%	11.30%	10.82%

Assets Quality Matrix

21	Classified Investment	35,259.10	34,384.54	33,169.29	25,518.61	23,601.59
22	Classified Investment to Total Investment	3.41%	3.82	4.12%	3.59%	3.83%
23	Provision against Classified Investment (Objective Criteria)	23,572.03	23,994.33	17,441.34	15,020.40	10,075.47
24	Provision against Classified Investment (General)	12,725.89	10,744.99	10,805.49	9,726.12	9,246.37

25	General Provision against Unclassified Investment (including OBU)	10,251.06	7,372.13	6,516.05	4,918.36	4,837.91
26	General Provision on Off Balance Sheet Items	1,567.09	1,486.28	1,420.80	1,697.49	1,392.46

Operating Performance Matrix

27	Investment Income	74,305.33	75,748.84	67,166.19	57,141.63	52,942.09
28	Profit Paid on deposit	44,787.01	44,941.33	37,999.26	31,383.09	29,345.11
29	Net Investment Income	29,518.33	30,807.51	29,166.93	25,758.54	23,596.98
30	Non-Investment Income and Income from Share & Securities	10,180.05	12,382.28	10,429.90	9,797.72	8,615.36
31	Total Income	84,493.38	88,131.12	77,596.09	66,939.35	61,557.45
32	Administrative & other Exp.	24,908.16	21,276.17	19,357.25	18,751.44	17,687.22
33	Total Expenditure Excluding Provision	69,695.17	66,217.50	57,356.51	50,134.53	47,032.33
34	Provision for Investment, Off Balance Sheet Items & Other Assets	4,109.13	7,813.86	6,538.53	4,691.50	4,225.97
35	Total Expenditure Including Provision	73,804.30	74,031.36	63,895.04	54,826.03	51,258.30
36	Net Profit before Tax	10,689.09	14,099.75	13,701.05	12,113.32	10,299.15
37	Net Profit after Tax	4,521.01	5,328.39	6,075.14	4,692.95	4,464.98
38	Provision for Income Tax	6,168.08	8,771.36	7,625.90	7,420.37	5,834.17

Identification and mitigation of Investment risk:

The likelihood of financial losses owing to counterparties' incapacity or reluctance to fulfill legally agreed-upon payments is referred to as investment risk. According to the annual report, credit risk accounted for 85 percent of total Risk Weighted Asset (RWA) in Bangladesh, while it accounted for 90 percent in IBBL. As a result, investment risk is a critical component of IBBL's risk management strategy.

The Board of Directors of IBBL has approved the bank's Investment Risk Management Policy, which plays a crucial and strategic role in the bank's day-to-day operations. The policy outlines the parameters for customer choosing, proper research, early alarm reporting, tolerable ranges of financial investments, and portfolio management in accordance with the Bank's risk appetite. The aim is to use tough criteria along with solid collateralization whenever possible to minimize substantial investment risk on a counterparty or portfolio level. The plan is guided and changed on a routine basis by the Directors to assure that it is consistent with the Business's business plan. The monthly Investment Risk Management Council meeting, overseen by the Head of Investment Wing, is where policy decisions and strategy implementation are decided.



Figure 2: Deposit and Investment of IBBL

SL	Sector	2020	
		Amount Outstanding	% to Total Investment
1	Industrial	562,743	54.36%
2	Trade & Commerce	304,478	29.41%
3	Real Estate	65,914	6.37%
4	Consumer	39,116	3.78%
5	Agriculture	29,541	2.85%
6	Transport	8,192	0.79%
7	Construction	5,474	0.53%
8	Others	19,829	1.91%
	Total	1,035,287	100.00%

Table 7: Sector wise investment of IBBL

Investment Mode	31.12.2020	% to Total Investment
Bai-Murabaha	621,217	60.00%
HPSM	214,846	20.75%
Bai-Muajjal	78,464	7.58%
Quard	44,567	4.30%
Bai-Salam	15,525	1.50%
Bills Purchase & Neg.	55,477	5.36%
Mudaraba	4,800	0.46%
Musharaka	391	0.05%
Grand Total	1,035,287	100.00%

Table 8: Mode wise investment of IBBL

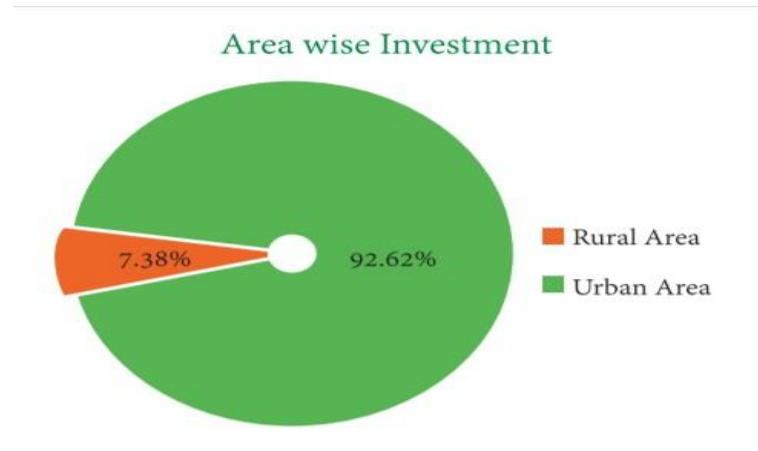


Figure 3: Area wise investment of IBBL

SL No	Division	Position as on 2020	
		Amount	%
1	Dhaka	530,950	51.29
2	Chittagong	290,458	28.06
3	Rajshahi	81,647	7.89
4	Khulna	59,952	5.79
5	Rangpur	31,092	3.00
6	Sylhet	15,300	1.48
7	Barishal	13,893	1.34
8	Mymensingh	11,995	1.15
	Total	1,035,287	100.00

Table 9: Division wise investment of IBBL

Investment Processing and Approval Structure:

IBBL has specialized rules in place for inducting, dealing, processing, sanctioning, and addressing late and nonperforming assets as the country's largest investment portfolio-dealing bank. The Board of Directors of the Bank gives the Branch Incumbent sanctioning authority. The procedure for investment approval is carried out in compliance with the Bank's approved policy. There is an Investment Appraisal committee at every approval unit, i.e., at the Branch, Zone, and Head Office levels, that primarily appraises and recommends projects. We will look at the method wise investing and identify the primary types of investment contracts IBBL is presently utilizing in order to estimate the bank's investment risk exposure.

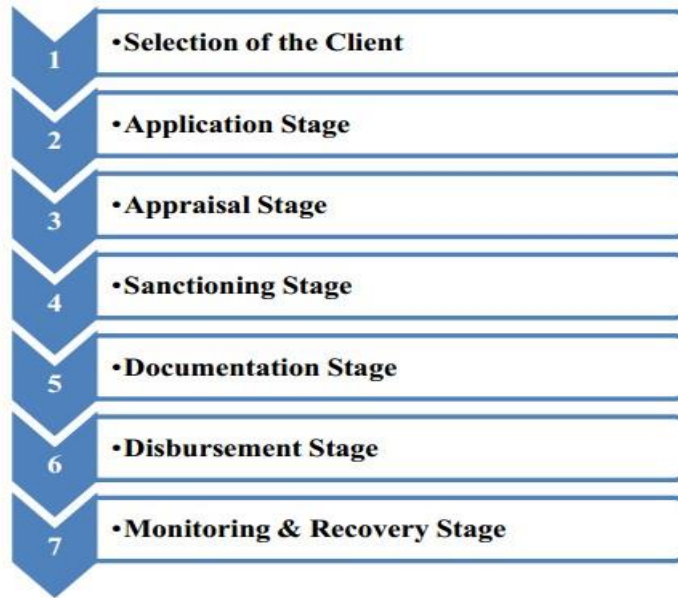


Figure 4: Process of Investment in IBBL

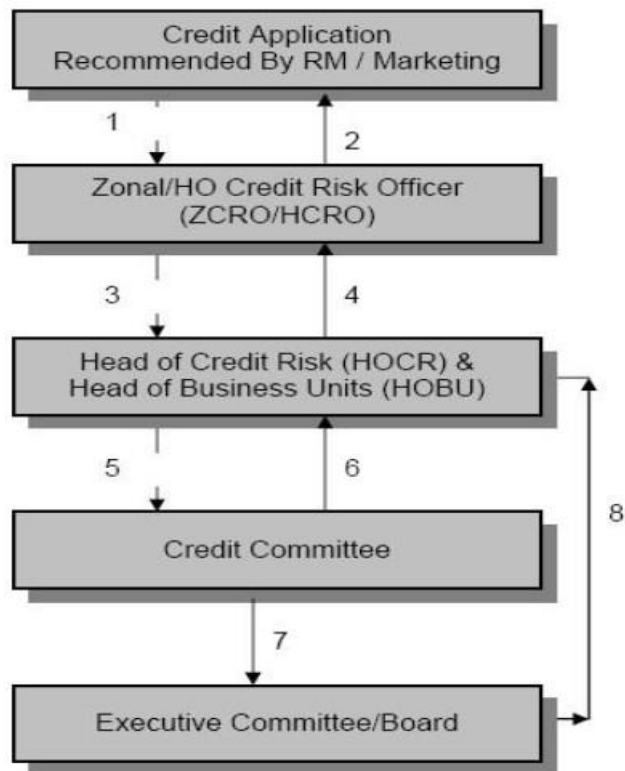


Figure 5: Credit Approval Process of IBBL

Credit Recovery:

This is the final stage of the IBBL's investment procedure. IBBL will keep in touch with their customer on a regular basis, for example, in the event of a micro investment, the bank may request a monthly stock report from the client. Here, the bank will keep a close check on the investor. If required, the bank will conduct a physical examination of the client's activities. If the bank feels something is wrong, it will try to reclaim the monies it invested in the consumer.

2.5.2 Accounting practices

Islami Bank Bangladesh Limited is committed to making accounting processes transparent. Each branch completes the computations separately before reporting them towards the Bangladesh Bank and the Islami Bank head office on a daily basis. However, certain computations are completed after the month's end and reports are forwarded to the central office. Two processes are used in the computation of Islami Bank Bangladesh Limited. The following are some of them:

- 1. Manual accounting system:** Islami Bank Bangladesh Limited has yet to completely implement a computerized accounting system. They still use bookkeeping to make some of their computations. For openness, they keep accurate records and accounts. However, the number of people who perform manual computations is relatively small, and it is shrinking every day.
- 2. Computerized accounting system:** They create financial reports using computerized software. They prepare financial statements using appropriate and proper accounting procedures, such as International Accounting Standards (IASs)/ International Financial Standards (IFSs). In addition, Islami Bank Bangladesh Limited follows Bangladesh accounting norms (BAS). More specifically, Islami Bank Bangladesh Limited pays close attention to the software they utilize for internal control and accounting records.
- 3. Accrual basis of accounting:** Except for the cash flow statement, Islami Bank Bangladesh Limited compiles its financial statements on an accrual basis. When goods meet the definitions and recognized requirements for those aspects in the Framework, Islami Bank classifies them as assets, liabilities, equity, income, and costs. The statement of cash flow, on

the other hand, is prepared using the indirect technique in line with the international accounting standard 7 "Statement of cash flow."

2.6 Operation management and Information system practice

Islami Bank Bangladesh Limited has a sound management and information system in place. IBBL also has an operational wing and an internal compliance wing to handle operational management. There's also ICT management, which involves storing data and information in a digital manner.

2.6.1 Operation Management practices

The main practice of operational management is to follow shariah in all aspects of everyday operations. Every branch has an operations manager who is in charge of the bank's day-to-day operations. Furthermore, IBBL follows a strict code of ethics in its everyday operations. Every branch's operational manager examines daily deposits and other indicators to determine how well the bank is performing. IBBL's branches send their reports to the main office, and the operational wing is in charge of each branch's management. The Nawabpur Road corporate branch and the local office branch are IBBL's major operational units. They primarily concentrate on the operational strategies that IBBL must use in order to maintain a healthy operational management and boost the banks' operational efficiency. The following are the most important operational procedures:

- ❖ Focus on Maqasid-al-Shariah
- ❖ Versatile banking
- ❖ Mass banking
- ❖ Need based banking

IBBL's main management techniques are as follows. IBBL, on the other hand, has certain fundamental banking operations. IBBL focuses primarily on core banking operations since they are critical to the bank's business. The following are the basic banking practices:

- ❖ **Deposit:** IBBL's operations are primarily focused on the deposit. They keep track of the daily deposit and withdrawal amounts at all times.
- ❖ **Operational result:** The operational outcomes are closely monitored every day. They're mostly concerned with profit indicators like assets ratio (ROA), return on equity (ROE), and profits per share (EPS). In accordance with Base -III guidelines, IBBL maintains its capital adequacy. So, these are IBBL's operational procedures.

2.6.2 Information system practices

To examine the bank's status, you'll need a lot of facts or information. Data and information are kept highly secure at Islami Bank Bangladesh Limited. As a result, IBBL must maintain some activities on a regular basis. The following are some of them:

- ❖ **Information system for management:** IBBL has a well-functioning management information system. This management information system (MIS) has now been deployed in all Islami Bank Bangladesh Limited branches. The bank's management keeps track of the company's growth, trends, and other performance indicators. They may also easily acquire data from of the Bangladesh bank, the World Bank, ministries, the IMF, the IFC, and the ADB utilizing the central MIS.
- ❖ **On-line data center and Disaster recovery site:** IBBL has the biggest Data Centre in the banking business, that operates upon that ORACLE Exudate system inside the data center, HOT DR, and DR site. As per Bangladesh Bank's requirements, IBBL has also completed the development of such a Disaster Recovery Site (DRS) like a duplication of the present Data Center.
- ❖ **BATCH (Bangladesh Bank Automated Clearing House):** BATCH (Bangladesh Bank Automated Clearing House) BATCH is used to clean out information and instruments that are no longer needed. This BATCH was introduced by IBBL, which maintains a huge variety of data and information sets. The Management Information Department (MISD) of Islami Bank Bangladesh Limited is in charge of looking after the information and storing it in a system.

2.7 Industry and competitive analysis

In Bangladesh's banking industry, Islami Bank Bangladesh Limited is performing very well. Some major financial statistics will indicate whether Islami Bank Bangladesh Limited compares to the competition.

SWOT Analysis:

For sixty days, I interned at the Islami Bank Bangladesh Limited, Rampura Branch. At this stage, I was attempting to figure out its own strengths, weaknesses, possibilities, and dangers. I'm hoping that this will help the bank improve its service, contribute more to society, and increase revenues. The following is the outcome of the SWOT Analysis:

Strengths:	Weaknesses:
<ul style="list-style-type: none"> • Adequate internal fund • Goodwill and market reputation • Confidence of common people of our country • Corporate culture and good governance • Sovereignty in policy making • Collective efforts of the management in any situation of the bank • Honest, sincere and reliable manpower 	<ul style="list-style-type: none"> • CAR maintains • Lengthy investment procedure • Lack of diversification • Insufficient IT sector • Poor logistic support • Lack of specialized employees • Unethical influence.
Opportunities:	Threats:
<ul style="list-style-type: none"> • Emergence of e-banking • Favorable environment • Increasing importance for Islamic banking • To introduce new Islamic instruments • Accommodation of low-income group to the banking industry • Decentralization of business geographically 	<ul style="list-style-type: none"> • High inflation view • Economic recession • Lack of financial stability • Instability in capital market • Absence of Islamic money market • Inappropriate Islamic banking by competitors.

Porter's five forces:

The approach of assessing among competitors is known as Porter's five forces. The following are some of them:

1) Competitive Rivalry: Bangladesh has a large number of banks. As a result, there is a lot of competition. The nation's first Shariah-compliant bank was Islami Bank Bangladesh Limited. However, eight fully shariah-compliant banks have already opened their doors, and many more will be in the process of starting a sharia compliant Islami Banking section. As a result, in this business, there is a lot of competition.

2) Power of supplier: The bank's authority comes from its investors. They are crucial in keeping the bank's cash flow in check. If investors do not put their money into Islami Bank, the bank will suffer. Furthermore, investors may opt for a different bank since there are other Bangladeshi banks that are prepared to invest. As a result, the influence of the provider is significant in this industry.

3) Power of buyers: The purchasers are usually members of the public. The majority of people are looking for high lending rates. Interest rates differ from one bank to the next. As a result, individuals are always looking for institutions that provide high interest rates. As a result, they will be able to use the services of other banks. As a result, we can conclude that buyer power is also strong in this market.

4) Threat of substitutions: Because Bangladesh has a large number of banks, people and investors have various options. If the services provided by one bank are not suitable, customers might switch to another.

5) Threat of new entrants: Bangladesh's reality demonstrates that a group of businesses may easily organize a bank. Despite the fact that establishing a bank requires a considerable number of money, some Bangladeshi companies are increasing their banking operations.

2.8 Summary and conclusion

Islami Bank Bangladesh Limited has been designed with the purpose of making a contribution towards the nation's balanced development and shared prosperity by diversification its

investment strategy by size, sector, geographic area, and other factors in order to accomplish the bank's ultimate objective of maintaining economic justice and equity in the desires of all sections of the population. This institution has been working diligently to achieve the following goals and has achieved substantial progress. With unprecedented support from all groups of stakeholders, IBBL now handles available for investment funds bringing the total much more Tk. 320,000 million, properly accounted for 9% of domestic investment and 58 percent of all Islamic banking system, putting the bank in a solid position in the country's economy that is valued by people from all walks of life. Islami Bank Bangladesh Limited was established with the purpose of performing interest-free banking, developing participative bank rather than the borrower relationship, and eventually, via its investment operations, building social assistance banking, leading to a just society.

2.9 Recommendations

- To stay up with the current banking business, IBBL should make more use of modern technologies.
- The procedure for obtaining credits from IBBL is not particularly user-friendly. As a result, they should make this process for customers easier.
- IBBL needs to expand their investment area because they currently only invest in a few areas. If that section collapses, it may cause harm to the bank.
- IBBL needs to make their investment scheme more appealing so that the investors are interested in it.
- Through its research center, IBTRA, IBBL needs to make their personnel more efficient on technology.
- Why IBBL should enhance profit-sharing deposits because many of their deposit programs are not profit-oriented.
- They should establish an appealing investment strategy for female businesses so they may grow.
- IBBL must be active in their advertising since many individuals are still unaware of the Islamic banking system.

Chapter 3

Project Part

3.1 Introduction

3.1.1 Background:

IBBL is a joint project Public Limited Company involved in commercial banking based on Islamic shariah, with 63.09 percent foreign participation and Bangladesh's largest branch network (total 374 Branches, 196 sub-Branched, and 2600 Agent outlets). Customers and the Islamic bank share risks, gains, and losses. Shariah's ethical code does not strive to eliminate risk; rather, it understands that business enterprise is both useful and risky. As a consequence, banks must maintain control activities in order to reduce undesirable outcomes. Shariah prohibits speculative risk-taking, so Islamic banks must ensure that their risk management does not include it. Risk management, on the other hand, is a major concern for Islami Bank. Traditional banking instruments, such as financial derivatives, are not available. Shariah-compliant derivative markets have yet to form.

This report is a modest attempt to explore and assess the risk management methods of IBBL, one of the Bangladesh's top Islamic banks. I will use IBBL as representative of Islamic banks of Bangladesh because they are the first comer and doing better than other Islamic banks as well as in the whole banking sector of Bangladesh. I'll also use BRAC Bank, Dutch Bangla Bank, and United Commercial Bank as representations of conventional banks in Bangladesh. Since there are 33 conventional banks in Bangladesh, I chose the above three banks randomly but tried to pick the top ones.

3.1.2 Objective:

The following are the major goals of my project:

- 1) To assess the effectiveness of IBBL's risk management.
- 2) To compare IBBL to Bangladesh's traditional banks.
- 3) To assess the impact of risk management efficiency on Islami Bank Bangladesh Limited's financial indicators.

3.1.3 Significance:

My research has a lot of implications. It will focus on IBBL's current state and how they may enhance it by examining marketing, management, and financial procedures. In addition, the comparing and industry averages will demonstrate where IBBL stands and how they may progress. Furthermore, as a finance major, I believe that conducting this study would help me better understand the banking industry. As a consequence, in addition to my learning, this study will aid IBBL in enhancing their risk management in the investment business.

3.2 Methodology:

Ratio Analysis: A five-year period of data will be used to conduct the ratio study (2016-2020). Because several banks have yet to issue their annual reports, the year 2021 has been omitted. The "Investment Risk Management Efficiency of Islami Bank Bangladesh Limited" will be described in this report using trend analysis, ratio analysis, and comparison analysis. As a result, the report will be descriptive. Because investment risk management is a function of a bank's internal management, I have no role in the variables other than to describe how IBBL manages its investments and investment risk. This research is referred to as descriptive research since it is based on the objectives.

Primary Sources of Data: I spoke with authorities and employees at the IBBL Rampura Branch and was able to obtain the approximate data that was used and presented in this report. The research was carried out with the help of the Investment Department, Rampura Branch, in accordance with their operating and sustaining an investment firm using contemporary and technology means. I've also seen firsthand the efficiency of Islami Bank Bangladesh Limited's Rampura Branch's efforts in managing investment business successfully and efficiently.

Secondary Sources of Data:

- Annual Reports of IBBL: 2016-2020.
- Business Development Conference Report: 2011 and 2012.
- Unpublished data from the IBBL, Rampura Branch.
- IBBL's manual regarding investment management.

- Bangladesh Bank's Credit Risk Manual.
- IBBL's website (www.islamibankbd.com).
- Annual Reports of BRAC Bank, Dutch Bangla Bank, United Commercial Bank: 2016-2020
- Training materials provided by the Islami Bank Training and Research Academy.

Data Analysis Tools and Techniques: Bar Chart has been utilized to show the graphs of five years average ratios and Line Chart has used to show the graphs of single year ratios. The formula produced and used in Microsoft Excel to evaluate, process, and visually depict the acquired data in order to assess and show the numerical data and values related with Islami Bank Bangladesh Limited's Investment Risk Management.

3.3 Findings and Analysis

Investment (Credit) Risk:

Islamic banking risk management is similar to conventional banking risk management. Islamic banks refer to credit risk as investment risk, and the two phrases are equivalent.

Credit risk is the risk that a bank's borrower will not fulfill its obligations in accordance with agreed-upon terms. Credit risk also means the possibility that a borrower's failure to meet his or her obligations to the bank would have an adverse influence on the bank's financial performance and capital. Credits are, by far, the most obvious and significant source of credit risk. But at the other hand, credit risk can arise both from on- then off sheet activities. It can be caused either by incapacity or a reluctance to execute in accordance with the conditions of the contract.

Islamic banks, like conventional banks, suffer credit risk in the majority of the funding methods they employ. Murabaha, Istisna, and installments sales or sales with a delayed payment are all well-known for causing bank account debts. The most basic sort of risk in any of these contracts is credit risk. Salam establishes a commodity loan instead of a monetary commitment, but there is a credit risk involved. Mudaraba and Musharaka, on either hand, are participatory contracts,

and the money provided by the bank to enterprises is not a liability. These two, on the other hand, represent a financial risk in two respects. To begin with, the entrepreneur is designed to assure the capital in the case of a tort or negligence, meaning debt obligation. Moreover, whenever Mudaraba or Musharaka money is utilized in a delayed sale, as it is in the majority of Mudarabas, the capital owner, in this case the bank, faces an indirectly credit risk. This risk is linked to the ability of the opposing parties to repay.

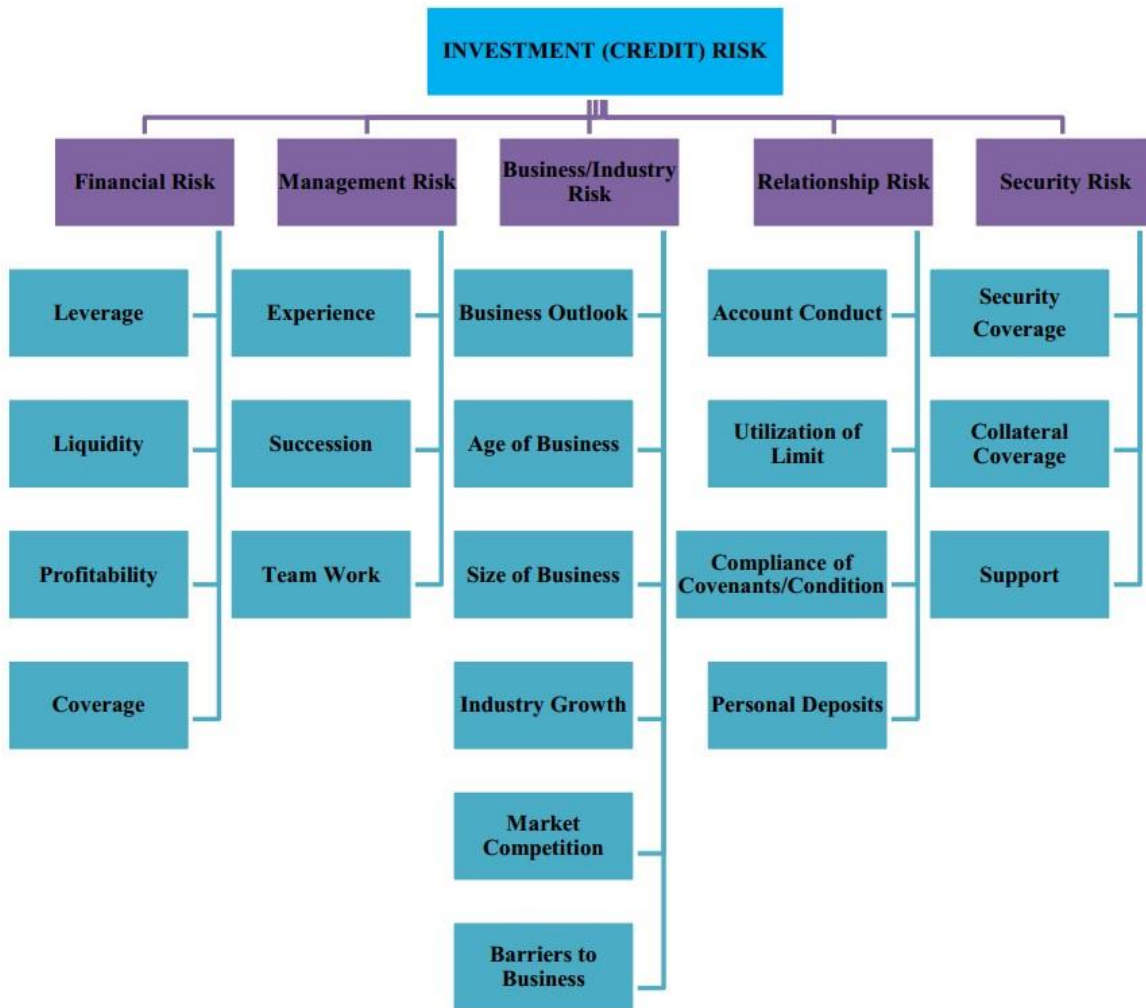


Figure 6: The Investment (Credit) Risk Process of IBBL

Difference between Conventional Loan and Islamic Investment is given below:

Conventional Loan or Credit	Islamic Investment
Lenders lend to borrowers in conventional banking to benefit from the interest imposed on the principal amount.	Instead of using interest-based transactions, Islamic finance introduces the notion of buying something on behalf of the borrower and then selling it back to the borrower at a profit.
Borrowers pay interest on the outstanding principal amount of their loans. Interest rates can be set at a fixed rate or fluctuate.	In place of interest, the contract specifies a profit rate. Profit rates, like traditional finance, can be set or based on a fluctuating rate.
The lenders know they will be paid interest.	The investor does not know whether or not he will make a profit. The investor might make money or lose money.
Any industry can get a loan.	Generally, investment is directed into the productive and commercial sectors.

Year wise General Investment Trend:

Despite the impact of the COVID-19 epidemic on the banking industry, the bank's total general investments as of December 31, 2020 were Tk. 1,035,287 million, up from Tk. 899,013 million as of December 31, 2019. The graph shows that investments have grown by Tk.136,274 million from the start of the year, representing a 15.16 percent increase in 2020 above the last year record of general investment (past 5-years):

Trend of General Investment:

(Amount in million Taka)

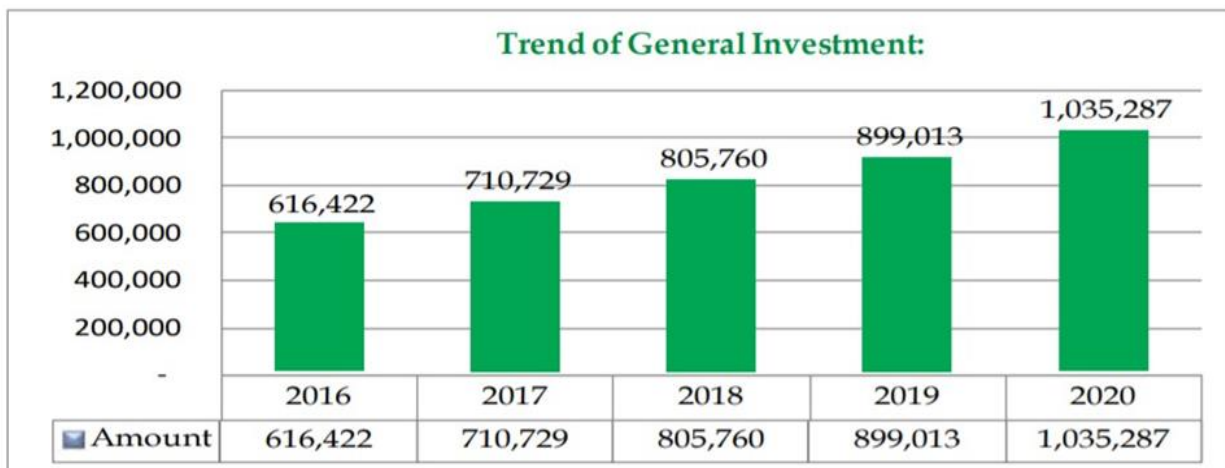


Figure 7: General Investment Trend of IBBL

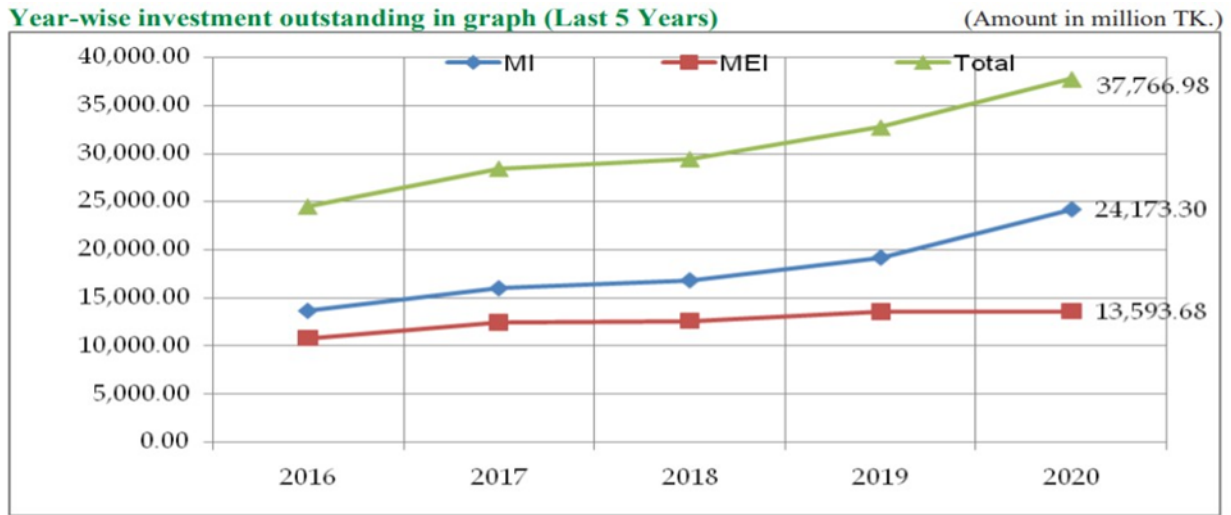


Figure 8: Year Wise Investment Outstanding of IBBL

Ratio Analysis:

3.3.1 Return on Investment:

Return on Investment (ROI) is a measurement tool that may be used to evaluate the efficiency of a particular investment or to determine the efficiency of several different investments. To calculate ROI, divide the advantage (return) of an investment by the cost of investment, and the output is expressed in percentage or a ratio.

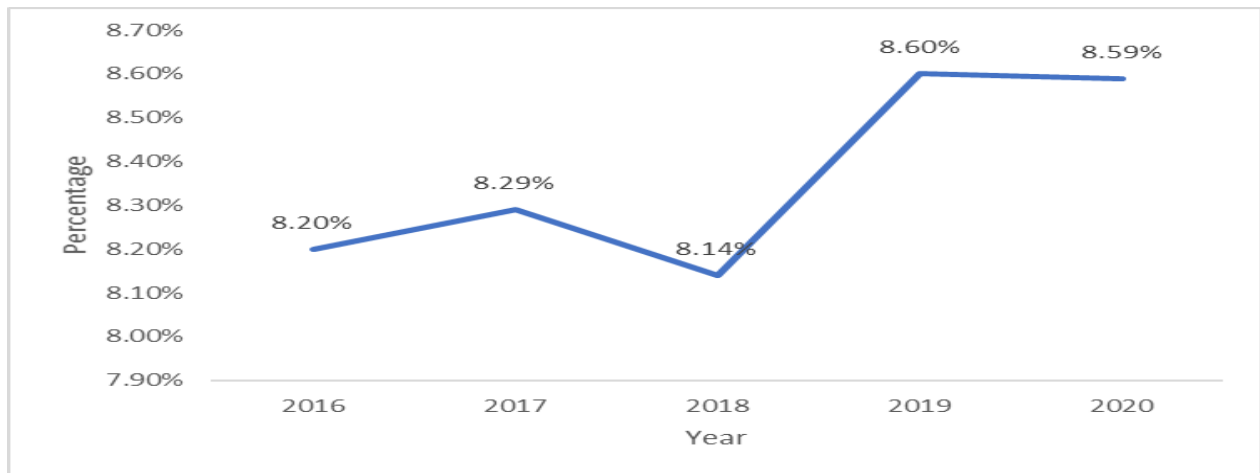


Figure 9: Return on Investment of IBBL

Between 2016 and 2020, Islami Bank Bangladesh Limited's return on investment (ROI) ratios fluctuated. The bank's return on investment ratio was 8.20 percent in 2016, with 206 branches, and was steadily improved to 8.59 percent in 2020, with the addition of 70 branches (additional 34 percent). It occurred as a result of the bank's simultaneous increase in investment gain and drop in investment expense. As a result, the bank performed admirably in the investment market throughout this time, employing a variety of tactics and policies. During this time, the Bank's average return on investment was 8.36 percent.

Because the Return on Investment was not given in the conventional bank's annual report, I couldn't compare theirs with IBBL.

3.3.2 Investment Deposit Ratio:

The investment deposit ratio, which is derived by dividing the bank's total investments with its total deposits, is a commonly used indicator for measuring a bank's liquidity. The IDR ratio is another name for this number, which is expressed as a percentage. If the ratio is higher, companies may not have enough liquidity to meet any unexpected cash demands, while if the ratio is low, institutions may not have been earning as many as they could.

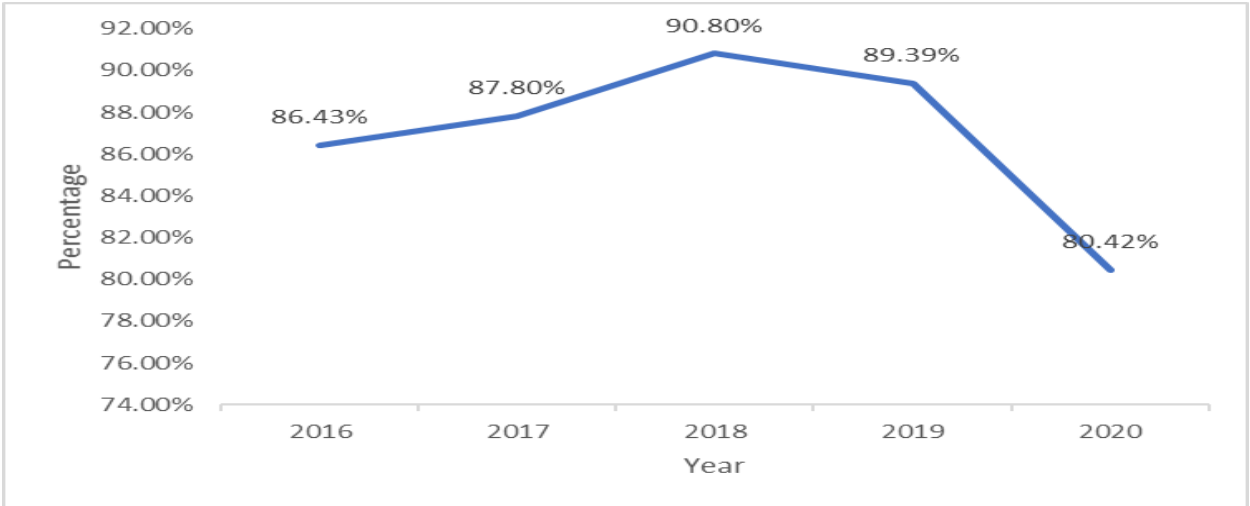


Figure 10: Investment Deposit Ratio of IBBL

The investment deposit ratio of IBBL fluctuated throughout time, as can be seen in the graph above. It can be deduced from the previous graph that the bank is able to transform its deposits into an investment, that is a positive indication for the bank. During previous five years, the bank

has never had an investment deposit ratio of less than 85 percent and has always attempted to achieve 90 percent, as per Bangladesh Bank instructions.

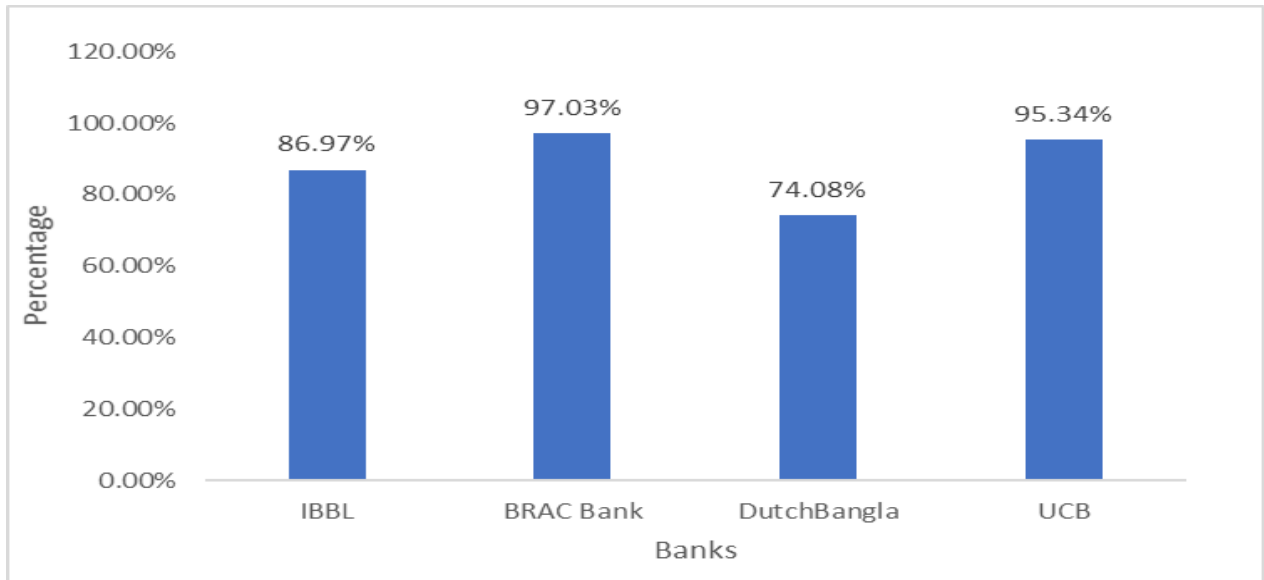


Figure 11: IDR of IBBL compared to conventional Banks

The above graph depicts the position of the Investment Deposit Ratio among the three conventional banks chosen at random. IBBL is in a strong position because the IDR is neither too low nor too high (86.97 percent). Dutch Bangladesh Bank has a market share of less than 85%, whereas BRAC Bank and UCB have a market share of more than 90%. As a result, we may conclude that IBBL is performing admirably in recouping its investment. As a result, IDR is mild. This demonstrates that IBBL's investment default is minimal due to their excellent investment risk management and policy. As a result, a higher IDR indicates better investment risk management efficiency, and IBBL excels in this area.

3.3.3 Non-Performing Investment:

Non-performing investments are sums that an organization is unable to recover from clients. Conventional banks call this ratio nonperforming loan. The idea of non-performing loans (NPIs) for categorized loans is one of the key roadblocks to banking's long-term viability and expansion. Portfolios that have less than 6% non-performing loans are considered safe.

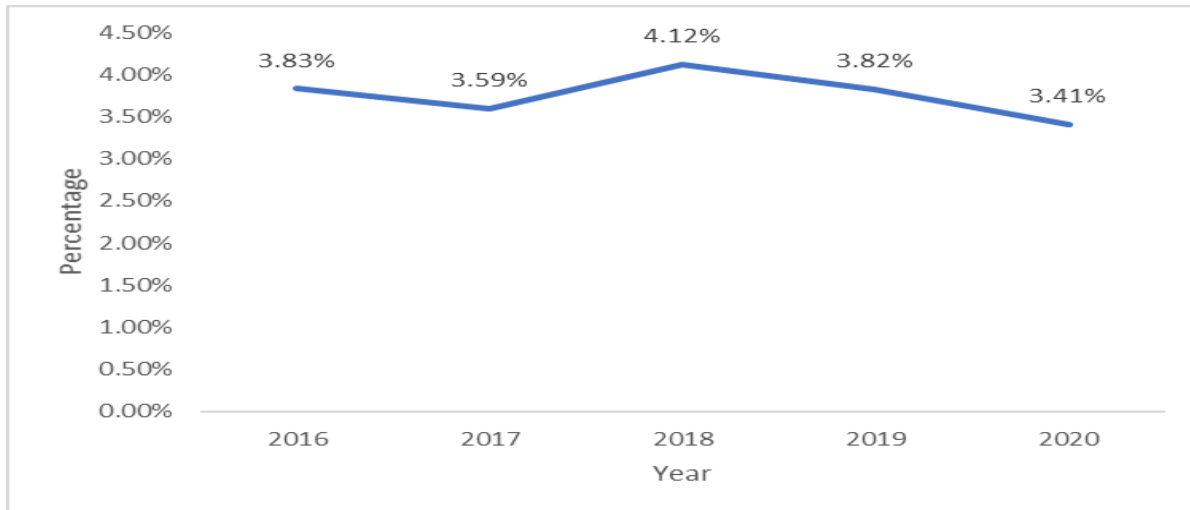


Figure 12: Non-Performing Investment ratio of IBBL

The graph above shows that during the previous five years, the IBBL has been variable in non-performing investments (2016 to 2020). They have decreased non-performing investment in 2019 and 2020 compared to 2018. In comparison to 2018, the amount of money invested by IBBL has grown in 2020.

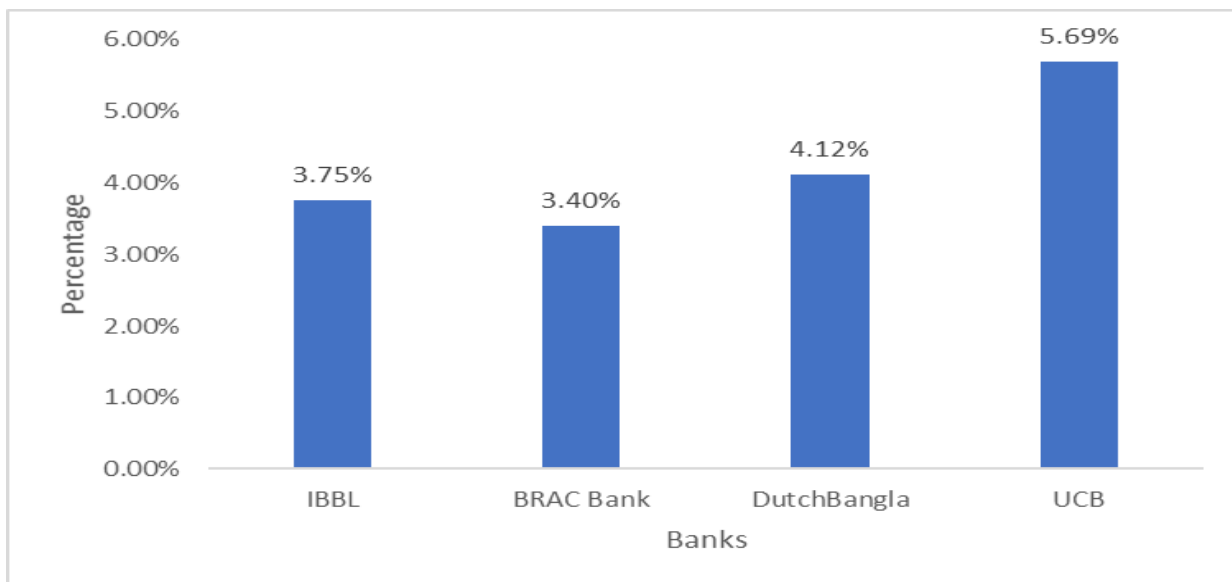


Figure 13: NPI of IBBL compared to conventional Banks

On an average of five years, the graph above depicts the position of IBBL's non-performing investments among the three conventional banks. Because the NPI is so low, we can tell that Islami Bank was in a very excellent situation (3.75 percent). UCB is currently in the worst possible position (5.69 percent). As a result, we may conclude that Islami Bank is performing admirably in terms of recouping its investment. That's why the NPI is so low. This demonstrates that IBBL's investment default is minimal due to their excellent investment philosophy. As a result, a higher NPI suggests superior investment risk management efficiency, and IBBL excels in this area.

3.3.4 Capital Adequacy Ratio:

The Capital to Risk (Weighted) Assets Ratio (CRAR), also known as the Capital Adequacy Ratio, is a ratio that compares a bank's capital to the risk it faces. National regulators examine a bank's CAR to ensure that it can withstand a certain degree of loss while while adhering to regulatory rules.



Figure 14: Capital Adequacy Ratio of IBBL

The capital adequacy ratio assesses a bank's capacity to meet its obligations as well as some other concerns such as credit risk and operational risk. A ten percent ratio is deemed acceptable in general, and the bank was able to achieve this requirement. From 2020 to 2017, the bank

utilized the Basel II Accord to calculate capital adequacy ratios, but in 2016 it used the Basel I Accord. From 2016 to 2020, the bank's capital adequacy ratios were regularly over 10%, suggesting that the bank's capacity to fulfill liabilities and other risks including credit risk and operational risk was sufficient.

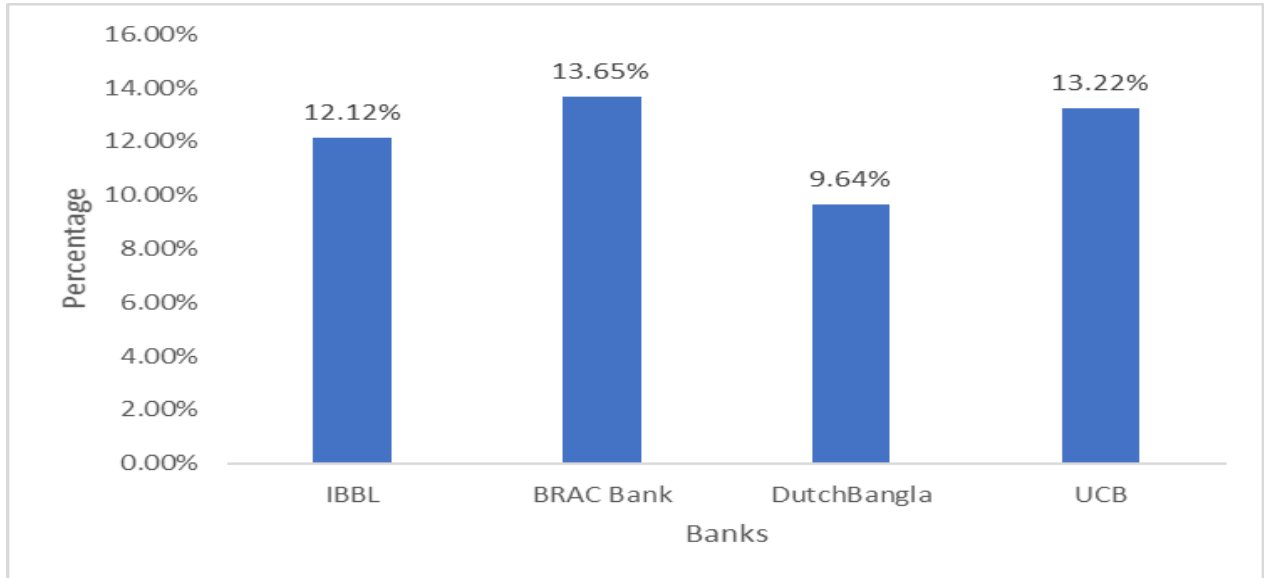


Figure 15: CAR of IBBL compared to conventional Banks

We can see from the graph above that IBBL has been in third place among the three traditional banks for the past five years (12.12 percent). The capital adequacy ratio of BRAC Bank is the highest (13.65 percent). When compared to BRAC Bank, we may conclude that capital adequacy is insufficient. So, in terms of capital adequacy ratio, IBBL might have done better. CAR is linked to investment risk management efficiency since it indicates a bank's riskiness. The riskier a bank is, the less efficient its investment risk management will be. As a result, IBBL is struggling in this business.

3.3.5 Return on Assets:

Return on Asset (ROA) is a metric that compares a company's profitability to its total assets. The return on assets (ROA) measures how successfully a company's assets are used to generate

profits. ROA is measured by dividing a bank's yearly income by its total assets and expressed as a percentage.

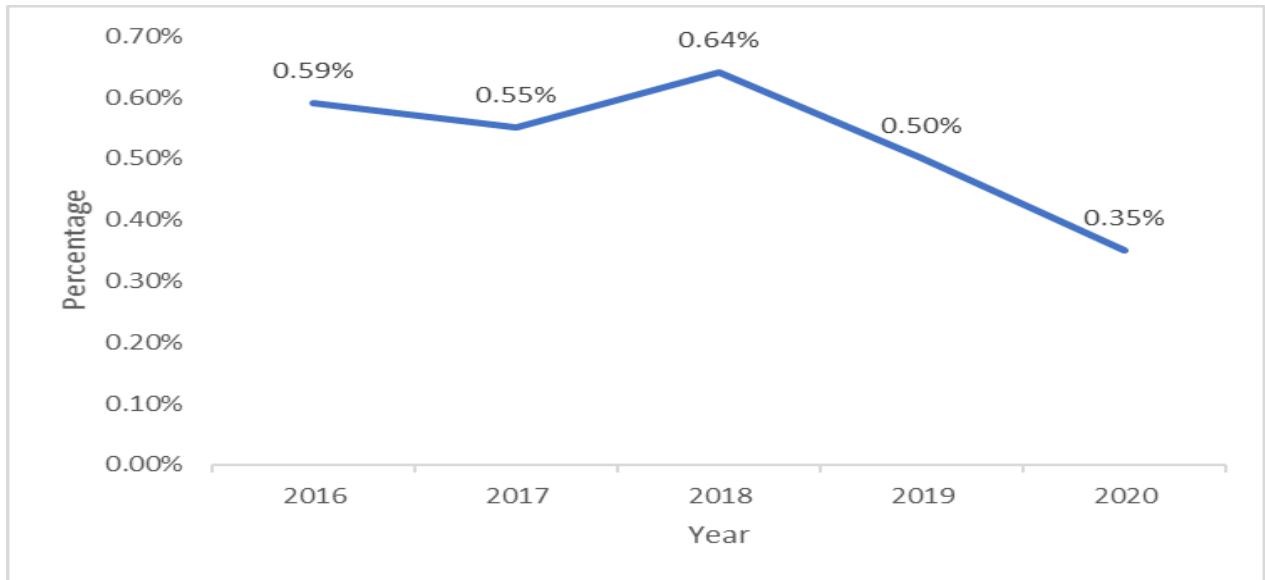


Figure 16: Return on Assets of IBBL

The Return on Assets (ROA) ratios of Islami Bank Bangladesh Limited changed between 2016 and 2020. In 2016, the bank's return on assets was 0.59 percent, and in 2020, it will be 0.35 percent. It occurred since the bank's net income after taxes grew practically in lockstep with its total assets. As a consequence, using a range of techniques and policies, the bank fared wonderfully in the investment market during this period. During this time, the Bank's average return on assets was 0.53 percent.

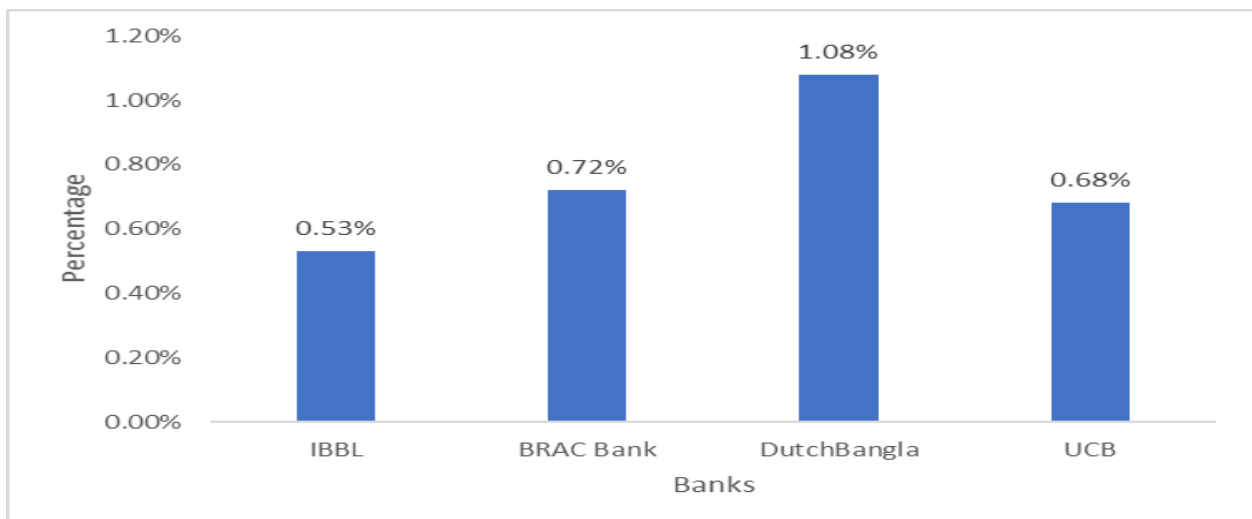


Figure 17: ROA of IBBL compared to conventional Banks

According to the graph above, as among 3 conventional banks picked at random for a five-year average, Islami Bank Bangladesh Limited ranks 4th of return on asset (0.53 percent). However, if contrasted to the Dutch Bangla Bank, it is apparent that IBBL lags behind in terms of profiting it from assets (1.08 percent). So, when compared to other banks, IBBL's investment risk management efficiency is inadequate since it shows that they are not performing well in terms of delivering a good return on assets over a five-year period.

3.3.6 Return on equity:

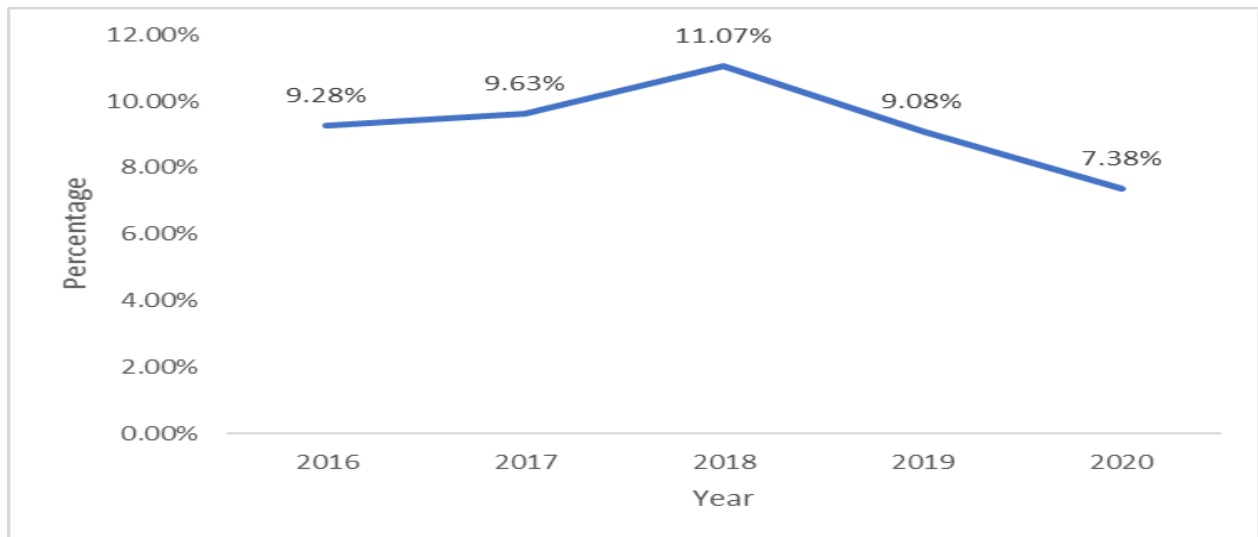


Figure 18: Return on equity of IBBL

The return on equity is really not constant, as shown in the graph above. The return on equity in 2018 is really high (11.07 percent). However, in 2020, it has decreased to 7.38 percent. This indicates that the bank's profitability has decreased in contrast to stockholder equity, which is not a positive indicator. As a result, IBBL has the potential to excel in this area.

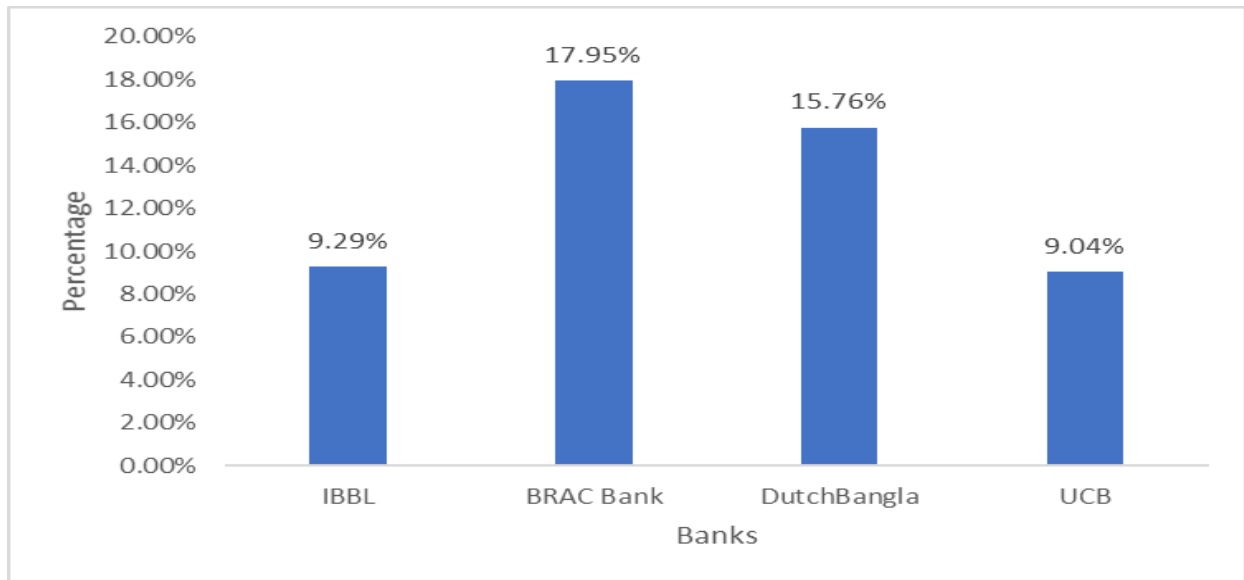


Figure 19: ROE of IBBL compared to conventional Banks

On average during the last five years, We can see that of the three traditional banks chosen at random, IBBL is just in third position in terms of ROE. BRAC bank and Dutch Bangla are performing exceptionally well in this market, however their ROE is far too high. This demonstrates that the profitability of the other three traditional banks when compared to shareholder equity is not superior than IBBL. Because one of IBBL's investment risk managements is handling equity, this ratio is connected to investment risk management efficiency. As a result, the greater equity return demonstrates strong investment risk management efficiency.

3.3.7 Efficiency Ratio:

This efficiency ratio is used to measure of how effectively a company's assets and liabilities are used internally. Efficiency ratios may be used to determine the cycle of receivables, the payback of obligations, the quantity and usage of equity, and the overall use of assets and machines.

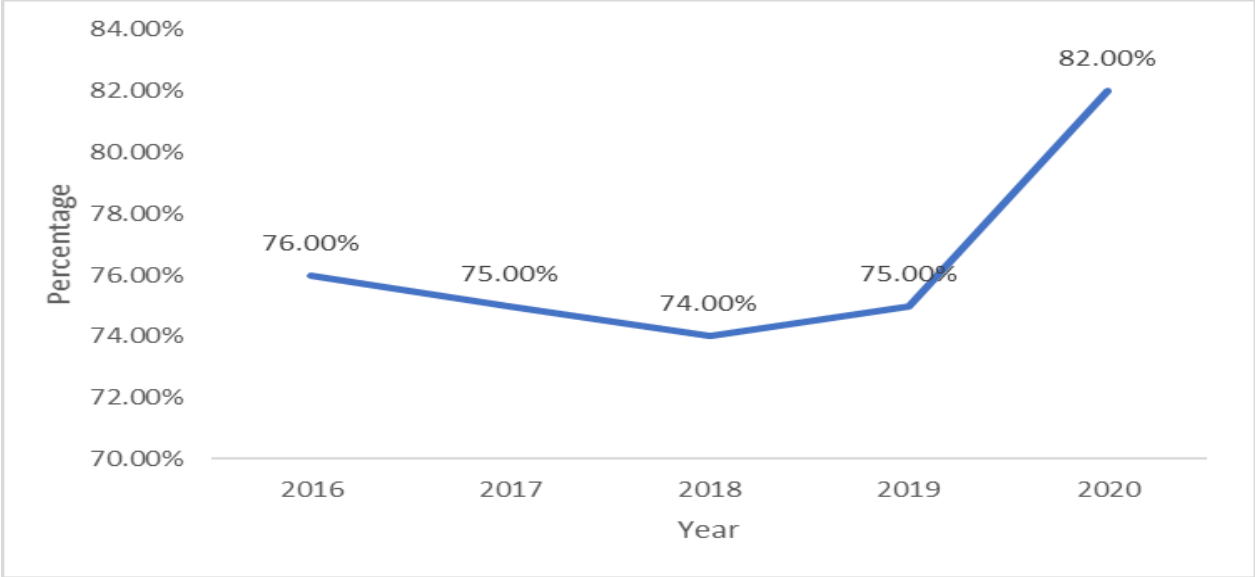


Figure 20: Efficiency Ratio of IBBL

The efficiency ratio is the proportion of operational profits to operating costs. It's a statistic that depicts the evolution of expenses in relation to revenue. It's among the most essential efficiency indicators for a bank: the lower the percentage, the more successful the bank is. Over the period of 2016 to 2020, the efficiency ratios of Islami Bank Bangladesh Limited fluctuated. The bank's efficiency ratio in 2016 was 76 percent, which was extremely close to the 82 percent expected in 2020. During this time, the Bank's average cost-to-income ratio was 76 percent.

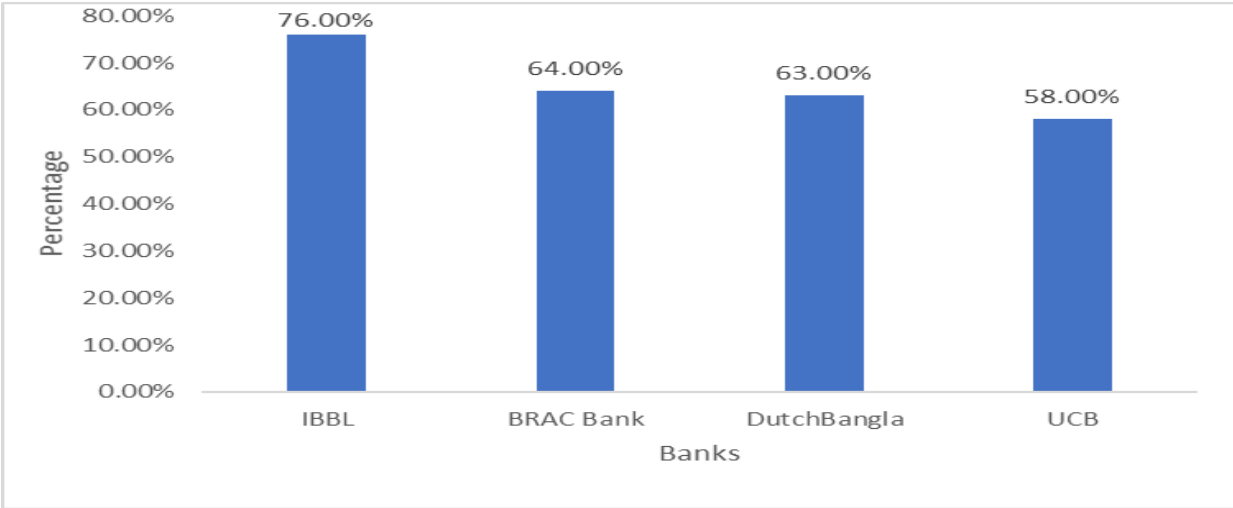


Figure 21: Efficiency Ratio of IBBL compared to conventional Banks

On average during the last five years, we can observe that IBBL is in first place among the three traditional banks picked at random 76 percent. The Efficiency Ratio of UCB is quite low 58 percent. They didn't get a lot of money back on their investment. As a result, UCB's Efficiency Ratio has room for improvement. Because managing investments is one of a bank's primary operational responsibilities, the cost-to-income ratio also indicates its investment risk management efficiency. High profitability equals great efficiency ratio, which signifies high investment risk management efficiency.

After reviewing and studying all of the data, facts, and figures, we may conclude that IBBL is the market leader. They have the most branches, as well as the greatest number of general investments, deposit and stock and securities investments. They, but at the other hand, have the best creditworthiness and follow all of the Bangladesh Bank's rules. In order to preserve a solid banking environment, they also implemented the Basel II Accord to the letter, notably in terms of excellent investment risk management. All of their operations have made them Bangladesh's most powerful bank.

3.4 Conclusion

Explosive rise of the Islamic banking industry has compelled regulators, industry actors, and academics to examine the whole structure of Islamic banking risks. Due to the lesser risks associated with fixed rate financing, such as murabaha, Islamic banks fundamentally rely on too much fixed rate financing, which is mostly gathered from floating rate mudaraba deposits, according to the study. Existing Islamic banking procedures include a variety of risks by their very nature. Among the eight full-fledged Islamic banks, IBBL is the largest and successful. The bank is discovered to have a comprehensive risk management structure and methodology in place, from top to bottom. The risk appetite of the bank is moderate to low, according to the financial statements, and this is reflected in their risk management strategy and procedure. Due to a lack of shari'ah compatible financial instruments, the bank's financial scorecard indicates that it is efficient in producing sustainable earnings from depositor funds, but that it is inefficient in creating sustainable earnings from shareholder funds. As a result, IBBL's total investment performance is improving day by day. Because the majority of our country's citizens are

religious and desire to invest their money in accordance with Islamic Shariah. Furthermore, as compared to other conventional banks in the nation, IBBL allows individuals from all walks of life to transact with ease. The way banks manage risk is influenced by a number of factors, one of which is legislation.

3.5 Recommendations

The following recommendations are based on the findings:

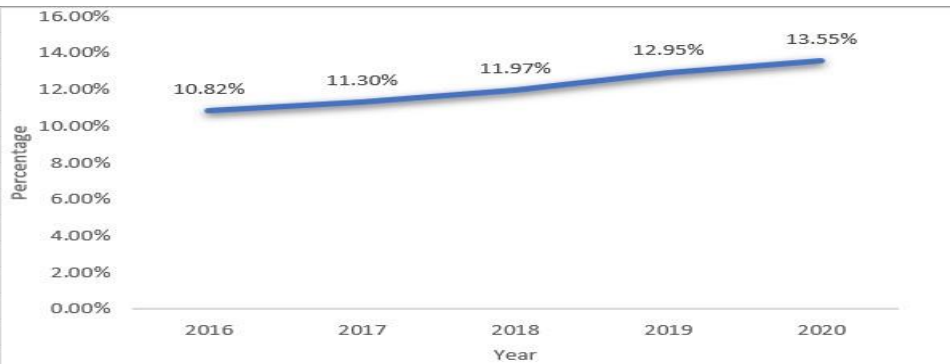
- Because the banking sector is so competitive nowadays, the investment sanction procedure should be made faster.
- Officials from the bank must examine if all components of the lending principles have been followed, as well as whether other areas which including credit standards, accountability, loan prepayment, recoveries, security, as well as other necessary sectors have been addressed.
- an effective investment restoration department should really be developed to deal effectively with accounts that have had lengthy investments deterioration.
- A unit incentive scheme to boost investment recovery may also be implemented.
- IBBL's SME investment has expanded at a rapid rate during the last five years. The bank should continue to do so to strengthen their reputation and to be seen as a model for contributing to the SME sector in Bangladesh and inspire others.
- Interested clients for investment should be assessed more carefully and perfectly in order to reduce the categorized investment.
- IBBL, being the bank with the highest credit rating, complies with all of Bangladesh Bank's CRM standards and strictly maintain a good investment risk management.
- The bank should always be conscious of and quick to adapt instantly to rival companies' behavior along with changing economic circumstances, bring new innovative portfolio goods and services, use developed changing technology means to be faster and error-free, and regularly organize different investment risk linked training and workshops for employees.

3.6 References:

- 1) Lu, W.M.H. and S.W. 2011. Exploring the efficiency and effectiveness in global e-retailing companies. *Computer and Operations Research*, 38: 1351-1360. doi: 10.1016/j.cor.2010.12.009 Retrieved from <https://dl.acm.org/doi/abs/10.1016/j.cor.2010.12.009>
- 2) Jelodar, M.F. 2016. Prioritization of the Factors Affecting Bank Efficiency Using Combined Data Envelopment Analysis and Analytical Hierarchy Process Methods. *Journal of Optimization*, 1-8. doi: 10.1155/2016/5259817 Retrieved from <https://www.hindawi.com/journals/jopti/2016/5259817/>
- 3) Bartuseviciene, I. and E. Sakalyte. 2013. Organizational Assessment: Effectiveness vs. Efficiency. *Social Transformations in Contemporary Society* 1: 45-53. Retrieved from <http://stics.mruni.eu/wp-content/uploads/2013/06/45-53.pdf>
- 4) Alrafadi1, K.M.S., M.M., Yusuf and B.H. Kamaruddin. 2016. Measuring Efficiency in Banks: A Brief Survey on Non-Parametric technique (Data Envelopment Analysis). *International Journal of Business, Economics and Management*, 3(5): 52-68. Retrieved from <https://www.semanticscholar.org/paper/Measuring-Efficiency-in-Banks%3A-A-Brief-Survey-on-%E2%80%93AlrafadiYusuf/7edd3444fdd0cd8dc76f077e2de9ed256a0d563a>
- 5) Kadir, H.A., R. Masinaei, and N. Rahmani. 2011. Long-term Effect of Bank Consolidation Program in a Developing Economy. *Journal of Asia Pacific Business Innovation and Technology Management*, 1(1): 20-30. Retrieved from https://journal.mbstu.ac.bd/journal_assets/journal/v-7_j-8.pdf
- 6) Uddin, M. R. and J. F. Bristy. 2014. Evaluation of Some Private Commercial Banks in Bangladesh from Performance Perspectives. *International Journal of Managing Value and Supply Chains (IJMVSC)*, 5(4): 1-17. Retrieved from <https://www.semanticscholar.org/paper/Evaluation-of-Some-Private-Commercial-Banksin-from-Uddin-Bristy/3153cebbdeadf92e7099603e092cc143ae81a294>
- 7) https://www.islamibankbd.com/annual_report.php

3.7 APPENDIX

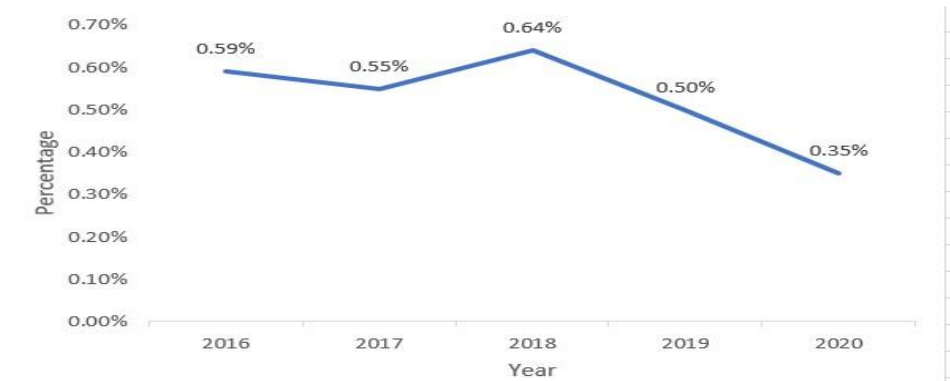
Year	CAR
2016	10.82%
2017	11.30%
2018	11.97%
2019	12.95%
2020	13.55%
AVG	12.12%



Year	IDR
2016	86.43%
2017	87.80%
2018	90.80%
2019	89.39%
2020	80.42%
AVG	86.97%



Year	ROA
2016	0.59%
2017	0.55%
2018	0.64%
2019	0.50%
2020	0.35%
AVG	0.53%



Year	Efficiency
2016	0.76%
2017	0.75%
2018	0.74%
2019	0.75%
2020	0.82%
AVG	0.76%



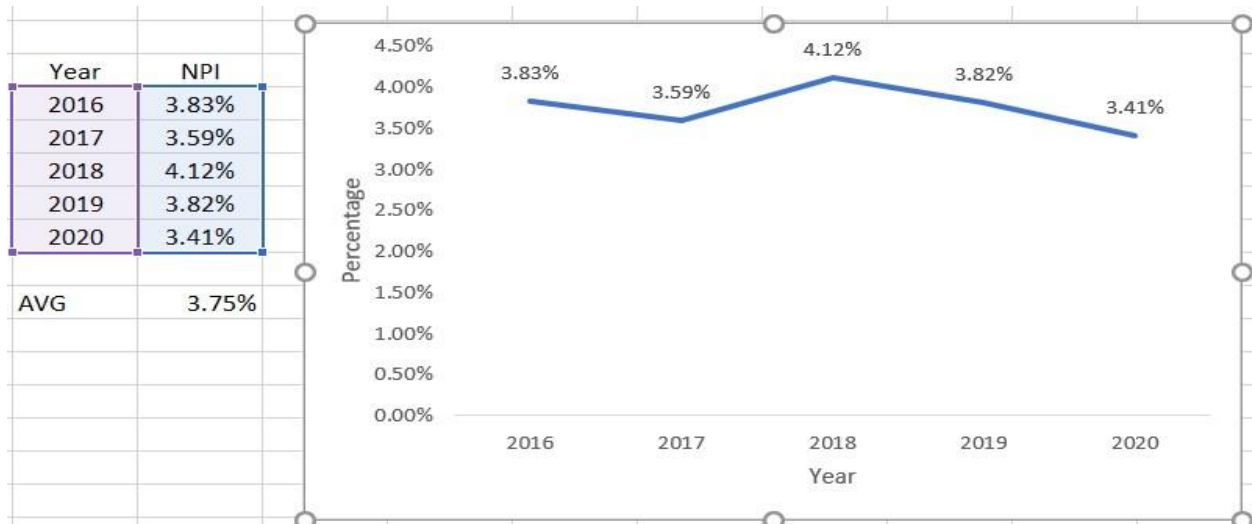
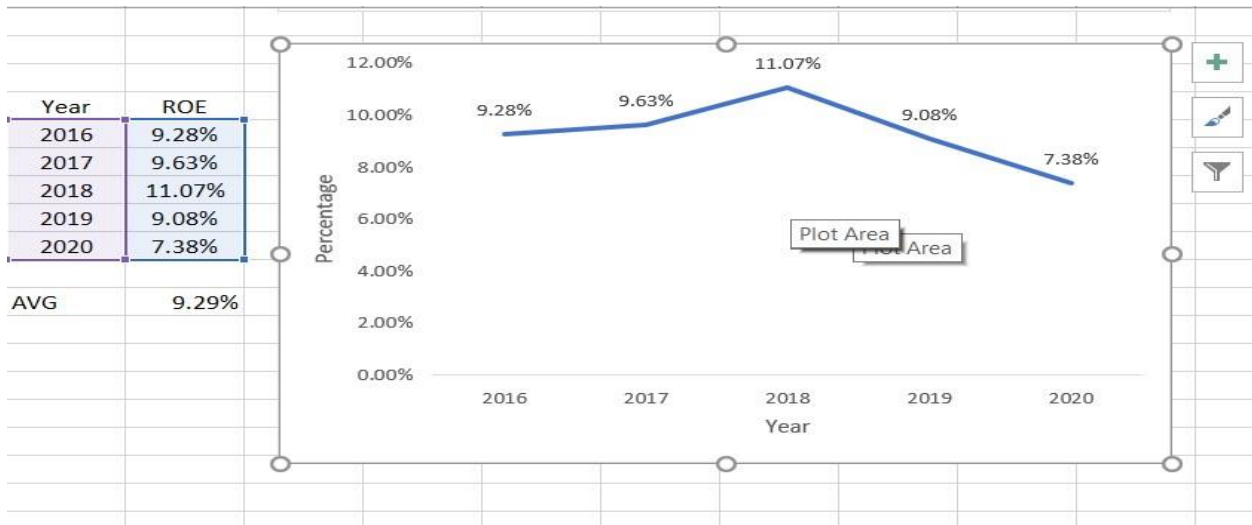


Fig: IBBL Graphs

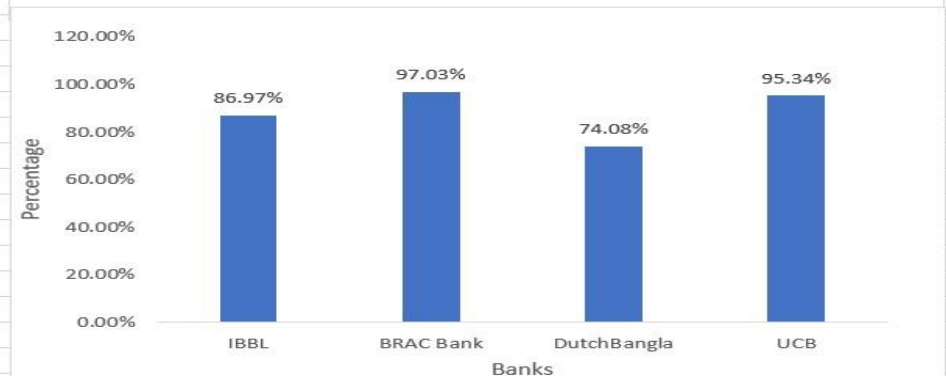
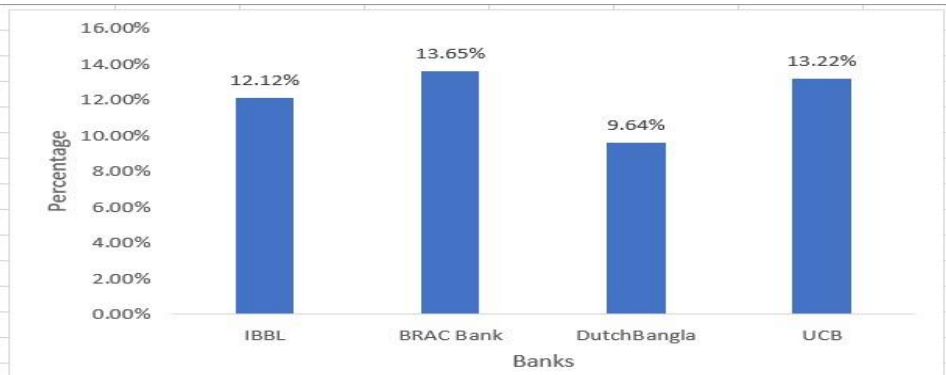
BRAC Bank													
Year	CAR		Year	ROA		Year	IDR		Year	Efficiency		Year	ROE
2016	12.26%		2016	0.89%		2016	97.26%		2016	0.57%		2016	22.16%
2017	12.72%		2017	0.02%		2017	96.87%		2017	0.60%		2017	22.14%
2018	13.67%		2018	0.87%		2018	98.11%		2018	0.64%		2018	19.25%
2019	15.07%		2019	0.64%		2019	98.43%		2019	0.67%		2019	15.60%
2020	14.55%		2020	1.18%		2020	94.47%		2020	0.71%		2020	10.58%
AVG	13.65%		AVG	0.72%		AVG	97.03%		AVG	0.64%		AVG	17.95%
Dutch Bangla Bank													
Year	CAR		Year	ROA		Year	IDR		Year	Efficiency		Year	ROE
2016	9.20%		2016	0.70%		2016	79.40%		2016	0.65%		2016	10.30%
2017	8.30%		2017	0.90%		2017	75.60%		2017	0.69%		2017	13.20%
2018	9.30%		2018	1.30%		2018	77.20%		2018	0.61%		2018	19.70%
2019	10.30%		2019	1.20%		2019	73.90%		2019	0.58%		2019	17.20%
2020	11.10%		2020	1.30%		2020	64.30%		2020	0.60%		2020	18.40%
AVG	9.64%		AVG	1.08%		AVG	74.08%		AVG	0.63%		AVG	15.76%
United Commercial Bank													
Year	CAR		Year	ROA		Year	IDR		Year	Efficiency		Year	ROE
2016	11.53%		2016	0.84%		2016	86.80%		2016	0.53%		2016	10.24%
2017	12.07%		2017	0.70%		2017	93.82%		2017	0.54%		2017	9.31%
2018	12.90%		2018	0.62%		2018	99.16%		2018	0.59%		2018	8.40%
2019	14.68%		2019	0.65%		2019	97.56%		2019	0.60%		2019	8.84%
2020	14.92%		2020	0.61%		2020	99.35%		2020	0.66%		2020	8.42%
AVG	13.22%		AVG	0.68%		AVG	95.34%		AVG	0.58%		AVG	9.04%

BRAC Bank		Dutch Bangla Bank		United Commercial Bank	
Year	NPI	Year	NPI	Year	NPI
2016	3.40%	2016	5.20%	2016	8.10%
2017	3.56%	2017	4.70%	2017	7.38%
2018	3.10%	2018	4.10%	2018	6.79%
2019	3.99%	2019	4.40%	2019	3.63%
2020	2.93%	2020	2.20%	2020	2.55%
AVG	3.40%	AVG	4.12%	AVG	5.69%

Table: 5-year ratios of 3 conventional banks

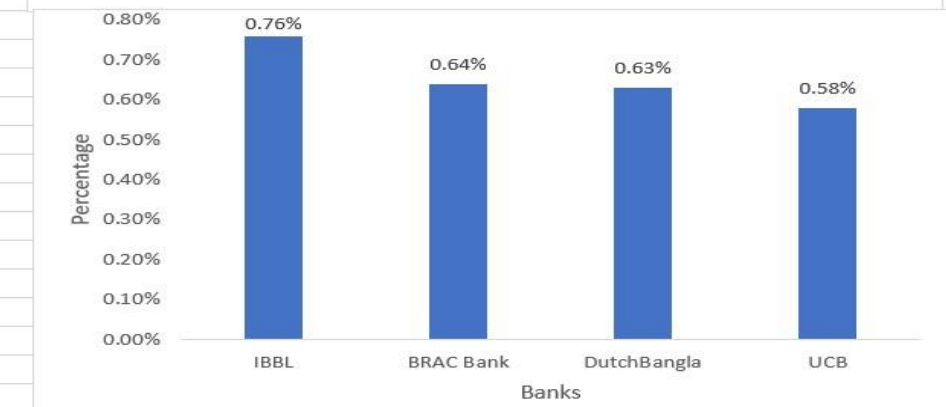
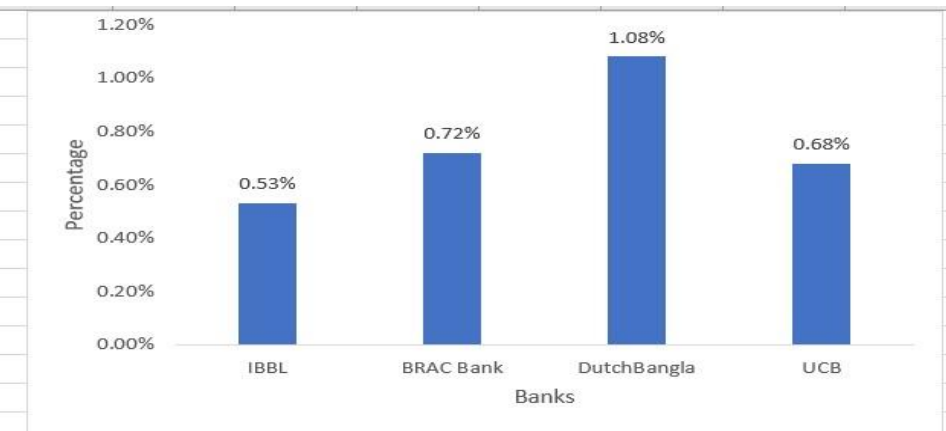
Banks	CAR
IBBL	12.12%
BRAC Bank	13.65%
DutchBangla	9.64%
UCB	13.22%

Banks	IDR
IBBL	86.97%
BRAC Bank	97.03%
DutchBangla	74.08%
UCB	95.34%



Banks	ROA
IBBL	0.53%
BRAC Bank	0.72%
DutchBangla	1.08%
UCB	0.68%

Banks	Efficiency
IBBL	0.76%
BRAC Bank	0.64%
DutchBangla	0.63%
UCB	0.58%



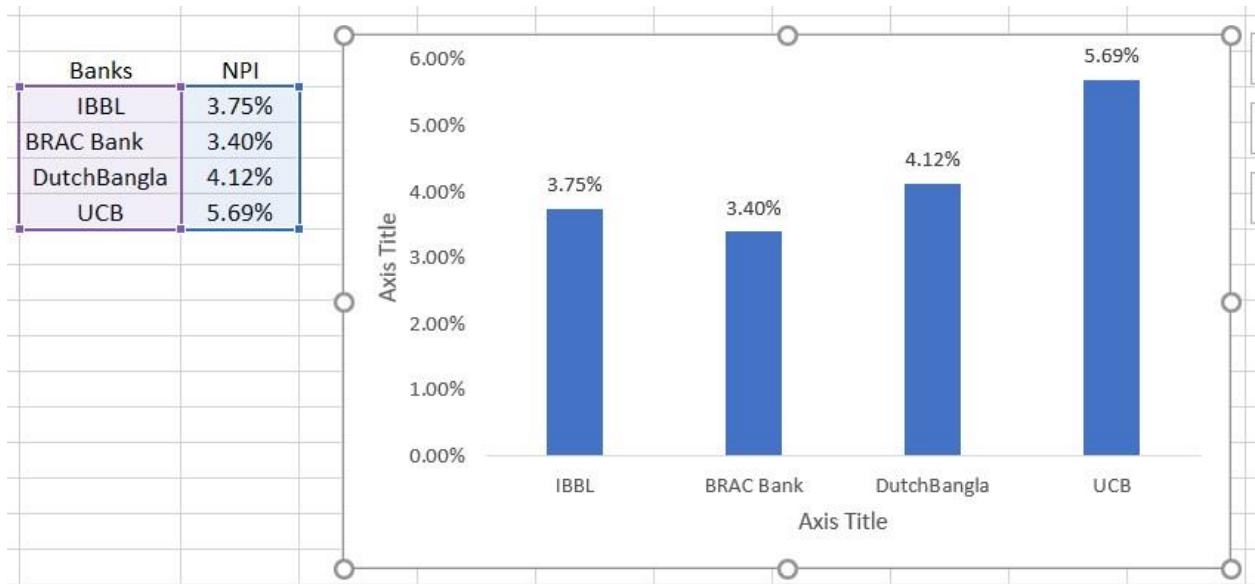
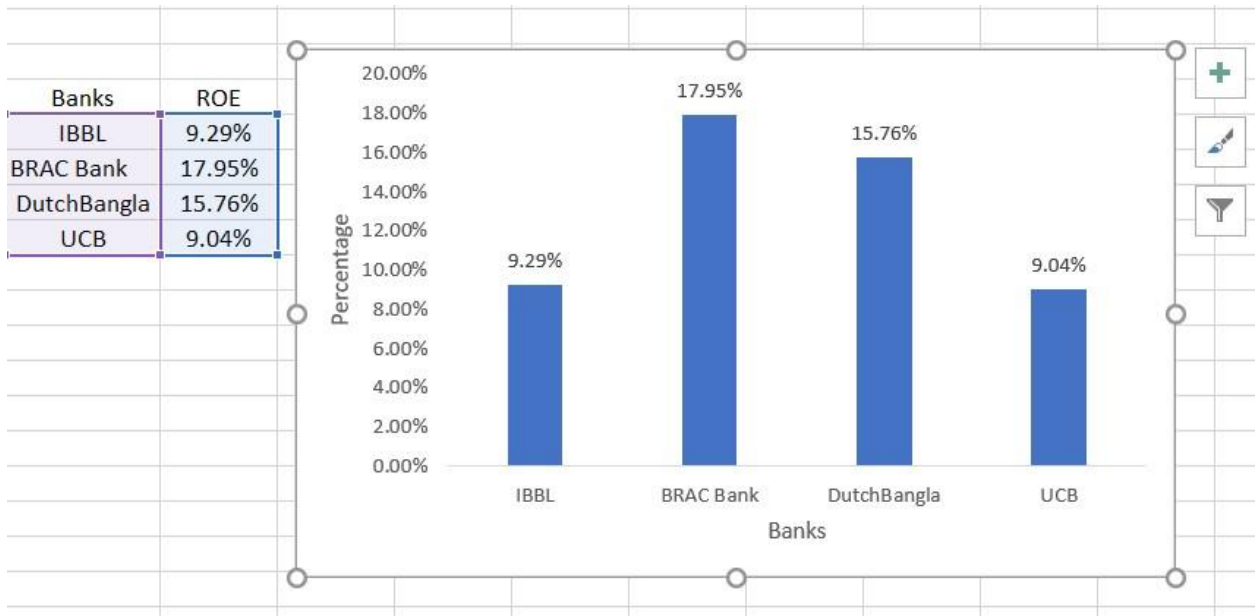


Fig: avg ratio graphs

