

An Internship report  
on  
**‘Investment Department of Exim Bank’**

# **Internship Report on Investment Department of Exim Bank**



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## Letter of Transmittal

07 June 2018

Zinnatun Nesa  
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**Subject:** Submission of Internship Report on “**Investment Department of Exim Bank**”.

Madam,

It is my pleasure to submit the Internship report entitled “**Investment Department of Exim Bank**” for the fulfillment of BBA degree. With available data, information and related knowledge what I have learnt and gathered by working as an intern from Exim bank Bangladesh, I have tried to make my report as much comprehensive as possible.

I am grateful to you for giving me such an opportunity, and I appreciate this Internship program. I hope that you will cordially receive my Internship report.

Yours faithfully,

**Farah Ashika Noor**  
ID- 111 132080

## Acknowledgement

Without anyone's help no work cannot be done alone so, I would like to thank all those who supported me and guided me by providing me with assistance in preparing the report on the assigned topic **“Investment Department of Exim Bank”**

I would also like to provide my heartfelt gratitude to our United International University, School of Business and Economics, for giving me an opportunity to complete my internship program successfully. I would like to thank and I am very grateful to my Internship supervisor, Zinnatun Nesa (Assistant professor). I would like to convey my sincere gratitude to Mr. Gazi Mahbubul Huque, Senior Assistant Vice president and Relationship Manager at Satmasjid branch and other employees of Exim bank, Satmasjid Branch, as they helped me a lot to collect information for preparing my report. I thank them all from the core of my heart.

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## Executive Summary

A Bank is a financial institution whose main aim is to earn profit through exchange of money & credit instruments. This report, “**Investment department of Exim Bank Bangladesh**”, has been prepared to fulfill the partial requirement of the BBA program. In this report, I tried to give a brief discussion about Islamic investment in general in literature review. I have done my internship in Exim Bank so I mainly focused on their Investment department. Exim Bank is an Islamic bank so it has different functions from conventional banks so I gave description about their investment department and had done some time series analysis based on their five years’ data of provision and non-performing loan.

<i><b>Chapter-01</b></i>	<i><b>Page No:</b></i>
<i><b>Introduction</b></i>	<i><b>15-16</b></i>

## Reasoning of the study:

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

## Objectives of the Report:

The general objective of the report '**Investment Department of Exim Bank**' is to fulfill the partial requirement of BBA program. Other objectives are-

- To gain knowledge about Islamic investment in general.
- To know Exim Bank's Investment department.
- To know about Exim Bank's loaning performance.

## Methodology:

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

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

## Sources of data:

### Primary data

- Face to face conversation with the officers.
- Relevant files study as provided by the concerned officers.

### Secondary data

- Annual report of Exim Bank.
- Publications obtained from website of the bank.



## **Limitations:**

- The time is also the constraint which is insufficient to know all the detail information.
- For job constrain, it was very difficult to collect information properly.
- The department officers always remain busy so it not always possible to give their full support to the interns.

<i>Chapter-02</i>	<i>Page No:</i>
<i>Organizational Overview</i>	<i>18-21</i>

## **Company Profile:**

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

Exim Bank migrated its conventional banking operation into Shariah based Islamic banking operations after getting approval from Bangladesh Bank on July 01, 2004. Exim bank was known as Bexim Bank (Bengal Export Import Bank), now it is known as Exim Bank (Export Import Bank). Exim bank not only provides financial services but also provides CSR (Corporate Social Service) activities.

## **Mission:**

The Bank has outlined out the following corporate objectives in order to ensure unchallenged achievement of its goals:

- To offer quality financial services in export import Trade.
- To keep on a temporary technology based professional banking environment.
- To make a complete capital base.
- For fulfilling its social obligations.
- To making its product superior and rewarding to the customers.
- For ensuring ethics and transparency at all levels.
- Above all, adding positive contribution to the national economy.

## **Vision:**

The essence of our vision is "Together Towards Tomorrow". Export Import Bank of Bangladesh Limited puts stock in togetherness with its clients, in its walk headed for development and advance with benefit. To accomplish the coveted objective, there will be quest for perfection at all phases with atmosphere of constant change, in light of the fact that, in Exim Bank, we trust, the line of brilliance is ceaseless. Bank's vital plans and systems administration will fortify its aggressive edge over others

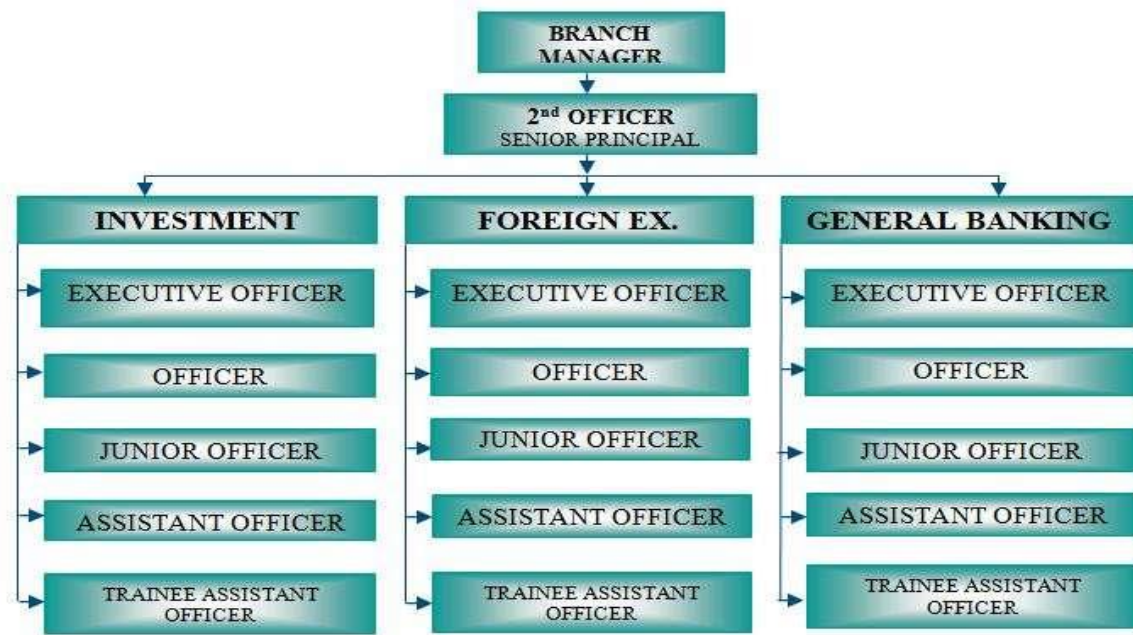
in quickly changing focused condition. Its customized quality administrations to the clients with pattern of steady change will be the foundation to make our operational progress.

## Corporate Division:

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

These are-

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



**Fig: 2.1 Organogram of Exim Bank**

## Products and Services:

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

<i><b>Retail banking</b></i>	<i><b>Corporate banking</b></i>	<i><b>SME banking</b></i>	<i><b>Agri banking</b></i>	<i><b>Remittance</b></i>
Deposits	Investments	EXIM Uddyog	EXIM Kishan	Foreign remittance- <input type="checkbox"/> EXIM Exchange company (UK) Ltd <input type="checkbox"/> EXIM Exchange company (Canada) Ltd <input type="checkbox"/> SWIFT <input type="checkbox"/> International Operations
Investment	Foreign exchange and trade finance- <input type="checkbox"/> Correspondent banking <input type="checkbox"/> Import finance <input type="checkbox"/> Export finance	EXIM Abalamban		
Cards				
Internet banking				
SMS banking				
Locker services				

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

## Overall performance:

# Five Years Financial Performance at a Glance

Amount in million Taka

Sl No.	Particulars	2012	2013	2014	2015	2016
1	Authorized Capital	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
2	Paid-up Capital	10,514.86	11,566.35	12,838.65	14,122.51	14,122.51
3	Shareholder's Equity	16,550.20	20,499.14	22,977.06	25,122.42	26,467.75
4	Total Capital (Tier I + Tier II)	18,104.94	21,064.26	23,385.94	28,195.39	29,661.70
5	Statutory Reserve	4,587.47	5,236.93	6,118.31	6,869.91	7,846.41
6	Total Assets	166,997.93	195,542.25	232,833.95	265,148.42	291,133.91
7	Total Liabilities	150,447.73	175,043.10	209,856.89	240,025.99	264,666.16
8	Total Deposits	140,025.42	165,391.58	200,009.00	224,770.89	248,223.61
9	Total Investment (General)	119,360.07	145,002.00	179,165.57	197,536.57	223,396.92
10	Investment (Shares & Securities excluding Subs.)	10,345.38	11,443.56	15,571.55	17,581.62	16,473.51
11	Total Contingent liabilities	63,950.48	60,119.38	65,616.80	69,852.49	70,600.46
12	Total Risk Weighted Assets	166,630.44	159,662.18	199,902.66	234,174.26	252,005.99
13	Total Fixed Assets	439.48	3,190.36	3,311.71	5,635.01	5,671.54
14	Total Income	20,345.73	23,707.60	25,801.24	27,162.03	25,957.45
15	Total Expenditure	15,051.55	18,754.89	19,665.52	20,775.08	20,008.21
16	Profit before provision and tax	5,294.18	4,952.71	6,135.72	6,386.95	5,949.24
17	Profit before tax	3,613.90	3,238.75	4,410.91	3,664.31	4,998.48
18	Net profit after provision and tax	2,083.08	1,885.61	2,465.68	2,086.55	3,039.76
19	<b>Foreign Exchange Business</b>	<b>270,081.50</b>	<b>268,852.68</b>	<b>284,984.68</b>	<b>302,266.40</b>	<b>305,465.70</b>
	a) Import Business	143,314.40	135,409.88	146,795.57	152,703.30	153,930.50
	b) Export Business	120,996.90	130,353.32	134,412.44	145,796.40	147,508.70
	c) Remittance	5,770.20	2,889.48	3,776.67	3,766.70	4,026.50
20	No. of Foreign Correspondent	398	386	398	383	390
21	Profit earning assets	132,808.14	161,424.61	191,972.21	219,538.74	230,465.98
22	Non profit earning assets	34,189.79	34,117.64	40,861.74	45,609.68	60,667.93
23	Investment as a % of total Deposit	85.24%	87.67%	89.58%	87.88%	90.00%
24	Capital Adequacy Ratio	10.87%	13.19%	11.70%	12.04%	11.77%
25	<b>Dividend</b>	<b>10.00%</b>	<b>11.00%</b>	<b>10.00%</b>	<b>12.00%</b>	<b>15.00%</b>
	Cash	-	-	-	12.00%	15% Proposed
	Bonus	10.00%	11.00%	10.00%	-	-
26	Rights Share	-	-	-	-	-
27	Net Asset Value Per Share	15.74	17.72	17.90	17.79	18.74
28	Earning per share (EPS)	1.98	1.63	1.92	1.48	2.15
29	Price earning ratio (times)	10.14	7.80	5.74	5.54	5.63
30	Return on Equity (ROE) after tax	13.43%	10.18%	11.34%	8.68%	11.78%
31	Return on Assets (ROA) after tax	1.40%	1.04%	1.15%	0.84%	1.09%
32	No. of Shareholders	139,482	154,398	140,061	116,206	96,036
33	Number of Employees	1918	2236	2465	2700	2747
34	Number of Branches	72	80	87	103	113

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

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***Chapter-03***

***Page No:***

***Internship Experience***

***23-24***

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## **Job responsibilities:**

When working as an intern in EXIM Bank Ltd, Satmasjid branch, the contribution was worth of a twelve weeks, or three months, where the main effort was to serve the bank officers and employees with support and provide them a helping hand to ease their load of work and pressure. Responsibilities performed during my stay with EXIM Bank Ltd, Satmasjid branch, are as follows:

### **1. Provide proper information to customers:**

Always tried to give the most effort to provide customers with the right information that were required whenever the situation aroused. For example, most of the common situation was that most of the customers needed information regarding account opening and different deposit schemes.

### **2. Account Opening:**

The first work that assigned to me was the account opening under the general banking. Here I learned the procedures of opening an account, the documents required for opening an account. There are various types of accounts and schemes in EXIM Bank for the different types of customers. The small account deposits were a major part of the actual deposit of the Bank.

### **3. Pay order issue:**

Customers provided with a pay order form and after filling the form, the customer paid the specific amount to the cash department, then the designated officer issued a pay order and gave a copy of the pay order to the customer. During the whole process, most of the time assistance was required for the customers who were not accustomed to the pay order process.

### **4. Demand Draft:**

The demand draft is a written order by a bank to pay a certain sum of money or it can also be to the order of a specific person. The cheque-clearing department separately checked these drafts. Here also assistance was required to help out with the process.

### **5. Cheque Clearing Section:**

Every day the Bank receives several cheques from clients. The main work here was to see if the customer name, account number, date of the cheque, signature of the customer was properly provided



or not. Then check if the deposit slip was written correctly according to the cheque. After that the endorsement seal and the branch seal had to be punched on the cheque for further processing. Finally, a record was to be made of all the cheques that have arrived on a cheque out warding book for bookkeeping.

## **6. Cheque book requisition:**

A chequebook is distributed to the account holder only against a requisition on the requisition slip attached with the cheque book, after proper clarification of the signature of the account holder personally.

## **7. Receiving & Sending Letters:**

There are two books for recording letters. The letters that comes from outside or from another branch is received in inward or inbound book and a serial number or reference number is given to the letters. The other book is the Bank's letters that are send to another branch or bank by putting a serial or reference number to it, called the outward or outbound book.

## **8. Sending Thanks to clients:**

Sending thanks letter to clients whenever an account is opened. The main purpose is to verify the customer's current address by sending the letter.

<i>Chapter-04</i>	<i>Page No:</i>
<i>Review of Related Literature</i>	26-28

According to **Investopedia**, Islamic banking, most popularly referred as interest free banking, is a banking system established on the grounds of Islamic Sharia Law which is led by Islamic economics. Two important concept of Islamic banking are the division of profit/loss and the disallowance of the collection of the collection and the payment of interest by lenders and investors. Islamic law restricts gathering interest or 'riba'. The principle of Islamic bank follow Sharia Law, which is followed accordance with the Quran and the Hadith, the followings of Prophet Muhammad (PBUH). When additional information is required, Islamic bankers go to educated scholars of Islam or utilize independent reasoning based on scholarships and customs. The bankers also affirm schemes that do not go out of track from the major principles of the Quran. While an Islamic bank is based on Islamic principal of the Quran, an Islamic bank is based on Islamic window states that to the work supported by a conventional bank but based on Islamic principal.

Institute of Islamic Banking and Insurance (1995), comprises objects with the titles such as "Islamic Interest-Free Banking", "Developing an Interest-Free Economy", and "Conversion of Interest-Based Banking to Islamic Interest Free Banking". As "interest" is an English term and "riba" is Arabic, combining the couple of word is puzzling, especially when Islamic banks declare to run-through "interest free" finance in their jobs. Because from the Islamic legal reference, the usury and interest are appealed not be different, consequently there is no variance between riba and interest. Although the objective of his article is to detach between the concept of interest and profit, signifying that Islamic bank should be honest in calling its Murabahah's mark-up as interest rather than profit, his article is helpful in supporting the disagreement that interest and riba are not always the same. From the article, we can determine that finance without interest is impossible so Islamic Banks should stop calling it interest free banking instead it is actually riba free banking which is forbidden in Islam. (**Ugi Suharto, International Journal of Islamic and Middle Eastern Finance and Management Vol.11No.1, 2018 pp. 131-138**)

Islamic Banking's financing techniques are very interesting as well as complex than conventional banking. According to **Investopedia** Islamic Investment policy is based on Islamic laws which are maintained by the shariah board. Islami Banks invest their money only in shariah permissible products. After that, shariah board monitors their activities.

There is a description in **Wikipedia** that "Shariah" means such rules and regulations as have their origin in the holy Qur'an and Sunnah to govern all aspects of human life. A Sharia Supervisory Board or Sharia committee is set up by a financial institution (usually an Islamic bank or an Islamic insurance company) to advise and certify certain financial products. Moreover, the board may be called on to make a decision on separate cases referred to it, relating to whether specific customer business requests are appropriate to the organization. Certain that shariah law is derived from studies of both the Qur'an and the Sunna. In **Islamic Market (online)**, the role of SSB has written, that focus on six areas like providing fatwas that certify permissible financial products, undertaking Shariah audit to ensure products comply with guidelines, calculating zakat payments, disposing of non-Shariah compliant income or earnings, providing advice to the Islamic financial institutions, providing guidance to the bank on its wider social role. Main purpose of Shariah Board is follow the strategies based on Quran & Hadith.

Under the **Guidelines for Conducting Islamic Banking Investment of Bangladesh Bank**, segment of Islamic Banks is different from Conventional Banks so that they can maintain the guidelines of Shariah Board. Islamic banks receive deposits under two principles, they are Al-Wadeeah principle & Mudaraba principle. Under Mudaraba principle Mudaraba Savings Deposits (MSD), Mudaraba Short Notice Deposits (MSND) and Mudaraba Term Deposits (MTD). Islamic banks don't directly deal with money rather they run business with money. Islamic banks funds are mainly invested in different modes like Mudaraba, Musharaka, Bai-Murabaha (Murabaha to the purchase orders), Bai-Muajjal, Salam and parallel Salam, Istisna and parallel Istisna, Ijara, Ijarah Muntahia Bittamleek (Hire Purchase), Hire Purchase Musharaka Mutanaqisa (HPMM), Direct Investment, Investment Auctioning, Quard & Quard Hassan etc. The import business is broadly divided into three categories they are Import of Commercial goods, import of raw materials for production purpose, Import of capital/machineries. Other Functions are like Remittance or Money Transfer & Miscellaneous Banking Services.

Different Islamic Shariah oriented banks have their own policy for investment proposal. After a long data collecting period, the researcher showed a funding approval procedure that will be helpful for both general banking and Islamic banking. Process of Investment can be described step by step as submission of summary of the business, preliminary screening, submission of details business plan, initial screening, telephone interview, secondary interview, mortgage valuation, documentation, advisory board review, preliminary approval, approve from head office, sanctioning, process completion and monitoring is the last step which is maintained by the shariah board. (**Md. Shahinoor**

The asset and liability sides of Islamic banks have exclusive risk features. The Islamic Banking model has transformed to one-tier mudaraba with multiple investment tools. On the liability side of Islamic banks, saving and investment deposits take the form of profit-sharing investment accounts. Investment accounts can be further classified as restricted and unrestricted, the former having restrictions on withdrawals before maturity date. Demand deposits or checking/current accounts in Islamic banks take the nature of qard hasan (interest-free loans) that are returned fully on demand. On the asset side, banks use murabaha Cost-plus or mark-up sale), instalment sale (medium/long-term murabaha), bai-muajjal (price-deferred sale), istisnaa/salam (object deferred sale or pre-paid sale) and ijara(leasing) and profit-sharing modes of financing (musharakaand mudaraba). These instruments on the asset side, using the profit-sharing principle to reward depositors are the area unique feature of Islamic banks. Such instruments change the nature of risks that Islamic banks face. **(Risk management in Islamic banking Habib Ahmed and Tariqullah Khan page: 144-158).**

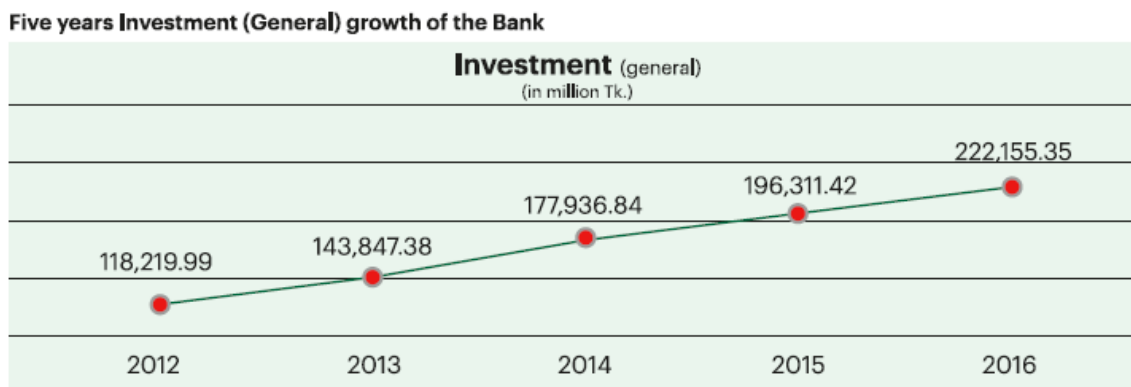
<i>Chapter-05</i>	<i>Page No:</i>
<i>Overview of Investment Program of Exim Bank</i>	<i>30-37</i>

## Investment of Exim Bank:

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

Total Investment (General) of the Bank stood Tk.222,155.35 million as on 31 December 2016 against Tk. 196,311.42 million as on 31 December 2015 registering a growth of 13.16%. As on 31 December 2016 Classified Investment to total Investment ratio was 5.23% which is within the reasonable limit considering the industry situation. Bank has no provision shortfall against Investment (General) as on 31 December 2016.

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



**Fig: 5.1**

## Mode-wise Investment:

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

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

**Table: 5.1**

In this table: 5.1, we can see the growth of investment is declining from 23.70% to 13.16%, which indicates negative increase in investment.

(In million taka)				
No.	Particulars	2014	2013	Growth
1	Bai-Muazzal	71,221.95	56,154.57	26.83%
2	Bai - Murabaha	22,591.49	22,458.66	0.59%
3	Bai-Salam	4,568.25	4,175.05	9.42%
4	Izara bill baia (Commercial)	70,564.55	53,085.45	32.93%
5	Izara bill baia (Staff)	1,912.76	1,701.43	12.42%
6	Bai - as - Sarf (FDBP)	462.96	575.26	-19.52%
7	Musharaka Documentary Bill (MDB)	2,002.29	2,290.71	-12.59%
8	Mudaraba Import Bill (UPAS)	3,400.97	2,079.89	63.52%
9	Murabaha Import Bill (MIB)	866.48	1,079.52	-19.73%
10	Quard	345.14	246.84	39.83%
	<b>Total</b>	<b>177,936.84</b>	<b>143,847.38</b>	<b>23.70%</b>

**Table: 5.2**

In this table: 5.2, we can see the growth is increased from 21.68% to 23.70%, which indicates more positive increase in investment.



(In million Tk.)				
SL. No.	Particulars	2013	2012	Growth
1	Bai-Muazzal	56,154.57	45,404.59	23.68%
2	Bai - Murabaha	22,458.66	21,436.73	4.77%
3	Bai-Salam	4,175.05	3,368.18	23.96%
4	Izara bill baia (Commercial)	53,085.45	43,007.03	23.43%
5	Izara bill baia (Staff)	1,701.43	1,066.05	59.60%
6	Bai - as - Sarf (FDBP)	575.26	369.75	55.58%
7	Musharaka Documentary Bill (MDB)	2,290.71	1,948.42	17.57%
8	Mudaraba Import Bill (UPAS)	2,079.89	766.70	171.28%
9	Murabaha Import Bill (MIB)	1,079.52	469.48	129.94%
10	Quard	246.84	383.05	-35.56%
	<b>Total</b>	<b>143,847.38</b>	<b>118,219.99</b>	<b>21.68%</b>

**Table: 5.3**

We can see that the annual growth of 2013 is increases 21.68% from 2012 which indicates a positive increase in investment.

### Major Industry-wise Investment:

The bank has diversified its product in different industries for minimizing the risk. Major industry-wise investment of the Bank is given in the table below:

(in million Taka)				
SL. No.	Particulars	2016	2015	Growth
1	Garments	28,316.17	20,093.59	40.92%
2	Textile	16,178.80	12,736.39	27.03%
3	Agrobased Industry	15,150.03	17,593.40	-13.89%
4	Other Industry	58,698.97	15,732.52	273.11%
5	Trading and others	103,811.37	130,155.52	-20.24%
	<b>Total</b>	<b>222,155.35</b>	<b>196,311.42</b>	<b>13.16%</b>

**Table: 5.4**

No.	Particulars	2014	2013	Growth
1	Garments	17,827.79	17,853.66	-0.14%
2	Textile	11,761.37	8,843.25	33.00%
3	Agrobased Industry	12,638.80	11,480.30	10.09%
4	Other Industry	17,497.00	2,747.29	536.88%
5	Trading and others	118,211.87	102,922.89	14.85%
	<b>Total</b>	<b>177,936.84</b>	<b>143,847.38</b>	<b>23.70%</b>

**Table:5.5**

(In million Tk.)				
SL. No.	Particulars	2013	2012	Growth
1	Garments	17,853.66	11,920.00	49.78%
2	Textile	8,843.25	6,622.01	33.54%
3	Agro-based Industry	11,480.30	5,710.50	101.04%
4	Other Industry	2,747.29	9,576.79	-71.31%
5	Trading and others	102,922.89	84,390.69	21.96%
	<b>Total</b>	<b>143,847.38</b>	<b>118,219.99</b>	<b>21.68%</b>

**Table: 5.6**

In those tables 5.4, 5.5, 5.6 we can see, Exim bank concentrate on trading and others sector then garments sector and agro-based industry for financing and the growth rate is increasing.

## **Mode of Investment:**

Different mode of investment of Exim bank is discussed below:

### **1. Murabaha:**

Murabaha is an Islamic investment system where the bank buys a property with free and clear title. It is interest free loan which is considered as riba rather it is an acceptable form of credit sale under shariah law.

### **2. Bai-Muazzal:**

Bai-Muazzal is a contract between a buyer and a seller where the seller sells specific goods which has permitted in Islamic shariah, to the buyer at an agreed fixed price payable within a fixed period by fixed instalments.

### **3. Izara Bil Baia:**

Izara Bil Baia is a mode of investment under which the bank as per contract shall invest purchasing durable assets like machineries equipment, transport, land and building etc. along with the customer under the rules and regulations of bank.

### **4. Wazirat Bil Wakala:**

Wakalah is a term in Islamic finance that means an agency contract, Wakalah is a non-binding contract and the agent or the principal may dismiss this agency contract at any time, as jointly settled by both parties.

### **5. Quard:**

It is a mode to offer financial loan with the condition to return the principal amount in the future without any increase thereon.

### **6. Local Documentary Bill Purchased:**

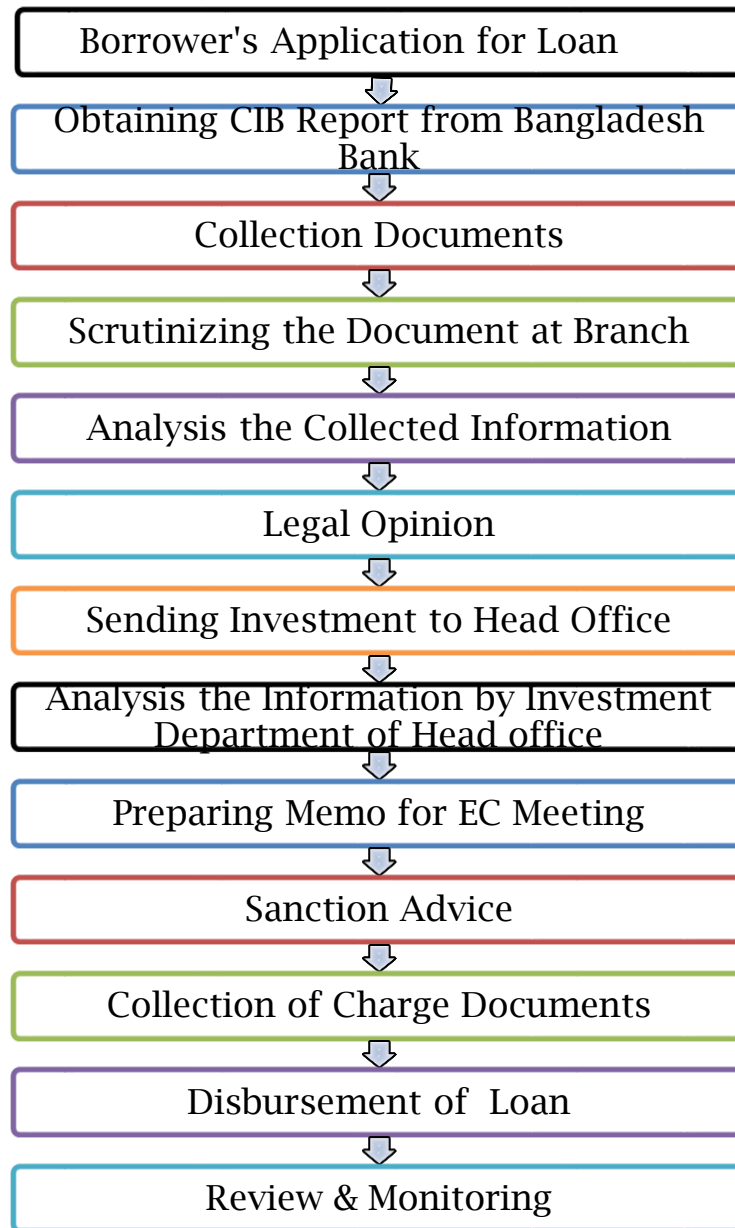
Disbursement made in contradiction of documents on behalf of sell of goods to local export oriented industries that are considered as exports and which are denominated in Local Currency falls under this head. This short-term liability is variable from proceeds of the Bill.

### **7. Foreign Documentary Bill Purchased:**

Disbursement made to a customer through purchase of a foreign documentary bills falls under this head. This short-term investment is adjustable from the proceeds of the export documents.

## Investment Method:

Loaning is the principle profit creating movement of EXIM bank ltd. The evaluation of investment examination process is appeared as an arrangement of successive by the accompanying graph:



**Fig: 5.3**

### **Audit Credit Data Department (CIB) Report:**

Checking on the CIB reports are most important assignment for Bank which are given by the Bangladesh Bank. Fundamentally EXIM Bank considering the CIB report for the reason on business investment to think about past data of customer. Along these lines bank entirely takes after the CIB report according to rules and control of BRPD guideline. In the wake of getting the customer data, bank go for checking CIB of the specific customers by means of online from Bangladesh Bank site. The motivation behind this report is to be regardless of whether the borrower has taken any credit and advances from some other bank and the status of those advance and advances.

### **Documentation:**

The bank does not dispense any credit office until the point when the required documentation is appropriately finished. After fulfilment of credit examination, the bank official starts to get ready investment proposition. The investment proposition characterizes unmistakably sum and kind of investment, the reason for the office, synopsis of the consequences of risk appraisal, the wellsprings of reimbursement, tenor, contracts, the concurred reimbursement calendar, profit and estimation of security.

## **SWOT Analysis:**

In SWOT analysis, a study where an organization can identify its internal strengths and weaknesses, along with its external opportunities and threats. SWOT analysis of Exim bank discussed below:

### **Strength:**

- They have experiences investment management team.
- High attention on recovery of overdue amount and pre-overdue situation.
- All of the investment is sanctioned from the head office so there has no chance of nepotism into the branch.
- Close monitoring on investment and disposal of proposals.
- Sound profitability growth and high asset quality.

### **Weakness:**

- Exim bank does not do any advertising like other banks, if they advertise about their investment program more people will be informed.
- Without the permission of head office, no decision cannot be made so its take too much time to sanction an investment after all procurement.

### **Opportunity:**

- Scope of develop new committed entrepreneurs.
- Women entrepreneurs have great opportunity in Exim bank.

### **Threat:**

- The competitor banks of Exim bank have more geographical coverage than Exim Bank.
- Other conventional banks are also opening Islamic sections or programs.

<p><b><i>Chapter-06</i></b></p> <p><b><i>Time Series Analysis of Exim Bank's Provision Part</i></b></p>	<p><b><i>Page No:</i></b></p> <p><b><i>39-50</i></b></p>
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## Investment Risk:

When an investment installment has not been made as of its due date is called due. Customer's credit worthiness could have been made a negative impact if they fail to repay an investment on time. If the bank failed to collect the full value of the investment, the bank must report to the CIB of Bangladesh Bank

In the regard, all the investments are grouped into four categories for the purpose of classification, namely:

1. Continuous Investment
2. Demand Investment
3. Fixed Term Investment
4. Short-term Agriculture and Micro Investment

### Continuous & Demand Investment are classified as under:

**Sub-standard-** if it is past due/overdue for 3 months or beyond but less than 6 months;

**Doubtful-** if it is past due/overdue for 6 months or beyond but less Than 9 months;

**Bad/Loss-** if it is past due/overdue for 9 months or beyond.

### Fixed Term Investment (More than Tk. 10.00 Lac) is classified as:

**Sub-standard-** if the defaulted installment is equal to or more than the amount of installment (s) due within 3 (three) months, the entire investments are classified as "Sub-standard".

**Doubtful-** if the defaulted installment is equal to or more than the amount of installment (s) due within 6 (six) months, the entire investments are classified as "Doubtful".

**Bad/Loss-** if the defaulted installment is equal to or more than the amount of installment (s) due within 9 (nine) months, the entire investments are classified as "Bad/Loss".

### Fixed Term Investment (Up to BDT 10.00 Lac) is classified as

**Sub-standard** if the defaulted installment is equal to or more than the amount of installment (s) due within 6 (six) months, the entire investments are classified as "Sub-standard".

**Doubtful-** if the defaulted installment is equal to or more than the amount of installment (s) due within 9 (nine) months, the entire investments are classified as "Doubtful".

**Bad/Loss-** if the defaulted installment is equal to or more than the amount of installment (s) due within 12 (twelve) months, the entire investments are classified as "Bad/Loss".



### Short-term Agricultural and Micro Credit are classified as

**Sub-standard-** if the irregular status continue after a period of 12 (twelve) months, the investments are classified as "Sub-standard".

**Doubtful-** if the irregular status continue after a period of 36 (thirty six) months, the investment are classified as "Doubtful".

**Bad/Loss-** if the irregular status continue after a period of 60 (sixty) months, the investment are classified as "Bad/Loss".

\*\* A Continuous, Demand or Term Investment which will remain over due for a period of 60 days or more, are treated as "Special Mention Account (SMA)".

We follow the following approach for specific and general allowances and statistical method:

#### Specific and general provisions

BDT in crore	
Industry-wise investment	Exposure
<b>Provision required:</b>	<b>Provisions as on 31.12.2016</b>
Unclassified Investments	247.40
Special mention accounts (SMA)	9.99
<b>Sub total</b>	<b>257.39</b>
Substandard	2.73
Doubtful	15.35
Bad/Loss	532.84
<b>Sub total</b>	<b>550.93</b>
<b>Total</b>	<b>808.32</b>

\*\*\*Provision for off-balance sheet item-

BDT 70.60 crore

\*\*\*Provision for Offshore Banking Unit (OBU)-

BDT 6.21 crore

#### Charges for specific allowances and charges-offs during the period:

\*\*\* Charges for specific allowances-BDT 550.93 crore

\*\*\* Charge-offs on loans during the period BDT 0.57 crore

**Table: 6.1**

**\*\*\*Movement of Provision**

BDT in crore

<b>Opening Balance</b>	<b>459.41</b>
Provisions made during the period	92.09
Write-Off	0.57
Write-Back of excess provisions	0.00
<b>Closing Balance 31.12.2016</b>	<b>550.93</b>

**Table:6.2**

**Specific and general provisions**

BDT in crore

<b>Industry-wise investment</b>	<b>Exposure</b>
<b>Provision required:</b>	<b>Provisions as on 31.12.2015</b>
Unclassified Investments	196.10
Special mention accounts (SMA)	7.08
<b>Sub total</b>	<b>203.18</b>
Substandard	8.84
Doubtful	51.11
Bad/Loss	399.46
<b>Sub total</b>	<b>459.41</b>
<b>Total</b>	<b>662.59</b>

\*\*\*Provision for off-balance sheet item-

BDT 69.85 crore

\*\*\*Provision for Offshore Banking Unit (OBU)-

BDT 4.77 crore

**Charges for specific allowances and charges-offs during the period:**

Charges for specific allowances-BDT 459.41 crore

Charge-offs on loans during the period BDT 0.53 crore

**Table: 6.3**

**\*\*\*Movement of Non- Performing Assets(NPAs)**

BDT in crore

<b>Opening Balance</b>	<b>225.74</b>
Provisions made during the period	234.20
Write-Off	0.53
Write-Back of excess provisions	0.00
<b>Closing Balance 31.12.2015</b>	<b>459.41</b>

**Table: 6.4**

BDT in crore	
Provision required:	Provisions as on 31.12.2014
Unclassified Investments	176.46
Special mention accounts (SMA)	5.75
Sub total	182.21
Substandard	8.50
Doubtful	7.74
Bad/Loss	209.50
Sub total	225.74
Excess Provision held (as per requirement of Bangladesh Bank)	2.94
<b>Total</b>	<b>410.89</b>
Provision for off-balance sheet item-	BDT 65.62 crore
Provision for Offshore Banking Unit (OBU)-	BDT 3.40 crore
• <b>Charges for specific allowances and charges-offs during the period:</b>	
Charges for specific allowances-BDT 225.74 crore	
Charge-offs on investments during the period BDT (43.18) crore	

Table: 6.5

*** Movement of specific provisions for NPAs	
BDT in crore	
Particulars	As on December 31,2014
Opening Balance	275.54
Provisions made during the period	47.39
Write-Off	97.19
Write-Back of excess provisions	0.00
<b>Closing Balance 31.12.2014</b>	<b>225.74</b>

Table: 6.6

BDT in crore	
Provision required:	Provisions as on 31.12.2013
Unclassified Investments	160.29
Special mention accounts (SMA)	0.53
<b>Sub total</b>	<b>160.82</b>
Substandard	3.06
Doubtful	5.16
Bad/Loss	267.32
<b>Sub total</b>	<b>275.73</b>
<b>Total</b>	<b>436.55</b>

- \*\*\* Provision for off-balance sheet item- BDT 60.12 crore
- \*\*\* Provision for Offshore Banking Unit (OBU)- BDT 2.08 crore
- Charges for specific allowances and charges-offs during the period:
- \*\*\* Charges for specific allowances-BDT 275.54 crore
- \*\*\* Charge-offs on loans during the period BDT 479.55 crore

Table: 6.7

\*\*\* Movement of specific provisions for NPAs

	BDT in crore
Opening Balance	146.03
Provisions made during the period	129.51
Write-Off	0.00
Write-Back of excess provisions	0.00
Closing Balance 31.12.2013	275.54

**Table: 6.8**

• Specific and general provisions

Provision required:	Provisions as on 31.12.2012
Unclassified Investments	73.84
Special mention accounts (SMA)	12.60
Agriculture (Short Term Agri)	6.04
<b>Sub total</b>	<b>92.48</b>
Substandard	18.95
Doubtful	18.80
Bad/Loss	108.28
<b>Sub total</b>	<b>146.03</b>
<b>Total</b>	<b>238.51</b>

\*\*\* Provision for off-balance sheet item- BDT 63.95 crore

\*\*\* Provision for Offshore Banking Unit (OBU)-BDT 0.81 crore

• Charges for specific allowances and charges-offs during the period:

\*\*\* Charges for specific allowances-BDT 146.03 crore

\*\*\* Charge-offs on loans during the period BDT 287.51 crore

**Table: 6.9**

\*\*\* Movement of specific provisions for NPAs

	BDT in crore
Opening Balance	39.94
Provisions made during the period	106.09
Write-Off	0
Write-Back of excess provisions	0
Closing Balance 31.12.2012	146.03

**Table: 6.10**

### **Time Series Analysis:**

Time series analysis is a statistical method that can help to predict the future from analyzing past data of a particular company or organization. It deals with time series data which means that data is in a series of particular time period or intervals.

In this report, time series analysis is done, for predicting future from past five years' data of non-performance loan and provision.

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

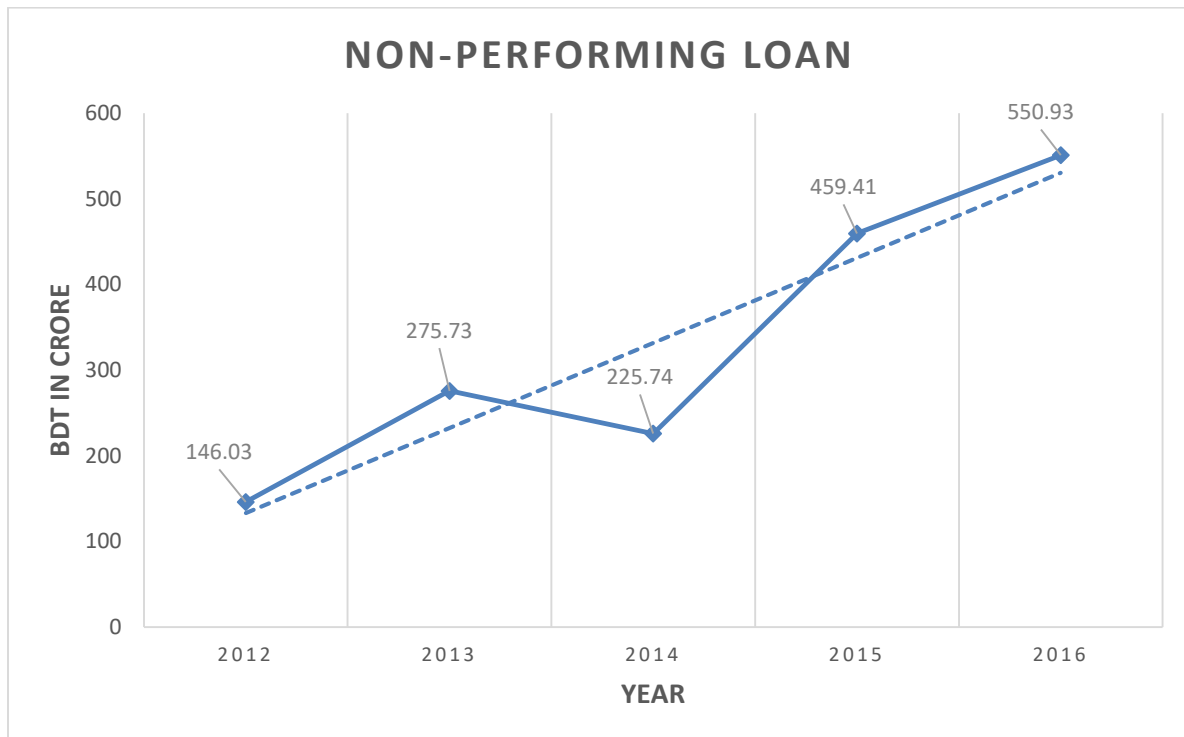
A non-performing loan is a sum of borrowed money upon which the debtor has not made the scheduled payments for a period of time. A non-performing loan is either in default or close to default.

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

<b>Year</b>	<b>Non-Performing Loan</b>
2012	146.03
2013	275.73
2014	225.74
2015	459.41
2016	550.93

**Table: 6.11**

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



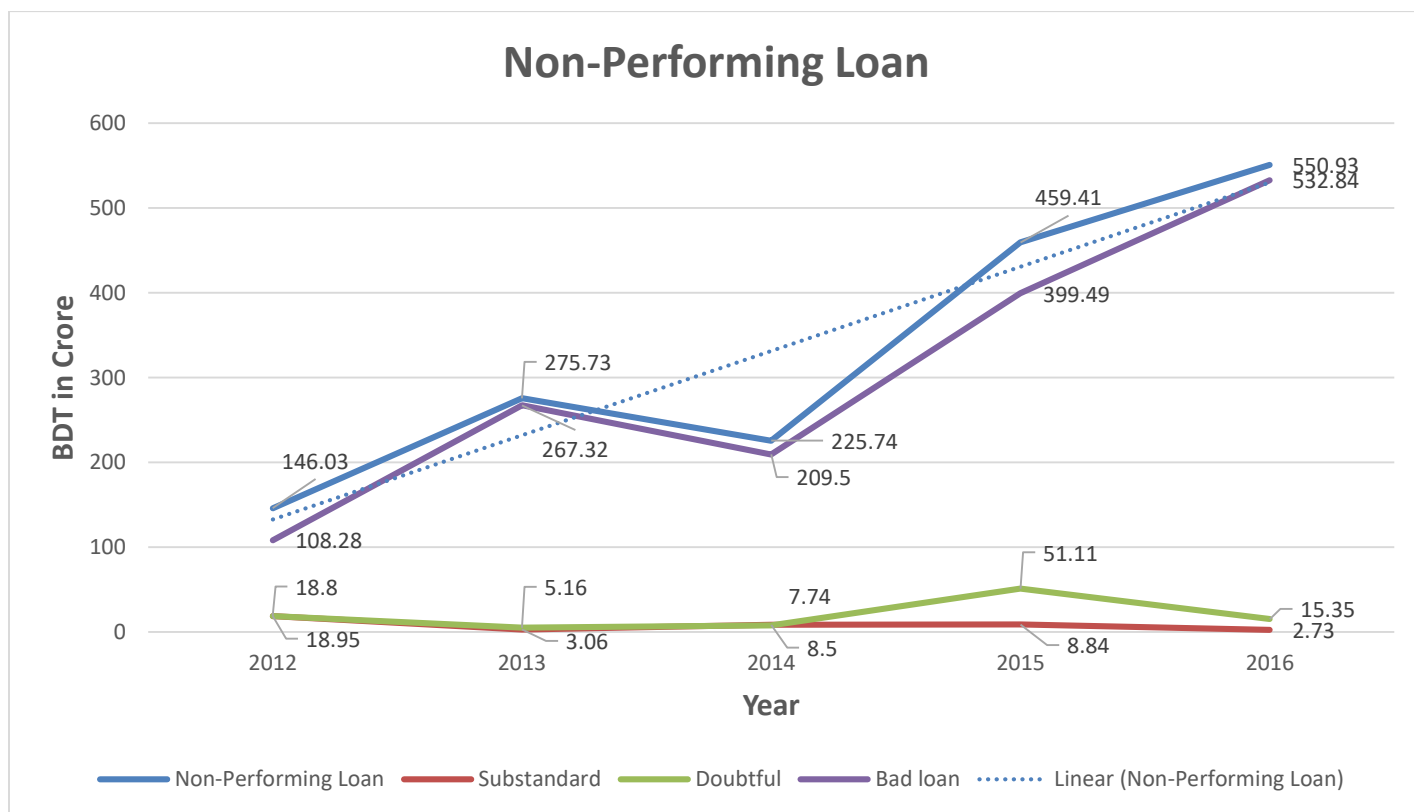
**Fig: 6.1**

From 2012 to 2016 there are some ups and downs but non-performing loan is increasing day by day which can affect negatively in the future. In the graph, we can see in 2014 NPL was decreased but again the line is growing up.

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

Year	Non-Performing Loan	Substandard	Doubtful	Bad Loan
2012	146.03	18.95	18.80	108.28
2013	275.73	3.06	5.16	267.32
2014	225.74	8.50	7.74	209.50
2015	459.41	8.84	51.11	399.49
2016	550.93	2.73	15.35	532.84

**Table: 6.12**



**Fig: 6.2**

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

### **Loan Provision:**

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

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

<b>Year</b>	<b>Provisions</b>
2012	238.51
2013	436.55
2014	410.89
2015	662.59
2016	808.32

**Table: 6.13**



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

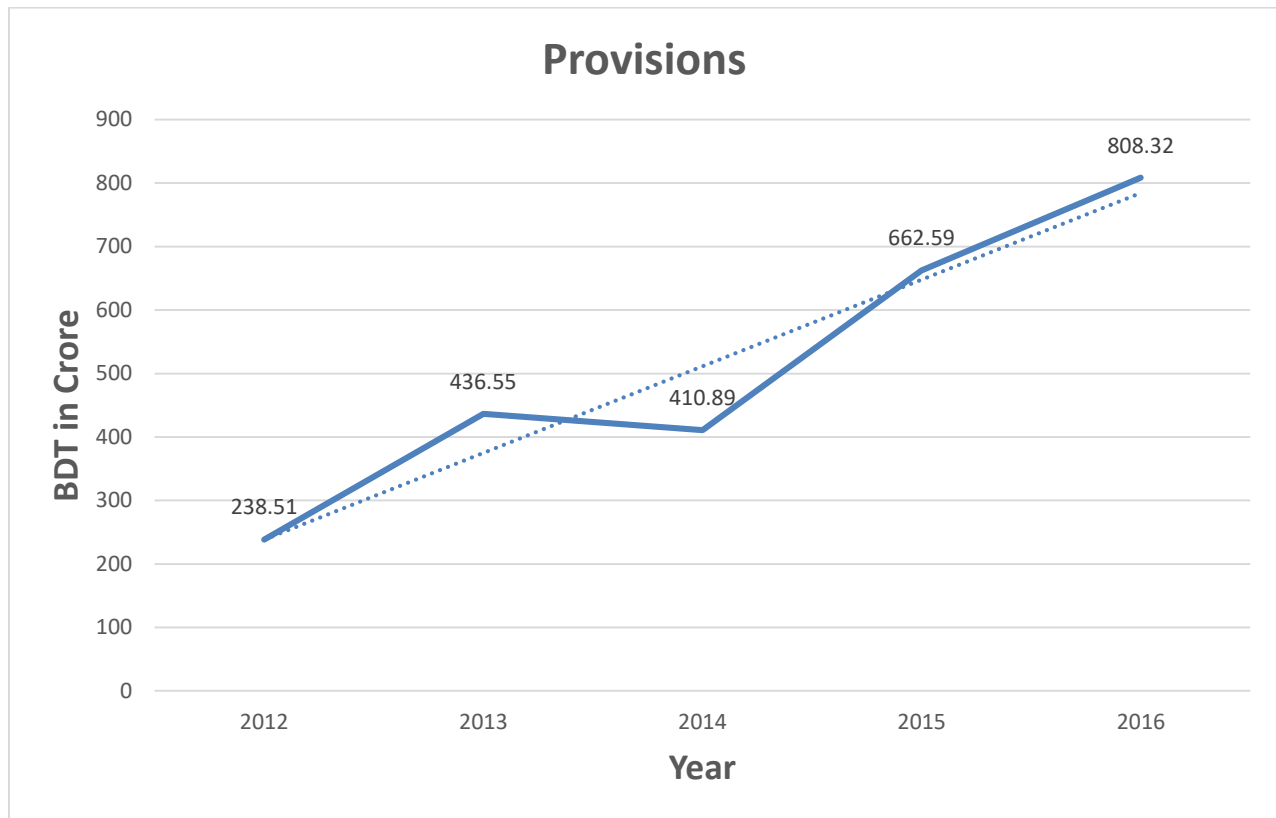


Fig: 5.3

From 2012 to 2016 amount of provision is growing which will not give positive impact in the future, in 2014, amount of provision went down but in 2015 again the growth is increasing.

## Ratio analysis:

Years	Particulars	Amount	Total Investment Amount	Ratio
2012	Substandard	18.95	11821.999	0.16%
	Doubtful	18.80		0.16%
	Bad Loan	108.28		0.92%
2013	Substandard	3.06	14384.738	0.02%
	Doubtful	5.16		0.04%
	Bad Loan	267.32		1.86%
2014	Substandard	8.50	17793.684	0.05%
	Doubtful	7.74		0.04%
	Bad Loan	209.50		1.18%
2015	Substandard	8.84	19631.142	0.05%
	Doubtful	51.11		0.26%
	Bad Loan	399.49		2.03%
2016	Substandard	2.73	22215.535	0.01%
	Doubtful	15.35		0.07%
	Bad Loan	532.84		2.40%












**Table: 6.14**

From ratio analysis we can see bad loan is the main reason of increase in NPL. The bank should focus the bad loan, if they want to decrease the growth of NPL.

### **Conclusion:**

Banking system of Exim bank is updating according to customer's need. They are trying to give the best service to their customers. As an Islamic country like Bangladesh the conventional banking system is not acceptable publicly. By offering Shariah based product they are actually doing social work and the customers to maintain their religion properly. Success in the banking business largely depends on effective lending. Less the amount of loan losses, more the income will be generated from investment operation here lies the success of Exim bank.

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