

Thesis Paper

on

Credit Risk Management and Financial Performance Analysis: A Case Study on Islami Bank Bangladesh Limited.

Submitted by:

Md. Milon Hossain

ID: EMBA2303030010

Program: EMBA

Major: Finance

Semester: Fall-2024

Submitted to:

Department of Business Administration

Sonargaon University (SU)

Dhaka-1215

Date of Submission: 07 January 2025

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Supervised by:

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Lecturer,

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Date of Submission: 07 January 2025

Letter of Transmittal

07 January 2025
To,
Md. Shahbub Alam
Lecturer,
Department of Business Administration
Sonargaon University, Dhaka.

Subject: Submission of Thesis Paper on "Credit Risk Management And Financial Performance Analysis: A Case Study On Islami Bank Bangladesh Limited."

Dear Sir,
With due respect and honor, I would like to inform you that I have completed my thesis report on "Risk Management and Financial Performance Analysis of Islami Bank Bangladesh Limited". It is an immense pleasure for me to place the same before you.
This report is all about to synchronize my theoretical learning from EMBA program with the real corporate world. I attempted my every move to go through all the necessary materials, documents, guidelines, and other subsequent reports which fulfill the requirements of this thesis paper. I have placed my most effort on preparing this term paper and tried to leave no stone unturned to make the report a vivid and comprehensive one despite a lot of limitations. I sincerely believe that it will serve the required purposes. I will always be obliged to furnish any clarification regarding this paper, if required.

I humble request you to accept this report for your kind evaluation.

Kind regards,

Md. Milon Hossain
ID : EMBA2303030010
Department of Business Administration
Sonargaon University (SU)

Letter of Authorization

I, Md. Shahbub Alam, Lecturer, Department of Business Administration, Sonargaon University (SU) hereby certify that the Report work entitled as **“ Credit Risk Management And Financial Performance Analysis: A Case Study On Islami Bank Bangladesh Limited.”** has been prepared by Md. Milon Hossain ID :EMBA2303030010 Department of Business Administration, Sonargaon University (SU) and submitted as a requirement for the partial fulfillment for the degree of the Executive Master of Business Administration (EMBA) with major in Finance. To the best of my knowledge, the above-mentioned work has been conducted by the student himself. Any option and/or suggestion made in this study are entirely that of the author of this thesis paper. The report is an original work and prepared as a partial requirement of the degree the Executive Master of Business Administration (EMBA).

Md. Shahbub Alam
Lecturer,
Department of Business Administration
Sonargaon University (SU)

Student's Declaration

This is **Md. Milon Hossain**, a student of Business Administration, **ID: EMBA2303030010** from Sonargaon University (SU) would like to solemnly declaration here that this paper on **" Credit Risk Management And Financial Performance Analysis: A Case Study On Islami Bank Bangladesh Limited."** has been authentically prepared by me under supervisor of **Md. Shahbub Alam, Lecturer,** Department of Business Administration, Sonargaon University.

I didn't breach any copyright act internationally. I am further declaring that I did not submit this report anywhere for awarding any degree, diploma, or certificate.

Sincerely Yours,

Md. Milon Hossain
ID : EMBA2303030010
Department of Business Administration
Sonargaon University (SU)

Acknowledgement

At first I would thank to Allah for providing me with the strength to perform my thesis report obligations and responsibilities as well as to complete the study and report within the time frame.

After that, I would like to convey my heartfelt appreciation to my course supervisor, Md. Shahbub Alam, Lecturer, Department of Business Administration, Sonargaon University for his constructive guidance and valuable support. It's true that without his invaluable guidance, assistance, and participation throughout the process, I would not have been able to complete the report on time and accurately. I'm thrilled to be working on my thesis report under his guidance, and I'm grateful for the chance.

I am also very grateful to the honorable Senior Vice President (SVP) and In-Charge of Branch, Md.Abdul Halim, Head of Investment Department, Md Dider Hossain , Vice President (VP) of Islami Bank Bangladesh Limited (Dampara Branch) for their priceless advice and kind effort, which help me a lot to collect information and data about Risk Management and Financial Performance Analysis of Islami Bank Bangladesh Limited. Their valuable cooperation is the undeniable part of this thesis report. I would like to give thanks to them. Also shower of thanks to those entire respondents who responded each and every time in collecting necessary data.

Executive Summary

Islami Bank Bangladesh Limited is the first interest free Islamic Shariah based commercial bank with an objective of catering Islamic Shariah based financial products. The main objective of this report is to analyze and focus on the overall investment risk management operations and performance analysis of IBBL.

This report is prepared as requirement of the EMBA program of Sonargaon University. I tried my best to provide a clear idea about general banking activities & investment operational strategies of IBBL. The philosophy of Islami Banks is to establish as egalitarian society based on principle of Social justice and equity through CSR (Corporate Social Responsibility) and to fulfill this motive IBBL launch RDS, UPDS. They try to continuously promote these sections and discourage luxurious consumer investment products. As because of IBBL is an Islamic Bank based on ISLAMIC SHARIAH.

In this report, I have shown 5 years graphical presentation on number of investment, amount of investment, total recovery, total outstanding and profit. It can properly express the actual situation of IBBL‟s consumer investment. The percentage of recovery of investment of IBBL is nearly 90 to 95% because bank considers strongly the entrepreneurs efficiency and integrity as well as five C‟s, which are- capacity, character, capital, condition, and collateral. From the last 2 years, IBBL‟s investment is progressing in a greater extent. Investment of the bank increased to taka 16362.58 million till 2014. Overall investment of IBBL up to 31st December 2014 is 305841 million, of which invests under Bai-Murabaha mode 57.92%, Bai-Muajjal mode 5.20%, Bai- Salam 1.15%, Higher Purchase under Shirkatul Meelk (HPSM) 29.12%, & Musharakah mode 3.13%, Mudaraba mode 0.74%, Quard 1.83%, Foreign Bill Purchase (FBP) 0.91%. This increased investment growth of the bank is due to the thrust given to promote investment for effective utilization of depositors‟ fund.

Final part of my report shows the future development planning and welfare program of IBBL on RDS and UPDS analysis. At the end of the report is my Findings and Recommendation, I provide my findings and conclusion on overall consumer investment of Islami Bank Bangladesh Ltd. and evaluating performance of my study.

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Acronyms

BOD -	Board of Directors
CAR-	Capital Adequacy Ratio
CIB-	Credit Information Bureau
CRG -	Credit Risk Grading
CRISL -	Credit Rating Information and Services Limited
CRM -	Credit Risk Management
HCRO -	Head Office Credit Risk Officer
HDS -	Household Durable Investment Scheme
HOBU-	Head of Business Unit
HOCCB -	Head Office Complex Corporate Branch
HOCR-	Head of Credit Risk
HPSM -	Hire Purchase Under Shirkatul Melk
IBBL -	Islami Bank Bangladesh Limited
IBTRA -	Islami Bank Training and Research Academy
ICAAP -	Internal Capital Adequacy Assessment Process
IDB-	Islamic Development Bank
IDR -	Investment Deposit Ratio
KYC -	Know Your Customer
MPB -	Mudaraba Perpetual Bond
NRB -	Non Resident of Bangladesh
OIC -	Organization of the Islamic Conference
PCB -	Private Commercial Bank
PLS -	Profit and Loss Sharing
RDS -	Rural Development Scheme
ROA -	Return on Asset
ROE -	Return on Equity
ROI -	Return on Investment
RWA-	Risk Weighted Asset
SBIS -	Small Business Investment Scheme
SME-	Small and Medium Enterprise
SRPT -	Supervisory Review Process Team
TIS -	Transport Investment Scheme
TR -	Trust Receipt
ZCRO-	Zonal Credit Risk Officer

Chapter: One
Introduction

1.1 Introduction

Banking plays an important role in the economy of any country. In Bangladesh Muslim holds the majority of the population. Though, no Islamic banking but only traditional banking system was developed here till 1983. However, interest is absolutely prohibited in Islam. The main aim of traditional banking is to earn profit by borrowing and lending money in exchange of interest. As a result there is an unfair competition among the bankers and among the customers. The people of this country are profoundly committed to Islamic way of life as enshrined in the holy Qur‟an and the Sunnah. Naturally, it remains deep in their hearts to fashion and design their economic lives in accordance with the precepts of Islam.
The establishment of Islami Bank Bangladesh Limited on March 13, 1983, is the true reflection of this inner urge of its people, which started functioning with erect from March 30, 1983. Now, a question may arise "what is Islami Banking?" According to OIC- "Islamic bank is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operations."

This bank is the first of its kind in South-East Asia. It is committed to conduct all banking and investment activities on the basis of interest fee profit-loss sharing system. In doing so, it has unveiled a new horizon and ushered in a new silver lining of hope towards materializing a long cherished dream of the people of Bangladesh for doing their banking transactions in line with what is prescribed by Islam. With the active cooperation and participation of Islamic development bank (IDB) and some other Islamic banks, financial institutions, government bodies and eminent personalities of the Middle East and the gulf countries, Islami Bank Bangladesh Limited has by now earned the unique position of a leading private commercial bank in Bangladesh. The people of Muslim countries have deep commitment to the Islamic way of life according to the Holy Quran and the Sunnah. So they make their own economic structure according to the Islamic shariah. As Bangladesh is one of the largest Muslim countries in the world, obviously it remains a deep cry in the hearts of the people of this country to fashion and design their economic lives in accordance with the precepts of Islam. The establishment of Islami Bank Bangladesh Limited on March 13, 1983, is the exact reflection of this inner urge of its people. This Bank is the first of its kind in Southeast Asia. The bank is devoted to conducting all banking activities on the basis of interest free & profit and loss sharing system.

1.2 Origin of the Report

Thesis is a part of EMBA program and for completing my academic requirement I completed my thesis paper at Islami Bank Bangladesh Limited at Dampara Branch. I worked in general banking and investment division. I completed my thesis under the intensive supervision and guidance of , MD Shabub Alam, Lecturer, Sonargaon University and she suggested me that the topic of my

report would be “Risk Management and Financial Performance Analysis of Islami Bank Bangladesh Limited” which is related with my working experience

1.3 Significance of the Study

As I have worked general banking and investment section of IBBL at Dampara Branch, the topic of my thesis report is “Risk Management and Financial Performance Analysis of Islami Bank Bangladesh Limited” which is related with my working experience. It helps to understand how they deal with the investment clients alongside the way of managing investment and investment risk. This report is only done for gathering information about risk management and financial performance analysis of IBBL by focusing on the performance and management of investment business alongside risk management of IBBL while ignoring any other department of the bank. Investment section is a powerful sector of banking system having more risk. To achieve a return there will always have to be risk taken tendency. The successful investment strategy will always have the management of this risk at its heart. So, to minimize the risk a strong management policy should be followed. And it is important for whole banking system activities.

1.4 Objectives of the Study

Every research work is conducted to achieve some objectives. The primary objective of this report is to fulfill the requirement of the thesis paper. The secondary objective of the report is to evaluate the “Risk Management and Financial Performance Analysis of Islami Bank Bangladesh Limited”. This report has been prepared primarily for the fulfillment of the Human Resource Management course, which is an essential part of the EMBA program of Sonargaon University (SU).

The objectives of this paper are:

Broad Objective:

The broad objective of this report is to evatuate the risk management and analyze the financial performance of islami bank bangladesh Ltd.

Specific Objective:

The following aspects can be listed as the specific objectives for this practical orientation:

- To know the risk management framework.
- To evaluate the different finance ratios.
- To inentify the credit rating status of IBBL.
- To analiyze the the strengthe weaknees,opportunities and threats of IBBL.

1.5 Methodology of the Study

In order to conduct such a study the report has prepared by following some specific methods. This report is based on an empirical method which is stated under.

Primary Sources of Data:

I discussed with the officials and executives of the IBBL Dampara Branch and found the approximate data which has been used and presented in this report. The study has been conducted through the assistance of General Banking and Investment Department, Dampara Branch as per their operating and maintaining general banking and investment business through applying modern and technological means. I have also physically observed the effectiveness of the efforts relating general banking and investment business effectively and efficiently managed by Islami Bank Bangladesh Limited, Dampara Branch.

Primary sources of data include the following:

- Face-to-Face conversation with the respective officers and staffs
- Relevant file study provided by the officers concerned

Secondary Sources of Data:

regarding this report I have collected secondary data from the following sources-

- Annual Reports of IBBL: 2017-2021.
- Business Development Conference Report: 2020 and 2021.
- Unpublished data from the IBBL, Rampura Branch.
- Manuals of IBBL regarding investment business.
- Credit Risk Manual by Bangladesh Bank.
- IBBL's website.
- Synopsis and training materials provided by the Islami Bank Training and Research Academy. are collected from two sources,

I have used references from the articles and journals utilized and have also utilized electronic data sources such as the Internet for useful tertiary sources of data.

Data Analysis Tools and Techniques:

To analyze and present the numerical data and values associated with Risk Management and Financial Performance Analysis of Islami Bank Bangladesh Limited, I have used following tools and techniques.

- Column Chart.
- Bar Chart,
- Line Chart,
- Pie Chart,

Data Analysis and Reporting:

Both qualitative and quantitative analyses have been done while conducting this study. Microsoft Word and Microsoft Excel were used to analyze, process and graphically represents the gathered data.

1.6 Limitations of the Study

Although I have obtained the whole hearted co-operation from the employees of Islami Bank Bangladesh Limited, Dampara Branch and Islami Bank Training and Research Academy but in the way of my study, I have faced the following problems, which may be termed as the limitations of the study. Some limitations are as under:

- Required for the study. There are various information the bank employee can't provide due to security and other corporate obligations.
- The main constraint of the study was insufficiency of information, which was Data and information used in this study are mostly from secondary sources.
- All the branches of the bank were not physically visited and all the concerned personnel of the bank have not been interviewed.
- Time has limited which was the main constraint. The report has encountered these limitations that may hinder the progress of the study but with constant effort, I try to minimize the negative effects of these limitations.

Chapter: Two

Literature Review & Organizational overview

2.1 Literature Review

A literature review is a description of the literature relevant to a particular field or topic. It gives an overview of what has been said, who the key writers are, what are the prevailing theories and hypothesis, what questions are being asked and what method and methodologies are suited.

Philip T. Kotler (1997) "the selection of target markets, the marketing mix and the marketing expenditure levels" ..... "The marketing strategy is the way in which the marketing function organizes its activities to achieve a profitable growth in sales at a marketing mix level" "A marketing strategy may be defined as a plan (usually long term) to achieve the organization's objectives as follows...

- By specifying what resources should be allocated to marketing.
- By specifying how these resources should be used to take advantage of opportunities which are expected to arise in the future.

"A marketing strategy would consist of the following:

- Identifying markets and customers' needs in those markets.
- Planning products which will satisfy the needs of these markets.
- Organizing marketing resources, so as to match products with customers in the most efficient and effective way possible, i.e., so as to maximize customer satisfaction and the organizations profits or sales revenue. (or whatever its objectives are!) at the same time".

Dracker (1973) "Strategic marketing as seen as a process consisting of: analyzing environmental, market competitive and business factors affecting the corporation and its business units, identifying market opportunities and threats and forecasting future trends in business areas of interest for the enterprise, and participating in setting objectives and formulating corporate and business unit strategies. Selecting market target strategies for the product-markets in each business unit, establishing marketing objectives as well as developing, implementing and managing the marketing program positioning strategies in order to meet market target needs".

2.2 Overview of Islami Bank Bangladesh Limited

At the time of independence Bangladesh inherited an interest-based banking system introduced by the British government during the colonial period. So, the interest based banking system and mechanism is very familiar to us. At present six nationalized banks, three specialized banks, nine foreign banks and forty three private commercial banks are operating in the financial market of Bangladesh. But the Islamic banking in Bangladesh dates back to 1983 when the Islami Bank Bangladesh Limited was established with a view to conducting its banking activities based on the principle of Islamic Shariah. Islami Bank Bangladesh Limited was incorporated as the first Shariahbased interest free bank in Southeast Asia on the 13th March 1983 as a public limited company. The first branch of the Bank was Local Office at Motijheel in Dhaka which started functioning informally on 30th March 1983. It was formally inaugurated on 12th August 1983.

The Bank was established with Tk.80.00 million as paid up capital which has been increased to Tk.16,099.91 million as on December 31, 2021. Corporate Headquarter of the Bank, housed in an 18storied own modern building, is located at 40, Dilkusha Commercial Area, Dhaka. Islami Bank of Bangladesh Limited has gained the first position in all private banks in terms of deposits, investment, export and import and remittance collection. According to the Bangladesh Bank, the Central Bank of Bangladesh, the total deposits of the Islamic banking systems are now 21.9 percent of overall banking sector deposits and its investment are 17.5 percent.

2.3 Vision

The vision of IBBL is to always strive to achieve superior financial performance, be considered a leading Islamic Bank by reputation and performance:

- To establish and maintain the modern Banking techniques, to ensure soundness and development of the financial system based on Islamic principles and to become the strong and efficient organization with highly motivated professionals working for the benefit of peoples, based upon accountability, transparency and integrity in order to ensure the stability of financial systems.

2.4 Mission

- To encourage socioeconomic development and financial services to the low-income community particularly in the rural areas.
- To establish Islamic banking through the introduction of a welfare oriented banking system and also ensure equity and justice in all economic activities, achieve balanced growth and equitable development through diversified investment operations particularly in the priority sectors and less developed areas of the country.

2.5 Corporate Information

Name of the Company	Islami Bank Bangladesh Limited
Legal Status	Public Limited Company
Company Registration No.	C–10589/485 Dated March 13, 1983
Bangladesh Bank License No.	BL/DA/4290/83
E-TIN	376764873732
VAT Registration No./BIN No.	000000124-0002
Line of Business	Banking
Total Branch	394
Sub Branch	233
SME/Agriculture Branch	30

Zone	17
AD Branch	70
Offshore Banking Unit	03
ATM Booth (Own)	1852
ATM Booth (Shared)	13000+
Instant Deposit Machine (IDM)	126

Sheba Ghar	47
Agent Banking Outlet	2676
Employees	21,000 as on December 31, 2022
Directors	20
Sponsors	19
Placement holders	17
Shareholders	30,126
MPB holders	12,568
Local Shareholders	57.57%
Foreign Shareholders	42.43%
Foreign Correspondents	633
Chairman	Mohammad Nazmul Hassan
Vice Chairmen	1. Yousif Abdullah A Al-Rajhi 2. Mohammed Shahabuddin
Managing Director	Mohammed Monirul Moula
Company Secretary	JQM Habibullah, FCS
Head of Internal Control & Compliance	Md. Nayer Azam
Chief Financial Officer	Md. Ashraful Haque, FCA
Credit Rating Agency	Alpha Credit Rating Ltd.
Subsidiary Companies	1. Islami Bank Securities Limited Islami Bank Capital Management Limited
Statutory Auditors	1. M/s. Hoda Vasi Chowdhury & Co.

	Chartered Accountants 2. M/s. A.Qasem & Co. Chartered Accountants
Tax Advisor	M/s. K.M. Hasan & Co. Chartered Accountants
Registered Office	40, Dilkusha C/A, Dhaka-1000, Bangladesh
Phone	PABX (+88-02) 223384816, 223383040
Mobile	+(88) 01711435638, 01711435639
Contact Center	(+88-02) 8331090 or 16259
FAX	(+88-02) 9568634
SWIFT	IBBLBDDH
E-mail	info@islamibankbd.com
Website	www.islamibankbd.com

2.6 Core Values and Commitments

Core Values:

- Trust in Almighty Allah
- Adherence to the spirit of Islamic Shari'ah
- Highest standard of Honesty & Integrity
- Transparency & Accountability
- Welfare Banking
- Equity and Justice
- Environmental Consciousness
- Respect for all
- Discipline & Cooperation

Commitments:

- To Shariah.
- To the Regulators.
- To the Shareholders.
- To the Community.
- To the Customers.
- To the Employees.
- To other Stakeholders.
- To Environment.

2.7 Board of Directors

The Board of Directors consists of 20 (twenty) non-executive members including 04 (four)Independent Directors excluding the ex-officio Managing Director. The number of Board members is within the limit set by Bank Company Act 1991 (amended up to 2018) and BSEC notification on Corporate Governance.

Designation Name	Name of Board of Directors of IBBL
CHAIRMAN -	Obayed Ullah Al Masud
VICE CHAIRMAN-	Mohammad Khurshid Wahab
DIRECTOR-	Md. Abdul Jalil
INDEPENDENT DIRECTOR-	Professor Mohammed Masud Rahman
DIRECTOR-	Md. Abdus Salam FCA, FCS
DIRECTOR-	Mohammad Sirajul Karim
INDEPENDENT DIRECTOR-	Md Kamal Uddin
DIRECTOR-	Mr. Md. Altaf Hossain
DIRECTOR-	Mr. G.M. Mohd. Gias Uddin Quader
DIRECTOR-	Musaid Abdullah A AlRajhi
DIRECTOR-	Sayed Abu Asad
DIRECTOR-	Tanveer Ahmad
DIRECTOR-	Mohammad Quamrul Hasan
INDEPENDENT DIRECTOR-	Dr Mohammad Saleh Jahur
INDEPENDENT DIRECTOR-	Md Fashiul Alam
DIRECTOR-	Khurshid Ul Alam
DIRECTOR-	Mohammed Nasir Uddin FCMA
DIRECTOR-	Md Kamal Hossain Gazi
EX-OFFICIO DIRECTOR-	Mohammed Monirul Moula
COMPANY SECRETARY-	Mr. J Q M Habibullah, FCS
MANAGING DIRECTOR & CEO (CC)	Mr. Abu Syed Md. Nahid, FCS

2.8 Risk Management Wing of IBBL

Risk Management Wing (RMW) has been set up as per the guidelines of Bangladesh Bank. The Wing is responsible for identification and management of risks faced by the Bank. The details of internal and external risk management mechanism are included in Risk Management disclosures. In order to formulate and implement appropriate strategies for risk assessment, its control and management, a Risk Management Committee, comprised of 4 (four) members, has been formed. The Committee monitors risk management policies & methods and reviews the risk management process to ensure effective prevention and control measures.

Roles and responsibilities of the Risk Management Committee:

- ❖ Identification and controlling strategies of risks.
- ❖ Formulation of organization structure.
- ❖ Reviewing and resolving risk management policy.
- ❖ Information/documents preservation and reporting.
- ❖ Follow-up the implementation of risk management policy as a whole.

2.9 Corporate Culture & Recognition

Since inception, IBBL has been practicing corporate culture at all levels. IBBL has always been trying to run the Bank professionally and showed its competence during last 39 years of operation. The workforce of IBBL starting from the CEO down to a Messenger are very much involved and committed professionals and thus could develop the Bank as one of the highly complied one. They work under the guidelines of Bangladesh Bank, other Regulatory Authorities and policies framed by the Board of Directors without any interference from any corner. SAFA awarded IBBL the 1st Position both under Private Sector Banks (including Cooperative Banks) in the best-presented annual reports and SAARC Anniversary Award for Corporate Governance Disclosures for the year 2012 and Certificate of Merit under Private Sector Banks (including Cooperative Banks) in the best-presented annual reports for the year 2013. Which are the obvious recognitions of the Bank's sustained success in every aspects of its operations. ICAB conferred IBBL the 3rd position under Private Sector Banks (including Co-operative Banks) in the bestpresented annual reports for the year 2014. ICAB also conferred IBBL with the 1st position both under private sector banks (including Cooperative Banks) in the best-presented annual reports and SAARC Anniversary Award for Corporate Governance Disclosures for the year

2012. ICMAB glorified IBBL with the ICMAB National Best Corporate

Award – 2021, 2020, 2019, 2018, 2017, 2016, 2015,2014, 2013, 2012, 2011,2010 (1st Position

amongst the Private Commercial Banks in Islamic Operation).

2.10 Products and Services of Islami Bank Bangladesh Limited

Local Currency Deposit Accounts:

1. Al-Wadeah Current Account
2. Mudaraba Savings Account,
3. Mudaraba Term Deposit Account,
4. Mudaraba Special Notice Account,
5. Mudaraba Special Savings Account,
6. Mudaraba Hajj Savings Account,
7. Mudaraba Savings Bond Account,

8. Mudaraba Waqf Cash Deposit , Account,
9. Mudaraba Monthly Profit Deposit Account,
10. Mudaraba Muhar Savings Deposit Account,
11. Students Mudaraba Saving Account,
12. Mudaraba Farmers Savings Account
13. Mudaraba NRB Savings Bond.

Foreign Remittance Services:

1. Central Crediting of Remittances,
2. Payment of 3rd Bank Remittance through TT & PO,
3. Payment of Spot Cash Remittances - Online and Web-based,
4. Centralized NRB Account Opening,
5. SMS Notification,
6. SMS Push Pull Service,
7. Maintaining of NRD & NRT Accounts.

Investment Products:

1. Bai-Murabaha,	11. Murabaha Import Bills,
2. Bai-Muajjal,	12. Murabaha Import LC,
3. Bai-Istijrar,	13. Bai-Muajjal Back to Back Bills,
4. Bai-Salam,	14. Bai-as-sarf (Foreign Documentary Bill),
5. Bai-Istisna,	15. Bai-as-sarf,
6. Hire Purchase under Shirkatul Melk,	16. Murabaha Foreign Currency Investment,
7. Mudaraba,	17. Musharaka Documentary Bill,
8. Musharaka,	18. Bai-Salam (Pre-shipment),
9. Musharaka Investment in Potato Storage,	19. Mudaraba NRB Entrepreneur Investment Scheme.
10. Murabaha Post Import,	

Many Others Include:

1. Deposit Products in Foreign Currency,	5. ATM Services,
2. Products in Off-shore Banking Unit,	6. Other Banking and Value Added Services,
3. Foreign Remittance Products,	7. Treasury Activities,
4. Welfare-oriented Special Investment Schemes,	8. Special Services through IBBL.

Chapter: Three
Risk Management of IBBL

3.1 Risk Management Committee

Continuous oversight and review of major risks such as, investment, capital, liquidity, operational, reputational, compliance, country, environmental, information and cyber security, financial crime etc. are essential prerequisites for a sustainable growth of an organization. To build an appropriate safeguard for the bank from any sort of hazard, there is no alternative to establish a strong risk management culture in the bank.

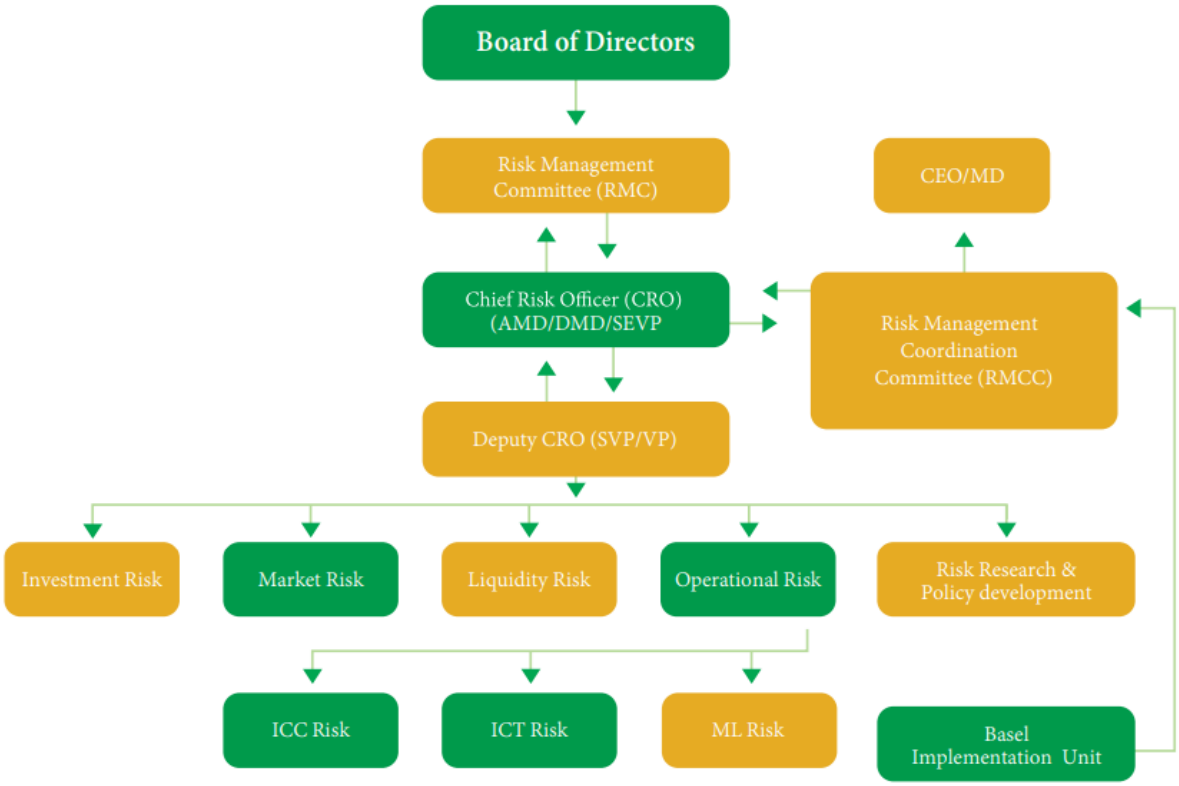
Islami Bank Bangladesh Limited has given the utmost priority in the risk management arena considering the present business and economic scenario of the country as well as local and international risk factors. As such IBBL manages risks under overall supervision of the Risk Management Committee (RMC) of the Board.

In line with the BRPD Circular No. 11 dated 27.10.2013 of Bangladesh Bank, the latest reconstitution of Risk Management Committee was made by the Board of Directors in its 301st meeting held on 27.06.2021 comprising the following members:

Name	Status in Risk Management Committee
Major General (Retd.) Eng. Abdul Matin	Chairman
Areef Suleman	Member
Professor Dr. Md. Sirajul Karim	Member
Mr. Md. Joynal Abedin	Member
Professor Dr. Qazi Shahidul Alam	Member

3.2 Risk Management Framework

IBBL has its clear risk management objectives and a well-established strategy to address them, through core risk and capital adequacy related risk management processes and encompasses all the activities that affect its risk profile. The risk management framework of the Bank is shown as under:



3.3 Three Lines of Defense

The Bank's risk management framework is based on the Three Lines of Defense model which is the industry standard and may be represented as follows



3.4 Key Achievement in Risk Management during the year 2021

Despite the impacts of the Covid-19 pandemic, the Risk Management Wing of IBBL was vibrant in the year 2021 to reach the pinnacle of achievement in risk management of the Bank. Complying with the Risk Management Guidelines of Bangladesh Bank as well as of IBBL vigorously, the RMW successfully accomplished the following tasks during the year 2021:

- Arrangement of Annual Risk conference-2021, covering around one thousand selected employees of all branches & selected wings/divisions where the General Manager of DOS, Bangladesh Bank was the Chief Guest and the MD & CEO of IBBL was in the Chair;
- Arrangement of 13 meetings of Risk Management Coordination Committee (RMCC) where all the risk-related issues were discussed, decisions were taken and implementation there against was ensured in due course;
- Identification of a good number of internal and external risks, analysis of those risks and mitigation thereof;
- up gradation of the Bank's resilience capacity gradually as advised byte committees;
- Preparation of Internal Capital Adequacy Assessment Process (ICAAP)Document for the year 2021.

3.5 Risk Management Process

Risk Management is an iterative process that, with each cycle, can contribute progressively to organizational improvement by risk management with a greater insight into risks and impact. Steps of Risk Management Process in a Banking Organization:

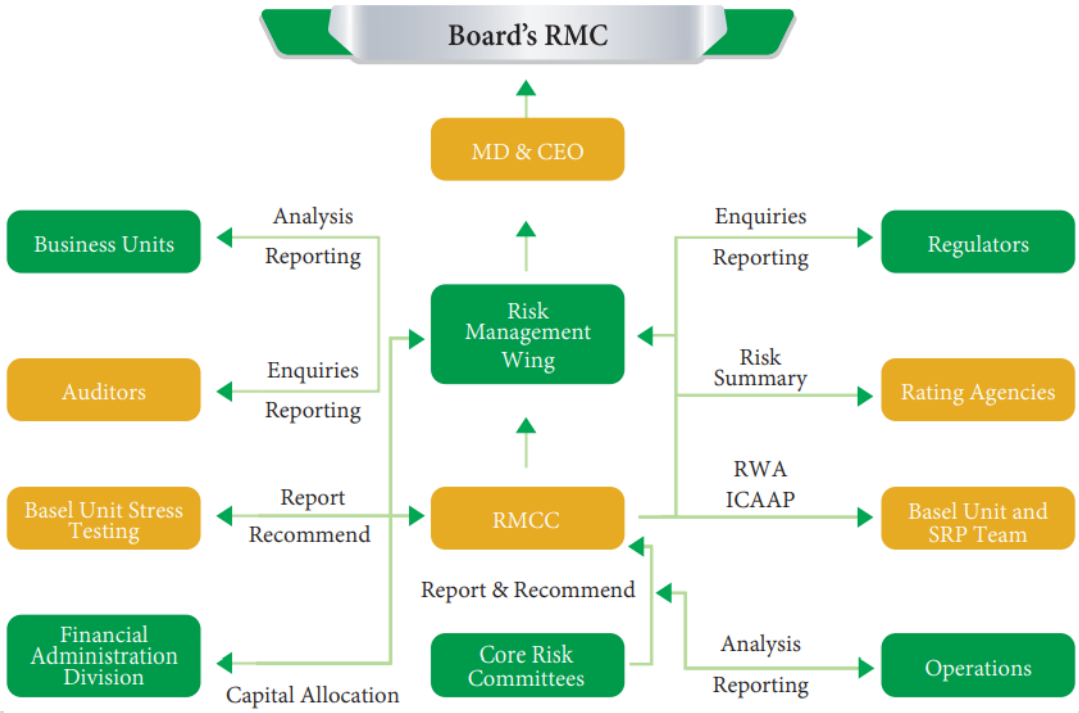
Step 1 – Communicate and Consult
Step 2 – Establish the context
Step 3 – Identify the risks
Step 4 – Analyze the risks
Step 5 – Evaluate the risks
Step 6 – Treat the risks
Step 7 – Monitor the risk

3.6 Core Risk Management

In accordance with the guidelines as prescribed by the Central Bank, IBBL exclusively manages six core risks. The Bank has designed and implemented its own Risk Management Guidelines and has formed six core risk management committees. The major concerns of the committees are as follows:

- Investment Risk Management Committee supervises and monitors investment concentration, Internal Investment Risk Rating System (IIRRS), corporate clients rating, non- performing investment, residual risk against investment, provision against classified investment, investment mix, asset quality etc.
- Asset Liability Management Committee (ALCO) looks after the asset-liability risk, liquidity risk, Investment Deposit Ratio (IDR), Net Stable Funding Ratio (NSFR), deposit mix, investment mix, gap analysis etc. under direct guidance of the Managing Director & CEO.
- Foreign Exchange Risk Management Committee oversees foreign exchange risk, treasury, net open position, import & export business, dealing room operations, anti-money laundering aspects in foreign exchange transactions, remittance etc.
- Internal Control and Compliance Risk Management Committee assesses and mitigates the risks related to compliance with regulatory requirements, set rules of the Bank, internal checking system, lapses, fraud, forgeries, misappropriation, defalcation, violations of the set rules etc.
- Money Laundering Risk Management Committee looks after the money laundering activities, STR (Suspicious Transaction Report), CTR (Cash Transaction Report), KYC (Know Your Customer) and TP (Transaction Profile), Trade Base Money Laundering (TBML), Sanction Screening , On-boarding related compliances etc.
- ICT Security Risk Management Committee monitors and supervises the risks related to data security, physical security, network security, disaster recovery, fraud, forgery, Standard Certification of ICT issues, system failure and business continuity etc.

3.7 Relationship of Risk Management with Other Units



3.8 Basel Accord

Banking industry in Bangladesh is highly regulated. Central Bank of the country is very much aware to keep the capital of individual Bank as per international standard and for this reason, Bangladesh Bank issued guidelines on risk based capital adequacy (RBCA) for Banks and separate Supervisory Review Guidelines. Again BB has issued guidelines for Basel III which is being to be implemented from 2015 to 2019. To implement Basel III guidelines, we have formed committee as under:

- **Basel Unit:** Basel Unit along with working team As per Bangladesh Bank instruction, Basel Unit along with a working team has been formed to implement the action plan of Basel Accord in the Bank.
- **Supervisory Review Process Team:** Supervisory Review Process Team Banks also face some other risks which varies from country to country, business to business. Hence, banks are somewhat independent to identify and assess the additional risks and hence are advised by Bangladesh Bank to form a Supervisory Review Process Team in each Bank. IBBL has formed such a committee which is headed by the Honorable Managing Director of the Bank.
- **Stress Testing Committee:** Stress Testing Committee The Central Bank also instructed the banks to conduct periodical stress testing on some statistical simulations assuming different risk aspects of the Bank. Here in, all the potential stresses are given on the capital base of the Bank in order to foresee the total risks and strengthen the Banks capital. In order to perform this task, IBBL has formed a committee namely Stress Testing Committee.

3.9 Investment Risk Management In IBBL

Investment risk exposure was 88.62% in 2019, 88.56% in 2020 and 89.48% in 2021 as per Guidelines on RBCA 2014. Thus investment risk is the key factor of IBBL's risk management for determination of capital requirement, profitability, liquidity and many other risk elements involved therein. IBBL handles this risk through a framework that sets out policies and procedures covering its measurement and management.

3.10 Asset-Liability Management Risk

IBBL has a dedicated committee named Asset-Liability Management Committee (ALCO) comprising the top Executives of the Bank to make important decisions related to the risks associated with Balance Sheet, Liquidity & Profit Rate of the Bank. The committee generally meets at least once in a month and reviews the Asset-Liability Management (ALM) Manual and its components on a regular basis.

3.11 Liquidity Risk

In Bangladesh, Sharia'h based money market is yet to be flourished, and is still in the way of development. Being the Sharia'h based bank, IBBL cannot lend or borrow money from the conventional money market. As such, it remains concerned and vigilant regarding liquidity risk. IBBL continuously monitor the liquidity ratios and periodically conducts GAP and Duration GAP analysis.As on 31.12.2021, the key liquidity ratios were as under:

Name of the Ratio	Standard Ratio	IBBL's Scenario
Cash Reserve Ratio	4.0%	16.48%
Statutory Liquidity Ratio (SLR)	5.5%	19.84%
Investment Deposit Ratio (IDR)	<92.00%	79.74%

Liquidity Coverage Ratio (LCR)	≥100%	311.57%
Net Stable Funding Ratio (NSFR)	>100%	107.51%

3.12 Foreign Exchange Risk Management

Foreign Exchange risk is the risk of loss from movements in cross currency exchange rates between foreign currencies and from changes in the value of the home or functional currency against other currencies. The foreign exchange risks of IBBL are identified, measured, monitored and controlled through proper market analysis, adherence of different dealing limits such as daylight, overnight, stop loss limit, off premises dealing limit, Management Action Trigger (MAT) and counterparty credit/investment limits etc.

3.13 Internal Control and Compliance Risk Management

Internal Control & Compliance (ICC) system of IBBL always plays an active role in mitigating ICC risk and contributes in the process of maintaining compliance across the Bank. To develop sound, sustainable and secured growth of the Bank, there is a separate wing namely Internal Control Compliance Wing.

3.14 Money Laundering Risk Management

In order to ensure the AML compliance, IBBL is committed to complying with all the applicable Rules of the Money Laundering Prevention Act, Anti-Terrorism Act, BFIU Circulars, FATF Recommendations. The Bank has formed an independent Central Compliance Committee (CCC) under the leadership of the Chief Anti Money Laundering Compliance Officer (CAMLCO) and established a separate division namely Money Laundering and Terrorist Financing Prevention Division (MLTFPD).

3.15 ICT Security Risk Management

The Bank has adequately addressed Information & Communication Technology (ICT) Security Risk which ensures ICT security functions and operations in a more effective manner. The Bank uses own developed Core Banking Software to perform all types of transactions including Local/Online/Internet in a secured way.

3.16 Strategic Risk

It refers to the risk of a potential earnings downside due to revenues and/or costs underperforming plan targets. Strategic Risk may arise from poor strategic decision/positioning, failure to execute strategy or lack of effective responses to material negative plan deviations caused by either external or internal factors (including macro, financial and idiosyncratic drivers).

3.17 Some Specific Risks for Islamic Banking

Being the Sharia'h based bank, IBBL may also face the following specific risks due to its operations in addition to the usual risks. IBBL remains always vigilant, stringent and proactive to address and mitigate the risks:

Fiduciary Risk: Where Mudarabah Depositors' funds are commingled with the Banks own funds, the bank shall ensure that the bases for asset, revenue, expense and profit allocations are established, applied and reported in a manner consistent with the Bank's fiduciary responsibilities.

Displaced Commercial Risk: Banks may be under market pressure to pay a return that exceeds the rate that has been earned on assets financed by the Mudaraba depositors when the return on assets is under performing as compared with the competitors' rates. In such case, banks may decide to waive their rights to part or its entire mudarib share of profits in order to satisfy and retain its fund providers and dissuade them from withdrawing their funds. Asset liability management committee (ALCO) of IBBL regularly meets to assess the fiduciary risk, rate of return risk and displaced commercial risk if any in IBBL, and recommends mitigating and encountering the above risks.

Sharia'h Compliance Risk: IBBL is always stringent about compliance Sharia'h rules in all of its operations. Since IBBL is performing in the mixed economic system (i.e Islamic and Interest

Based economy), Sharia'h compliance is the one of the vital factors particularly for IBBL. The independent Sharia'h Board keeps keen observations on the day to day transactions of the Bank and they declare doubtful transactions as suspended.

Liquidity Risk for lack of non-structured Islamic Financial Market: Since, Islamic Financial Market in Bangladesh is not strong enough and there is inadequate Islamic financial instruments, IBBL has limited scope for placement of fund with the desired return from the market at the time of surplus liquidity and similarly limited scope in receiving fund complying sharia'h rules at the time of liquidity crisis. However, during the long 31 years of banking operations, IBBL did not face any liquidity crisis since it remains vigilant enough to address the issue.

3.18 Market Risk

Market risk refers to the risk of losses against fair value of financial assets, liabilities and off-balance sheet items resulting from adverse changes in market variables, which could negatively impact the financial condition.

3.19 Operational Risk

Operational risk is the risk of loss or harm resulting from inadequate or failure of internal processes, people and systems or from external events.

3.20 Leverage Risk

IBBL calculates the regulatory leverage ratio as per the guideline of Basel III leverage ratio framework as adopted by Bangladesh Bank where a minimum Tier 1 leverage ratio of 3% has been prescribed both at solo and consolidated level. IBBL has been maintaining leverage ratio more than minimum requirement of 3% applicable from 01 January 2015.

Off-Balance Sheet Items: Bank has calculated the off-balance sheet (OBS) items by applying a uniform 100% Credit Conservation Factor (CCF). For unconditionally cancellable commitments without prior notice, a CCF of 10% is applied.

3.21 Role of the Risk Management Function

In line with Bangladesh Bank risk management guidelines, IBBL restructured its risk management process, oversee of which in management level is being made by Risk Management Wing. The specific roles of the Risk Management Wing are as under: • Designing bank's overall risk management strategy;

- Developing and overseeing implementation of stress tests;
- Developing, testing, and observing use of models for measuring and monitoring risk;
- Informing the board and All Risk Committees about the appetite for risk across the Bank;
- Communicating views of the board and senior management throughout the Bank;
- Independently monitoring limits, in addition to the monitoring that is done by business units;

- Identifying and quantifying Bank's exposures to material loss Securing Establishing risk management policies and procedures;
- Formulating guidelines on the handling of all property and liability claims involving the organization;
- Developing and implementing loss prevention/loss retention programs;
- And maintaining adequate loss coverage at the most reasonable cost;
- Adopting proper financial protection measures through risk transfer, risk avoidance, and risk retention programs;

Chapter: Four

Financial Performance Analysis

4.1 Financial Performance Analysis

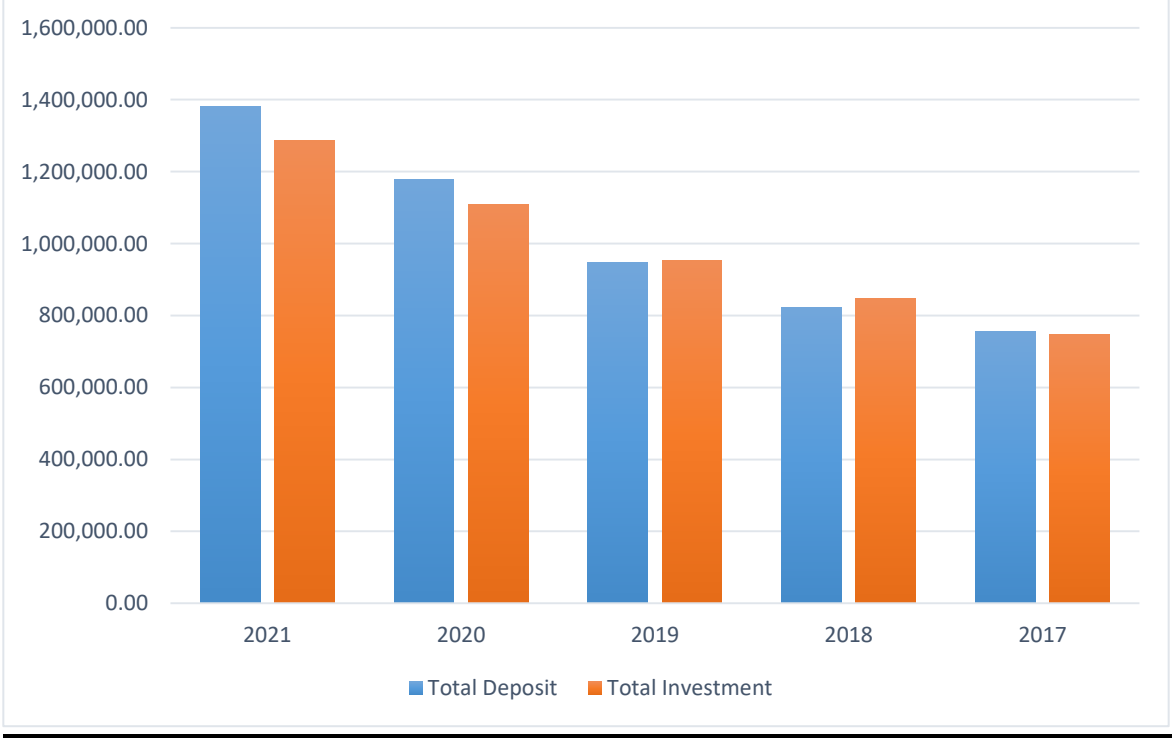
Five Years Financial Performance of IBBL

Particulars	2021	2020	2019	2018	2017
Total Deposit	1,381,979.53	1,179,691.35	946,291.53	822,573.12	755,022.25
Total Investment	1,285,992.40	1,109,395.31	953,150.85	847,370.71	748,672.54

Source: Annual report of Islami Bank Bangladesh limited from 2017 to 2021

We see in the graph below that the investment of IBBL increase rapid from 2017 to 2021. Even in 2018 & 2019 the total investment is more than total deposit because IBBL has enough surplus cash in hand

Figure 01: Five Years Deposit and Investment Trend of IBBL.



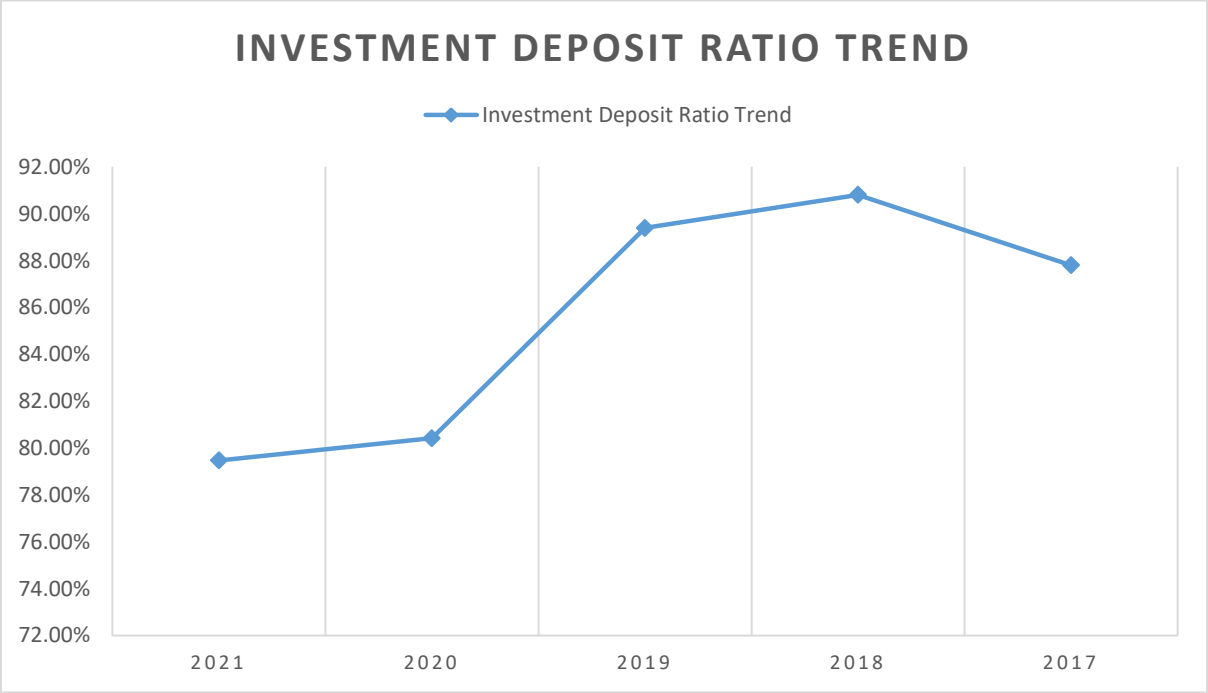
4.2 Investment Deposit Ratio

An investment deposit ratio is a commonly used statistic for assessing a bank's liquidity by dividing the banks total investments by its total deposits. This number, also known as the IDR ratio, is expressed as a percentage. If the ratio is too high, it means that banks might not have enough liquidity to cover any unforeseen fund requirements; if the ratio is too low, banks may not be earning as much as they could be.

Particulars	2021	2020	2019	2018	2017
Investment Deposit Ratio	79.47%	80.42%	89.39%	90.80%	87.80%

Source: Annual report of Islami Bank Bangladesh limited from 2017 to 2021

Figure 02: Investment Deposit Ratio Trend.



From the above graph it is seen that the investment deposit ratio of IBBL was fluctuating over the time. By considering the above graph it can be said that the bank is capable to utilize its deposit into an investment that indicates a good sign for the bank. The bank never faced less than 80% of the investment deposit ratio during the last five years and tried to catch 90% of the investment deposit ratio as per the instruction of Bangladesh Bank. Deposit ratio decreased at a steady rate from 2017 to 2021 which indicated that IBBL has enough cash in hand to cover any immediate requirement.

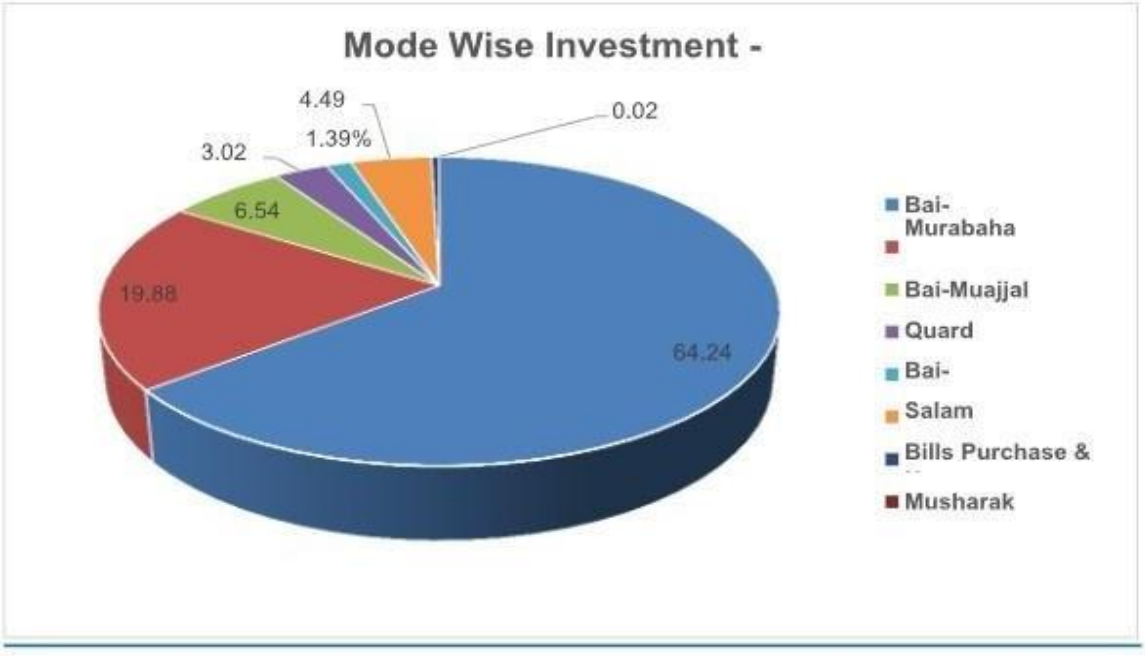
4.3 Mode-wise Investment

The essence of IBBL is to provide banking services under sharia'h principles. IBBL is providing banking services through the

Table: 03

Investment Mode	31.12.2021	% to Total Investment	31.12.2020	% to Total Investment
Bai-Murabaha	765,167	64.24%	635,899	61.42%
HPSM	236,818	19.88%	214,847	20.75%
Bai-Muajjal	77,957	6.54%	63,781	6.16%
Quard	35,958	3.02%	44,567	4.30%
Bai-Salam	16,583	1.39%	15,526	1.50%
Bills Purcha se & Neg.	53,502	4.49%	55,477	5.36%
Mudaraba	5,000	0.42%	4,800	0.46%
Musharaka	188	0.02%	391	0.04%
Grand Total	1,191,173	100.00%	1,035,288	100.00%

Figure: 3 Mode Wise Investment in 2021



Source: Annual report of Islami Bank Bangladesh limited for the year 2021 following shariah based modes:

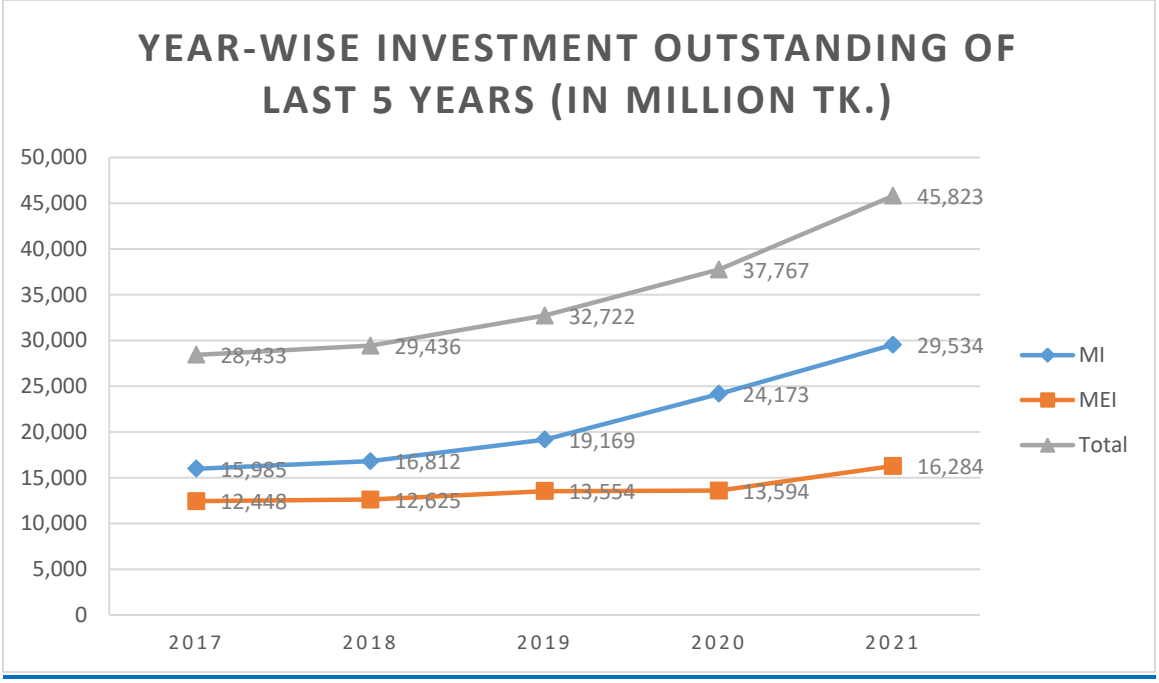
4.4 Investment Trend in Micro Investment & amp;

Micro Enterprise Investment 02 types of investment facilities are being provided to the beneficiaries namely (a) Micro-investment: Collateral-free investment maximum Tk.150,000/- for the RDS members and (b) Micro-Enterprise Investment: Investment with collateral security maximum Tk.700,000/- for the graduated micro-clients and newly inducted local Micro-Entrepreneurs. We also extend Quard-al-Hasana to the eligible RDS clients for setting up tube-well, sanitary latrine. Quard- al-Hasana is also provided for rehabilitation purposes in case of natural and social disasters up to Tk.10,000/- and rehabilitation of the hardcore poor who are not the member of RDS under welfare activities up to Tk.5,000/- Comparative position of growth of client under Micro-Investment (MI) and Micro-Enterprise Investment (MEI) of the schemes in the last 5 years:

Particulars ➢	MI Clients	MEI Clients	Total Clients
2017	573,076	84,309	657,385
2018	537,824	87,708	625,532
Growth	(6%)	4%	(5%)
2019	593,235	93,999	687,234
Growth	10%	7%	10%
2020	618,102	89,388	707,490
Growth	4%	(4%)	3%
2021	705,912	92,534	798,446
Growth	14.21%	3.52%	12.86%

Figure 04: Year Wise Investment Outstanding of Last 5 Years.

Source: Annual report of Islami Bank Bangladesh limited from 2017 to 2021

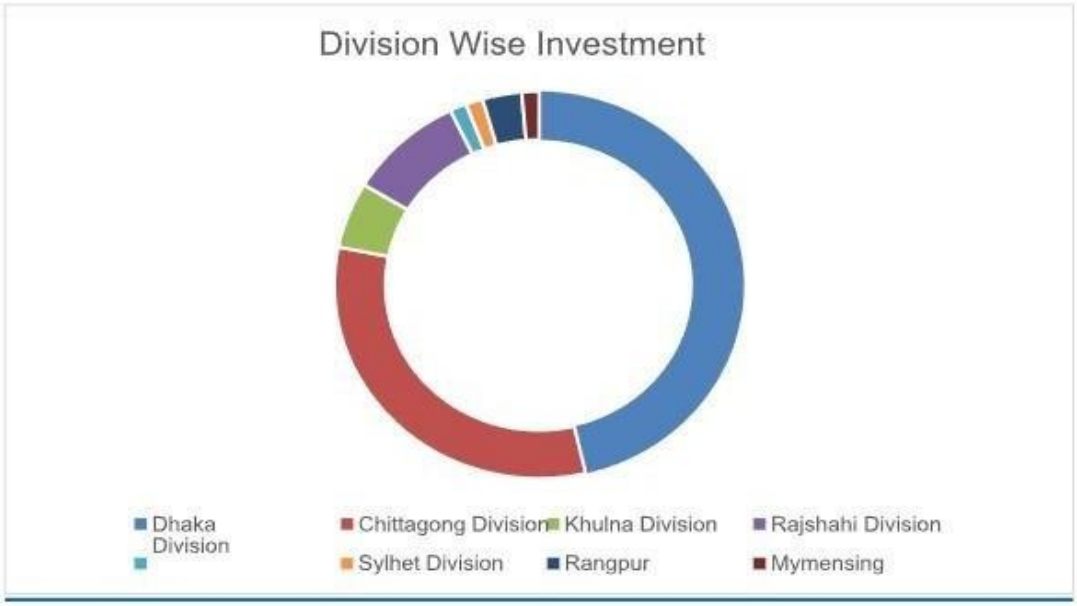


4.5 Division-wise Distribution of Investment

Particulars	BDT in Million (as on 31.12.2021)
Dhaka Division	551,990.00
Chittagong Division	378,911.87
Khulna Division	65,633.59
Rajshahi Division	109,706.96
Barisal Division	15,723.47
Sylhet Division	15,961.71
Rangpur Division	37,045.46
Mymensing Division	16,199.94
Total Investment	1,191,173.00

Source: Annual report of Islami Bank Bangladesh limited for the year 2021

Figure 5: Division Wise Investment Trend



From the table and graph we can see that more than 40% of total investment was distributed in Dhaka Division. It was happened due to the position of country's commercial hubs in Dhaka as well as maximum headquarters of different organizations are situated in Dhaka. Chittagong. Division was in the second position for the same reasons. Others divisions got a lower distribution of investment due to the unwillingness of the bank besides less demand for investment aroused in these divisions.

Particulars	2021	2020	2019	2018	2017
Gross Profit Ratio	49.09%	47%	49.01%	51.03%	53.12%
Cost of Fund	6.17%	7.03%	8.31%	8.02%	7.62%
Return on Equity (ROE)	7.19%	7.38%	9.39%	11.07%	9.63%
Price Earning Ratio (Time)	11.11	9.54	5.77	6.42	11.62
Cash Reserve Requirement (CRR)	16.48%	17.05%	6.17%	6.19%	9.20%

4.6 Gross Profit Ratio (%)

Gross Profit Ratio	2017	2018	2019	2020	2021
Percentage	53.50%	52	51	49.80%	51

Figure 6: Gross Profit Ratio (%) Trend.

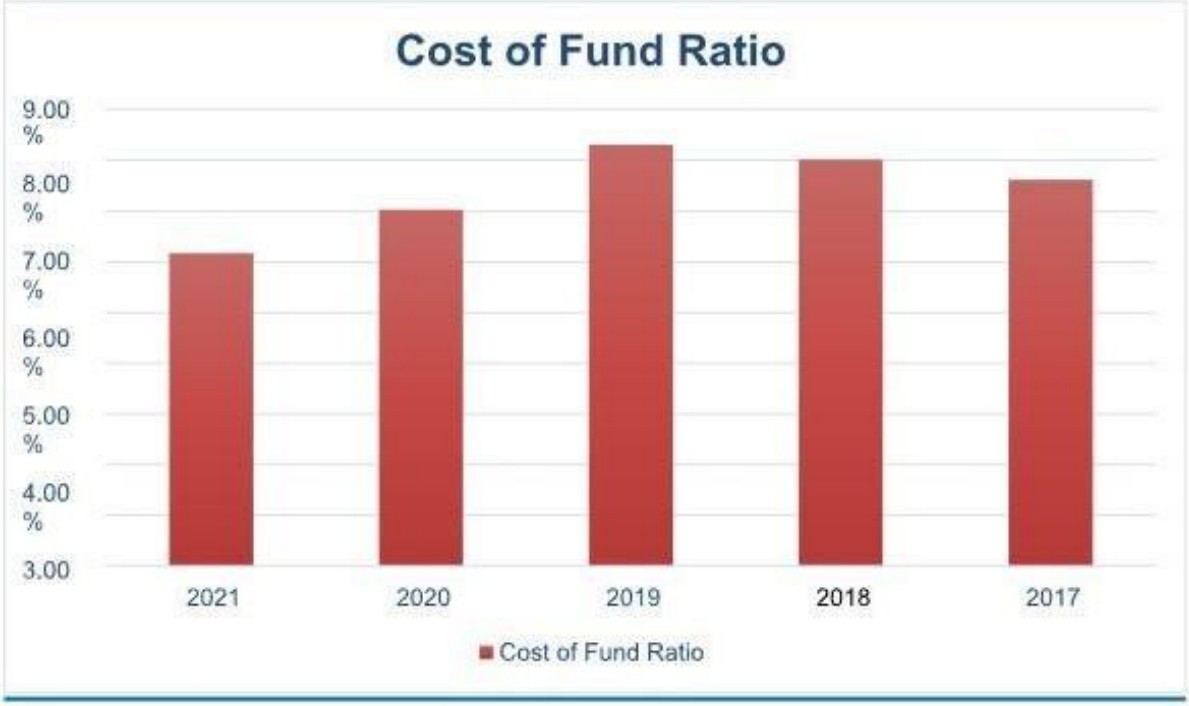


Source: From the figure 9, we have found Gross Profit Ratio of Islami Bank Bangladesh Limited was 53.02%, 51.00%, $49.00%, 47.00% and 49.02% in the year 2017, 2018, 2019, 2020 and 2021,respectively. Among the 5 years in years 2017 The Gross Profit Ratio was high which mean that performance is good.

4.7 Cost of Fund Ratio

Cost of fund ratio	2017	2018	2019	2020	2021
	8.8%	8.2%	8.5%	7.8%	7.1%

Figure 7: Cost of Fund Ratio [%] Trend



4.8 Return on Equity (ROE) Ratio

Return On Equity	2017	2018	2019	2020	2021
	10%	11.8%	8.9%	8.3%	8.1%

Figure 8: Return on Equity (ROE) Ratio (%) Trend.



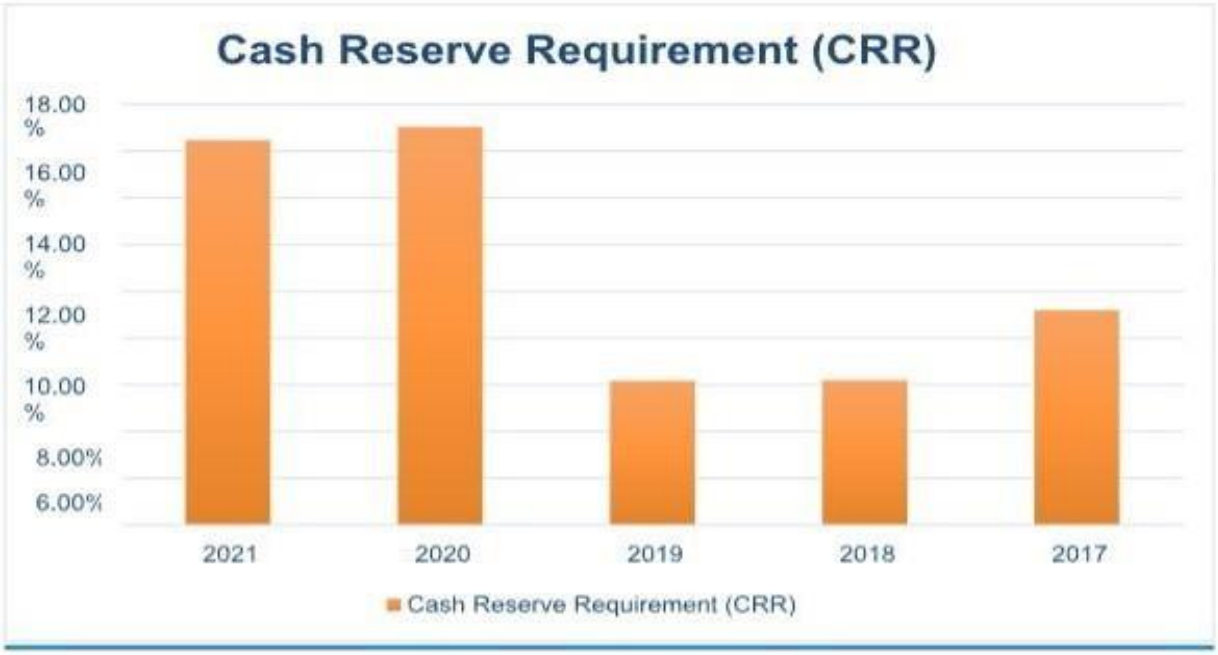
Source: From the figure 11, we have found Return on Equity Ratio of Islami Bank Bangladesh Limited was 9.08%, 11.02%, 8.07%, 7.05% and 7.00% in the year 2017, 2018, 2019, 2020 and 2021 respectively. Among the 5 years in years 2018 The Return on Equity Ratio was high which mean that performance is good.

Figure 9 : Price Earning Ratio (Times) Trend.



Source: From the figure 12, we have found Price Earning Ratio of Islami Bank Bangladesh Limited was 11.5%, 6.02%, 5.08%, 9.07% and 11.00% in the year 2017, 2018, 2019, 2020 and 2021 respectively. Among the 5 years in years 2017 the Price Earnings Ratio was high which mean that performance is good.

Figure 10: Cash Reserve Requirement (CRR) Ratio (%) Trend.



Source: From the figure 12, we have found Cash Reserve Requirement Ratio of Islami Bank Bangladesh Limited was 8.05%, 6.02%, $6.01%, 17.00% and 16.02% in the year 2017, 2018, 2019, 2020 and 2021 respectively. Among the 5 years in years 2020 The Cash Reserve Requirement Ratio was high which mean that performance is good.

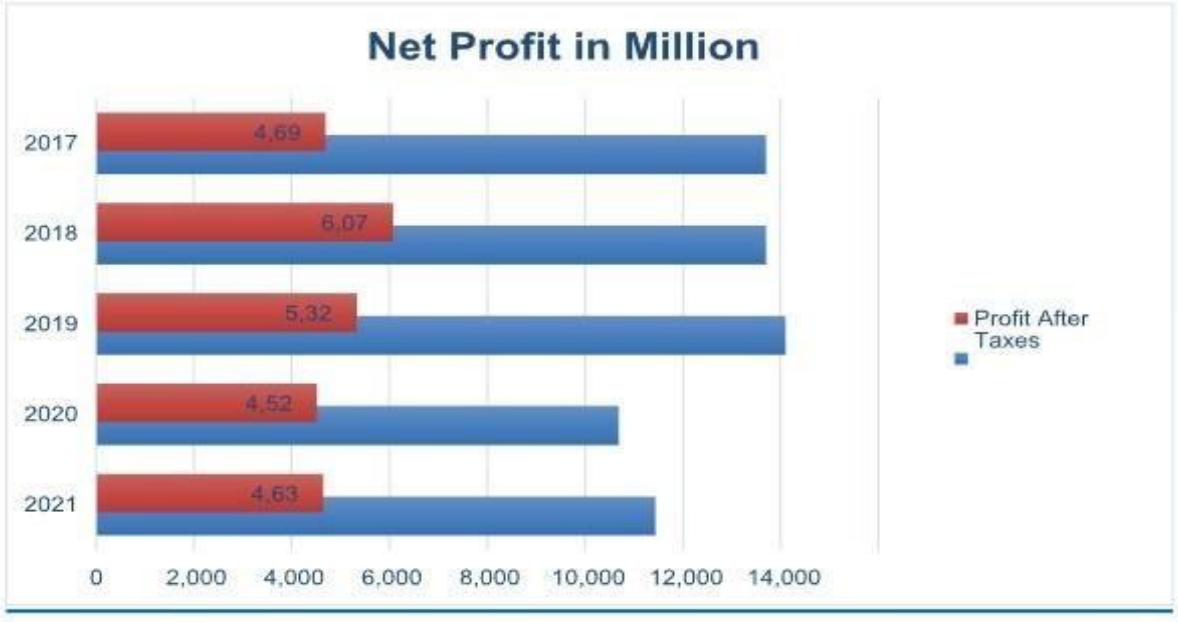
4.9 Earning Per Share (EPS)

Particulars	2021	2020	2019	2018	2017
Earning Per Share (EPS) in Taka	2.88	2.81	3.31	3.77	2.91

4.10 Net Profit

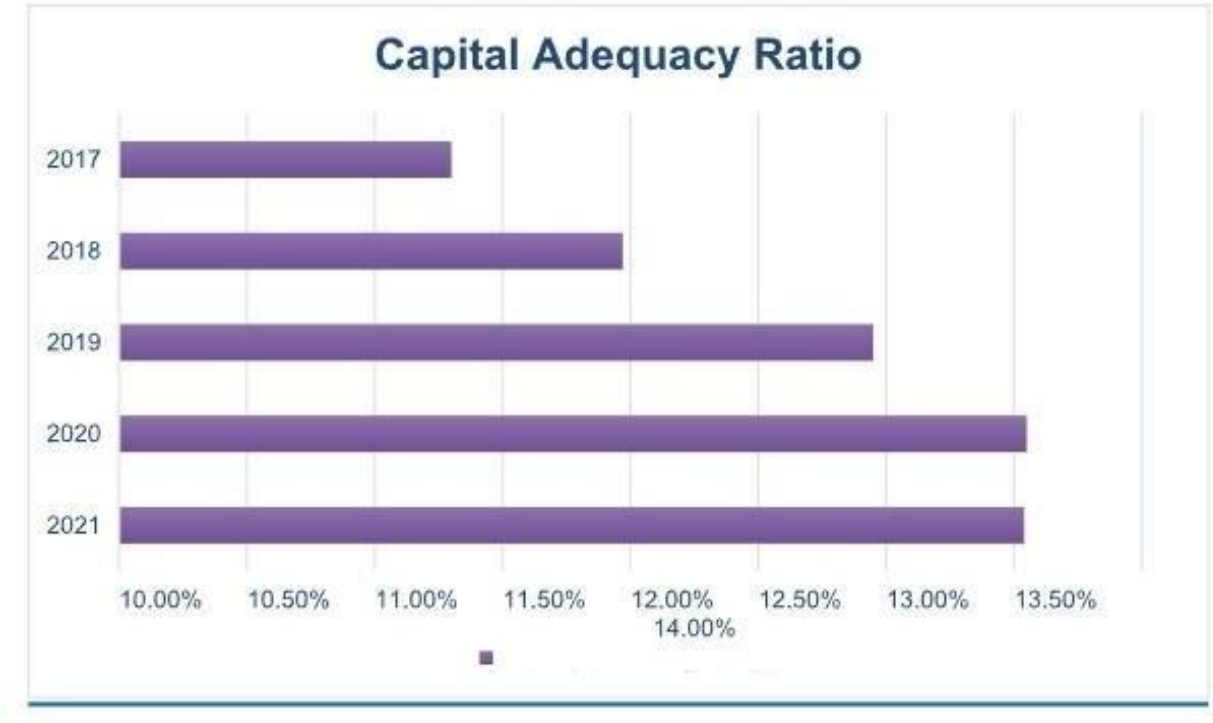
Particulars	2021	2020	2019	2018	2017
Profit Before Tax (Million Taka)	11,441	10,689	14,100	13,701	13,701
Profit After Taxes (Million Taka)	4,639	4,521	5,328	6,075	4,693

Figure 11: Net Profit Before Tax & After Taxes Trend.



Net profit also fluctuated from the year 2017 to 2021 and in 2020 it was the lowest net profit in these five years which indicated that financial profitability became worse.

Figure 12: Capital Adequacy Ratio (%) Trend.



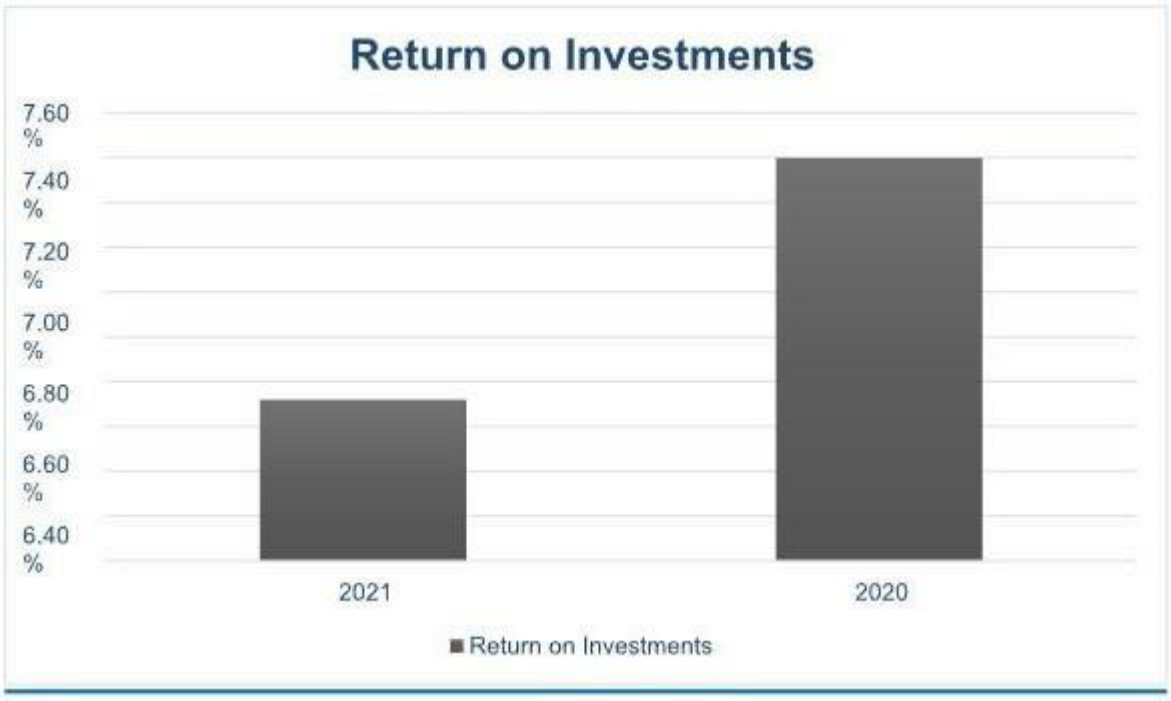
Capital Adequacy Ratio determines the capacity of the bank in terms of meeting the liabilities and other risk such as credit risk, operational risk etc. Generally, 10% is an acceptable line for this ratio in that senses the bank was good enough to maintain this requirement. Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III) as provided by BRPD of Bangladesh Bank is followed by IBBL while managing excessive on and off-balance sheet leverage of the bank. As per RBCA Guidelines, leverage ratio is being calculated as Tier I Capital divided by Total Exposure (on and off balance exposures) after related deductions. Though it decreases in recent year from 2017 to 2021 the bank's capital adequacy ratios were above 11% all the time indicates that the bank's capacity to meet the liabilities and other risk such as credit risk, operational risk were satisfactory.

4.11 Return on Investment

Return on Investment is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. The higher the ratio percentage, the more efficient management is in utilizing its equity base and the better return is to investors. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.

Particulars	2021	2020
Return on investment	6.32%	7.40%

Figure 14: Return on Investments (%) for the year Ended 2020 & 2021.



Return on Investment (ROI) ratios of Islami Bank Bangladesh Limited were fluctuating over the period of 2020 & 2021. In 2020 bank's return on investment ratio was 7.40% which decreased in the following year and it was 6.32% in 2021. It happened because the bank's decreased gain from the investment and increased cost of investment simultaneously. So, the bank did not do an excellent investment business during this period with different types of strategies and policies.

4.12 Operating Performance

Operating performance is found to be positively related to loan quality and the asset size or the bank's market share, and negatively related to liquidity, the loan ratio and bank's age.

Particulars	2021	2020	2019	2018	2017
Investment Income	73,410.09	74,305.33	75,748.84	67,166.19	57,141.63

Profit Paid on deposit	44,930.23	44,787.01	44,941.33	37,999.26	31,383.09
Net Investment Income	28,479.86	29,518.33	30,807.51	29,166.93	25,758.54
Non-Investment Income	14,846.92	10,180.05	12,382.288	10,429.90	9,797.72
Total Income	88,257,01	84,493.38	88,131.12	77,596.09	66,939.35

Source: Annual report of Islami Bank Bangladesh Limited from 2017 to 2021

Figure 15: Operating Performance Trend.



From this figure we see that non-investment income is in a stable condition either total income increase or not. Ratio of total income and investment income is also in a stable condition though both the income decrease a little in 2020 rather than previous year.

4.13 Credit Rating Status of IBBL

A credit rating is an evaluation of the credit worthiness of a debtor, especially a business (company) or a government, but not individual consumers. The evaluation is made by a credit rating agency of the debtor's ability to pay back the debt and the likelihood of default. Alpha Credit Rating Company Ltd. (ACRCL) has assigned “AAA” in long term & ST-1 in short term expose highest rating. This report is valid up to 13.07.2022. IBBL has been maintaining this highest credit rating among the Private Commercial Banks consistently and will likely to remain unchanged for years ahead. For years ahead.

Year	Long Term	Short Term	Outlook
2021	AAA	ST-1	Stable
2020	AAA	ST-1	Stable
2019	AAA	ST-1	Stable
2018	AA+	ST-1	Stable
2017	AA+	ST-1	Stable

4.14 SWOT Analysis of Financial Operation of IBBL

SWOT Analysis is the critical analysis about an organization, where the Strengths, Weaknesses, Opportunities and Threats to that organization are analyzed. It includes all internal and external aspects of the organization. It can be therefore defined as the analysis of external and internal environments. The major objective of doing the SWOT Analysis is to find out the internal strengths that is, in which areas it is more forward than its competitors and weaknesses that in which areas it has lacked. At the same time, the organization can know the opportunities that are available in the market for it and the threats ahead from its competitors or other regulatory bodies. Now showing the SWOT figure. The result of SWOT Analysis is as follows:

Strengths:

- Unique Banking software,
- 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,
- Experienced management team,
- Honest, sincere and reliable manpower.

Weaknesses:

- Lack of diversification,
- Lengthy investment procedure,
- Poor logistic support,
- CAR maintains,
- Insufficient IT sector,
- Lack of specialized employees,
- Unethical influence.

Opportunities:

- Favorable environment for Islamic banking,
- To introduce new Islamic instruments,
- Accommodation of low income
- Absence of specified Islamic banking law enforced by government,
- High inflation view,
- Economic recession, group to the banking industry,
- Emergence of e-banking,
- Increasing importance for Islamic banking,
- Decentralization of business geographically,

Threats:

- Absence of specified Islamic banking law enforced by government,
- High inflation view,
- Economic recession, group to the banking industry,
- Emergence of e-banking,
- Increasing importance for Islamic banking,
- Decentralization of business geographically,
- Lack of financial stability,
- Instability in capital market,
- Absence of Islamic money market,
- Inappropriate Islamic banking by competitors.

Chapter: Five
Findings

5.1 Findings

From the report I get some positive and negative findings about the Investment operation of IBBL. The findings are necessary for the bank to take corrective measures. So, I disclose the findings below:

Positive Findings:

- General investment of IBBL was increasing year by year. Trend of general investment shows a clear direction of doubling in the last 5 years results the average growth rate per year is 14.09%. From 2017 to 2021 almost all types of welfare investment schemes became doubled to five times bigger in amount of investment.
- The bank never faced less than 79% of the investment deposit ratio during the last five years and tried to make it 90% of the investment deposit ratio as per the instruction of Bangladesh Bank.
- Excellent growth has been achieved in the modes of investment of Bai Murabaha and HPSM by the bank from 2017 to 2021. But under Musharaka mode they have very little investment because of less demand of clients and willingness of the bank.
- In 2021 with 384 branches the bank's SME investment was Tk. 263,659.20 million which was almost 115% from 2017 of Tk. 229,864 million. The contribution of IBBL to the National SME has been raised by 5% and contribution to the total SME exposure of PCBs has been raised by 3% in 2017 from 2021.
- The Investment Risk Management Committee of IBBL is entrusted to comply with the CRM Guidelines, monitoring & updating the bank's investment policy. Moreover, the committee regularly analyses the investment portfolio on the basis of Basel Guideline and attempts to restructure the investment portfolio.
- IBBL is keeping enough provision for classified and unclassified investments which is good enough to compare to the standard.
- From 2017 to 2021 the bank's capital adequacy ratios were above 11%all the time indicates that the bank's capacity to meet the liabilities and other risk such as credit risk, operational risk were satisfactory.
- In comparison to the banking sector of Bangladesh, IBBL has the largest market share in the banking industry of Bangladesh. On the other hand IBBL's investment growth rates were higher than the banking industry average growth rates during the last five years.
- SME Investment of IBBL was increasing very rapidly during last five years.

Negative Findings:

- IBBL focused on commercial and industrial sectors in urban areas mainly on Dhaka Division and Chittagong Division basis and provided the maximum amount of investment in these areas. More than 40% of total investment was distributed in Dhaka Division. It was happening due to the position of the country's commercial hub in Dhaka. Depriving other divisions may not help IBBL to achieve good result in the long run.

- The amount of classified investment in 2021 was Tk. 39,387.11 million which was 3.31% of their total investment; in the year of 2017 the classified investment was 3.59% of its total investment. So it is not a good sign for a bank and indicating the bank is in a weaker position than the previous while recovering the investment and managing its investment risk.
- Return on Investment (ROI) ratios of Islami Bank Bangladesh Limited were fluctuating over the period of 2020 & 2021. It happened because the bank's decreased gain from the investment and increased cost of investment simultaneously. So, the bank did not do an excellent investment business during this period with different types of strategies and policies. In 2020 bank's return on investment ratio was 7.40% which will decreased in 2021 to 6.32%. The Bank's average return on investment during this period was 6.86%.
- The procedure of investment facility is less supervised comparing to other banks. IBBL does not have the necessary expertise and trained manpower to appraise, monitor, evaluate and audit the projects they are required to finance. As a result it can't expand its investment despite of having enough financial liquidity.

Chapter: Six

Recommendations and Conclusion

6.1 Recommendations

Based on findings it can be recommended to progress in future. The recommendations are disclosed below:

- To help the country's development regionally equal and take the bankers amiable to mass people countrywide, the bank should give more accentuate to make their fund available as functional to rural based industries and organizations alongside diversified industries which may act as the factors to minimize the investment risk of the bank.
- IBBL needs to focus to minimize its "Bad debt Loss". Interested customers for investment should be analyzed more cautiously and flawlessly in order to lessen the classified investment. It can be made by gathering and accumulating customer's information through the online CIB Report or historical activities of the customers toward investment so that their classified investment will be less.
- To avoid investment risk as much as possible through minimizing adverse selection, before sanctioning any investment (loan) the officers of the bank have to observe whether every aspect of principles of and other things such as credit requirement, accountability, prepayment of loans, collections procedures etc. The IBBL should reduce their expenses and improve operating efficiencies and brand awareness.
- The bank should always be aware, ready to respond quickly against competitors' actions as well as different economic conditions, bring new and innovative investment products and services, utilize advanced technical and technological means to be quickest and errorless, arrange various investment risk related training and workshop for the employees regularly etc. in order to keep their current position among the Islamic banks of the country as well as the banking industry of Bangladesh and be placed in a better position in the upcoming future.

6.2 Conclusion

Islami Bank Bangladesh Limited has been established with the aim of contributing to the balanced growth and equitable development of the country through diversification of its investment portfolio by size, sector, geographical area etc. for the bank's ultimate objective of ensuring justice and equity in the field of economy in the interest of all segments of people. The bank has been endeavoring hard towards the achievement of the above goals and making progress tremendously in this regard. With the unprecedented support of the stakeholders of all categories the bank now is handling investible fund of more than Tk. 16,099,906,680 in 2021 and thereby IBBL hold a strong position in the country's economy being appreciated by people of all walks of life. The bank has been able to allocate its investible fund in such a manner that safeguards the interest of its stakeholders as well as meets the country's needs. The bank has been emphasizing on the industrialization of the country and giving due attention to the priority sectors. With this end in view and to reduce country's dependence on foreign countries a significant amount has been deployed in Spinning, Garments, Iron/Steel and Engineering. Food/Beverage, Ship Braking, Ship Building, Power (Electricity) sectors. At the same time, the bank has been laying stress on trade and imports of consumer goods/fertilizer etc. to meet the country's immediate needs.

Finally, Islami Bank Bangladesh Limited has been established with a view to conduct interest free banking to establish participatory banking instead of the debtor-creditor relationship and finally to establish welfare oriented banking through its investment operations that would lead to a justice based society.

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