A PROJECT REPORT ON

ANALYSIS OF FOREIGN EXCHANGE ACTIVITIES OF SOCIAL ISLAMI BANK LIMITED

Sonargaon University (SU)



A PROJECT REPORT ON

ANALYSIS OF FOREIGN EXCHANGE ACTIVITIES OF SOCIAL ISLAMIBANK LIMITED

SUPERVISED BY:

Mr. Abul Kalam

Dean and Associate Professor
Faculty of Business
Sonargaon University Bangladesh

PREPARED BY:

Rifadul Islam
ID: EMBA20030021011
Major: Finance
Course Code: INT711
Executive Master of Business Administration
Sonargaon University Bangladesh

Date of Submission: Jan 07, 2022

LETTER OF TRANSMITTAL

January 07, 2022

Mr. Abul Kalam

Dean and Associate Professor

Faculty of Business

Sonargoan University Bangladesh

Subject: Submission of Project report.

Dear Sir,
I would like to take this opportunity to thank you for the guidance and support you have provided me during the course of this report. Without your help, this report would have been impossible to complete.

To prepare the report I collected what I believe to be most relevant information to make my report as analytical and reliable as possible. I have concentrated my best effort to achieve the objectives of the report and hope that my endeavor will serve the purpose.

Finally, I am glad to express my thanks to you proper instruction and information, which enable me to complete the project report. I am submitting the project work to you.

Yours Sincerely,

……

Name: Rifadul Islam

ID: EMBA2003021011

Major in Finance

Executive Master of Business Administration

Sonargoan University Bangladesh

CERTIFICATE FROM SUPERVISOR

This is to certify that the report on **ANALYSIS OF FOREIGN EXCHANGE ACTIVITIES OF SOCIAL ISLAMI BANK LIMITED** has been submitted for the award of the degree of Executive Master of Business Administration, major in finance from Sonargaon University Bangladesh, carried out by Rifadul Islam, bearing ID: EMBA2003021011, under my supervision. To the best of my knowledge and as per his declaration, any part of this report has not been submitted for any degree, diploma or certificate.

He is permitted to submit the Report. I have monitored his activities & helped him to write the project work from time to time.

Mr. Abul Kalam

Dean and Associate Professor
Faculty of Business
SU University Bangladesh

STUDENT'S DECLARATION

I hereby declare that the project report entitled **ANALYSIS OF FOREIGN EXCHANGE ACTIVITIES OF SOCIAL ISLAMI BANKLIMITED** is my original work. I have not copied from any other work or from any other sources except where due reference or acknowledgement is made explicitly in the text, nor has any part been written for me by another person. While preparing this thesis report, I didn't breach any copyright act. I am further declaring that, I did not submit this report anywhere for awarding any degree, diploma or certificate.

Yours Sincerely,

……

Name: Rifadul Islam
ID: EMBA2003021011
Major in Finance
Executive Master of Business Administration
Sonargoan University Bangladesh

ACKNOWLEDGEMENT

At the very beginning, I convey my deepest gratitude to the Almighty for blessing me with the ability to write & submit this project. A large number of individuals have contributed directly and indirectly in preparation of this report. I am thankful to all of them for their assistant and encouragement. Finally, I delicate all the credits to Sonargoan University Bangladesh.

It is a matter of great satisfaction and pleasure to present this report on **ANALYSIS OF FOREIGN EXCHANGE ACTIVITIES OF SOCIAL ISLAMI BANK LIMITED**I take this opportunity to owe my thanks to all my faculty members for their encouragement and able guidance at every stage of this report. I'm deeply indebted to all people who have guided, inspired and helped me specially my parents in the successful completion of this project. I owe a debt of gratitude to all of them, who were so generous with their time and expertise.

I would like to thank Mr. Abul Kalam for her continuous guidance and support me for creating a conductive environment in the institute for purposeful education.

Last but not the least, I thank everybody, who helped directly or indirectly in completing the project that will go a long way in my career, the project is really knowledgeable & memorable one.

Executive Summary

The report is prepared within the broader framework of project report of the Executive Master of Business Administration, Sonargoan University Bangladesh. The business of foreign exchange is getting increasingly complex and intensely competitive. However, in the backdrop of phenomenal growth of Bangladesh's external sector, foreign exchange business provides a challenge as well as an excellent opportunity to accelerate the growth of bank's own business. A high degree of specialization is needed to carve for the bank a reasonable niche in this competitive environment. I have chosen an important topic of banking system, the foreign exchange activities of Social Islami bank limited. While preparing this report it has been tried to reveal the insights of the functions of foreign exchange department. Simultaneously efforts have been made to provide an in depth knowledge about the trade finance mechanism and the overall activities of foreign exchange department. And a few recommendations and suggestions were also prescribed based on the observation and findings. While discussing the different aspects and functions of the bank, priority has been given to depict the real situation as far as appraisal and management system in Social Islami bank Ltd. At the same time for easier understanding of the report, an overview of Social Islami bank, supporting topics and terms are explained in light of textbooks and regulatory guidelines. The objectives, vision, mission, management and overall performance of Social Islami bank limited are included in this report to state a clear understanding about the bank. Here in this report I have tried to explore Social Islami bank's area of foreign exchange and their excellence in services along with the performance highlights during the past few years. An overall comparison also has been made with the total export situation of Bangladesh and other competing Banks. Different sections of foreign exchange department and the details of its functions are explained here. Simultaneously analysis on the foreign exchange and all of its elements has also been done.

TABLE OF CONTENTS

Serial No.	Contents	Page No.
	Letter of transmittal Certificate from supervisor Student's declaration Acknowledgement Executive summary Table of contents List of Abbreviations	i ii iii iv v vi-viii ix
01	**CHAPTER ONE: INTRODUCTION**	**01-05**
1.1	Introduction	2
1.2	Rationale of the Study	2
1.3	Objectives of the Study	3
1.4	Background of the Study	4
1.5	Scope of the Study	4
1.6	Limitations of the Study	5
02	**CHAPTER TWO: METHODOLOGY**	**06-08**
2.1	Data Sources	7
2.2	Data Collection Technique	7
2.3	Research Design	7
2.4	Data Analysis	7
2.5	Data Investigation and Interpretation	8
2.6	Data Collection Method	8
2.7	Study Design	8
03	**CHAPTER THREE: LITERATURE REVIEW**	**09-24**
3	The Literature Review of Foreign Exchange	10-11
3.1	The Synopsis of Banking Sector in Bangladesh	12
3.1.1	Definition of Bank	12
3.1.2	Banking History of Bangladesh	12
3.1.3	Changing Structure of Banking System in Bangladesh	13
3.2	The Brief Synopsis of Foreign Exchange	14
3.2.1	Foreign Exchange	14
3.2.2	Parts of Foreign Exchange Operation	14
3.2.3	Foreign Exchange Regulation Act 1947	15
3.2.4	Foreign Exchange Market	16
3.2.5	Function of Foreign Exchange Market	16
3.2.6	Major Factors that Affects the Foreign Exchange Market	16-18
3.3	The Historical Background of Letter of Credit	18
3.3.1	Letter of Credit	18-19
3.3.2	Types of Letter of Credit	19-22
3.3.3	Parties Involved In L/C	22-23
3.3.4	Documents Required in the Execution of Letter of Credit	23-24
04	**CHAPTER FOUR: COMPANY OVERVIEW**	**25-45**
4	An Overview of Social Islami Bank Limited	26
4.1.1	Organizational Structure	26
4.1.2	History of Social Islami Bank	27

4.1.3	Slogan	27
4.1.4	Vision	27
4.1.5	Mission	28
4.1.6	Focus of Efforts	28
4.1.7	Strategic Priorities	28
4.1.8	Goals and Objectives of Social Islami Bank Limited	28
4.1.9	Corporate Philosophy	29
4.1.10	Functional Departments of Social Islami Bank Limited	29-30
4.1.11	Management of the Bank	31
4.1.12	Capital Structure	32
4.1.13	Corporate Social Responsibilities (CSR) At a Glance	32
4.2	Social Islami Bank's Export Procedures & Mechanism	32
4.2.1	Export L/C	32-35
4.2.2	Amendment of L/C	35
4.2.3	Modes of Payment for Export Bills under L/C	35-36
4.2.4	Social Islami Bank's Import Formalities & Mechanism	36-40
4.2.5	Foreign Remittance	40-44
4.2.6	Foreign Currency Accounts of Social Islami Bank Limited	44-45
4.2.7	Foreign Exchange Risks and Precautionary Measure	45
05	**CHAPTER FIVE: ANALYSIS & DISCUSSION**	**46-56**
5	Data Analysis	47
5.1	Contribution of Social Islami Bank Limited in National Import	47
5.2	Contribution of Social Islami Bank Limited in National Export	48
5.3	Comparative Analysis of Five Banks	49-51
5.4	Performance Analysis of Social Islami Bank Limited in Foreign Exchange	52
5.4.1	Social Islami Bank's Import Trend in Last Five Years	53
5.4.2	Social Islami Bank's Import Growth in Last Five Years	53
5.4.3	Social Islami Bank's Export in Last Five Years	53
5.4.4	Social Islami Bank's Export Growth in Last Five Years	54
5.5	Social Islami Bank's Foreign Remittance Trend in Last Five Years	55
5.6	Social Islami Bank's Foreign Remittance Growth in Last Five Years	56
06	**CHAPTER SIX: FINDINGS**	**57-60**
6.1	Findings	58
6.2	Foreign Exchange Disclosures by Social Islami Bank Limited	59
6.3	Foreign Exchange Risk Management by Social Islami Bank Limited	59
6.4	Identifications of the problem	59-60

07	**CHAPTER SEVEN: CONCLUSION & RECOMMENDATIONS**	**61-**
7.1	Conclusion	62
7.2	Recommendations	63
	References	64
	APPENDIX	65
	Financial data	66-69

LIST OF FIGURES

TABLE NO.	PARTICULAR	PAGE NO.
Figure:1	Banking Structure in Bangladesh	13
Figure:2	Major Factors That Affects The Foreign Exchange Market	17
Figure:3	Different Types of Letter of Credit	19
Figure:4	Parties Involved in Letter of Credit	23
Figure:5	Management Hierarchy of Social Islami Bank Limited	31
Figure:6	Social Islami Bank's Export Procedures & Mechanism	33
Figure:7	Modes of Payment for Export Bills Under L/C	35
Figure:8	Steps of Import Procedures of Social Islami Bank	36
Figure:9	Required Charged Amount Paid	49
Figure:10	Foreign Remittance	41
Figure:11	Inward Remittance	41
Figure:12	Modes of Outward Remittance	42
Figure:13	Flow Chart of Remittance Process	43
Figure:14	Step of Data Design	47
Figure:15	Contribution of Social Islami Bank in National Import	47
Figure:16	Contribution of Social Islami Bank in National Export	48
Figure:17	Total Imports of Five Banks	48
Figure:18	Total Exports of Five Banks	50
Figure:19	Total Remittance of Five Banks	51
Figure:20	Social Islami Bank Import Trend in Last Five Years	52
Figure:21	Social Islami Bank Import Growth in Last Five Years	53
Figure:22	Social Islami Bank Export in Last Five Years	53
Figure:23	Social Islami Bank Export Growth in Last Five Years	54
Figure:24	Social Islami Bank Foreign Remittance Trend in Last Five Years	55
Figure:25	Social Islami Bank Foreign Remittance Growth in Last Five Years	56

LIST OF ABBREVIATIONS

List	Abbreviations
GB	General Banking
CCI&E	Chief controller of Import & Export
CIF	Cost, Insurance & Freight
FBP	Foreign Bill Purchase
FCAP	Foreign Currency Account Pound
FCAD	Foreign Currency Account Dollar
IRC	Import Registration Certificate
LBP	Local Bill Purchase
L/C	Letter of Credit
LG	Letter of Guarantee
LIM	Loan Against Import Merchandise
LTR	Loan Against Trust Receipt
PAD	Payment Against Documents
PSI	Pre-shipment Inspection
PI NO	Pro-forma Invoice
FE	Foreign Exchange
TT	Telegraphic Transfer
TC	Travelers Cheque
ERC	Export Registration Certificate
DD	Demand Draft
PO	Pay Order
IBC	Inward Bills for collection
OBT	Outward Bills for Transfer
MT	Mail Transfer
BL	Bill of Lading

CHAPTER 1

INTRODUCTIONS



1.1 Introduction

In the backdrop of economic liberalization and financial sector reforms, a group of highly successful local entrepreneurs conceived an idea of floating a commercial Bank with different outlook. For them, it was competence, excellence and consistent delivery of reliable service with superior value products. I have chosen Social Islami Bank Limited to accomplish my project report as an important part of BBA program and try to expand some useful skill & knowledge of the operation of the bank. Though i could not get the chance for make report in different departments of the Social Islami Bank Limited. But I have made analysis in foreign exchange department through my project work. Social Islami bank also provide sufficient & helpful information to its clients for managing their exchange risk & take different policies to minimize its own exchange risk bank is exposed to. As the foreign exchange functions are somehow critical, the bank strictly follow the guidelines of Bangladesh bank. They rely on bank to make and receive their foreign currency payments, to provide them with foreign currency loans, to fund their foreign currency bank accounts and purchase their excess foreign currency balances

In order to retain competitive edge, investment in technology is always a top agenda and under constant focus. Keeping the network within a reasonable limit, its strategy is to serve the customers through capacity building across multi-delivery channels. SIBL is better placed and poised to take its customers through fast changing times and enable them compete more effectively in the market.

1.2 Rationale of the Study

The real change in the banking business has started to come with the government's decision to allow the business in the private sector in the middle of the eighty's. This report is an effort to reflect a clear idea about the strategies, activities, and performance of Social Islami Bank Limited regarding foreign trade or foreign exchange business. Commercial banks in Bangladesh economy are to face an increasing competition for their business in coming days, like any other emerging market economies. Their business is no longer remaining easy as they earlier.

1.3 Objectives of the Study

The main objective of this report is to analysis of foreign exchange activities of Social Islami Bank Limited.

Specific Objective:

- To identify problems of foreign exchange transactions comprising LC advice, negotiation of export documentary bills, repatriation of bills proceeds etc.
- Comparative analysis of export volume of Social Islami Bank with other bank.
- Comparative analysis of import volume and other function of Social Islami Bank with other bank as well.
- To analysis the import trade, export trade and remittance flow of Social Islami Bank Limited
- To analysis the growths of foreign exchange performance.

1.4 Background of the Study

When theoretical knowledge is obtained from a course of study, it is only the half way of the subject matter. No knowledge is fully complete unless it is fully supported by events on ground. Whatever may be the quality of theoretical knowledge, it is not complete without practical implication on ground. This realization is more pronounced in the study of Bachelor of Administration where experience on ground plays a dominant role. Executive Master of Business Administration (EMBA) is designed with an excellent combination of practical and theoretical aspects. After completing the BBA, it is required for every student to complete the project work or dissertation, as a student of EMBA that why I have chosen in Social Islami Bank Limited.

This study attempts to analyze the nature of modern banking activities and performance of Social Islami Bank Limited. Its performance was reviewed and analyzed through the annual reports, and internal records of the bank. For completion of the report necessary data and information were collected and gathered by examining the documents, analyzing past five years annual reports, reading relevant journals etc. I have tried my best to use this opportunity to enrich my knowledge on banking system. After observing thoroughly, I have prepared this report on the basis of my findings and observation relating to the topic.

1.5 Scope of the Study

The report will illustrate a basic reflection of overall activities regarding Import and export procedure under Letter of credit at Social Islami Bank Limited. I got the opportunity to learn different part of foreign exchange department. The supervisor assigned the topic on the activities of foreign exchange of Social Islami Bank Limited. My main concern was to identify the foreign exchange operation of Social Islami Bank Limited. I had the opportunity to gather information about the relevant topic. This study is limited with function of foreign exchange operation system. Most of the data used in the reporting of the study are from secondary sources. All the data related to the reporting requirements are not available due to confidential reservation practice for the benefit of the organization.

1.6 Limitations of the Study

A wholehearted effort was applied to conduct the project work and to bring a reliable and fruitful result. In spite of having the wholehearted effort, there exit some limitations, which acted as a barrier to conduct the program. The limitations were:-

- Vast areas of tasks operated by the bank.
- Due to some risky monetary transaction.
- The secondary data that have been observe was in a form, which was not helpful for this study.
- Time constraint prohibited the preparation of an effective report.
- It is very difficult to comprehend all the transactions completely in such a short period and thus; attaining the research objectives thoroughly is nearly impossible.
- Due to the safety and security reasons, access to all the confidential data was not obtained.
- The information that is provided is the synopsis of the real volume of information, so the complete pictures of the concerned aspects are not evident.

CHAPTER 2
METHODOLOGY



2.1 Data Sources

The Secondary sources are:

- Annual reports of Social Islami Bank Limited.
- Publications of Bangladesh Bank (BB).
- Office circulars of Social Islami Bank Limited.
- Journals
- Guideline of Bangladesh Bank

After collecting the secondary data, those data are need to classified, analyzed, interpreted and presented in the report. Some arithmetic and graphical tools are used in this report for analyzing the collected data and to classifying those to interpret them clearly. Few recommendations are also made for improvement of the current situation. On the basis of the suggestions of our honorable department advisor some corrections were made to present the paper in this form.

2.2 Data Collection Technique

The organization part of the report is mainly based on Secondary data. These data were gathered from Annual reports, Prospectus, Newspapers, Publications, the Bank's internal records. The project part is prepared on the basis of secondary data.

2.3 Research Design

The study was conducted as a descriptive research, descriptive research answers the questions who, what, where, when and how. The description is used for frequencies, averages and other statistical calculations.

2.4 Data Analysis

SIBL performance has been compared with other banks in terms of disbursement amount, recovery percentage positions. Simple graphical representation is used to show the comparative position of different Banks.

2.5 Data Investigation and Interpretation

Both quantitative and qualitative analysis will be performed on the findings. Qualitative analysis will be based on the foreign exchange policy provided by Bangladesh Bank, the central bank of Bangladesh. Different statistical tools will be used for the analysis of the findings.

2.6 Data Collection Method

The process of financial data collection is not hassle free for any outsiders. They have allowed me to collect data from MIS. Sometimes, they have provided data verbally and I took note of that.

2.7 Study Design

There are some tools which are used in analysis. There are various figures, tables, charts, which are easier to understand. This overall process of the study is as follows:

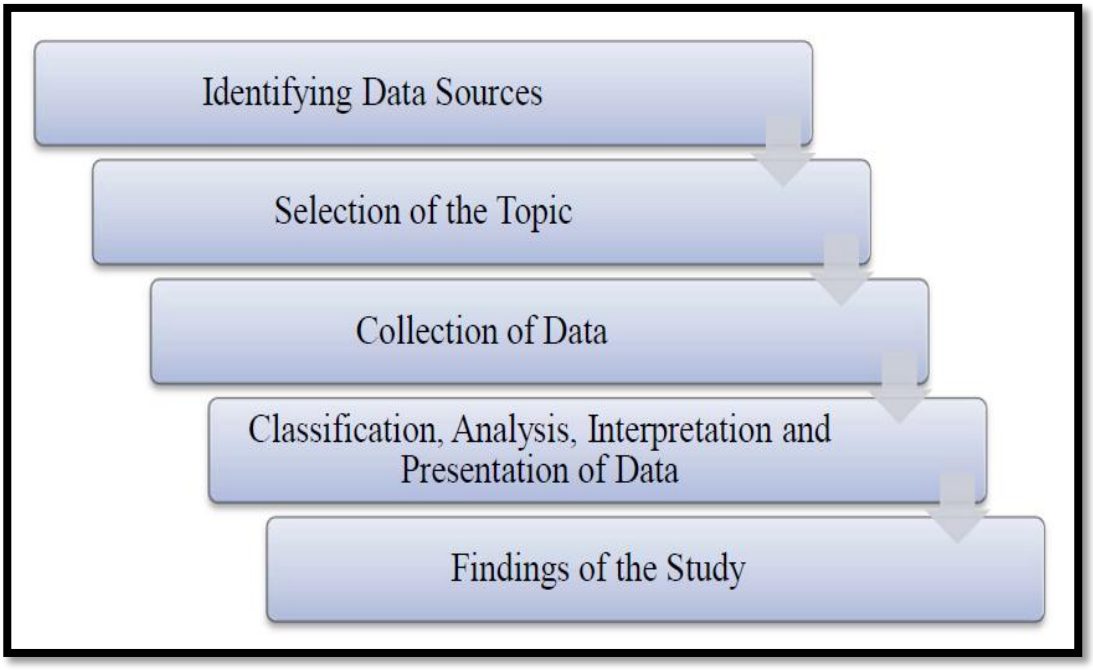


FIGURE 14: STEP OF DATA DESIGN

CHAPTER 3
LITERATURE REVIEW



3. The Literature Review of Foreign Exchange

For this literature review, I conducted a database search of reviewed academic journal articles by searching for terms like “foreign exchange services” “foreign exchange performance” and “Bank profitability” and many more. This search resulted in a large selection of articles and publications, which I studied to determine which to be included in the review for this paper. In addition to the reviewed journal articles, I also used references from popular media sources and visited several relevant online websites to provide what may be viewed as the popular mainstream perspective. According to *The Economist*, (*Published by the International Business Times AU. Retrieved: February 11, 2011)*foreign exchange market is arguably the world's largest market place. It has an average daily turnover of US$1.9 trillion, with some other sources such as GO *Market’*s Introduction *to Foreign Exchange* estimating the market to have an average daily turnover in excess of US$4 trillion. The bank for international settlements says that average daily turnover in global foreign exchange markets is estimated at $3.98 trillion as of April 2010, which is a growth of more or less 20% over the $3.21 trillion daily volume in the same month back in 2007. Bottom line is foreign exchange has a huge turnover.

Marrewijk, Charles Van, (October 2004)said that, the foreign exchange market is a form of exchange for the global decentralized trading of international currencies. Financial centers around the world function as anchors of trading between wide ranges of different types of buyers sellers around the clock, with the exception of weekends. The foreign exchange market assists international trade and investment by enabling currency conversation. For example, it permits a business in the United States to import goods from the European Union member states especially Euro zone members and pay Euros, even though its income is in USD. It also supports direct speculation in the value of currencies, and the carry trade, speculation based on the interest rate differential between two currencies.

Chowdhury and Kashfia Ahmed (April, 2009) discussed that Banking system plays a very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its Banking system. In a developing country like Bangladesh the Banking system as a whole play a vital role in the progress of economic development. A Bank as a matter of fact is just like a heart in the economic structure

and the Capital provided by it is like blood in it. As long as blood is in circulation the organs will remain sound and healthy. If the blood is not supplied to any organ then that part would become useless. Export and Import facility provided by the banks works as an incentive to the producer to increase the production. Most of the banks carried on foreign exchange trade. Whether they export or import, it is through banks that money is transferred from one country to another. For example, bills of exchange and letters of credit are the regular ways Banks use to transfer money.

Siddique and Islam (2001) pointed out that the Commercial Banks, as a whole, are performing well and contributing to the economic development of the country. The average profitability of all Bangladeshi Banks collectively was 0.09% during 1980 to1995 but it will be increased year by year which means that a profit of TK 0.09 was earned by utilizing assets of TK 100. In every aspect of profit, banking sector contributes the national economy as well as to the individual organization.

Jahangir, Shill and Haque (2007) stated that the traditional measure of profitability through stockholder's equity is quite different in Banking industry from any other sector of business, where loan-to-deposit ratio works as a very good indicator of banks' profitability as it depicts the status of asset-liability management of banks. But banks' risk is not only associated with this asset liability management but also related to growth opportunity. Smooth growth ensures higher future returns to holders and the relies the profitability which means not only current profits but future returns as well. So, market size and market concentration index along with return to equity and loan-to deposit ratio grab the attention of analyzing the banks' profitability. The banking industry of Bangladesh is a mixed one comprising nationalized, private and foreign commercial banks. Many efforts have been made to explain the performance of these banks.

3.1 The Synopsis of Banking Sector in Bangladesh

3.1.1 Definition of Bank

Bank is a financial institution and intermediary, which collect deposits through its different deposit mechanism and provide loans and advances among the loan Clients/ investors with the view to earn profit. Thus a bank is a financial intermediary and a dealer of loans and debts. In financial concept, banking means safe custody of money and at the same time an institution for money transaction.

To regulate the banking business some financial laws of the government are followed, the old ones are the British Stamp Law, 1881 and English exchange Bill, 1882. Other laws include the English Financial Act of 1915 and Indian Company Act of 1931 and the Indian Banking Regulation Act of 1949.

3.1.2 Banking History of Bangladesh

The banking system at independence consisted of two branch offices of the former State Bank of Pakistan and seventeen large commercial Banks, two of which were controlled by Bangladeshi interests and three by foreigners other than West Pakistanis. There were fourteen smaller commercial banks. Virtually all banking services were concentrated in urban areas. The newly independent government immediately designated the Dhaka branch of the State Bank of Pakistan as the central Bank and renamed it the Bangladesh Bank. The Bank was responsible for regulating currency, controlling credit and monetary policy, and administering exchange control and the official foreign exchange reserves. The Bangladesh government initially nationalized the entire domestic Banking system and proceeded to reorganize and rename the various Banks. Foreign-owned Banks were permitted to continue doing business in Bangladesh. The insurance business was also nationalized and became a source of potential investment funds. Cooperative credit systems and postal savings offices handled service to small individual and rural accounts.

3.1.3 Changing Structure of Banking System in Bangladesh

The Banking system of Bangladesh at independence consisted of two branch offices of the former State Bank of Pakistan and seventeen large commercial Banks, two of which were controlled by Bangladeshi interests and three by foreigners other than West Pakistanis. There were fourteen smaller commercial banks. Virtually all banking services were concentrated in urban areas.

The new Banking system succeeded in establishing reasonably efficient procedures for managing credit and foreign exchange. The primary function of the credit system throughout the 1970s was to finance trade and the public sector, which together absorbed 75 percent of total advances. Here are some major indicators that describe the changing nature of banking industry in Bangladesh.

Currently, the prevailing Banking structure in Bangladesh is classified below.

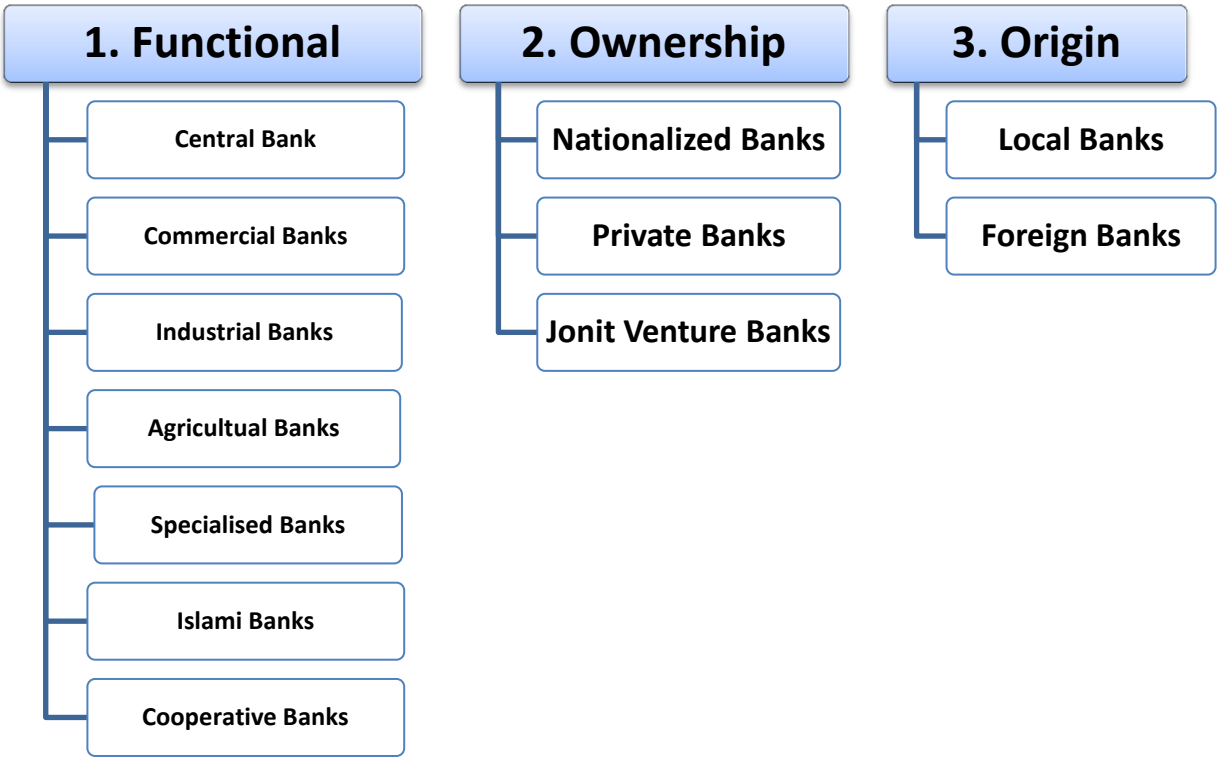


FIGURE 1: BANKING STRUCTURE IN BANGLADESH

3.2 The Brief Synopsis of Foreign Exchange

3.2.1 Foreign Exchange

In Banks when we talk of foreign exchange, we refer to the general mechanism by which a Bank converts currency of one country into that of another. Foreign Trade gives rise to foreign exchange. Foreign exchange refers to the process or mechanism by which the currency of one country is converted into the currency of another country. Foreign exchange is the means and methods by which rights to wealth in a country's currency are converted into rights to wealth in another country's currency Modern Banks facilitate trade and commerce by rendering valuable services to the business community. Apart from providing appropriate mechanism for making payments arising out of trade transactions, the Banks gear the machinery of commerce, especially in case of international commerce, by acting as a useful link between the buyer and the seller, who are often too far away from and too unfamiliar with each other.

According to Foreign Exchange Regulation Act (FERA) 1947, "Anything that conveys the right to wealth in another country is foreign exchange. Foreign exchange means and includes all deposits, credits and balances payable in foreign currency as well as foreign currency instruments such as drafts, TCs. Bill of Exchange, promissory Notes and Letters of Credit payable in any foreign currency. "

This definition implies that all business activities relating to Import, Export, Outward & Inward Remittances, buying & selling of foreign commissions, etc. come under the purview of foreign exchange business. Foreign exchange department of Banks plays significant roles through providing different services for the customers.

3.2.2 Parts of Foreign Exchange Operation

There are mainly three types of transactions which lead to foreign exchange. These are:

a) Import
b) Export
c) Foreign Remittance

3.2.3 Foreign Exchange Regulation Act 1947 and Deregulatory Measures

.Actually this Act empowered Bangladesh Bank to regulate certain payments, dealings in foreign exchange and securities and the import and export of currency and bullion. Foreign Exchange Regulation Act 1947 was basically passed and 11th march in the year 1947. After 1947, the act was adopted by Pakistan and after 1971 Bangladesh adopted the same act. The act has 27 sections and a number of sub sections. Foreign exchange regulation act, 1947 was adopted in Bangladesh immediately after independence. However, a few provisions have been added under the foreign exchange regulation (Amendment ordinance, 1976.The main objectives of the Act are:

- To conserve the limited foreign exchange resources
- To ensure that the available foreign exchange is utilized only for properly requirements in the economic and financial interests of Bangladesh and
- To ensure the maintenance of the proper accounting of foreign exchange receipts and payments. Bangladesh Bank is responsible for administration of regulation under the Act.

Foreign Exchange Regulation Act 47 Sec 22(d) states that foreign exchange means foreign currency and including any instrument drawn, accepted, made or issued under clause 13 of section 16 of Bangladesh Bank order 1972 all deposits, credits and balances payable in any foreign currency, and any drafts traveler Cheque, letter of credit and bills of exchange express or drawn in Bangladesh currency but payable in foreign currency. Foreign Exchange means the rate of exchange at which one currency is changed against another. It means foreign currency and all departs and balance payable in foreign currencies as well as drafts, traveler's checks, letter of credit, bill of exchange drawn in local currency but payable in foreign currency.

3.2.4 Foreign Exchange Market

Foreign exchange Market is a place in which foreign exchange transactions take place. In other word, foreign exchange transaction is a market where foreign money were brought and sold. It is a part of money market in financial center.

3.2.5 Function of Foreign Exchange Market

The basic and primary function of a foreign exchange market is to transfer purchasing power between countries. The transfer function is performed through T.T, M.T, Draft, Bill of Exchange, Letters of credit, etc. The bill of exchange is the most important and effective method of transferring purchasing power between two parties.

The foreign exchange market performs the hedging function covering the risks on foreign exchange transactions. There are frequent fluctuations in exchange rates. If the rate is favorable, the exporter will gain and vice versa. In order to avoid the risk involved, the foreign exchange market provides hedges or actual claims through forward contracts in exchange against such fluctuations. The agencies of foreign currencies guarantee payment of foreign exchange at a fixed rate. The exchange agencies bear the risks of fluctuation of exchange rates.

Another important function of foreign exchange market is to provide credit to the importer debtor. The exporters draw the bill of exchange on importers on their Bankers. On acceptance of the bills by the importer or their Bankers, the exporter will get the money realized on the maturity of the bills.

3.2.6 Major Factors that Affects the Foreign Exchange Market

Some of the major factors that affect the foreign exchange market in Bangladesh are:

A. Exchange Rate
B. Remittances
C. Foreign Exchange Reserve
D. Foreign Exchange Controls & Regulations

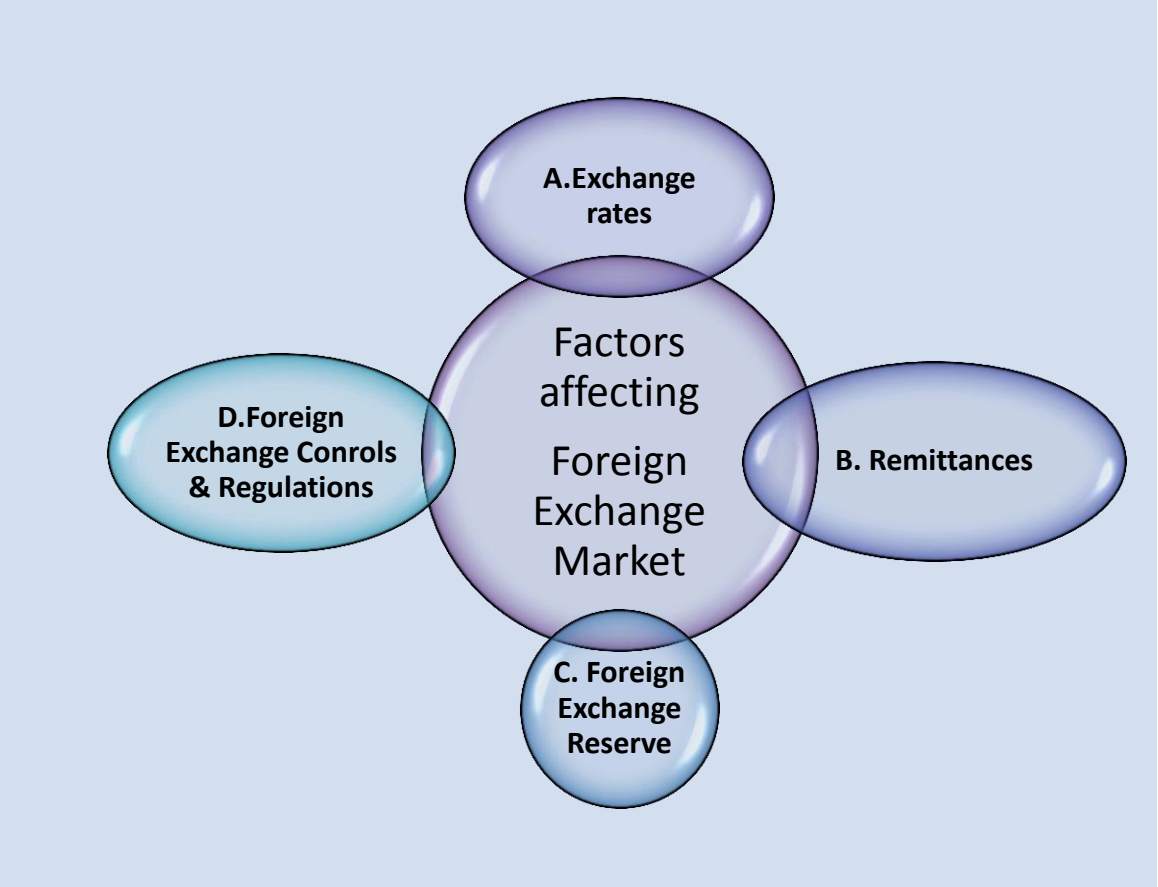


FIGURE 2: MAJOR FACTORS THAT AFFECTS THE FOREIGN EXCHANGE MARKET

A. Exchange Rate

Bangladesh Bank limits its market interventions to countering disorderly movements and to building a more comfortable reserves position consistent with the macroeconomic program agreed with the International Monetary Fund. A managed floating exchange rate system in force since May 2003 has served the economy well, enabling it to adjust relatively smoothly to the changing external environment, especially in absorbing the oil price shock, supporting export growth, and protecting reserves. The exchange rates of Taka for inter-Bank and customer transactions are set by the dealer Banks themselves, based on demand-supply interaction.

B. Remittances

Bangladesh's attempt to earn foreign currencies through the export of surplus labor has shown remarkable success. The formal remittance to Bangladesh has increased in congruence with the flow of migrant workers overseas. To increase the inflow of

remittances through normal channels, Bangladesh Bank, as the central Bank of the country, plays a crucial role. Bangladesh Bank permits Banks to establish drawing arrangements with foreign Banks and exchange houses for facilitating remittance by Bangladeshi nationals living abroad. Persons are willing to remit their earnings in home country.

C. Foreign Exchange Reserve

Foreign exchange reserve is the stock of foreign currencies a country holds to buffer out imbalances between foreign receipts and payments. Bangladesh Bank, the central Bank of the country, holds the stock of convertible foreign exchange reserve of the country in the form of liquid assets. In the first 2-3 years after liberation, the foreign exchange reserve of the country was composed mainly of aid/grants and export earnings. Subsequently, Bangladesh diversified export products and expanded the remittance flow to the country.

D. Foreign Exchange Regulations and Foreign Exchange Controls

Bangladesh Bank time to time formulates new guidelines; modify the existing guidelines for the purpose of sound foreign exchange operations.

Foreign exchange controls are various forms of controls imposed by a government on the purchase/sale of foreign currencies by residents or on the purchase/sale of local currency by nonresidents.

3.3TheHistorical Background of Letter of Credit

3.3.1 Letter of Credit

L/C is a conditional undertaking by the issuing Bank that the Bank has to pay the payment of exporter or beneficiary. In any international trade the buyers and sellers are of different countries. None of them know each other nor about their business integrity and credit worthiness. Various regulations prevailing in their respective countries about foreign trade are also unknown to them. Thus the buyer wants to be assuring of goods and the sellers to be assured of payments. In such association commercial Banks assure

these things simultaneously by opening letter of credit guaranteeing payments to sellers and good to the buyers.

3.3.2 Types of Letter of Credit

There are various types of Letter of credit. We can classify it in four broad categories. These are shown in the following diagram.

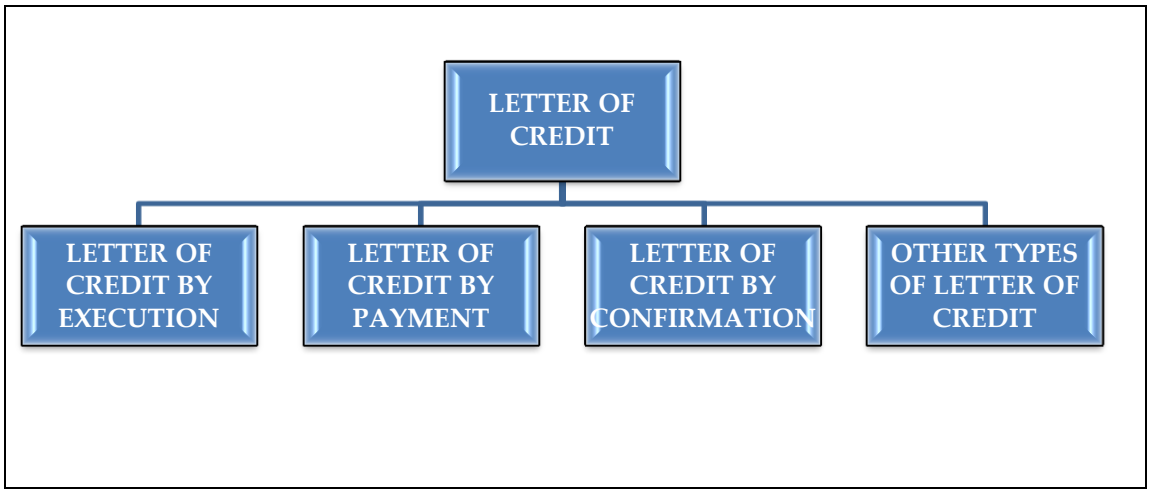


FIGURE 3: DIFFERENT TYPES OF LETTER OF CREDIT

Type of Letter of Credit by Execution:

- Revocable Letter of Credit

A revocable letter of credit is a credit that can be amended or cancelled by the issuing Bank at any time without the consent of the beneficiary, often at the request and on the instructions of the applicant. There is no security of payment in a revocable letter of credit (L/C). Thereby, the exporter under such arrangement bears enormous risks of cancellation of the L/C at any moment whereas the importer has a wide range of flexibility to replace a costly order with a cheaper one.

The words "this credit is subject to cancellation without notice", "revocable documentary credit" or "revocable credit" usually is indicated in the L/C.

- Irrevocable Letter of Credit

An irrevocable credit constitutes a definite undertaking of the issuing Bank, provided that the seller satisfies the terms and conditions. It cannot be amended or cancelled without the agreement of all parties. Exporters are given the highest protection in this credit. In the absence of any indication, the L/C is deemed to be irrevocable. The irrevocable letter of credit received from an exporter's Bank may be indicated as "irrevocable and without recourse documentary credit".

Type of Letter of Credit by Payment:

- Sight Letter of Credit / Payment Letter of Credit

Payment against such credit is effected on presentation of the shipping documents complying with the terms and conditions of the credit. Once the draft is presented and paid, it constitutes a receipt for the payment made and serves no other purpose and has no other value.

- **Deferred Payment Letter of Credit**

Payment of such credit is effected at maturity of the bills after the deferred period is over rather than upon presentation of the shipping documents. On the receipt of documents importer's Bank confirms the due date of the bills complying with the credit terms within the 7 working days to the exporter's Bank provided.

- Acceptance Letter of Credit

When the date of payment or the maturity date of the bills is counted from the date of acceptance in the importer's country, the underlying letter of credit is known as Acceptance Letter of Credit.

- Negotiation Letter of Credit

In this case, the deferred period sets in before receipt of the documents at the counter of the importer's Bank.

Types of Letter of Credit by Confirmation:

Irrevocable Letter of Credit can be Confirmed or Unconfirmed depending on the demand of the exporter or exporter's Bank.

- Unconfirmed/ Advised Irrevocable Letter of Credit

An irrevocable letter of credit (L/C) opened by an issuing Bank in which the advising Bank does not add its confirmation to the credit is known as an unconfirmed irrevocable letter of credit. The promise to pay comes from the issuing Bank only, unlike in a confirmed irrevocable L/C where both the issuing Bank and the advising Bank promise to pay the beneficiary.

- Confirmed Irrevocable Letter of Credit

An irrevocable letter of credit (L/C) opened by an issuing Bank whose authenticity has been confirmed by the advising Bank and where the advising Bank has added its confirmation to the credit is known as confirmed irrevocable letter of credit. A third party Bank can also act as the confirming Bank into the credit. In a confirmed letter of credit, the exporter or the importer pays an extra charge called the confirmation fee, which may vary from Bank to Bank within a country. The fee usually is added to the exporter's account.

Other Types of Letter of Credit:

- Restricted Negotiable Letter of Credit

In a restricted negotiable letter of credit, the authorization from the issuing Bank to pay the beneficiary is restricted to a specific nominated Bank.

- Freely Negotiable Letter of Credit

In a freely negotiable letter of credit, the authorization from the issuing Bank to pay the beneficiary is not restricted to a specific Bank; any Bank can be a nominated Bank as long as the Bank is willing to pay, to accept draft(s), to incur a deferred payment undertaking, or to negotiate the L/C. The words "this credit is not restricted to any Bank for negotiation" or "this credit may be negotiated at any Bank", or similar words, may be indicated on the L/C.

- Back-to-Back Letters of Credit

The back-to-back letter of credit allows exporters (sellers or middlemen) who do not qualify for unsecured Bank credit to use a letter of credit as security for a second letter of credit in favor of a supplier

- **Red Clause Credit**

It is so called because the clause was originally written in red ink to draw attention to the unique nature of this credit. A Red Clause Credit is a credit with a special clause incorporated into it that authorizes the advising Bank or confirming Bank to make advances to the beneficiary before presentation of documents.

3.3.3 Parties Involved In L/C

The Letter of Credit involves the following parties:

- **Applicant:** The importer or buyer or purchaser or drawer upon whose request the L/C is issued.
- **Exporter/Seller/Beneficiary:** The exporter or seller or supplier or shipper to whose favor the L/C is issued. He is entitled to the payment against which he has supplied the goods.
- **Opening/Issuing Bank:** This is Importer's or the buyer's Bank who issues the L/C on favor of the importer, pays or accepts Bill of Exchange or authorize another Bank to negotiate the same on presentation some documents as per terms and conditions of L/C opened.
- **Confirming Bank:** The Bank, which adds confirmation to the credit, is termed as confirming Bank. It is done at the request of issuing Bank though sometimes-confirming Bank may or may not be the advising Bank.
- **Advising Bank:** It advises the L/C to the beneficiary and confirms the genuineness of the L/C. Through this Bank, the L/C is advised to the exporters. Sometimes this Bank also performs the role of confirming and negotiating Bank depending upon the condition of the L/C. The advising Bank is situated in the exporter's country and must be a branch or a correspondent Bank of the issuing Bank.

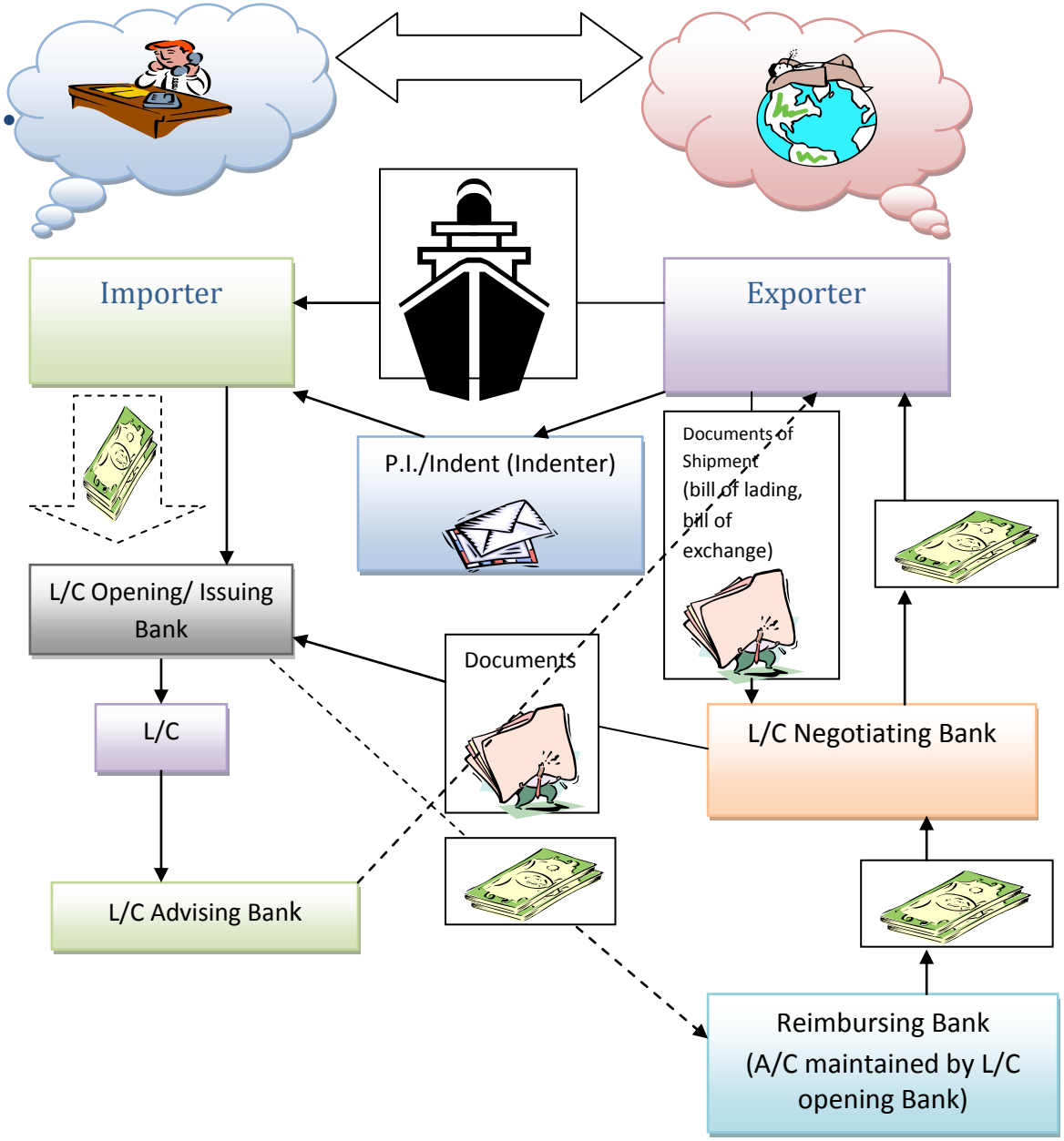


FIGURE 4: PARTIES INVOLVED IN LETTER OF CREDIT

3.3.4 Documents Required in the Execution of Letter of Credit

Documents play the most important roles in documentary transactions. If observed from exporters' perspective these are export documents and similarly from importers view these are import document.

i. Commercial Invoice

Commercial invoice is the seller's/exporter's bill for the merchandise. The document describes the goods which are the subject of contract of sale between the buyer and the seller as well as importer and exporter. It is dated and bears the name & addresses of the both the parties, shipping marks, total weight or quantity of the goods etc. The importer may require several copies of the invoice to satisfy own needs and also those customs and other authorities in his country.

ii. Bill of Lading

This is a document of title to goods entitling the holder to receive the goods as beneficiary or endorsee. It is also an evidence of a contract of carriage between the exporter and the shipping company; given the terms and conditions of carriage as well as it is the shipper's receipt for the goods delivered to the carrier.

iii. Air Consignment Note or Airway Bill, Post Parcel Receipt, Railway Receipt, Truck Receipt

When goods are small in bulk or requiring speedy delivery or those are perishable in nature or the deal is in between the neighboring countries then mode of transport other than shipping may be resorted to for the carriage of the goods and air consignment note or airway bill, post parcel receipt, railway receipt, truck receipt take the place of Bill of Lading depending on the nature of the carrier.

iv. Certificate of Origin

It is a certificate issued by a recognized authority in exporting country certifying that the goods have been produced in a particular country. It is usually issued by the Chambers of Commerce local consul or Trade Representative of the importing country as per L/C term. It is particularly needed for goods imported into some countries having a reciprocal tariff agreement with the exporter's country.

CHAPTER 4

ORGANIZATIONAL OVERVIEW

4.An Overview of Social Islami Bank Limited

4.1.1Organizational Structure

Social Islami Bank was created and commencement of business started on 1995. The sponsors are reputed personalities in the field of trade and commerce and their stake ranges from shipping to textile and finance to energy etc.

As a fully licensed commercial Bank, Social Islami Bank is being managed by a highly professional and dedicated team with long experience in Banking. They constantly focus on understanding and anticipating customer needs. As the Banking scenario undergoes changes so is the Bank and it repositions itself in the changed market condition.

Social Islami bank has already made significant progress within a very short period of its existence. The bank has been graded as a top class bank in the country through internationally accepted CAMELS rating. The Bank has already occupied an enviable position among its competitors after achieving success in all areas of business operation.

Social Islami bank offers all kinds of commercial corporate and personal banking services covering all segments of society within the framework of banking company Act and rules and regulations laid down by our central bank. Diversification of products and services include Corporate Banking, Retail banking and consumer banking right from industry to agriculture, and real state to software.

Social Islami bank, since its beginning has attached more importance in technology integration. In order to retain competitive edge, investment in technology is always a top agenda and under constant focus. Keeping the network within a reasonable limit, our strategy is to serve the customers through capacity building across multi-delivery channels. Our past performance gives an indication of our strength. We are better placed and poised to take our customers through fast changing times and enable them compete more effectively in the market they operate.

4.1.2 History of Social Islami Bank

Social Islami Bank Limited is a scheduled commercial bank in the private sector established under the ambit of bank company Act. The bank started commercial banking operations on 1995. During this short span of time the bank has succeeded in positioning itself as a progressive and dynamic financial institution in the country. The bank has been widely acclaimed by the business community, from small entrepreneurs to large traders and industrial conglomerates, including the top-rated corporate borrowers, for its forward - looking business outlook and innovative financial solutions. Thus within this very short period of time it has been able to create an image and earn significant reputation in the country's banking sector as a bank with Vision. Presently, it has 84 branches. Social Islami Bank Limited has been licensed by the Government of Bangladesh as a scheduled commercial bank in the private sector in pursuance of the policy of liberalization of banking and financial services and facilities in Bangladesh. In view of the above, the Bank, within a period of 15 years of its operation, achieved remarkable success fully meeting capital adequacy requirement of Bangladesh Bank. As evident from the financial statements for the last 10 years, it has been growing rapidly as one of the leaders of the new generation banks in the private sector in term of business and profitability.

4.1.3 Slogan

"Journey Forward to Excellence" is the motto of Social Islami Bank Limited. So the motto itself is self-explanatory to deliver the vision of the bank. To cope with the challenge of the new millennium it hired experienced and well-reputed Banker of the country from the inception. The bank has efficient and dedicated professionals and equipped with modern technology to provide the best service in the need of the people and thus to realize its vision. So the bank defined:

4.1.4 Vision

- To stand out as a pioneer banking institution in Bangladesh.
- To contribute significantly to the national economy.

4.1.5 Mission

Social Islami Bank Limited aims to become one of the leading Banks in Bangladesh by prudence, flair and quality of operations in their banking sector. The bank has some mission to achieve the organizational goals. Some of them are as follows as:

- Fast & accurate customer service and Innovative banking at a competitive price.
- High quality financial services with the help of latest technology.
- Deep commitment to the society and the growth of national economy.
- Attract and retain quality human resource, High standard business ethics.

4.1.6 Focus of Efforts

"On delivery of quality service in all areas of banking activities with the aim to add increased value to shareholders' investment and offer highest possible benefits to our customers"

4.1.7 Strategic Priorities

"To have sustained growth, broaden and improve range of products and services"

4.1.8Goals and Objectives of Social Islami Bank Limited

- To build up strong pillar of capital.
- To promote trade, commerce and industry.
- To discover strategies for achieving systematic growth.
- To improve and broaden the range of product and services.
- To develop human resource by increasing employment opportunities.
- To enhance asset of shareholders.
- To offer standard financial services to the people.

4.1.9 Corporate Philosophy

- To provide the most courteous and efficient service in every aspect of its business. To be innovative in the development of new Banking products and services
- By promoting their well-being through attractive remuneration and fringe benefits.
- By promoting good staff morale through proper staff training and development, and provision of opportunities for career development.
- By forging ahead and consolidating its position as a stable and progressive financial institution.
- By generating profits and fair return on their investment.
- By assuming our role as a socially responsible corporate citizen in a tangible manner by adhering closely to national policies and objectives thereby contributing towards the progress of the nation.
- By upholding ethical values and best practices.
- Constantly seeking to improve performance by aligning our goals with stakeholder's expectations because we value them.

4.1.10 Functional Departments of Social Islami Bank Limited

Social Islami Bank Limited has the following functional departments in its head office.

A. Logistic & Support Services Division (L&SSD)

This Division was formerly known as General Services Division (GSD). Their main function relates to procurements and supply of all tangible goods and services to the Branches as well as Head office of Social Islami Bank Limited. This includes

i. Every tangible functions of Branch opening such as making lease agreement, interior decoration etc.

ii. Print all security papers and Bank Stationeries.

iii. Distribution of these stationeries to the branch

B. Financial Administration Division (FAD)

Financials Administration Division mainly deals with the account side of the Bank. It deals with all the Head Office transactions with Bank and its Branches and all there are controlled under the following heads:

i. Income, Expenditure Posting: All income and expenditures are maintained and posted under these heads.

ii. Cash Section: cash section generally handles cash expenditure for office operations and miscellaneous payments.

C. Consolidation of Branch's Accounts:

All branches periodically (especially monthly) send their income and expenditure i.e. profit and loss accounts and Head Office made the consolidation statement of income and expenditure of the Bank.

D. Credit Division

The main function of this division is to maintain the Bank's credit portfolio. A well reputed and hard working group of executives & officers runs the functions of this division.

E. International Division

The objective of this division is to assist management to make international dealing decisions and after decision is made, guide Branches in their implementation. Its functional areas are as follows:

i. Maintaining correspondence relationship.

ii. Monitoring foreign exchange rate and exchange dealings.

iii. Maintaining Nostro A/Cs and reconciliation.

4.1.11Management of the Bank

Boards of directors are the sole authority to take decision about the affairs of the business. All the directors have good academic background and have huge experience in business. At present Mr. Mahbubur Rahman is the chairman of the bank and is the Vice Chairman of the bank. The board of directors holds meetings on a regular basis.

MANAGING DIRECTOR
DEPUTY MANAGING DIRECTOR
SENIOR EXECUTIVE VICE PRESIDENT
EXECUTIVE VICE PRESIDENT
SENIOR VICE PRESIDENT
VICE PRESIDENT
SENIOR ASSISTANT VICE PRESIDENT
ASSISTANT VICE PRESIDENT
FIRST ASSISTANT VICE PRESIDENT
SENIOR EXECUTIVE OFFICER
EXECUTIVE OFFICER
PRINCIPAL OFFICER
SENIOR OFFICER
MANAGEMENT TRAINEE OFFICER
JUNIOR OFFICER

FIGURE 5: MANAGEMENT HIERARCHY OF SOCIAL ISLAMI BANK LIMITED

4.1.12 Capital Structure

The bank is having an Authorized capital of Tk. 1000 million and a paid up capital of Tk. 600 million sponsored by 22 members of Board of Directors. The bank is manned and managed by experienced officers committed to provide a highly efficient, personalized and quality service. There will be no conventional system of clerk, guard and peon in the bank. The security aspects will be looked after and managed through private security agencies. The bank has a good number of professional managers to manage competitive and complex situation efficiency and effectively

4.1.13Corporate Social Responsibilities (CSR) At a Glance

- **Education Support Program**: Believing education as a tool for social change, Social Islami bank foundation is proud to have another year of success of its Education Support Program launched in 2007. It is a long term, renewable scholarship program for underprivileged but meritorious students from across the country.
- **Work with Handicap Population** Investment in eradicating and preventing different disabilities such as drug addicts, blindness etc; setting up vocational training centers; undertake mass awareness raising campaigns etc.

4.2Social Islami Bank's Export Procedures &Mechanism

4.2.1 Export L/C

There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. If any exporter comes for the negation of L\C, he also has to perform the formalities. These formalities or procedures are enumerated as follows:-

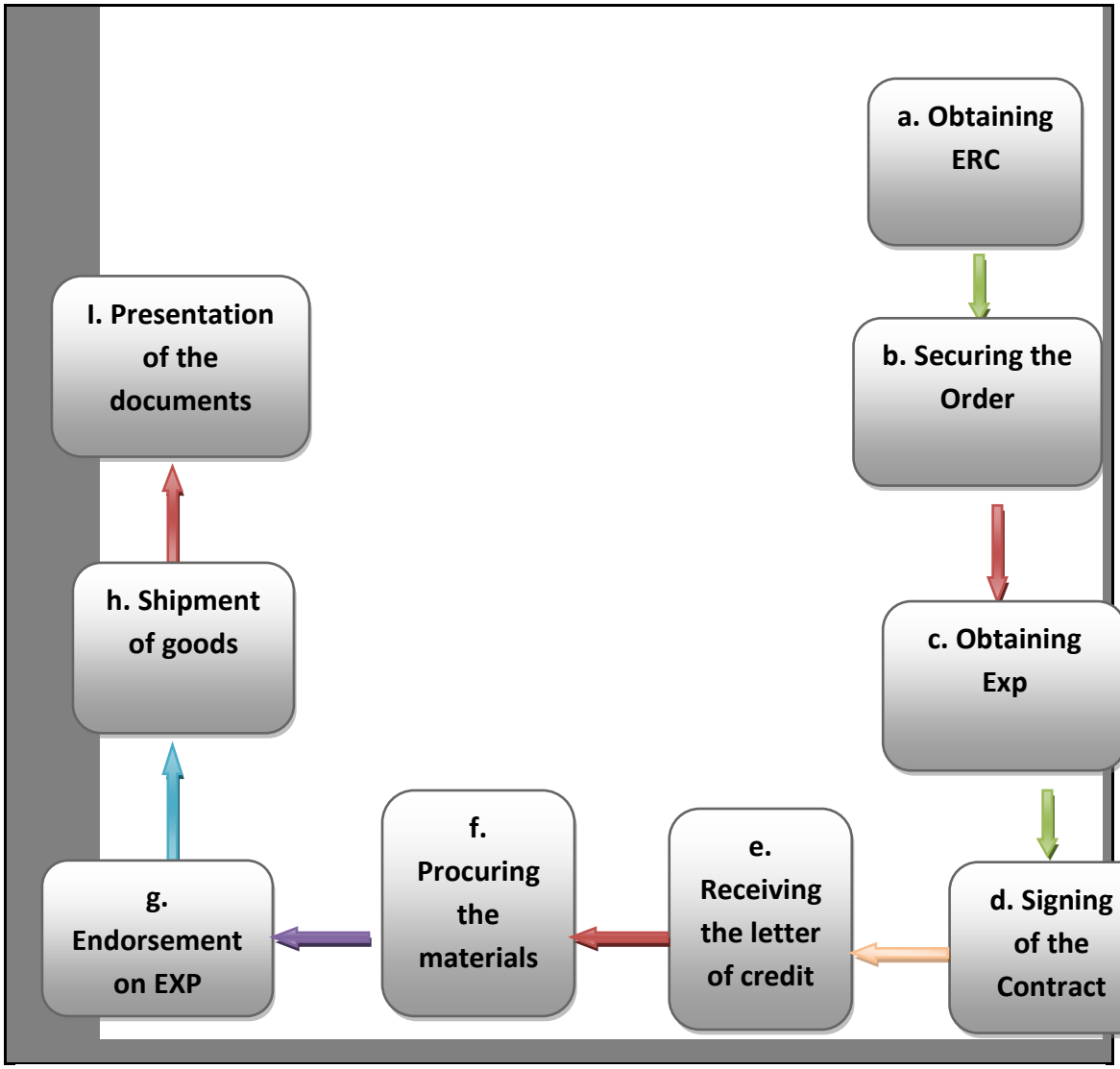


FIGURE 6: SOCIAL ISLAMI BANK'S EXPORT PROCEDURES &MECHANISM

A. Obtaining Export Registration Certificate (ERC):

No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with Chief Controller of Imports and Exports (CCI & E) and holds valid Export Registration Certificate (ERC). After applying to the CCI & E in the prescribed from along with the necessary papers, concerned offices of the Chief Controller of Imports and Exports issues ERC.

B. Securing the order:

After getting ERC, the exporter may proceed to secure the export order. He can do this by contracting the buyers directly through correspondence.

C .Obtaining EXP:

After having the registration, the exporter applies to the Bank with the trade license, ERC and the Certificate from the concerned Government Organization for EXP. If the Social Islami Bankis satisfied, an EXP is issued to the exporter.

D. Signing of the contract:

After communicating with buyer the exporter has to get contracted for exporting exportable items from detailing commodity, quantity, price, shipment, insurance and mark, inspection, arbitration etc.

E. Receiving the Letter of Credit;

After getting contract for sale, exporter should ask the buyer for Letter of Credit clearly stating terms and conditions of export and payment.

After receiving L/C, the following points are to be looked for:

a. The terms of the L/C are in conformity with those of the contract.

b. The L/C is an irrevocable one, preferably confirmed by the advising Bank.

F. Procuring the Materials:

After making the deal and on having the L/C opened in his favor, the next step for the exporter is to set about the task of procuring or manufacturing the contracted merchandise.

G. Endorsement on EXP:

Before the exporters with the customs/postal authorities lodge the export forms, they should get all the copies endorsed by Bank. Then Bank officer checks it properly, if satisfied, certifies the exp. without it, exporter he cannot make shipment. The customer must declare all exports goods on the EXP issued by the authorized dealers

H. Shipment of goods:

Exporter makes shipment according to the terms and condition of L/C.

I. Presentation of export documents for negotiation

Exporter makes shipment according to the terms and condition of L/C. After shipment, exporter submits the following documents to Bank for negotiation.

- Bill of Exchange or Draft;
- Bill of Lading

- Invoice
- Insurance Policy/Certificate
- Certificate of origin
- Inspection Certificate

4.2.2 Amendment of L/C

Parties involved in a L/C, particularly the seller and the buyer cannot always satisfy the terms and conditions in full as expected due to some obvious and genuine reasons. In such a situation, the credit should be amended. Bank transmits the amendment by SWIFT, airmail or courier service to the advising Bank. In case of revocable credit, it can be amended or cancelled by the issuing Bank at any moment and without prior notice to the beneficiary.

4.2.3 Modes of Payment for Export Bills under L/C

The most common methods of payment under a L/C are as follows-

- **At Sight Payment Credit:** In At sight Payment Credit, the Bank pays the stipulated sum immediately against the exporter's presentation of the document

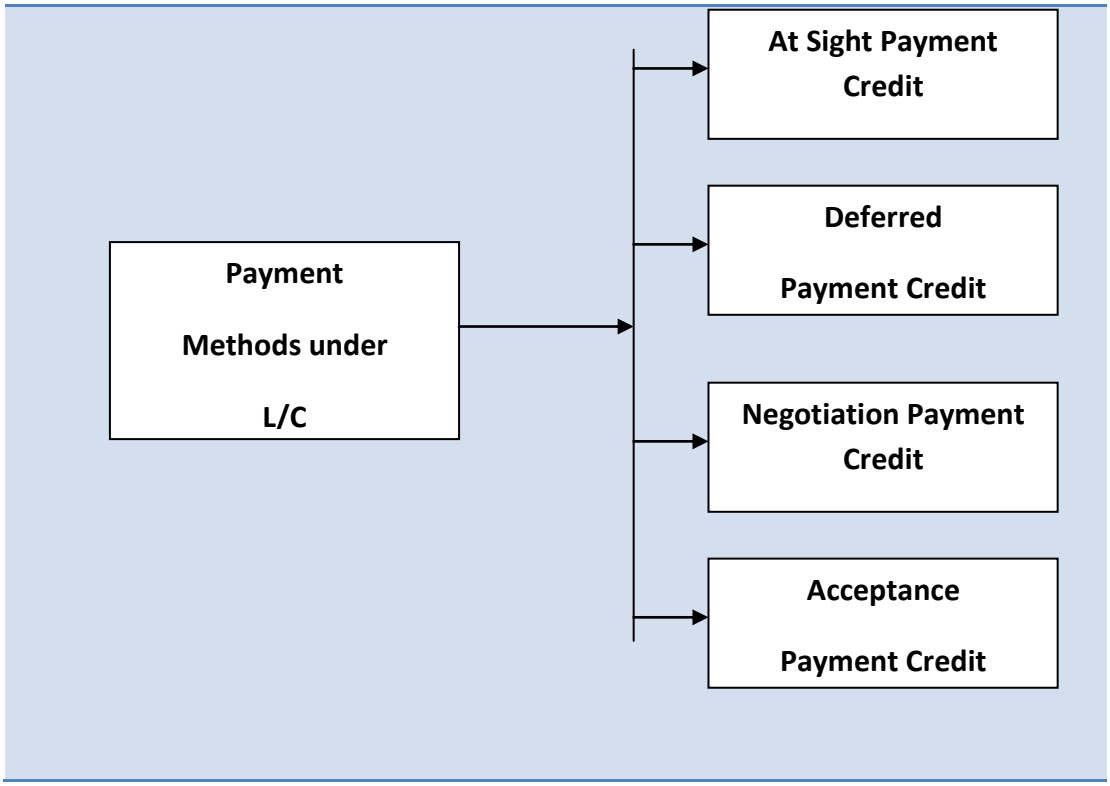


FIGURE 7: MODES OF PAYMENT FOR EXPORT BILLS UNDER L/C

- **Negotiation Credit:** In Negotiation Credit, the exporter has to present a bill of exchange payable to him in addition to other documents that the Bank negotiates.
- **Acceptance Credit:** In Acceptance Credit, the exporter presents a bill of exchange payable to him and drawn at the agreed tenor (that is, on a specified future date or event) on the Bank that is to accept it.
- **Deferred Payment Credit:** In deferred payment credit, the Bank agrees to pay on a specified future date or events, after presentation of the export documents. No bill of exchange is involved

4.2.4 Social Islami Bank's Import Formalities & Mechanism

➢ Social Islami Bank Procedures for Opening Import L/C

For opening a Letter of Credit an importer is required to have some documents,. The following steps are followed in this regard:

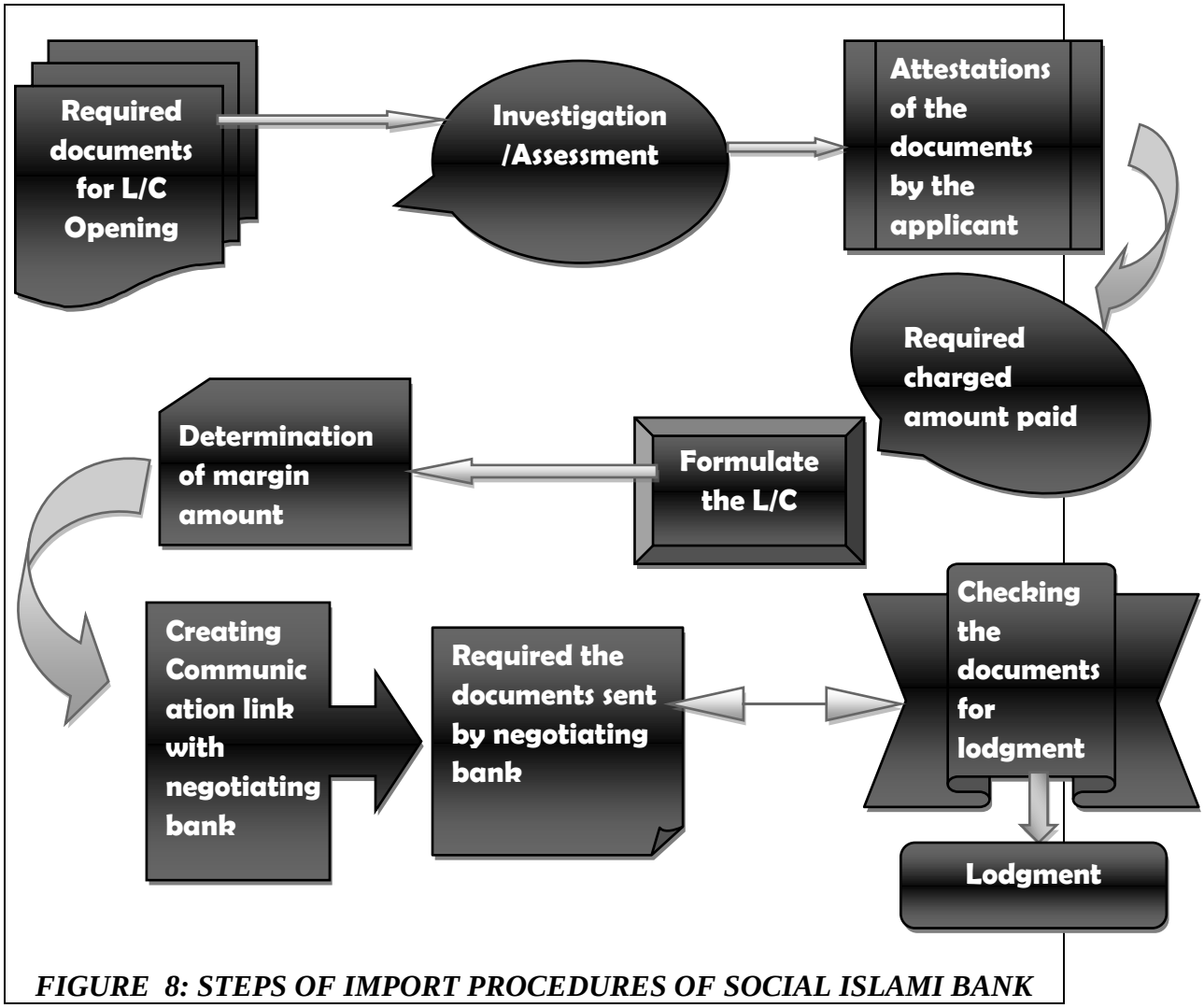


FIGURE 8: STEPS OF IMPORT PROCEDURES OF SOCIAL ISLAMI BANK

➢ Required Documents for L/C Opening

For opening L/C in this Bank, at first the importer has to apply to the respective authority of the Bank**.** To Import through Social Islami Bank Limited. a customer requires-

- Bank Account
- Import Registration Certificate.
- Tax Paying Identification Number (TIN).
- Pro-forma-Invoice Intend.
- Membership Certificate.
- Letter of credit Authorization (LCA) from duly attested.
- One set of Imp (Import) form.

➢ Investigation/Assessment

Social Islami Bank before giving the permission of opening L/C in the bank, the related authority in the Bank at first investigate the following information consciously,

- **Check the accessibility of the goods:** Whether the goods that would be imported from the foreign country are permitted or not permitted to enter our country, this has to be ensured by the bank. Social Islami Bank follows the US-based guidelines for opening L/C for goods.

- **Assess the importer's financial position:** The bank then analysis the credit report of the importer, whether the importer has the capability of the payment for the goods imported by him. The bank has an agreement among with some international organizations that collect the financial position and credit worthiness of the importer in certain case, Social Islami Bank obtain permission from Bangladesh Bank for getting permission for certain goods.

- **Checking validity of the certificate:** The Bank hast to check the validity of IRC certificate. There has been fixed the slob rate in case of validity of this IRC .if importer provides17000-taka renewal fees each year, then the importer can deal unlimited amount regarding opening L/C

➢ Attestations of the Documents by the Applicant:

If the above findings give favorable results, then the Bank agree to open L/C. Bank then provides the applicant the following forms for attestation regarding the acceptance of the importer regarding the opening of the L/C. Those forms are.

a) 6 copy letters of authorization from which are kept by the Bank

b) Social Islami Bank also keeps the details information regarding the applicant and the goods to be imported which is called documentary credit application.

c) Social Islami Bank makes agreement with the importer regarding the fluctuation of foreign currency, where importer undertaking for fluctuation of foreign currency.

➢ Determination of Margin Amount:

This margin is to be retained from the importers either in cash or debiting the importer's current account with the bank, after getting the cash margin Social IslamiBank:

- Debit importer's A/C-Credit sundry deposit margin on L/C
- Contra liability voucher i.e. debit customer's liability for L/C-Credit Banker's liability for L/C

➢ Required Charged Amount Paid

The importer is also required to pay the other concerning charges like FCC (Foreign Corresponding Charges), Telex Charges, Handling Charges and Commission etc. The Social Islami Bank charged to the importer the following fees:

Stamp on hand
Commission on Foreign L/C
Vat on L/C Commission
LCAF Charge
Vat on LCAF Charge
Others charge
Vat on other charge
Handling Cost

Pre-shipment Inspection Cost
Swift charge
Vat on Swift Charge

FIGURE 9: REQUIRED CHARGED AMOUNT PAID

➢ Required the Documents Sent By Negotiating Bank

After the negotiation, Social Islami Bank requires some documents from exporter bank which are given below:

- Commercial Invoice
- Bill of exchange
- Bill of lading
- Commercial Invoice

➢ Checking the Documents for lodgment

In case of import L/C, when the documents are received by the bank, at first Social Islami bank check the documents

- **Examine L/C term:** Bank must examine the documents with reasonable care, whether they are complied with L/C terms. Documents not stipulated in the L/C will not be examined by the Bank

- **Checking Shipping Documents:** While checking the shipping documents the following points should be checked meticulously:

  - L/C No, issue date
  - Expiry date and shipping date should be checked carefully
  - Name & address of the applicant
  - Name & address of the beneficiary
  - Commercial Invoice

- **Checking Bill of lading:**

  1. Full set of "clean" Bill of lading whether any super imposed clause
  2. "Shipped on Board"

3. Ocean Bill of lading
4. Drawn or endorsed to the order of the L/C opening Bank
5. Showing “Freight Prepaid”
6. Marking “applicant” or us
7. Notify “applicant” and us

➢ Lodgment

If any discrepancy is found, then negotiate it with the negotiating bank. If no discrepancy is got by the bank, then within 5 working days, Social Islami bank has to make the payment which is known as lodgment. Generally, the Bank prefers to contact with local branch for the accuracy of the instruction, because any mistakes then can be easily identifiable.

➢ Social Islami Bank’s Procedures for Back To Back Local L/C

When the Social Islami Bank Limited get L/C in the name of its client, at first record it in L/C Advising register. The following information is recorded: Date, L/C No, Issue Date, L/C issuing bank, Value of L/C, and beneficiary of L/C. Then Social Islami Bank Limited informs the client through forwarding letter that a L/C has been come to on his name. As it is back to back local L/C, then the supplier prepares documents as per the requirement of L/C.

4.2.5ForeignRemittance

Foreign remittance means purchase and sale of freely convertible foreign currencies as admissible under exchange control regulations of the country. Purchase of foreign currencies constitutes inward foreign remittance and sale of foreign currencies constitutes outward foreign remittance. Foreign remittance takes place in two ways-

I. Inward remittance

II. Outward remittance

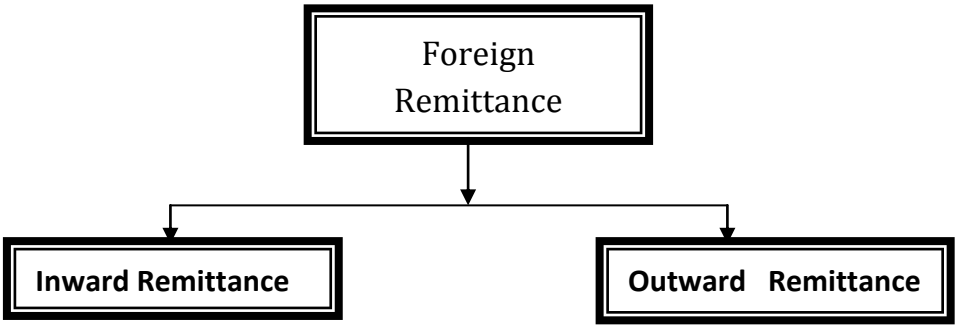


FIGURE 10: FOREIGN REMITTANCE

❖ Inward Remittance

It refers to the extent where by Bank makes payment to the client against foreign demand draft. They will make payment to the client by verifying the, test key number, and signature of the authorized officer.

The Bank makes payment immediately if the amount is less than TK-100,000.00. If the amount exceeds TK-100,000.00, it must wait to get the credit advice from the issuing Bank.

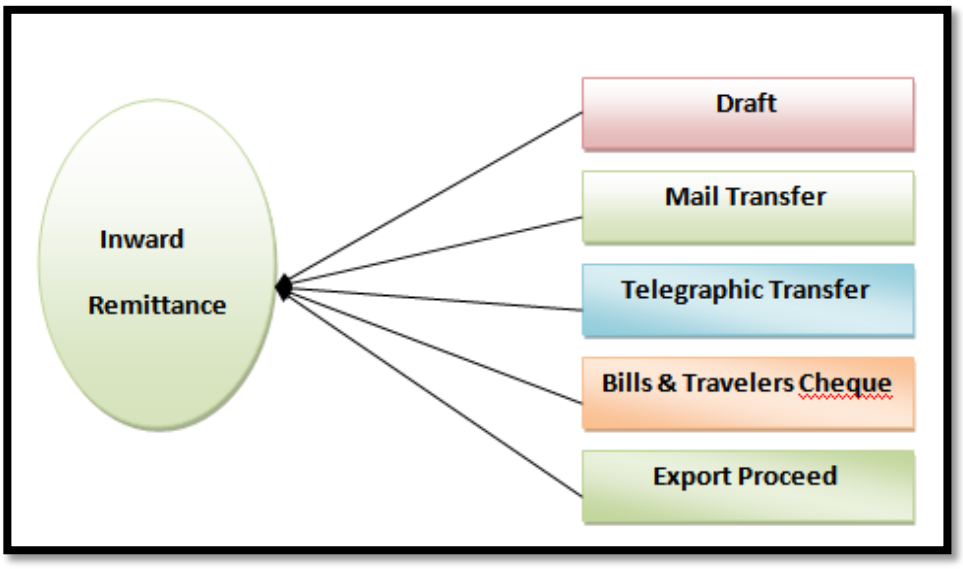


FIGURE 11: INWARD REMITTANCE

Purpose of Inward Remittance:

• Family maintenance.
• Indenting commission.
• Recruiting Agents commission.
• Donation.
• Gift.

❖ Outward Remittance:

Remittance from our country to foreign countries is called outward foreign remittance. On the other word, sales of foreign currency by the authorized dealer or formal channels may be addressed as outward remittance

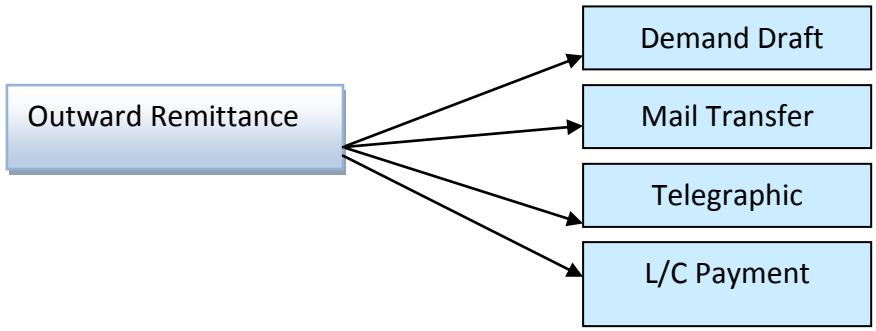


FIGURE 12: MODES OF OUTWARD REMITTANCE

Outward remittance may be made for following purposes-

1. Travel
2. Medical treatment
3. Educational purpose.
4. Attending seminar etc.
5. Balance amount of F.C account.
6. Profit of foreign companies.
7. Technical assistance
8. New exporters up to USD 6,000/- for business promotion
9. F.C. remittance can be made for fare, exhibition from export retention quota.

Foreign Remittance Process

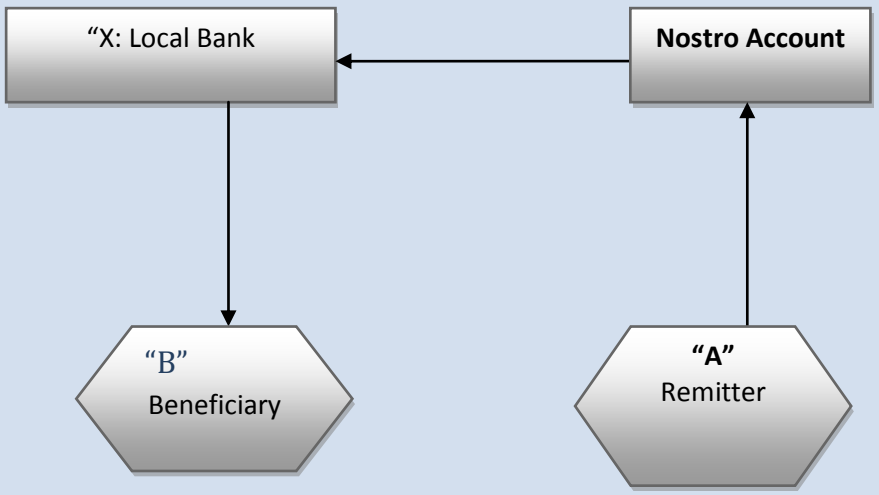


FIGURE 13: FLOW CHART OF REMITTING PROCESS

Foreign Demand Draft:

The foreign bank/exchange Company on local bank usually issues foreign Demand Draft. It is an order to pay a certain sum to a certain person or as his instruction, issued by the bank on its overseas branch or on its correspondent bank. The demand draft is handed over to the purchaser who sends it to the beneficiary. Bank opens Student Files to issue foreign demand draft following the permission of central Bank. Before issuance of FDD, Bank asks the students to fill up the TM (Traveler's Miscellaneous) which contains the following particulars:

- Name of the student
- Full address of the student
- Amount of FDD in foreign Currency
- Purpose of Remittance
- Address of the institution to which the will be favored
- Country receiving payment
- Passport no. of the student with date of issue
- Signature of the student

Remittance Process of Social Islami Bank

Remittance is the second largest source of foreign currency of the country, if we adjust import cost against export of Garments sector, obviously Remittance will be unique largest source of foreign currency of the country. Nationalized and private commercial Banks are the principal sources through which Bangladeshi expatriates send their money home, Social Islami Bank Limited entered into the remittance business with the desire to assist Bangladeshis working hard abroad in bringing much needed foreign exchange to the country through legal means. Social Islami Bank has been established on firm moral and ethical principles in addition to the legal framework within which it has to operate under the laws of the country. The Banks itself as a Bank with vision is not a merely a statement; the Bank believes that the vision can be achieved only when in addition to working within the legal framework; moral and ethical principles are embedded in the activities and work of the Bank.

Social Islami Bank Limited remittance services

Social Islami Bank limited giving special emphasis on patience and sincerity considering that in most cases, both the remitters and beneficiaries some from the less fortunate sectors of the society whose hard work.

- Online Account Credit having Account with any branch of Social Islami Bank;
- Instant Cash Payment over the counter from any branch of our Bank;
- Call and pay service through phone and sending SMS;
- Account Credit Service using on-line facilities of other Banks;
- EFT/TT Services;
- Mail Transfer (MT);
- Home delivery of remittance payment;
- Remittance Card Service to be used in ATM Booths (soon to implement)
- Registering of regular receivers of Instant Cash Payment over the counters;

4.2.6Foreign Currency Accounts of Social Islami Bank Limited

- Bangladesh nationals working and earning abroad including Self-employed Bangladeshi migrants proceeding abroad on employment may open foreign currency accounts even without initial deposits.

- NRBs may operate the accounts themselves or nominate other persons in Bangladesh for this purpose.
- The accounts can be opened either in Pound Sterling, US Dollar, EURO or Japanese Yen at the option of the prospective account holder and maintained as long as the account holder desires.
- These accounts would ordinarily be fed from remittances by account holders themselves but funds sent by other wage earners may also be placed to the credit of such accounts.

4.2.7 ForeignExchange Risks and Precautionary Measure

Foreign exchange risks emerge from mainly from the following factors:

- Exchange Rate Risk
- Money Laundering

Exchange Rate Risk

Social Islami Bank mainly uses dollar as its principal means of exchange as it repays all the foreign bills and some inland bills in dollar. It faces exchange risks when the price of dollar goes up. During 2005 to 2009, it was not much of a serious problem. Recently, the serious dollar crisis is alarmingly disturbing the import business of the bank. Rather borrowing from abroad, the government bought oil-borrowing dollars from the internal market, which caused a tremendous shortage in dollars in the inter-bank foreign exchange market. Some Banks, in a badly need of dollars, borrowed at a higher price, which, in turn, resulted in an even higher price for the dollar.

Money Laundering Risk

According to Money Laundering Prevention Act (MLPA) 2002, Money Laundering entails acquiring property directly or indirectly through illegal means. In addition, illegal transfer, conversion, concealment of property acquired directly or indirectly by legal or illegal means, aiding, with foreign currencies, Bank has to encounter the money-laundering act in the form of money smuggling beyond its knowledge. It appears in the following forms:

CHAPTER 5

DATA ANALYSIS



5.1 Contribution of Social Islami Bank Limited in National Import

(Million taka)

YEAR	NATIONAL IMPORT	SOCIAL ISLAMI BANK'S IMPORT
2013	1496722	147704
2014	1580898	174,384
2015	2059450	168,532
2016	2857006	133,219
2017	3514866	126,571

Table 1: Contribution of Social Islami Bank Limited in National Import

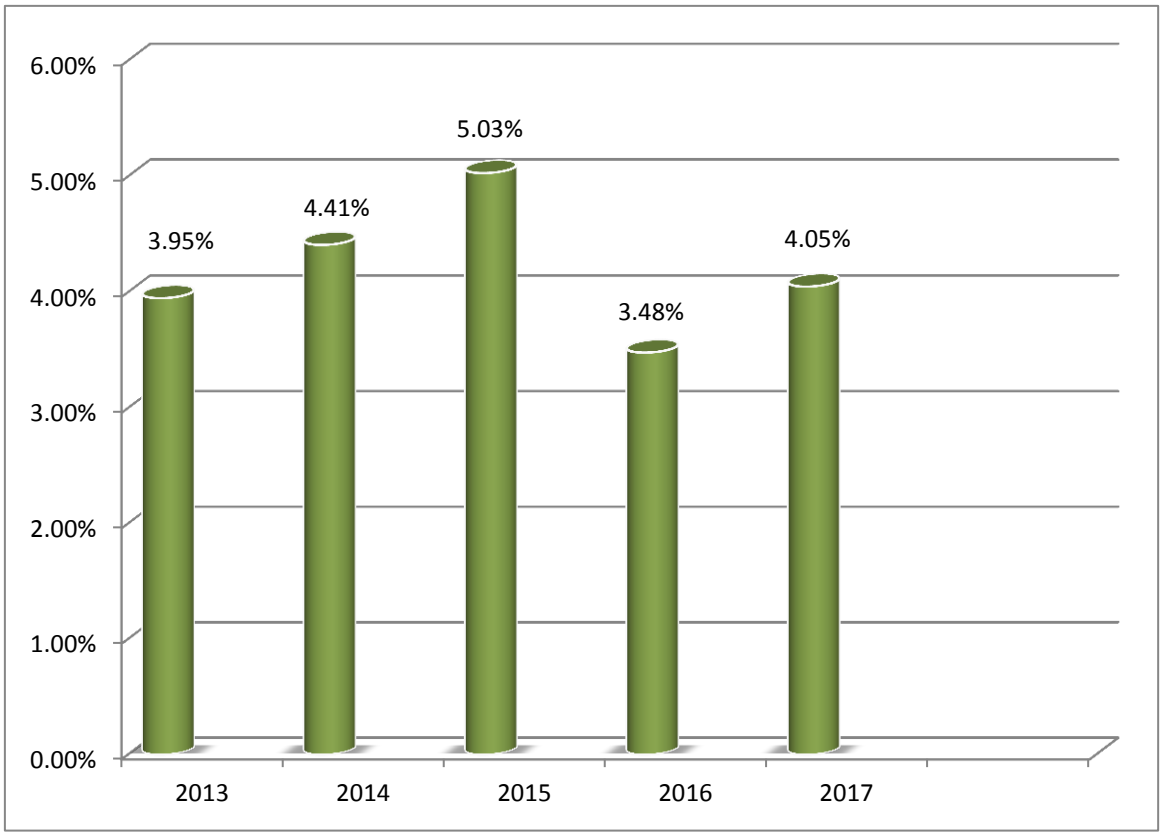


FIGURE 15: CONTRIBUTION OF SOCIAL ISLAMI BANK IN NATIONAL IMPORT

Source: Annual Report

5.2 Contribution of Social Islami Bank Limited in National Export

Table2: Contribution of Social Islami Bank Limited in National Export (Million Tk.)

YEAR	NATIONAL EXPORT	SOCIAL ISLAMI BANK'S EXPORT
2013	985931	106943
2014	1074992	133396
2015	1247560	143612
2016	1550890	127091
2017	1258756	110096

Source: Annual Report

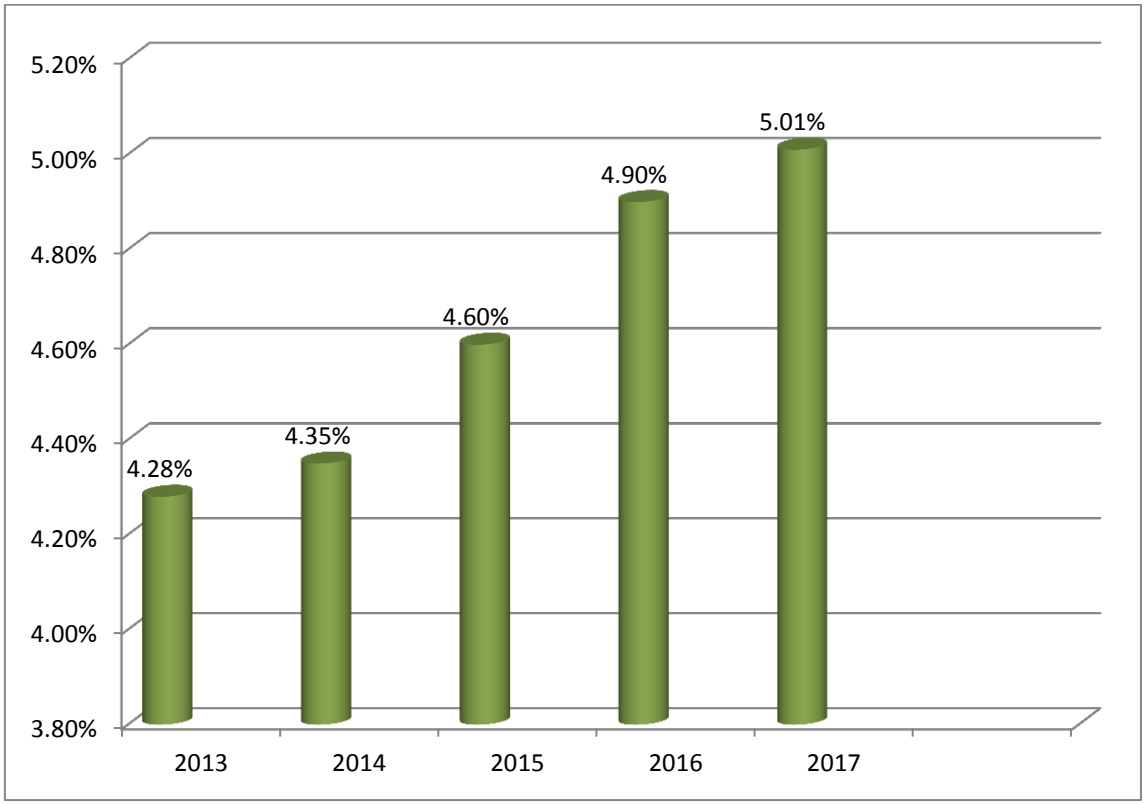
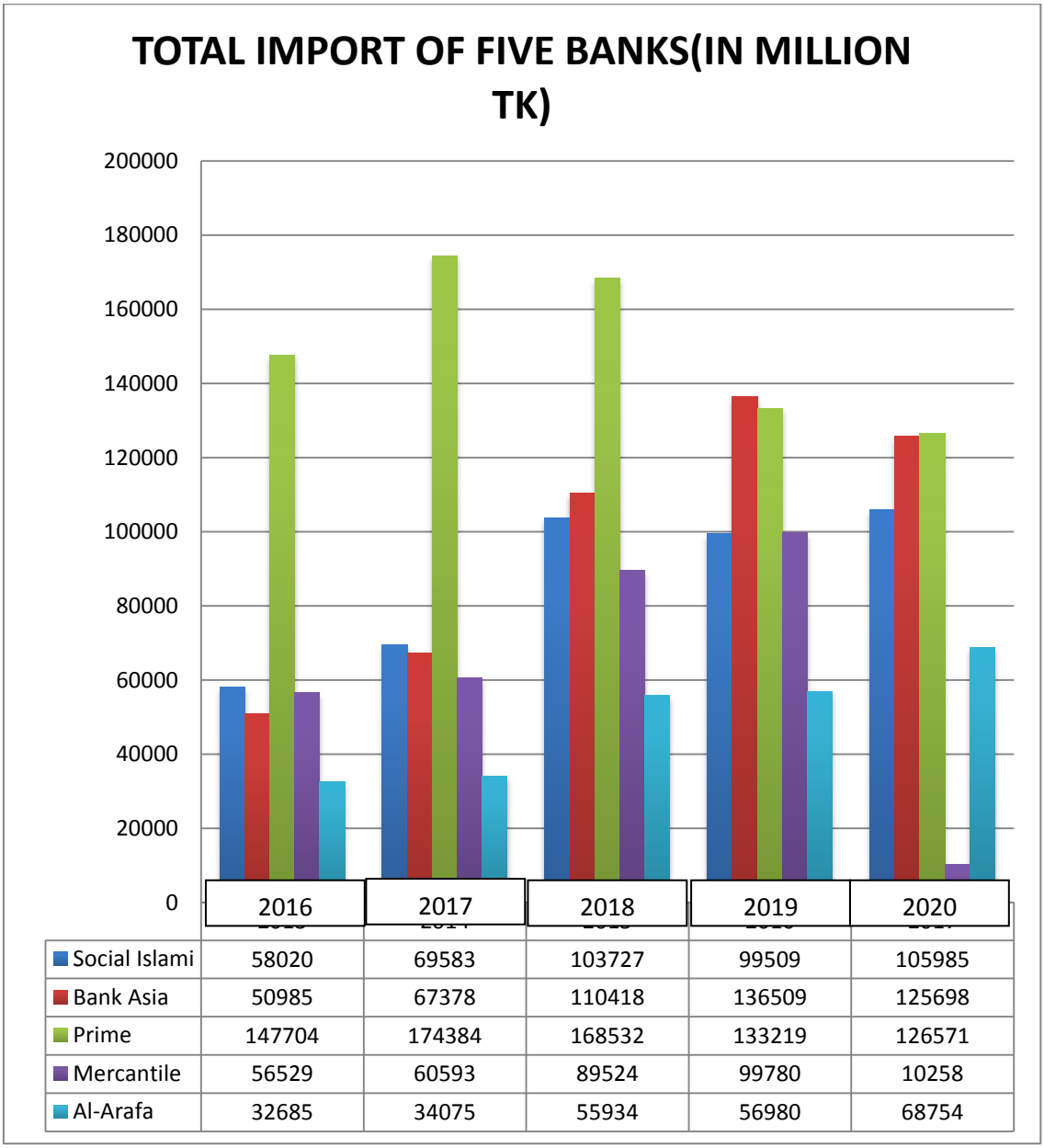


FIGURE 16: CONTRIBUTION OF SOCIAL ISLAMI BANKIN NATIONAL EXPORT

Source: Annual Report

5.3 Comparative Analysis of Five Banks

Import:



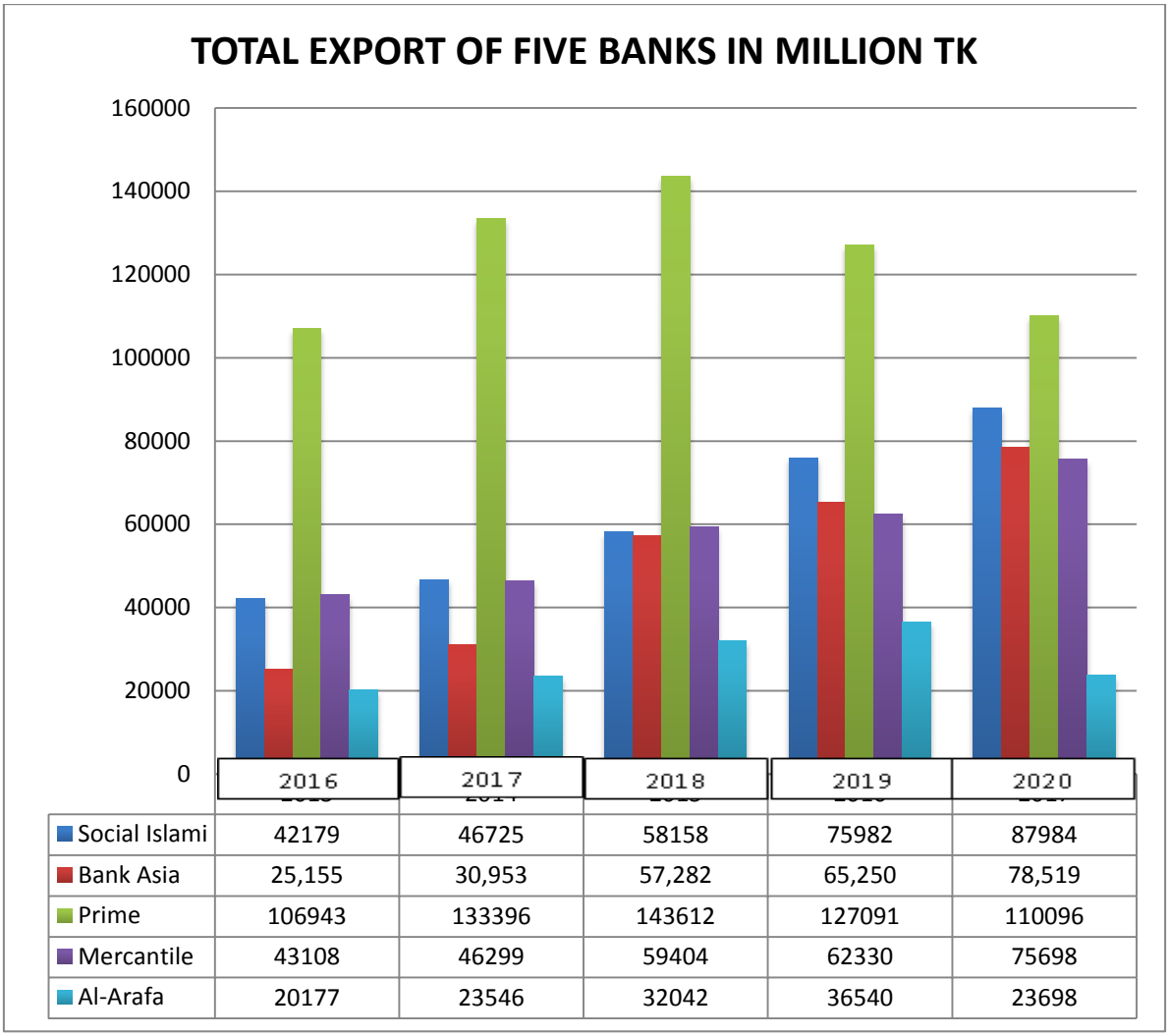
	2016	2017	2018	2019	2020
Social Islami	58020	69583	103727	99509	105985
Bank Asia	50985	67378	110418	136509	125698
Prime	147704	174384	168532	133219	126571
Mercantile	56529	60593	89524	99780	10258
Al-Arafa	32685	34075	55934	56980	68754

FIGURE 17: TOTAL IMPORTS OF FIVE BANKS

Source: Annual Report

From the above figure we can find out that Social Islami Bank's performance was best in import sector among the five private commercial Banks. Among the five years in 2015 the Social Islami Bank has highest import. Their position is in the upward trend.

Export:



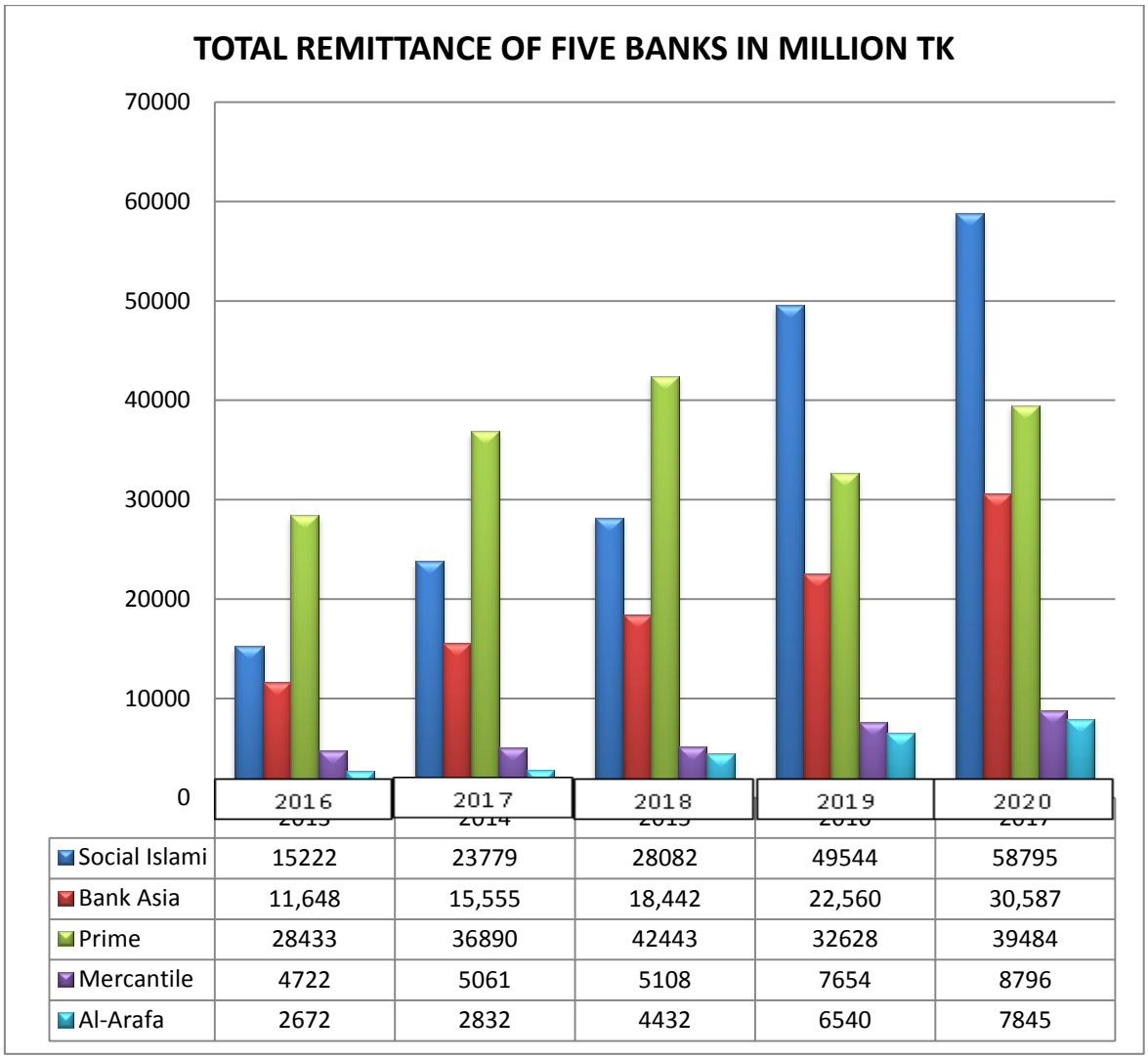
	2016	2017	2018	2019	2020
Social Islami	42179	46725	58158	75982	87984
Bank Asia	25,155	30,953	57,282	65,250	78,519
Prime	106943	133396	143612	127091	110096
Mercantile	43108	46299	59404	62330	75698
Al-Arafa	20177	23546	32042	36540	23698

FIGURE 18: TOTAL EXPORTS OF FIVE BANKS

Source: Annual Report

From the above figure, we can observe that, Social Islami Bank has performed very well in export business. This bank's highest export was taking place on 2017. Their position is in the upward trend

Remittance:



	2016	2017	2018	2019	2020
Social Islami	15222	23779	28082	49544	58795
Bank Asia	11,648	15,555	18,442	22,560	30,587
Prime	28433	36890	42443	32628	39484
Mercantile	4722	5061	5108	7654	8796
Al-Arafa	2672	2832	4432	6540	7845

FIGURE 19: TOTAL REMITTANCE OF FIVE BANKS

From the above figure, we can say that, in case of remittance, the Social Islami Bank's position always remains good from 1995. This bank's highest remittance was taking place on 2005. Their position is in the upward trend

5.4 Performance Analysis of Social Islami Bank Limited in Foreign Exchange

5.4.1 Social Islami Bank's Import Trend in Last Five Years

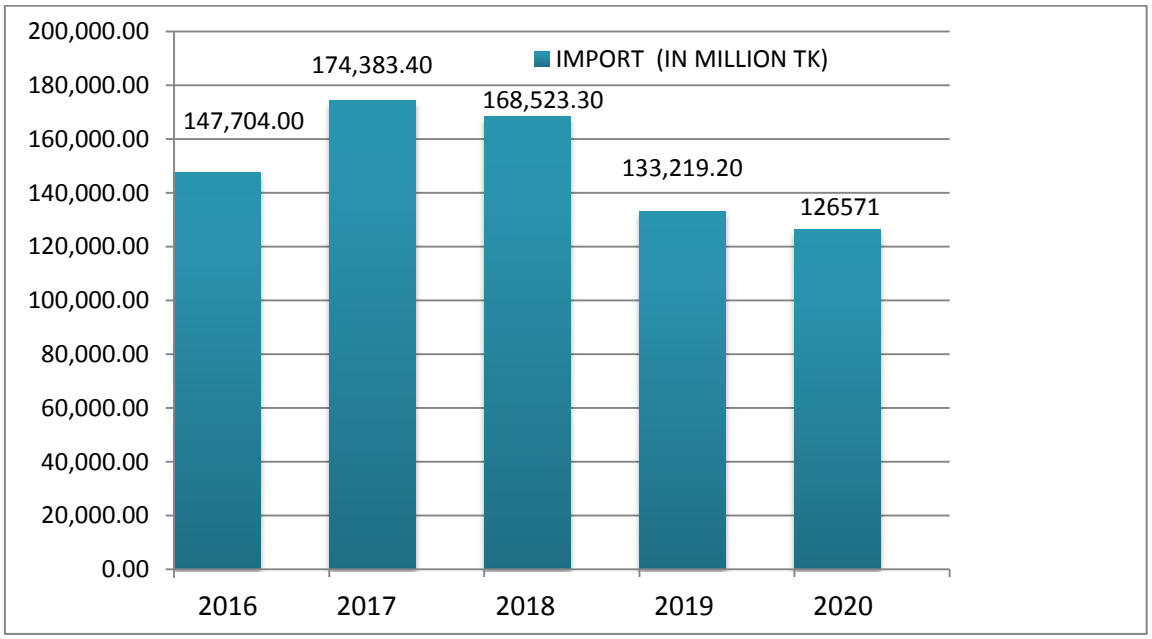


FIGURE 20:SOCIAL ISLAMI BANK IMPORT TREND IN LAST FIVE YEARS

Source: Annual Report

Social Islami Bank's import remains always in fluctuating trend. The highest import we can observe in 2014s which was 174,383million in tk. But in 2019 the lowest amount of Import has taken place which was 126571 million in tk.

5.4.2 Social Islami Bank's Import Growth in Last Five Years

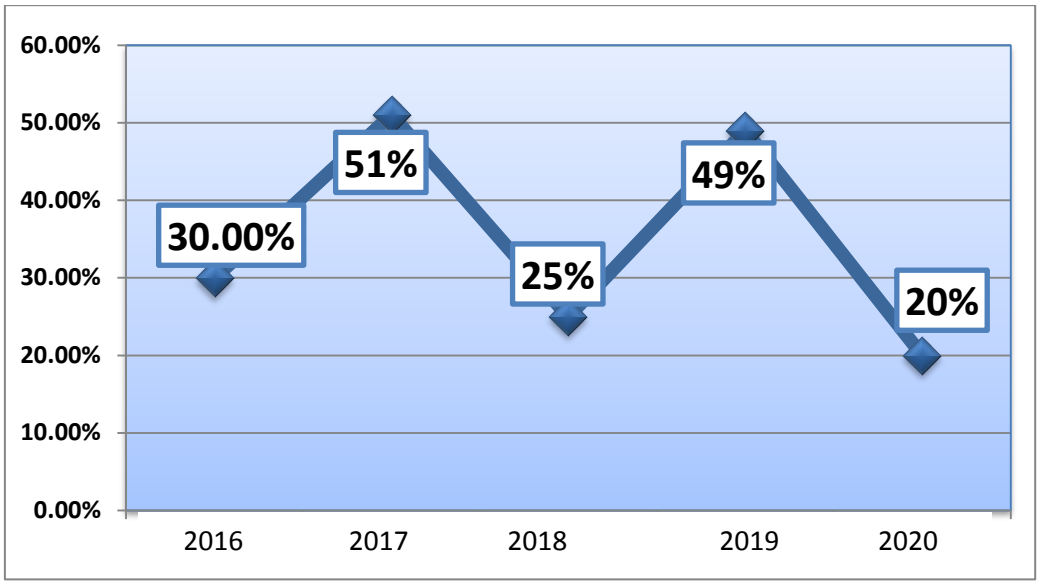


FIGURE21: SOCIAL ISLAMIBANK'S IMPORT GROWTH IN LAST FIVE YEARS

We can observe here, ups and downs in Social Islami Bank's growth. The lowest growth was in 2017 which was 20% and highest was observed in 2014 which was 51%.

5.4.3 Social Islami Bank's Export in Last Five Years

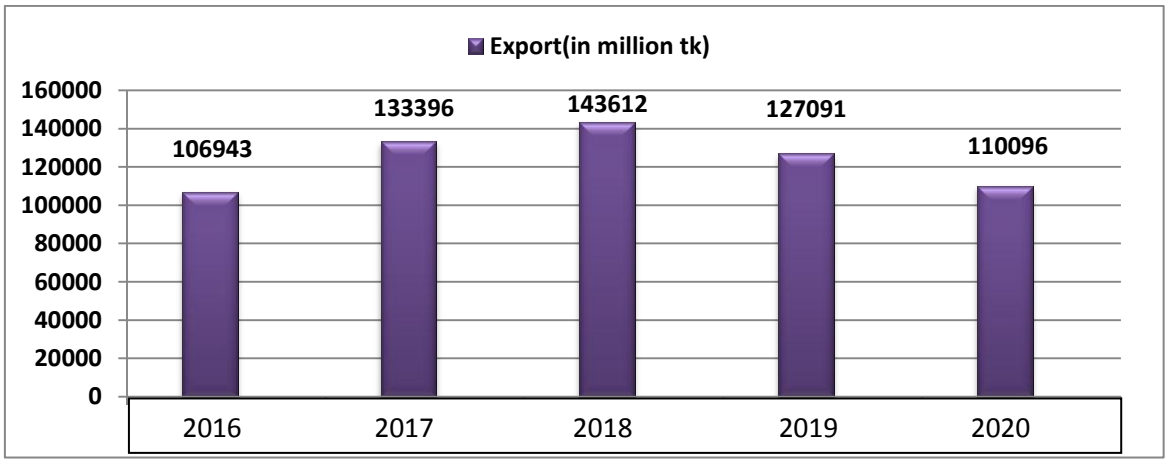
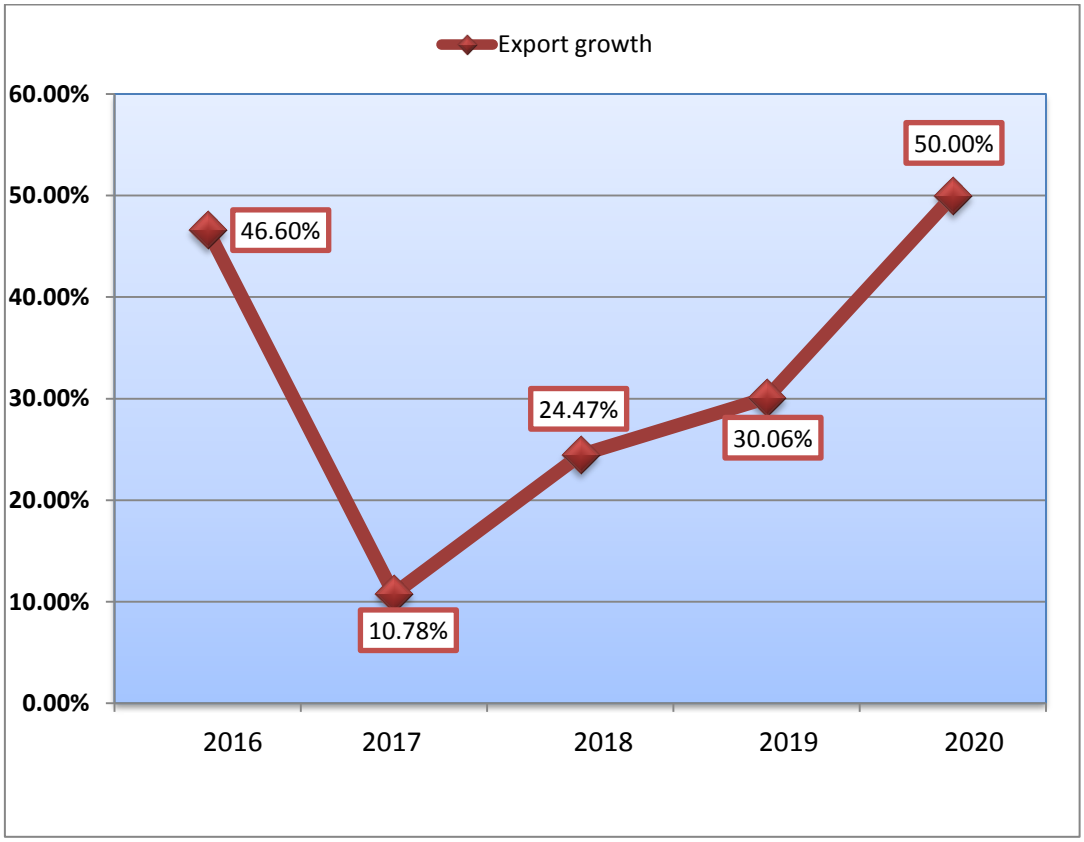


FIGURE 22: SOCIAL ISLAMI BANK'S EXPORT IN LAST FIVE YEARS

Here Social Islami Banks export is much higher in 2020 among all this 5 year. The lowest export was in 20145 .The overall export was going in a fluctuating trend.

5.4.4 Social Islami Bank's Export Growth in Last Five Years

Social Islami Bank's position in export sector was not so good like import. But the export is always remain in downward trend, so Bank can say that the Bank try to increase their performance in this sector.

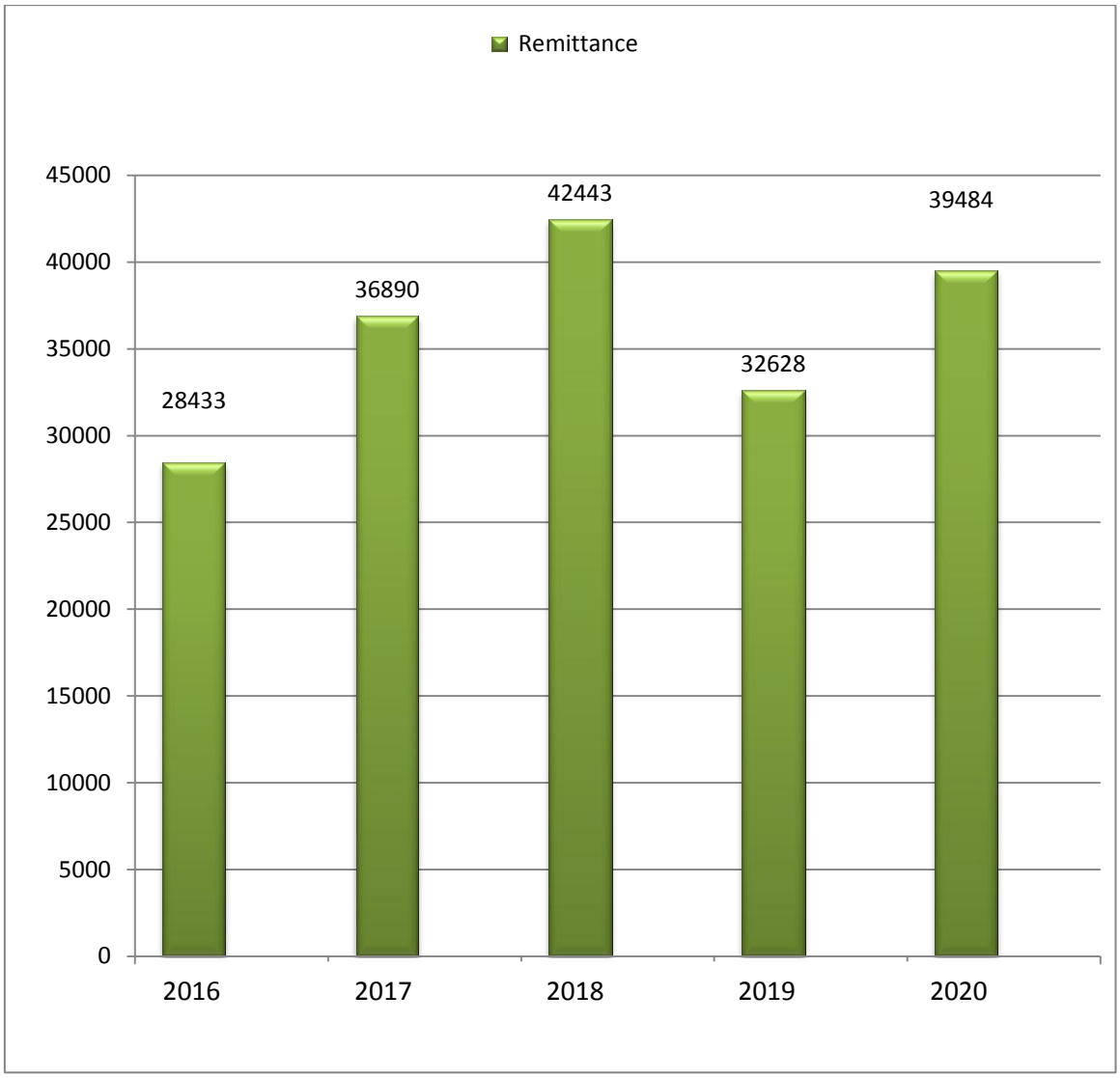


Source: Annual Report

FIGURE 23: SOCIAL ISLAMIBANK'S EXPORT GROWTH IN LAST FIVE YEARS

The lowest growth was observed in 2014 which was 10.78 %, but after that there was ups and downs the growth. Eventually in 2013 it became low. But as the growth are still positives. And also 2015, was pretty less than 2014. So we can say that, Bank has tried to maintain their existence business. In 2017 the growth rate is eventually higher.

5.5Social Islami Bank's Foreign Remittance Trend in Last Five Years



Source: From 2016-2020 Annual Report

FIGURE 24: SOCIAL ISLAMIBANKFOREIGN REMITTANCE TREND IN LAST FIVE YEARS

Social Islami Bank's performance in remittance is quite good. The highest remittance was in observed in 2015 and the lowest remittance observed in 2013

5.6Social Islami Bank's Foreign Remittance Growth in Last Five Years

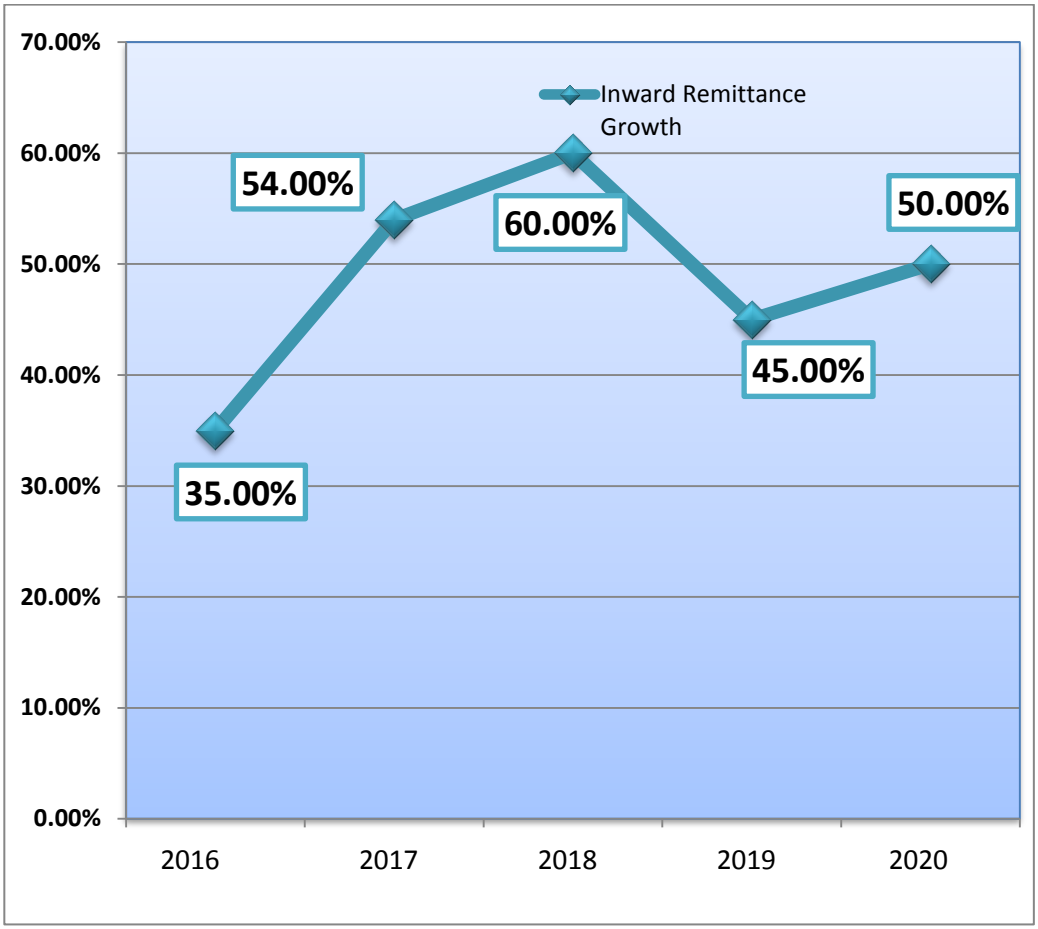


FIGURE 25: SOCIAL ISLAMI BANK FOREIGN REMITTANCE GROWTH IN LAST FIVE YEARS

The highest remittance growth was observed in 2015 which was tremendous. But the lowest amount of remittance was observed in 2013.

CHAPTER – 6

FINDINGS and IDENTIFICATION OF THE PROBLEMS



6.1 Findings

On the basis of previous analysis, the following findings are observed:

- Lack of promotional initiatives to expand the Foreign Exchange business.
- As Social Islami Bank Limited is not a foreign Bank so they cannot attract as much as clients for foreign trade as Clients prefer foreign Bank for foreign transaction.
- Day by day new upcoming Banks are coming with many new services which are a threat for the Bank. So increased number of new Bank creates sever competition in Foreign Exchange Banking.
- Government new regulations like as L/C margin reduce the Foreign Exchange transaction.
- Bangladesh is a developing country and its economic growth is not much high, so slow growth of the economy is a very vital problem for a Bank.
- From the previous years it has been observing that frequently the currency of Taka is devaluating and dollar currency is going very high. And devaluation of Taka is hampering import business and other sectors too.
- Social Islami Bank Limited is not using advance and develop software. Some time they face so many problem with the network and in that time all customer face problem with their dealings.
- Social Islami Bank Limited is doing their Office work, vouching, accountings manually. But other Banks are using many developed techniques and software.
- Most of the customers of the Bank ask for more quality service especially quick, accurate service and good behavior from Bankers as they think a private Bank should provide such quality sufficiently. It has been found that inappropriate and slow work process often compels the customers to compare the Bank with government Bank, which is not a good indication for the reputation of the Bank.

6.2 Foreign Exchange Disclosures by Social Islami Bank Limited

Social Islami Bank disclose in their annual report regarding:

- Total Import & Import Growth
- Total Export & Export Growth
- Total Remittance and Remittance Growth
- Total Foreign Bill Purchase
- Remittance Fee

6.3 Foreign Exchange Risk Management by Social Islami Bank Limited

Foreign exchange risk arises when the Bank is involved in foreign currency transactions. These transactions include foreign currency exchange, placement, investments, loans, borrowings and different contractual agreements. Also, proper risk limits were approved by the Board of Directors, which were meticulously observed and Internal Control & Compliance Division of Head Office also regularly reviews the process of Foreign Exchange Risk Management. In general, the Bank's policy is to match foreign currency assets and liabilities following strictly the overnight limit of their open position fixed by the Central Bank.

- The software for the operating daily activities of foreign exchange is not so fast & suddenly become inactive.
- In the fields of foreign exchange, Payment of import, receipt of export proceeds, issuance of foreign demand draft etc, SWIFT is used excessively.

6.4 Identifications of the problem:

- Lack of promotional initiatives to expand the Foreign Exchange business.
- Government new regulations like as L/C margin reduce the Foreign Exchange transaction.
- Bangladesh is a developing country and its economic growth is not much high, so slow growth of the economy is a very vital problem for a Bank.

- Social Islami Bank Limited is not using advance and develop software. Some time they face so many problem with the network and in that time all customer face problem with their dealings.
- Social Islami Bank Limited is doing their Office work, vouching, accountings manually. But other Banks are using many developed techniques and software.

CHAPTER 7

CONCLUSION AND RECOMMENDATIONS



8.1 Conclusion

Banking sectors no more depends on a traditional method of Banking is well positioned to meet the challenge of 2018 and will seize the opportunity of benefit from economic growth. The Bank will focus on its large customer base to generate more business from existing customers. This strategy is supported by wide spectrum of products and services. The Bank will continue to harness the potential of retail, credit card and SME markets, in its pursuit for growth the SIBL will always adhere to good corporate governance policies and strict credit evaluation procedure. After globalization and free trade policy, now-a-days our manufactures as well as the exporter both are facing acute constrain to meet up the challenge. The Bank is maintaining a well-structured communication from top to bottom level. Each official should be valued and treated as a part of the Bank and they must have the privilege to devote themselves for the betterment of service of the Bank. Social IslamiBank places utmost importance on managing credit risk. The whole process includes Management of credit risk, Foreign Exchange Risk, Prevention of money laundering, Asset liability management, internal control and Compliance. Foreign exchange division is crucial for any Bank. A Bank's performance largely depends on this division. Foreign exchange activities have an equal significance to economic growth and development of the country. So through this division the Banks are contributing to the interest of the country.

8.2 Recommendations

As per intense observation some suggestions for the improvement of the situation are given below:

- The Bank is still using lots of registers to record foreign exchange transactions. This is really time consuming and has possibility of occurring errors. Moreover, space is limited for hard paper documents. Therefore, the Bank should come under complete computerization as soon as possible.
- Social Islami Bank Ltd Should disclose more regarding their foreign exchange operations, so that the client can understand the position of the Bank clearly
- Bank can introduce more advanced MIS system to mobilize its day to day activities.
- Foreign trade department should not create any additional credit in any A/C beyond the extent or the credit limit.
- Bank can provide foreign market reports, which will enable the exporter to evaluate the demand for their products in foreign countries.
- Attractive intensive package for the exporter will help to increase the export and accordingly it will diminish the balance of payment gap of Social Islami Bank Limited.

REFERENCES

- Brigham, E.F. and Houston, J.F. (2009) Fundamentals of Financial Management. 12th Edition. Cengage Learning.
- Wilson, B., 1995,''GoodCitations,'http://www.domain.com/style.html, March 4, 2009.
- Besley, s. and Brigham, E.F. (2008) Essentials of Managerial Finance. 14th Edition. ThompsonHigher Education.
- Hicks, Alan (2000). *Managing Currency Risk Using Foreign Exchange Options*. ISBN 1855734915. Retrieved November 15, 2016.
- Banking law & practices by P. N.Varshney
- "Commercial Bank Management" By Peter S. Rose
- Journal & Circular of Bangladesh Bank
- Bangladesh Bank Guideline for Foreign Exchange Business
- Annual Report of Social Islami Bank
- Website of Ministry of Commerce of Government of Peoples Republic of Bangladesh
- www.siblbd.com
- www.google.com
- www.wikipedia.com
- https://www.bb.org.bd/
- Export Policy of Bangladesh
- Dhaka: Ministry of Commerce of Government of Peoples Republic of Bangladesh.

Appendix:

Financial Data 2016-2020

Key Financial Data & Key Ratios					
Particulars	**2016**	**2017**	**2018**	**2019**	**2020**
Operating Performance					
Interest income	**12,147**	**16,709**	**22,822**	**22,011**	**18,446**
Interest expenses	**7,824**	**12,648**	**17,410**	**17,678**	**15,574**
Net interest income	**4,323**	**4,061**	**5,411**	**4,332**	**2,872**
Investment income	**2,632**	**4,157**	**4,633**	**5,583**	**6,194**
Commission, exchange and brokerage	**2,262**	**2,689**	**2,429**	**2,155**	**2,033**
Other Operating Income	**579**	**652**	**1,018**	**813**	**806**
Operating Income	**9,795**	**11,559**	**13,492**	**12,883**	**11,906**
Operating expenses	**3,618**	**4,132**	**4,941**	**5,409**	**5,750**
Earnings before interest, depreciation and tax	**13,643**	**19,666**	**23,024**	**21,422**	**19,187**
Profit before provision and tax	**6,177**	**7,427**	**8,551**	**7,474**	**6,157**
Provision for loans and assets	**540**	**661**	**3,216**	**4,029**	**2,877**
Profit after provision before tax	**5,637**	**6,766**	**5,335**	**3,445**	**3,280**
Tax including deferred tax	**2,535**	**3,132**	**2,636**	**1,616**	**887**
Profit after tax	**3,102**	**3,634**	**2,699**	**1,829**	**2,393**
Balance Sheet (Financial Position)					
Authorized capital	**10,000**	**10,000**	**25,000**	**25,000**	**25,000**
Paid-up capital	**5,776**	**7,798**	**9,358**	**10,293**	**10,293**
Total shareholders' equity	**16,908**	**19,095**	**20,787**	**23,030**	**24,461**
Deposits	**124,574**	**159,816**	**182,053**	**201,907**	**204,838**
Long-term liabilities	**47,918**	**63,379**	**84,827**	**91,424**	**104,040**
Loans and advances	**116,057**	**138,848**	**160,890**	**153,589**	**147,367**
Investments	**20,484**	**39,172**	**49,670**	**56,940**	**72,642**
Property, Plant and Equipment	**1,695**	**3,975**	**4,363**	**6,407**	**6,613**

Earning assets	**137,577**	**179,537**	**212,204**	**211,399**	**221,521**
Net current assets	**7,349**	**2,262**	**2,735**	**15,023**	**21,064**
Total assets	**154,342**	**199,950**	**236,833**	**243,869**	**254,912**
Total liabilities	**137,434**	**180,856**	**216,046**	**220,839**	**230,451**
Current ratio	**1.09**	**1.02**	**1.02**	**1.12**	**1.17**
Gearing ratio	**76.98**	**77.88**	**80.97**	**80.67**	**81.42**
Quick ratio	**1.09**	**1.01**	**1.01**	**1.12**	**1.17**
Cash Reserve Ratio	**6.70**	**6.22**	**6.06**	**6.97**	**6.71**
Statutory liquidity Ratio	**26.00**	**32.96**	**34.02**	**38.39**	**29.83**
Equity debt ratio (%)	**12.30**	**10.56**	**9.62**	**10.43**	**10.61**
Other Business					
Import	**147,704**	**174,384**	**168,532**	**133,219**	**126,571**
Export	**106,943**	**133,396**	**143,612**	**127,091**	**110,096**
Remittance	**28,433**	**36,890**	**42,443**	**32,628**	**39,484**
Guarantee Business	**29,000**	**27,844**	**29,391**	**31,170**	**30,155**
Capital Measures (Consolidated)					
Total risk weighted assets	**183,747**	**194,380**	**205,103**	**222,791**	**216,324**
Core capital (Tier-I)	**15,791**	**18,744**	**20,664**	**21,708**	**22,611**
Supplementary capital (Tier-II)	**5,692**	**5,485**	**5,252**	**5,104**	**4,812**
Total capital	**21,483**	**24,229**	**25,916**	**26,812**	**27,424**
Tier-I capital ratio	**8.60**	**9.64**	**10.08**	**9.74**	**10.45**
Tier-II capital ratio	**3.09**	**2.82**	**2.56**	**2.29**	**2.23**
Total capital ratio	**11.69**	**12.46**	**12.64**	**12.03**	**12.68**
Credit Quality					

Non-performing loans (NPLs)	**1,368**	**1,908**	**6,168**	**7,815**	**11,215**
NPLs to total loans and advances (%)	**1.18**	**1.37**	**3.83**	**5.09**	**7.61**
Provision for unclassified loans	**1,463**	**1,725**	**2,025**	**1,691**	**1,741**
Provision for classified loans	**642**	**778**	**1,949**	**3,733**	**4,586**
Share Information					
Market price per share (Taka)	**94.45**	**44.50**	**37.00**	**25.90**	**19.60**
No. of shares outstanding (Million)	**577.64**	**779.81**	**935.77**	**1029.35**	**1029.35**
No. of shareholders (actual)	**19,748**	**26,030**	**23,964**	**25,632**	**23,102**
Earnings per share (Taka)	**5.69**	**4.70**	**2.88**	**1.78**	**2.32**
Dividend:	**40%**	**30%**	**20%**	**12.50%**	**15.00%**
Cash	**5%**	**10%**	**10%**	**12.50%**	**15.00%**
Bonus	**35%**	**20%**	**10%**	**-**	**-**
Effective dividend ratio (%)	**49.52**	**40.21**	**21.82**	**13.10**	**15.00**
Dividend cover ratio (times)	**1.42**	**1.57**	**1.44**	**1.42**	**1.55**
Dividend yield (%)	**4.23**	**6.74**	**5.41**	**4.83**	**7.65**
Market capitalization	**54,572**	**34,702**	**34,624**	**26,660**	**20,175**
Net asset value per share (Taka)	**29.27**	**24.49**	**22.21**	**22.37**	**23.76**
Price earnings ratio (times)	**16.60**	**9.47**	**12.85**	**14.57**	**8.43**
Operating Performance Ratio (%)					
Net Interest Margin (NIM)	**4.21**	**3.19**	**3.61**	**2.75**	**1.91**
Net non-interest margin on average earning assets	**1.50**	**2.12**	**1.60**	**1.48**	**1.52**
Earning base in assets (average)	**88.66**	**89.51**	**89.69**	**88.12**	**86.80**
Gross profit ratio	**55.60**	**47.75**	**43.66**	**42.15**	**43.33**
Net interest income as a percentage of working funds	**3.10**	**2.29**	**2.48**	**1.80**	**1.15**
Profit per employee	**2.89**	**3.24**	**3.36**	**2.76**	**2.15**
Operating profit as a percentage	**4.43**	**4.19**	**3.92**	**3.11**	**2.47**

of working funds					
Cost-income ratio	**36.94**	**35.75**	**36.62**	**41.98**	**48.29**
Credit-deposit ratio	**93.16**	**86.88**	**88.38**	**76.07**	**71.94**
Cost of funds on average deposits	**6.39**	**8.15**	**8.75**	**8.80**	**7.36**
Yield on average advance	**11.76**	**13.09**	**15.17**	**13.85**	**12.09**
Return on average assets	**2.22**	**2.05**	**1.24**	**0.76**	**0.96**
Return on average equity	**21.65**	**20.19**	**13.53**	**8.35**	**10.08**
Return on Capital Employed	**9.53**	**9.01**	**8.10**	**6.53**	**4.79**
Other information					
No. of branches	**94**	**102**	**113**	**117**	**122**
No. of SME branches/centers	**14**	**17**	**17**	**17**	**18**
Number of ATM	**43**	**81**	**102**	**121**	**135**
No. of employees	**2,139**	**2,292**	**2,544**	**2,710**	**2,867**
No. of foreign correspondents	**621**	**644**	**660**	**661**	**638**
Average earning assets	**123,741**	**158,557**	**195,871**	**211,802**	**216,460**
Average total assets	**139,574**	**177,146**	**218,392**	**240,351**	**249,391**
Average deposits	**115,765**	**142,195**	**170,934**	**191,980**	**203,372**
Average loans & advances	**102,654**	**127,452**	**149,869**	**157,239**	**150,478**
Average equity	**14,327**	**18,002**	**19,941**	**21,908**	**23,745**