An Internship Report

On

"Loan Portfolio Analysis between the City Bank Limited & Al-Arafah Islami Bank Limited"

A Study on the City Bank Limited –Jamuna Future Park Branch, Dhaka-1229.

By, Farjana Tahmin

United International University

Internship Report

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“Loan Portfolio Analysis between City Bank Limited & Al-Arafah Islami Bank Limited”

Prepared For

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Letter of Transmittal

2nd October 2022

Nusrat Farzana

Assistant Professor

United International University (UIU)

Subject: Submission of Internship report

Dear Miss,

Respectfully, it has been an absolute pleasure and privilege to be your student and have the chance to present the report on a comparative analysis of City Bank Limited and Al-Arafah Islami Bank Ltd. I focused intently and to the best of my ability when writing the report on the subject of this project. I have done my level best to collect the information needed for the report when putting it together, and I would be pleased to answer any questions and thoroughly explain everything so that it is understood. I want to thank you for helping me prepare this report and for being there for me every step of the way.

Sincerely yours,

Farjana Tahmin

Declaration

This internship report on "Loan Portfolio Analysis between City Bank Limited & Al-Arafah Islami Bank Limited" was compiled by me, Farjana Tahmin, and was under the direction of **Nusrat Farzana**, an assistant professor at **United International University**.

The report of internship was compiled as a requirement to complete graduation and attain the degree of BBA from United International University.

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Signature of the Student

Farjana Tahmin

ID: 111 173 001

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Acknowledgment

I want to sincerely thank Nusrat Farzana, an assistant professor at United International University, who is both my mentor and my boss, for her support and encouragement as I completed this report. Additionally, I want to thank everyone else who helped saw this project through to its final conclusion.

I sincerely thank the staff at City Bank Limited for enabling me to do my internship there and for supporting my cause by giving me as much assistance and information as I required. Without their ongoing assistance, I probably would have struggled much harder to get the project through to completion.

Thank You.

Executive Summary

This report provides an overview of City Bank Limited and Al- Arafah Islami Bank Limited, which are the two largest players in the field of the banking industry. In this paper, we compared City Bank Limited with one of the Islamic Banks named Al- Arafah Islami Bank Limited. This paper offers an extensive examination of the City bank's many qualities and is divided into various segments.

Chapter 1 of the report starts with an introduction, the background, purpose, vision, and values of City Bank Limited, as well as information on all of its divisions, products, and regulations. **Chapter 2** also goes into depth on the Al-Arafah Islami Bank's origins, objectives, scope, limitations, and data gathering procedure. **Chapter 3** covers the ratio analysis of City Bank Limited and Al-Arafah Islami Bank Limited, which is necessary for the assessment of a firm or organization's issue areas and potential which is the primary section of the study. For a thorough evaluation of the company's performance, several ratio studies were performed. We employed secondary techniques of data collecting to get the information needed to complete the report. Another significant section of the paper is **chapter 4**, where I attempted to examine the NPL (Non-Performing Loans) of banks, another difficult area of a bank. The causes of NPL might vary widely. It is important to take the steps required to stop non-performing loans. **Chapter 5** contains the findings deriving from the analysis. The outcomes of a five-year ratio dataset from City Bank Limited and Al- Arafah Islami Bank Limited are as follows: City Bank Limited needs to become more effective in managing its resources to boost its Return on Assets by efficiently managing the total assets, and it also needs to reduce the length of time that inventory is held. To properly execute the financial strategy, City Bank Limited must create a suitable implementation plan and engage more qualified and experienced treasury professionals. Lastly, **Chapter 6** includes the experience of the internship where I have worked and learned throughout my internship journey and lastly, the conclusion, the term paper was closed.

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Chapter 1 Introduction

Since it launched in 1983, City Bank has been a good example of how things change and delivered as a case study in evolution. It begins out as a normal business but has grown into a well-known bank over the time, multifaceted company that adopts best practices from around the world and decides to lead the way in technological advancements. The Bank, unlike many others, uses milestones toward becoming the most comprehensive bank in the nation in addition to bottom-line results as a measure of success.

1.1 Origin of the report:

A report on an internship that was produced for the University's BBA program as a part of its requirements. An internship's main objective was to give the student "on the job" experience and a chance to apply theoretical ideas in practical settings. I was assigned as an intern to City bank limited to do this task, working under the supervision of two supervisors. One is an internal employee of the institute, while the other is a temporary employee for three months. Under the supervision and direction of Ms. Nusrat Farzana, I completed my report based on my work experience for this time.

1.2 Objectives of the report:

The key purpose of preparing this report is to determine and analyze City Bank Limited's Non-performing loans, financial performance and non-financial loans and to explore the sources of knowledge also by using the information from the financial statements to figure out the financial performance of City Bank Limited and Al-Arafah Bank Limited.

1.3 Scope & Limitations of the report

The examination, observertion and evaluations of City Bank Limited and Al-Arafah Banks' the financial and business performance are essential parts of this research report. The management of the City Bank Limited and Al-Arafah Bank Limited can analyze and assess the entity performance using the findings of this research report. The management of the organization will then be able to make new strategic decisions and put them into action. This will enable the entity to enhance her current performance. We have some restrictions on how we can perform this research. When adopting department management interview techniques for the aim of gathering data, there is a time constraint.

1.4 Data Methodology

There are two types of data collection process:

- Primary method
- Secondary method

Primary method: There are many ways to get hold of important information. In any case, self-administered overviews, interviews, field observation, and tests are the most common ways to do things. Getting important information is very expensive and takes a lot of time compared to getting less important information.

Secondary method: Information collected by someone other than the real client is called "secondary information." It means that the information is already out there, and someone is looking at it. Magazines, daily newspapers, books, diaries, etc. are all part of the extra information. It could be information that has been shared or information that has not been made public.

A researcher can use a variety of information sources for academic research purposes. However, practically all of these sources of information can be divided into two categories: information from both primary and secondary sources. And for my report I have used secondary sources to do this report.

1.5 Company Profile

In the private banking sector of Bangladesh, 'THE CITY BANK' is one of the private commercial banks that has been around for a lengthy period. Since 1983, The Bank has been operating with Tk. 1.75 billion in authorized capital, thanks to those twelve well-known and successful business people in the country for their excellent business skills. A real and honest reason for this bank was started to make it advance in the way money is kept and money is managed.

Today, The City Bank has 132 branches all over the country and about 300 correspondences overseas, which cover the worlds’ all the business centers and the major cities. The services cover a huge range of different areas of business, areas and industry. They are customized to match the particular requirements of each client and also are best known for their promptness and personal care. Over a long period of time, the CITY BANK LIMITED has grown its size of operations. A biggest and always expanding residential organize gives and delivers many different services and goods.

THE CITY BANK has already given its customers some modern ways to manage their accounts, such as double-money credit cards, ATMs, and online services. The bank will soon offer real-time account management through the web, SMS, and phone, along with all other modern delivery methods. The Bank has gotten national and international attention for doing important things well. In the year of 2000, The "ASIA WEEK" declared that from best 12 banks of Bangladesh THE CITY BANK has achieved a position based on its assets, deposits, and benefits. Aside from that, The CITY BANK LIMITED was awarded a "Beat Ten Company" given by the Prime Minister of the People's Republic of Bangladesh. The city Bank has such a Committee of Executives that is well-known and made up of thirteen successful and well-known businessmen. The Chairman of the Bank is Mr. Aziz Al-Kaiser, who plays a role as leading businessman of Bangladesh and he also contribute in private sectors being as an industrialist and entrepreneur.

1.5.1 Mission, Vision & Value

Vision

The Financial Super-market with a Winning Culture that Offers Fun Things to Do.

Mission

- Provide a variety of standout goods and services that appeal to all clientele.
- Encourage a culture where employees go above and above and where leaders are created by positioning yourself as the "Manager of choice".
- Constantly challenge forms and stages to improve their usefulness and efficiency.
- Encourage technology and creativity in order to guarantee and enhance service quality.

- Make sure that good management, compliance and respect for the community all are present in everything.

Values

- Results-driven and accountable
- Open and brave
- Respectful and involved
- Inspired and focused on making customers happy.

1.5.2 City Bank limited General banking division

The bank must provide all forms of business account management, exchange activities, and client banking services, clearing, and keeping through it serves all the branches of city bank in Bangladesh in order to comply with its guiding principles. One of the few local banks to not operate in the conventional, decentralized, regionally controlled, department-based fashion. Four distinct business units, including: the bank's head office, which oversees the bank's operations and business vertically.

- Provides long-term funds to the corporate and govt. through Corporate & investment banking Facilities
- Delivers Retail Banking services to small companies and individuals
- Offers funds to the small and medium-sized enterprises (SME)
- Treasury & Market risks.

Corporate & investment banking

- Providing Working capital finance to the customer
- Bank helps the business to export and import easily
- Provides loan for a short time period
- Helps the business to finance long term fund
- Providing Islamic Finance to the people who follows Islamic Shariah
- Providing a daily basis cash inflows and outflows
- Bank provides capital to the organizations and business
- Schedule of fees and charges
- Imposing interested rate on lending

Retail Banking SME Banking

- Collecting Deposits from Customers
- Providing Loans to the customers
- Providing Cards-debit card facilities
- Providing foreign remittance to the people residing in the foreign country (NRB)
- Setting fees and charges
- Imposing Interest rate on Lending

SME Banking

- City Muldhan
- City Monaca
- City Shula
- City Nosh
- City Sheba

Treasury & Market risks.

- Exchange of one nation's money for another nation
- Lends short term interbank loans to the other banks
- Makes corporate sales to another business through normal interactions
- Research on customer, market, and currency

1.6 City Islamic

Islamic managing an account may be a financial system for keeping money and doing business by following all the rules, regulations, and arrangements of Islamic Shariah. It adheres to the regulations and beliefs of Shariah law when it comes to exchange and business. The modern Islamic Managing an account industry risen as it were within the 1970s, in huge portion since of endeavors by early 20th century Muslim financial specialists who imagined choices to customary Western Financial matters, whose interest-based exchanges abuse Shariah.

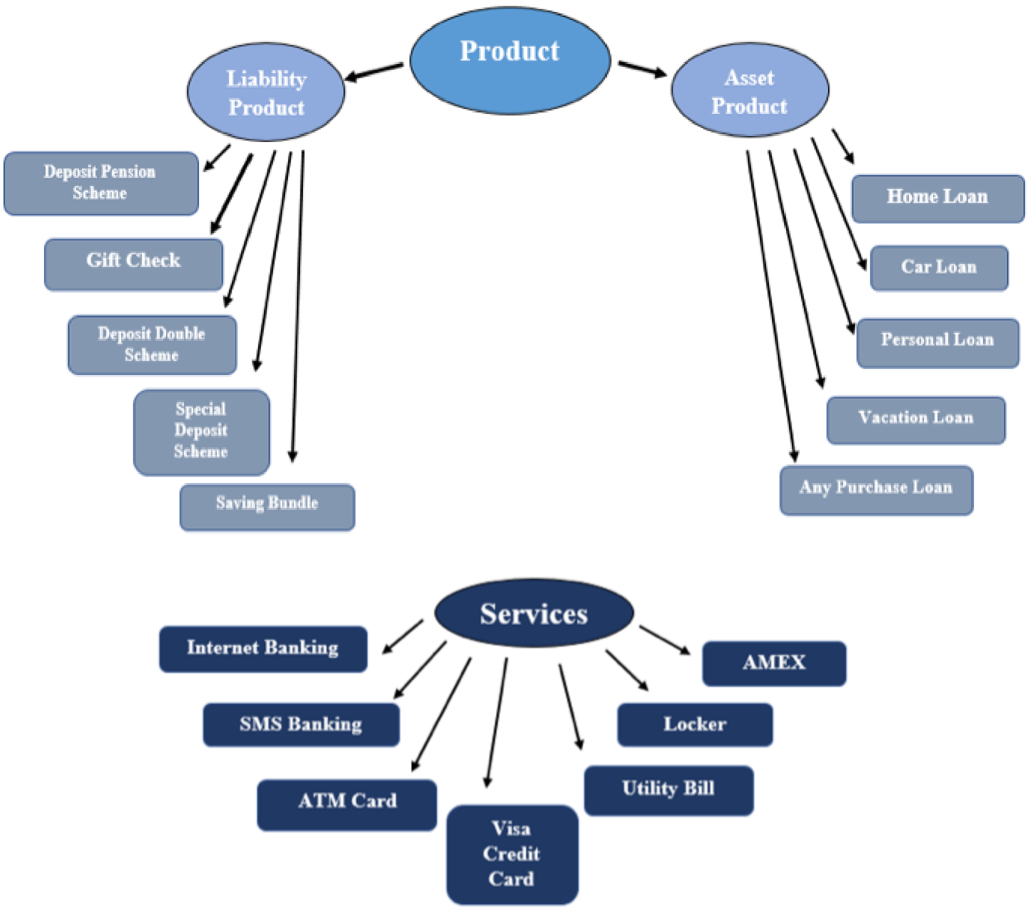
The term "Islamic Banking" refers to keeping money in a way that is consistent with Islamic teachings. The most tenets of Islamic Keeping money disallow the association of intrigued (Riba) in all shapes of exchanges undertaking trade and exchange exercises. Besides, Islamic Keeping money emphasizes on reasonable and genuine benefit and misfortune sharing for both the bank and the clients. Need of theoretical exchanges to minimize the hazard of Islamic managing an account to an awesome degree compared to customary bank.

1.7 City Alo

City Alo is the committed ladies managing an account division of City Bank. Our mission is to form a one of its kind keeping money benefit with a total managing an account involvement uncommonly outlined for our ladies clients.

To engage our ladies clients by giving money related help and bolster with uncommonly planned reserve funds, advances and other monetary items To make a flourishing community of ladies business visionaries in Bangladesh by advertising a uncommonly outlined certified course with North South College created as it were for budding ladies business visionaries in Bangladesh To quicken our ladies clients proficient lives by giving master monetary information and counsel through the City Alo website To interface and rouse ladies over Bangladesh by celebrating ladies achievers in Bangladesh.

1.8 Products and Services of CBL



The products and services are given by The City Bank Limited is mentioned above by a chart.

Chapter-2

2.1 About Al-Arafah Islami Bank Limited

Al-Arafah Bank Ltd. was registered as a private limited liability business and established on 18th June, 1995, with the purpose of gaining achievement in this world and the next by following Allah and His Prophet's example (SM). On September 27, 1995, the ceremony to start things off took place. As of December 31, the bank's compensated capital was TK 10440.22 million. , which is half of what it was allowed to have. The bank is backed by well-known Islamic scholars and religious business people from the country. Shareholders from the area own all of the paid-up capital.

As of 31st December, 2018, the bank's equity was valued at Tk.2348.32 crore, there were 3682 workers, and there were 25793 shareholders. It has always produced a return and distributed a substantial dividend over the years. The bank's tool for success is to combine new technology and new products with high-quality customer service. The bank offers a variety of precisely crafted goods and services to satisfy its customers' demands.

2.1.1 Mission, Vision, Objective etc.

Vision

To be the first Islamic bank in Bangladesh and make a big difference in the growth of the country's economy**.**

Mission

Making Almighty Allah happy both now and in the afterlife, Spreading Shariah-based financial system, providing high-quality financial services utilizing newest technology, delivering speedy and helpful customer care, and upholding a strict code of business ethics are the goals of this organization.

Commitments

- We are a modern Islamic bank that puts the customer first. We have significant and consistent growth in obtaining deposits and producing profitable investments.
- Through our branches all over the country, we wish to offer retail, small and large businesses, and corporate clients financial services with a personal touch.

2.1.2 Corporate Division/Department etc.

Most Al-Arafah Islami Bank Ltd. branches have five functional which include Deposit, Investment, CSMSME, Foreign Trade and Treasury services. Each of these departments function in their own ways for the most time but sometimes may be dependent on another.

- Deposit- Deals with the selling of all schemes, account opening, deposits etc.
- Investment- Deals with businesses by providing financing, advising etc.
- CSMSME- Provides schemes for Micro small and medium enterprises.
- Foreign Trade- Provides necessary financial assistance and checks requirements for businesses that are engaged on an international level.
- Treasury services- Provides every sort of treasury related solutions to clients and the interbank counterparts.

Each department has a large number of staff. While making choices, the organization maintains its correct hierarchy.

2.1.3 Details of the product lines or services

Al-Arafah islami Bank provides and offers the following products and services from their branches:

The products of Deposit Facilities

- Al-Wadiah Current Deposit (CD)-
- Mudaraba Short Notice Deposit (MSND)
- Mudaraba Savings Deposit (MSD)
- Mudaraba Term Deposit (MTDR)
- Monthly Profit Based Term Deposit (PTD)
- Pension Deposit Scheme (PDS)
- Monthly Installment Based Term Deposit (ITD)
- Al-Arafah Monthly Hajj Deposit (MHD)
- Al-Arafah Termed Hajj Deposit (THD)

- Farmer & Freedom Fighters Account
- Mudaraba Saving Ac- Garments Workers
- Al-Arafah Savings Bond (ASB)
- Mudaraba Foreign Currency Deposit AC
- Cash Waqf Deposit Scheme (CWD)
- Mudaraba Saving Investment Account (SID)
- Providing Locker facilities to the customers

Investment products

- Investment in Agriculture Sector
- Investment in Industrial Sector
- Investment in Business Sector
- Investment in Foreign Trade
- Investment in Construction and Housing
- Investment in Transportation Sector
- Hire Purchase (HPSM)
- Investment Schemes in Masque and Madrasa (MMIS)
- Village and Small Investment Schemes (GSIS)
- Small Enterprise Investment Schemes (SEIS)
- Consumer Investment Schemes (CIS)

Foreign Trade products

- Letter of credit (L/C)
- Exporting finance
- Importing finance
- Remittance service
- Foreign currency accounts facilities
- Correspondent Banking Service
- Off-Shore Banking Service
- Centralized Foreign Trade Processing Service
- L/C Advising Service
- SWIFT Sanction Screening

- Vessel Tracking Services
- Guarantee Business

Letter Of Credit:

- Cash L/C (Sight/Deferred/UPAS/EDF)
- Back-to-Back L/C
- Transferrable/Transferred L/C

Export Financing:

- Murabaha Foreign currency Investment (MFCI-EDF)
- Bai-Istishna
- Bai-Salam
- Musharaka Documentary Bill (MDB-BDT)
- Musharaka Documentary Bill (MDB-FC)
- Foreign Bill Purchase (FBP)

Remittance Service:

- Same day credit to the account that the beneficiary has with Al-Arafah Islami Bank Limited.
- Same day credit to any other bank branch in Bangladesh where the beneficiary has an account through BEFTN (Bangladesh Electronic Fund Transfer Network).
- Through secret PIN numbers, cash can be paid out over the counters of AIBL Branches, Agent Banking Outlets, and Sub-Branches all over the country.

Foreign Currency Account Facilities:

- Student File
- Mudaraba Foreign Currency Deposit Account (MFCD)
- Non-Resident Foreign Currency Deposit Account
- Resident Foreign Currency Deposit Account
- Exporters’ Retention Quota Accounts
- Foreign Currency Accounts for the EPZ Companies
- Foreign Currency Accounts for Shipping Companies, Airlines, and Freight Forwarders
- Cash Dollar Endorsement and Sales

Correspondent Banking Service:

Off-Shore Banking Service:

- Import Bill Discounting under UPAS Facilities
- Export Bill Discounting under Musharaka Documentary Bill (MDB-FC)

Long Term Facilities under HPSM-FC

- **C**entralized Foreign Trade Processing Service: Al-Arafah Islami Bank Ltd.'s Foreign Trade Processing Division (FTPD) provides full cash and back-to-back LC transaction and processing services for export and import from a single location.
- L/C Advising Service: They frequently obtain L/Cs from multiple banks in favor of beneficiaries who are not their clients because they have RMA with several institutions. They provide adequate and compliant advice for those L/Cs.
- Vessel Tracking Services: To comply with the need of "Maritime Sanctions Screening," they adopted web-based vessel tracking services from Lloyd's List Intelligence (LLI), UK in their bank in 2019.
- Guarantee Business: On behalf of its customers, the Bank provides Guarantee Services, including Omra Guarantee, with a preference for local and international organizations/correspondents.

Treasury services products

- Foreign Exchange- Treasury constantly analyzes the bank's input and outflow of foreign currency linked to import, export, and foreign remittance, and buys and sells currencies from customers as needed, as well as participating in the interbank market to manage the bank's Net Open Position and FX liquidity. Treasury provides its clients with spot/cash exchange rates in USD, EUR, GBP, JPY, CHF, CNY, AED, and SAR on a demand basis. AIBL Treasury is well-equipped with world-renowned banks' internet-based currency platforms to offer competitive exchange rates to importers, exporters, and exchange houses, as well as buy/sell foreign currencies to meet clients' needs.

- Money Market- The bank must deal with deposit and credit/advances mismatches. Depending on the bank's business situation, there will be a gap in the asset liability book. The job of the money market desk is to fill in these gaps. Aside from getting customers to deposit money, money market dealers set up short-term and medium-term funds for the bank at the best price. The money market desk makes sure that the bank has sufficient liquid assets to meet all of its financial commitments and client responsibilities as well as the SLR and CRR requirements, while putting the bank at the least amount of risk and cost. When there is a shortage of cash, the desk always has enough cash on hand to meet company needs.

Chapter-3 Ratio analysis

Ratio analysis between the City Bank limited and Al- Arafah Islami Bank Limited. Ratio analysis is a crucial technique that helps in determining the potential and concern areas of a business or entity. Ratio analysis is critical for every organization since it allows us to understand the profitability position, as well as the strengths and weaknesses of the company.

It also includes the ratio analysis that is required to pinpoint the potential and concern areas of a business or an organization. Various ratio analyses, including debt ratio, liquidity ratio, efficiency ratio, profitability ratio, and activity ratio, are used to evaluate the performance of a company in depth.

3.1 Return on Asset (ROA)

The ratio demonstrates how a company's assets can be used to generate profits. The higher the ratio, the greater the management's efficiency in generating profits through utilizing the company's assets.

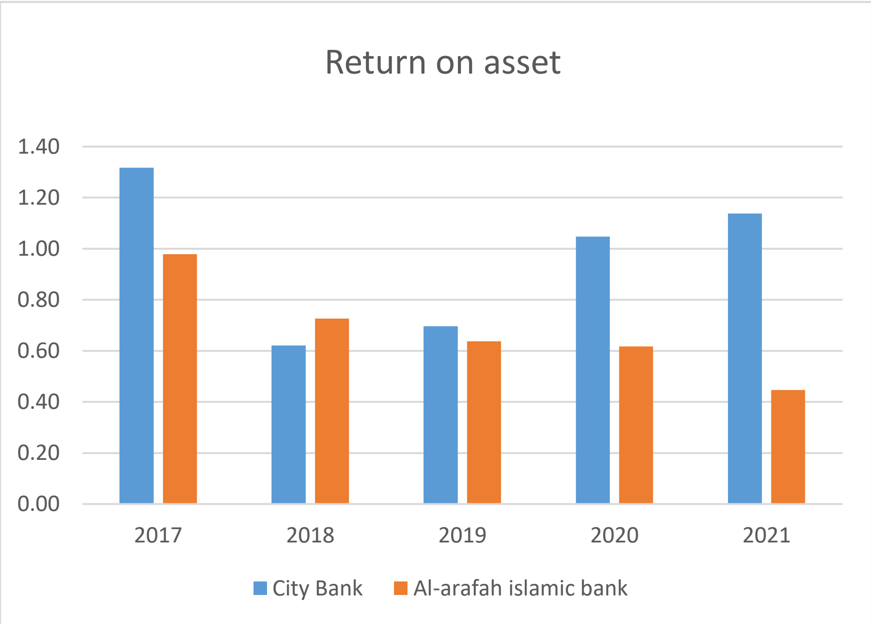


Chart 1.1 from the year 2017 to 2021, the return on assets of City Bank and Al-Arafah Bank.

Chart 1.1 shows how much City Bank made from the money it had. for the year 2017,2018,2019,2020 and 2021 are 1.32%, 0.62%, 0.70%, 1.05%, and 1.14% respectively. The Return on Assets of Al-Arafah Bank for the year 2017,2018,2019,2020 and 2021 are 0.98%, 0.73%, 0.64%, 0.62% and 0.45% respectively.

The ROA has decreased for City Bank over the years from 2017 to 2019 returns the lowest return among all the years, then starts to rises from 2019 to 2021. Whereas Al-arafah islami bank which had the lowest return in 2017which has decreased its ROA from 2017 to 2021 continuously. Al-Arafah was performing steadily after 2017 but it has observed the lowest return in 2021 in the last 5 years.

3.2 Net Profit Margin

The net profit margin displays an amount of net income generated by a company as a proportion of its whole profit. It helps investors figure out if whether a business is profitable enough from its sales and whether its administrative and operating costs are in balance.

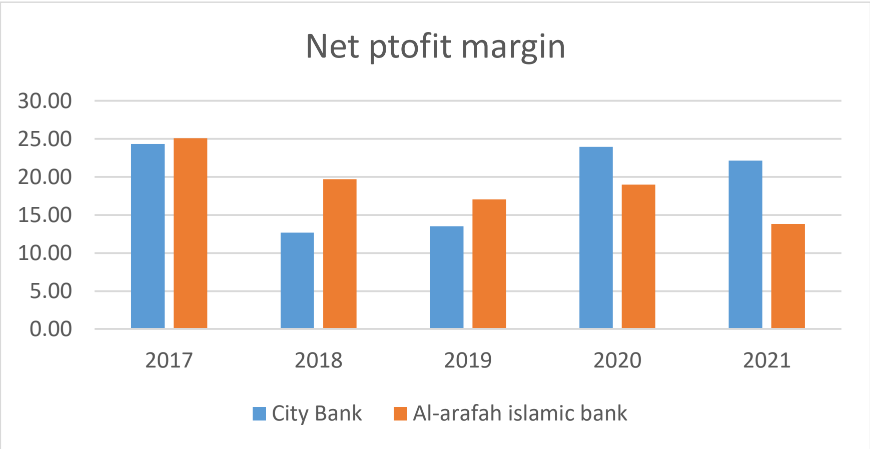


Chart 1.2 from the year 2017 to 2021, the net profit margin of City Bank Limited and Al-Arafah Bank.

Chart 1.2 demonstrates how much City Bank made in net profit for the year 2017, 2018, 2019, 2020 and 2021 are 24.33%, 12.69%, 13.52 %, 23.97% and 22.16% respectively. The Net Profit Margin of Al-Arafah Bank for the year 2017, 2018, 2019, 2020 and 2021 are 25.09%, 2.69%, 13.52%, 23.97% and 22.16% respectively.

The Net Profit Margin of City Bank has dropped drastically in the last 5 years from 24.33% in 2017 to 19.70% in 2018, then it has increased from 2018 to 2021. The Net Profit Margin of Al-

Arafah Bank was highest in 2017 among its peers and in the last 5 years, but it gradually decreased and now it is one of the lowest performers in term of earning Net Profit Margin in 2021.

3.3 Debt to Equity Ratio

A financial statistic that determines how much debt a corporation has is known as the debt ratio. It speaks of the total amount of debt utilized to fund the assets of a corporation. The ratio shows how much debt and equity are used to pay for a company's assets.

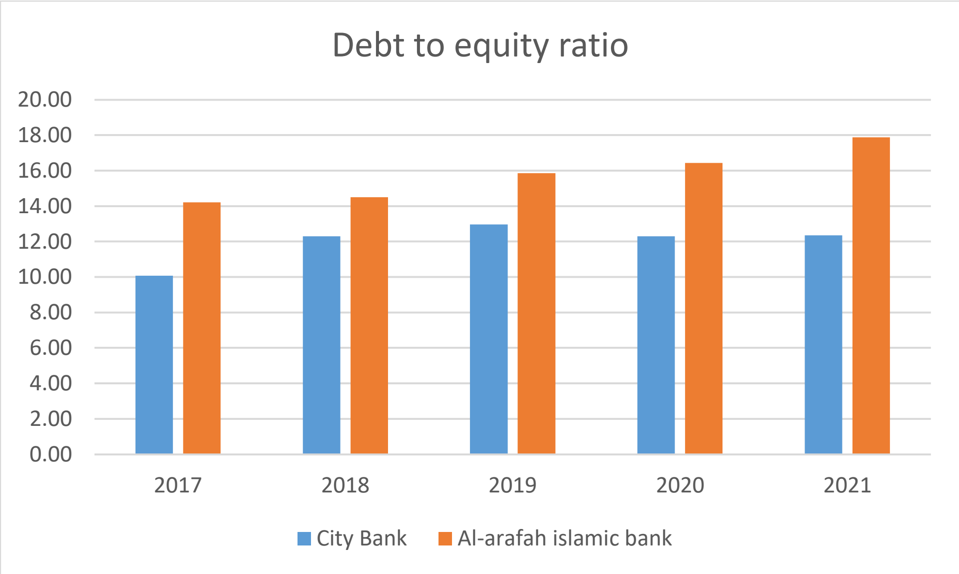


Chart 1.3 from the year 2017 to 2021 City bank limited and Al-Arafah Bank's debt to equity ratio.

Chart 1.3 shows the Debt to equity Ratio of City Bank for the year 2017, 2018, 2019, 2020 and 2021 are 10.08% 12.29%, 12.96%, 12.29%, and 12.35% respectively. The debt to equity ratio of Al-Arafah Bank for the year 2017, 2018, 2019, 2020 and 2021 are 14.22%, 14.51%, 15.86, 16.44% and 17.87%, respectively. Both the banks perform well and their debt to equity ratio rises continuously from 2017 to 2018, also Al-debt-to-equity Arafah's ratio is better than the City bank's ratio.

3.4 Credit to Deposit Ratio

From credit to deposit ratio describes how much of the money that banks have received in the form of deposits has been used to make loans.

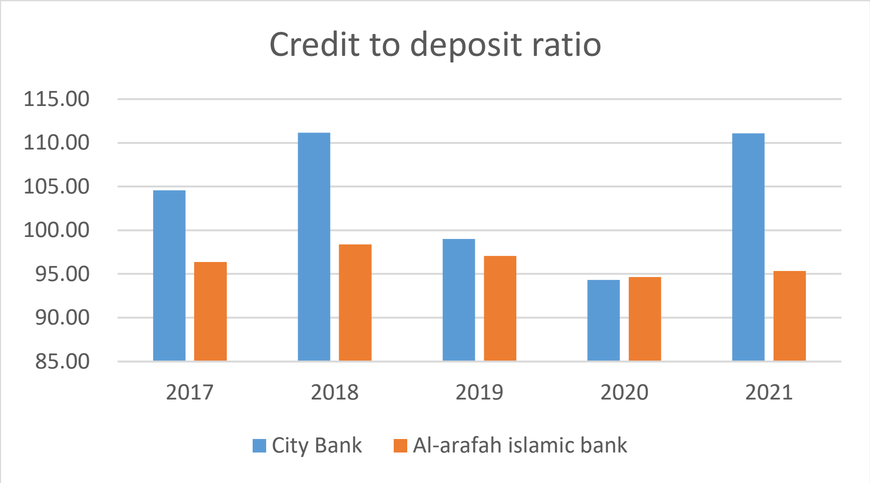


Chart 1.4: From the year 2017 to 2021, Credit to Deposit Ratio of Al-Arafah Bank Limited and The City bank limited.

Chart 1.4 shows the Credit to Deposit Ratio of EXIM Bank for the year 2017, 2018, 2019, 2020 and 2021 are 104.57%, 111.17%, 98.99%, 94.30% and 111.07% respectively. The Credit to Deposit Ratio of AlArafah Bank for the year 2017, 2018, 2019, 2020 and 2021 are 96.36%, 98.37%, 97.05%, 94.66% and 95.35% respectively.

A Loan to Deposit Ratio (LDR) or Credit to Deposit Ratio (CD) of 80 % to 90 % is considered ideal; nonetheless, a high Credit to Deposit Ratio shows a high demand for credit (loan) in an environment of comparatively slower deposit growth. A ratio greater than or equal to 100 % indicates that a bank lent one taka to each customer for every taka received in deposits. According to the graph above According to the graph above, City Bank loaned out more than it received in 2017 and 2018, but they were able to control it in 2019 ,2020 then again it has increased in 2021. While Al arafah islami Bank kept everything under control all along from 2017 to 2021.

3.5 Total Loan to Total Asset

The loan to asset ratio shows how many loans are out there as a percentage of all assets. The more loans a bank has and the less cash it has, the higher this ratio is. The higher the ratio, the more likely it is that a bank will have more people not pay their bills.

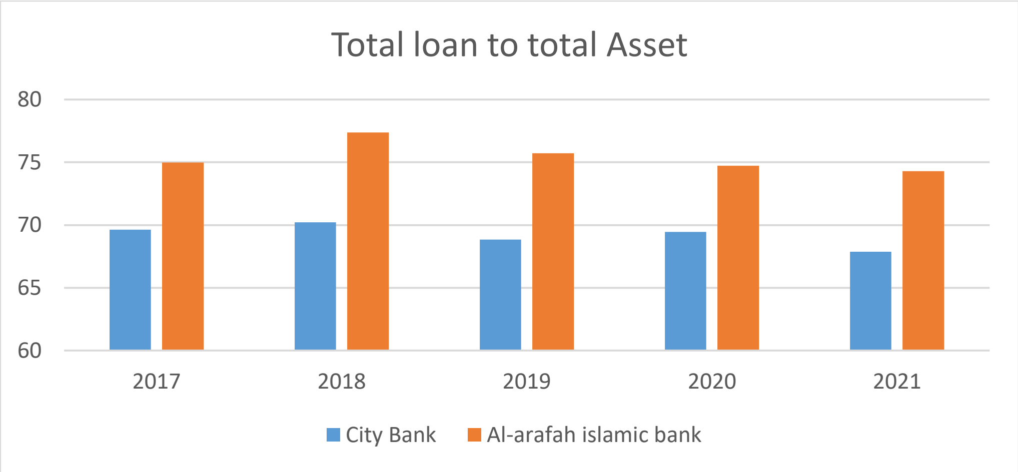


Chart 1.5: From the year 2017 to 202, The City bank limited and Al-Arafah Bank Limited's Total Loan to Total Asset Ratio.

Chart 1.5 shows the Total Loan to Total Asset ratio of City Bank for the year 2017, 2018, 2019, 2020 and 2021are 70%, 70%, 69%, 69% and 68% respectively. The total loan to total asset ratio of Al-Arafah Bank for the year 2017, 2018, 2019, 2020 and 2021 are 74%, 77%, 76%, 74% and 73% respectively.

A Loan to Asset Ratio of less than or equal to 40% is regarded desirable; nevertheless, we frequently see a greater ratio of 60% or more. It has been noted that firms with a greater Loan to Asset Ratio struggle to satisfy their obligations. City Bank had a higher Loan to Asset Ratio of around more than 60% in every year, so do as Al Arafah Islami bank.

3.6 Non-Performing Loan to Total Loan (NPL - Total Loan)

Non-performing loans (NPL) are loans in which a lender is delayed on payments and has not made any interest or principal payments for an extended amount of time. The ratio shows how many loans are not being paid back compared to how many loans were given.

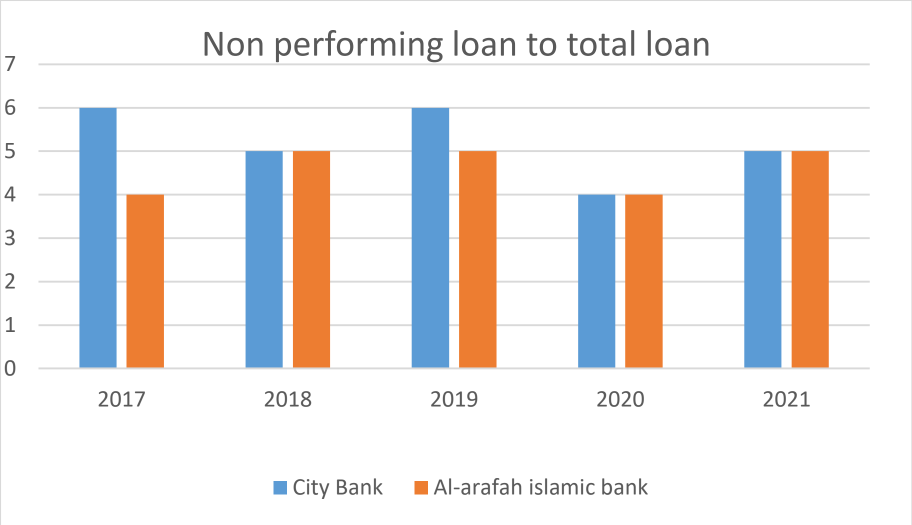


Chart 1.6: From the year 2017-2021, Non-performing loans to Total Loan of Al-Arafah Bank and the City bank limited.

Chart 1.6 shows non-performing loans to Total Loan of The City Bank Limited for the year 2017, 2018, 2019, 2020 and 2021 and they are 6%, 5%, 6%, 4% and 5% respectively. For Al-Arafah Islami Bank Limited NPL to Total Loan for the year 2017, 2018, 2019, 2020 and 2021 are 4%, 5%, 5%, 4% and 5% respectively.

A Non-Performing Loan ratio is considered to healthy if it is fewer than 6%. All the selected banks maintained the ratio below 6%. It means the city bank limited is in risk of facing loss if they don't collect the loans and Al-Arafah Islami Bank Limited has greater percentage compare to city bank, also both the banks are maintaining the percentage lower than 6%.

3.7 Provision for Loan Loss to Total Loan

Provision for Loan Loss Ratio demonstrates the bank's ability to bear loan losses. A higher rate implies that banks have a stronger ability to absorb loan losses.

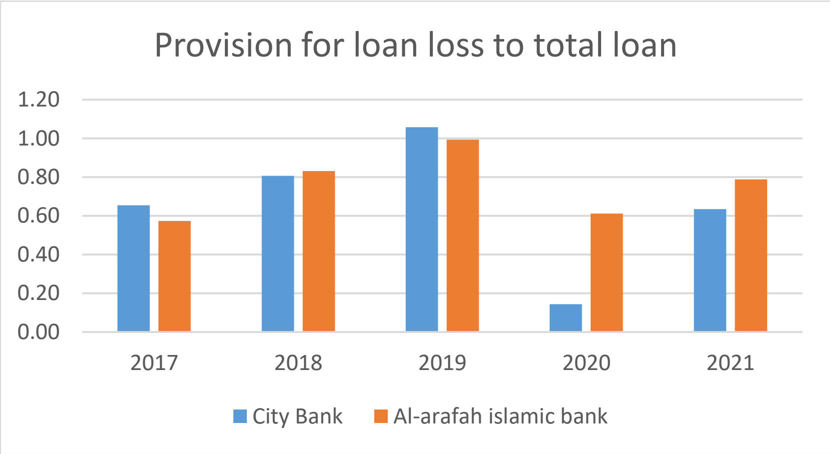


Chart 1.7: from the year 2017-2021, Provision for Loan Loss to Total Loan of Al-Arafah Bank Limited and the City bank limited.

Chart 1.7 shows Provision for Loan Loss to Total Loan of the City Bank Limited for the year 2017, 2018, 2019, 2020 and 2021 and they are 0.66%, 0.81% 1.06%, 0.14% and 0.63% respectively. Provision for Loan Loss to Total Loan Ratio of Al-Arafah Islami Bank Limited for the year 2017, 2018, 2019, 2020 and 2021 are 0.57%, 0.83%, 0.99%, 0.61% and 0.79% respectively.

Because, a cost that is allocated as an allowance for loans that aren't paid back or aren't collected yet is known as Provision for Loan Loss, a greater ratio will simply raise the expense while decreasing the bank's profit. Except for Al-Arafah Bank in 2019, where Provision for Loan Loss increased to 1%, all of the selected banks have maintained a low percentage over the preceding 5 years.

3.8 Earnings per Share

The amount of money earned by a corporation or a company for each outstanding share of common stock is known as Earnings per share. It is an important significant indicator of a business or a company's profitability and is often used to determine the value of stocks.

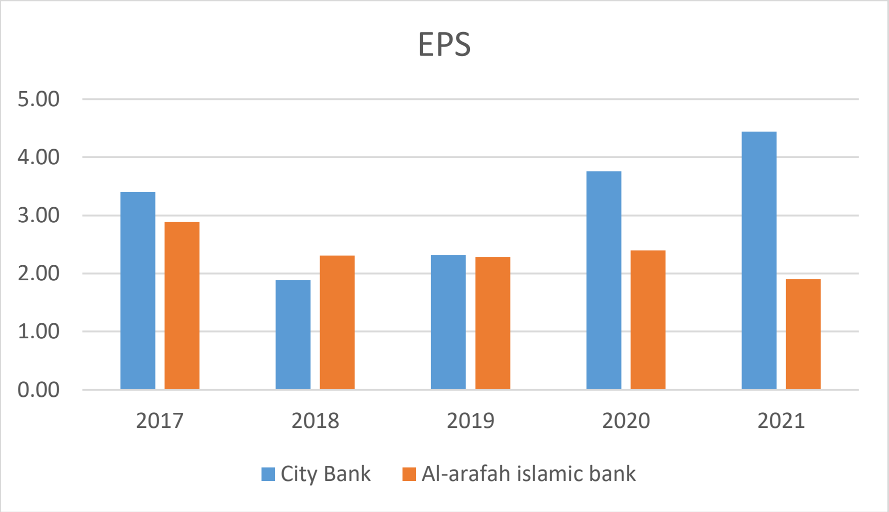


Chart 1.8: Earnings Per Share of Al-Arafah Islami Bank Limited and The City bank limited from the year 2017-2021.

Chart 1.8 shows earning per Share of city Bank for the year 2017, 2018, 2019, 2020 and 2021 and they are 3.40tk, 1.89tk, 2.23tk, 3.76tk, 4.44tk respectively. The Earnings Per Share of Al-Arafah Bank for the year 2017, 2018, 2019, 2020 and 2021 are 2.98tk, 2.31tk, 2.28tk, 2.42tk, and 2.00 taka

A good EPS attracts new investors, while continuous EPS growth keeps potential investors interested in the firm. The following graph and data shows that City Bank has seen positive growth over the last 5 years, City bank have their highest EPS in 2021 compared to last 5 years.

3.9 Current Ratio

In simple words, the availability of cash is known as current ratio, which is a well-established sign of how much cash a company does indeed have. It indicates if the company is able to meet obligations due during the next year utilizing short term assets.

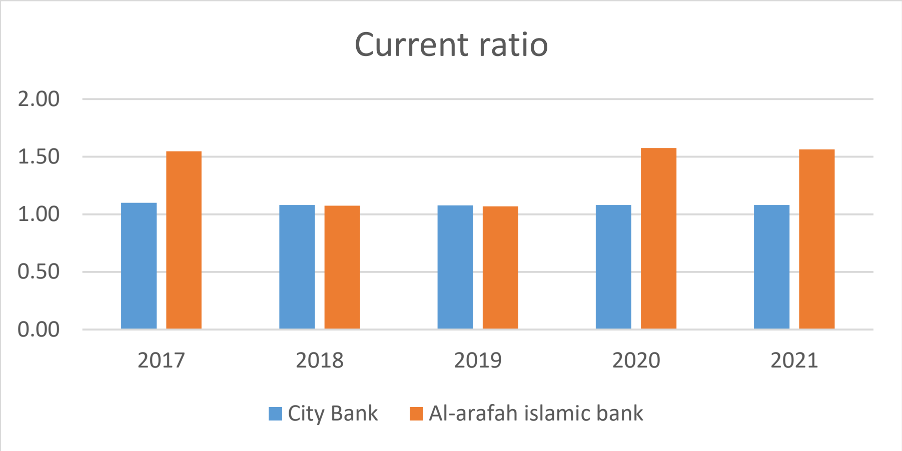


Chart 1.9: Current ratio of the Al-Arafah Islami Bank and the City bank limited from the year 2017-2021.

Chart 1.9 shows current ratio of city bank limited for the year 2017, 2018, 2019, 2020 and 2021 and they are 1.10, 1.08, 1.08, 1.08, and 1.08 respectively. The Earnings Per Share of Al-Arafah Bank for the year 2017, 2018, 2019, 2020 and 2021 are 1.55, 1.05, 1.07, 1.58, and 1.56 respectively. It's been the same for city bank from 2018 to 2021 but for al-arafah islami bank it has continuously decreased from 2017 to2021. Still from here we can Al-arafah islami bank has better current ratio than city bank.

Chapter-4: Non-Performing Loans (NPL)

4.1 Non-Performing Loan

A non-performing loan (NPL) is a lending that have defaulted because the lender has not yet made payments on time for a certain amount of time. Although the specifics aspects of non-performing condition may differ based on the terms of a particular loan, "no payment" often described as the zero principle or interest payments. The time frame is dependent on the type of loan and based on the industry. Usually, the period lasts 90 or 180 days.

A lender whose loss of employment prevents them from making debt payments. After ninety days of nonpayment, the bank or lender will deem the loan delinquent. The bank would place the loan on its list of nonperforming loans and continue to pursue payment.

Multiple options are accessible to the creditor. Sending the debt to a collections agency, which will be paid a portion of whatever money it recovers, is one of the most prevalent methods of debt collection. Additionally, the lender can sell the debt to a debt purchaser for a fraction of its face value. Although the creditor will incur a financial loss, this is frequently a better option than attempting to collect on a nonperforming loan. Borrowers with nonperforming loans may be able to negotiate debt relief with their creditors. However, this may harm their credit rating, making future borrowing more difficult and costly.

The NPAs are a reflection of the banks' overall performance. A large percentage of non-performing assets (NPAs) suggests that a large number of credit defaults are likely to occur, which affects bank profitability and net worth of the banks as well as lowers the asset's value.

In order to clean up their balance sheets and get rid of hazardous assets, banks will sell their non-performing loans to investors from other financial institutions.

Bangladesh Bank's regulations on NPL:

Classification of loans: All loans and advances fall under the following four categories:

Bangladesh Bank's regulations on NPL:

Classification of loans: All loans and advances fall under the following four categories:

4.1.1 Permanent Loan:

Permanent loan is a loan account whose transactions may be restricted to a specified limit and have an expiration date, such as Overdraft, Cash Credit, etc.

4.1.2 Demand Loan:

A Demand Loan is a debt that has become a compelled loan as a result of a contingent responsibility. In other terms, a demand loan is a loan whose repayment is contingent upon the bank's demand. For instance: Foreign bill acquired, Forced Loan against Imported Goods, etc.

4.1.3 Fixed Loan:

Fixed duration Loans are often repaid according to a predetermined repayment plan and within a predetermined time frame.

4.1.4 Microcredit and Agricultural Short-Term Loans:

Micro Credit and Short term Agricultural: This category includes all microcredits under 25000 TK and includes credit in the microcredit and agricultural sectors that is frequently repayable in less than a year.

Bank Type	Number of Banks	Number of Branches	Total Assets TK Billion	Share Assets (%)	Deposits	Share of Deposits (%)
SCBs	6	3746	3732.2	25.6	2868.4	26.6
DFIs	2	1,412	324.o	2.2	286	2.7
PCBs	40	5,060	9769	67	7127	66
FCBs	9	68	741	5.1	517	4.8
Total	57	10,286	14572.9	100	10798	100.0

Chart 1.10: Banking System Structure in Bangladesh

SCB = State Owned Commercial Bank, DFI= development financial institute, PCB = Private Commercial Bank FCB = foreign commercial bank.

Source: The Bangladesh Bank

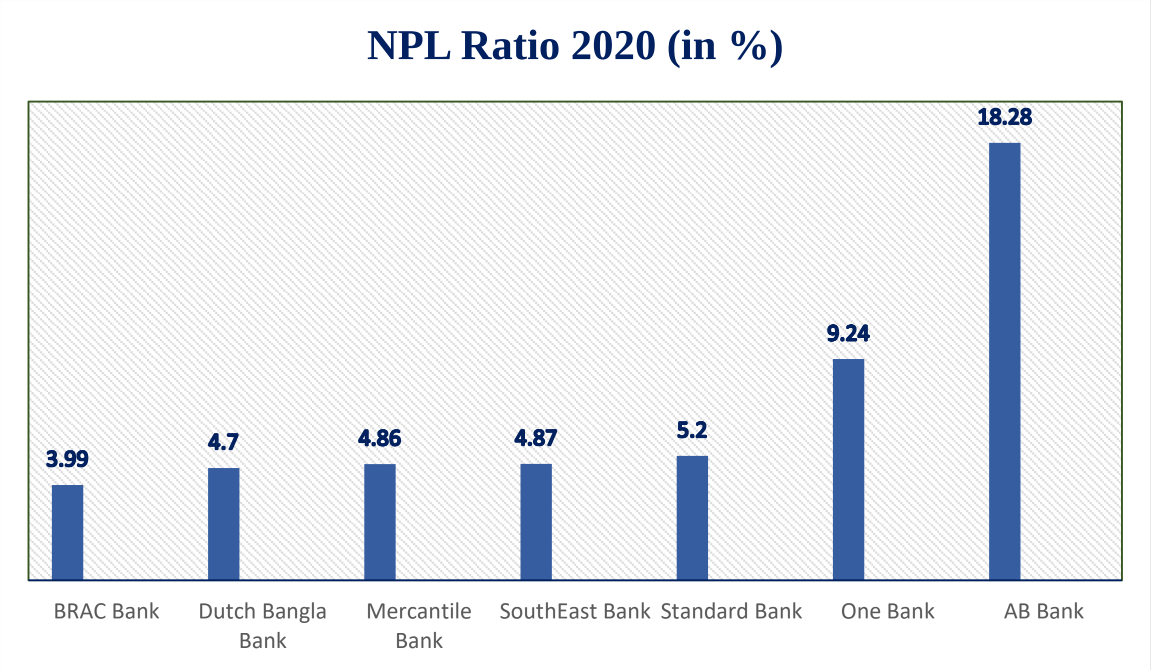


Chart 1.11: Long-term loans from the bank

The function of the central bank is absolutely necessary for the existence of all the other banks. The criteria should be used by policymakers to evaluate banks, and any adjustments they make should be for the benefit of the entire industry rather than just the banks themselves. Instead than altering policies to improve bank performance, officials ought to be judging banks according to the standards. When giving a credit rating, the credit rating agency is the one that is required to assume responsibility. Based on the findings of the investigation, Ratings do not appear to be based on evidence, since the changes made have nothing to do with what's going on in the banking industry in Bangladesh (Chart 1.11).

4.2 Causes of Nonperforming Loans from the Banks' Perspective:

1. Excessive interest rates, several other service fees, and a few hidden fees increased the number of borrowers' monthly payments, which acted as the primary cause of loan default.
2. The banks' inability to meet the borrowers' demand for loans within the agreed upon time frame. Borrowers relied on banks' commitment to invest partially in the business/project before receiving bank loans, and as a result, they lost a lot of money owing to a delay in receiving the necessary financing (long delay in actual disbursement).

3. Banks refused to extend the borrowers' current loan or provide them with a new loan when they failed due to business losses. Borrowers were then trapped and unable to resolve their predicament, leading to a decline in business morale and a subsequent inability to make timely loan repayments.
4. By extending loans to high-risk clients, bankers' avarice contributes in part to the fragility of the banking industry.
5. Borrowers complained that numerous details were not made clear to them, including the possibility of an increase in their interest rate and the imposition of additional fees. Since they were too preoccupied with the loan application process, the borrowers did not give adequate attention to that aspect either.
6. In other instances, bank managers approved loans without appropriate collateral or a thorough investigation of the firm based only on personal relationships. In many of these situations, inadequate paperwork leads to loan default.
7. Due to inadequate supervision, some clients use their money for other purposes.
8. Loan default can occasionally result from bank officials' ignorance in determining the requirement of lending.
9. Nepotism was frequently used to favour politically exposed people (PEPs) in the loan approval process, making the loan riskier, particularly when nepotism was displayed by top-level management. Managers were frequently under intense pressure to give loans to PEPs. Loans had been given out in these situations without sufficient credit evaluation or sanction-approach, either in terms of the sustainability of the project or the proper valuation of collateral.

4.3 Client-side reasons for NPL:

1. Some repeat defaulters purposefully provide false information to banks in order to obtain loans with no intention of repaying them. Banks frequently misidentified this group of persons due to incomplete information.
2. Many clients' lack of financial literacy results in loan defaults. They typically run small firms and are unaware of the advantages and disadvantages of banking activities. They could stay out of situations like these if they were financially literate.
3. One of the main reasons for the emergence of NPL is the diversion of funds. In these situations, management diversified their business and the fund. Share market investments made with business funds are one sort of notable fund diversion.

Additionally, money is used for family matters, housing construction, other companies, paying off loans from various sources, and medical needs.

4. Borrowers are unable to take advantage of the rescheduling terms since either the payment amount or the rescheduling time is too large.
5. Many small business owners experience financial difficulties as a result of credit sales. When they can't manage their firms, they can't get their debtors to pay up on time (or totally unrecovered).
6. In other states, bank-issued working capital is used to acquire fixed assets. Instead of starting enterprises, eventually the debt becomes delinquent as a result.

4.4 Ways of Overcoming Non-Performing Loans

We know that prevention is preferable to treatment. First, it must be guaranteed that no more loans are classified. To do this, one must strengthen lending discipline inside FIs. This will include four levels of intervention:

First, with robust and self-reliant internal control and compliance (ICC), the FIs must ensure sufficient KYC and due diligence to satisfactorily examine a loan proposal and flawlessly determine market potential, collateral value, and optimal credit requirements.

Second, the administration must satisfactorily handle any concerns raised by the ICC.

Third, the selection and appointment of board members should be based on stringent objective criteria, and there should be a mechanism in place to monitor the performance of board members.

Fourth, the Bangladesh Bank's capacity for oversight must be increased.

Immediate implementation of the necessary legislative reforms to enhance and expedite the legal process is required for the recovery front to improve. Two measures can result in significant immediate improvements to the situation: A separate bench should be established at the high court to hear loan-related writ matters, and loan defaulters should be obliged to pay a specific percentage of their outstanding debt prior to seeking a stay order against them.

As an alternative to the current NPL resolution procedure, the Effective Bankruptcy Act and Asset Management Company should be implemented, particularly for dealing with default cases where collateral is insufficient and those involving powerful borrowers. The existing rescheduling mechanism must be made more accommodating in the majority of cases where the default is due to a genuine company failure or bank delays in disbursing funds.

Chapter-5: Recommendation based on the outcome of the analysis

A comprehensive examination of these two organizations was completed after researching and, analyzing their financial statements and ratios over the last five years. It can be observed that the ROA for City Bank limited has continuously decreased in comparison to Al-Arafah Islami Bank over the years, as they could raise their earnings by utilizing their assets more efficiently, therefore the company should definitely utilize their assets more efficiently. The profitability ratio is decreasing in tandem with the ROA; the company should sell more of its services in order to generate much more revenue to remain competitive in the market.

City Bank appears to have exceeded the ceiling for Credit to Deposit Ratio in 2021, they may face issues if they continue to loan out more than their reserve, and they may even face bankruptcy in the future. Although City Bank had a higher Loan to Asset Ratio of around 70 % in 2018, but they steadily got it under control in succeeding years compared to its competitors.

The Bank should investigate basic concepts claiming to enhance the performance of banks and other financial institutions. They should assess liquidity, profitability (return on assets), funding costs, deposits, and look for methods to improve or make modest modifications to policies and expenditures to improve efficiency. Other factors over which the bank has no control, such as GDP and inflation, will always exist with nothing that can be done about them, though keeping an eye on them is always good. Since the report was based on data that included both normal and new normal situations, and because our country is currently rebuilding economically, I believe our banking industry will perform better.

Strengthening the lending discipline inside FIs are crucial to ensure that no more loans are classified. This will work as a preventative measure. This process will require four levels of intervention: I) The FIs must guarantee adequate KYC and fact checking to properly analyze a loan application and perfectly ascertain market potential, collateral worth, and ideal credit needs with strong and self-reliant control environment and compliance (ICC). II) Any issues brought up by the ICC must be adequately handled by the management. III) There must be a established system to track board members' performance, and board members must be chosen and appointed using strict evaluation measures. IV) It is necessary to improve the Bangladesh Bank's capability for supervision.

Chapter-6: Conclusion

As an intern, I was assigned in City bank Limited (JFP branch) their customer service division. Jamuna Future Park Branch is made up of 3 different parts, which are: i. General Banking ii. Credit Department (CD) iii. Foreign Exchange Department (FED).

I was active in a lot of different things including making fixed-deposit blocks, Customer Service, Accounts Department, and Cash Counter are the three sections. The department's main job is to handle internal incoming and outgoing foreign remittances and to buy and sell foreign currencies. This can include things like collateral, assets, or the amount of debt they already own.

In the Bangladesh Banking sector, The City Bank Limited has a top position. This term paper offers a thorough investigation of the many attributes of the city bank and is divided into several chapters The primary purpose of the report is to conduct a comparative analysis and find the ways of preventing non-performing loans city bank and Al-Arafah Islami Bank and to look into the sources of knowledge also by taking information from the financial statements to figure out ratios. The company`s financial records show that the industry is doing well, and that the business of the entire company is improving day by day. However, for quick improvement, City Bank needs to make a few adjustments, such as: City Bank Limited needs to be more effective in managing its resources to increase their Return on Assets by utilizing the total assets effectively; management should shorten its loan amount for certain period because non-performing loan rate are increasing year to year. To properly implement the financial plan, City Bank must create a suitable action plan and hire more qualified and experienced treasury staff.

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