

An Internship Report
On
Investment Policy and Procedure of
EXIM Bank (Motijheel)

Submitted To

Department of Business Administration
Sonargaon University Bangladesh

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Date of Submission: 15/01/2022



DECLARATION

I do hereby declare that this report entitled “**Investment Policy and Procedure of EXIM Bank**” submitted by me to Sonargaon University Bangladesh, for the degree of Bachelor of Business Administration is an original work.

I also declare that the report has not been submitted earlier either partly or wholly to any other University or Institution for any Degree, Diploma, Associate-ship, Studentship, Fellowship, and other similar title or prizes.

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CERTIFICATE

This is to certify that the internship report titled “**Investment Policy and Procedure of EXIM Bank**”, is prepared by Lutfun Nahar ID: **BBA1802014012**, under my supervision at **Exim Bank Limited** from **17th September 2020 to 15th December 2020** for the fulfillment of the BBA program from Sonargaon University Bangladesh.

This report is approved and accepted in quality and form.

Supervisor
Masud Rana

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ACKNOWLEDGMENT

At the very beginning, I would like to express my deepest gratitude to the Almighty **God** for giving me the ability and the strength to finish the task successfully within the scheduled time.

This report “**Exim Bank limited**” has been prepared to fulfill the requirement of a BBA degree. I am very much fortunate that I have received sincere guidance, supervision, and cooperation from various persons.

I would like to express my heartiest gratitude to my supervisor, Mr. Masud Rana, Assistant professor in Accounting, Department of Business Administration, Sonargaon University Bangladesh (SU), for his continuous guidance, encouragement, and patience, and for giving me the opportunity to do this work. Her valuable suggestions and strict guidance made it possible to prepare a well-organized report.

Finally, my deepest gratitude and love to my parents for their support, encouragement, and endless love.

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Executive Summary

The internship is designed to bridge the gap between theoretical knowledge and real-life experience as a part of the Bachelor of Business Administration (BBA) program. It is designed to attain a practical experience while passing through theoretical understanding. This report is an outcome of a three months' internship with the Export-Import Bank of Bangladesh.

As a matter of fact, in Bangladesh, more than 49 commercial and specialized banks are conducting their operations presently, but they differ from one another in many ways regarding their services. Some of the foreign and private banks extend their customer services to better standards than those of some local banks following traditional systems.

This report shows my practical learning in various departments of EXIM Bank. These departments are as follows: (A) General Banking Department, (B) Deposit Department, (C) Loans & Advance Department.

I acknowledged different banking functions and day-to-day banking operations on my way to completing this internship. In this report, I have explained to my best understanding, the real-life experience gathered in these different departments.

The report has been divided into three sections. **Section A** deals with the organizational overview of EXIM Bank and the Motijheel Branch. **Section - B** includes the Investment policies and procedures of EXIM Bank Ltd. **Section - C** gives detailed information regarding findings, recommendations, and conclusions. The last section is based on overall information compiled from the entire report. All these sections explain my work -experiences in EXIM Bank which indicates my effective learning through the internship program. In this report, I have endeavored to assess the overall performance of EXIM Bank, especially that of its "Loans and Investment" Department through an analysis of the various it is currently facing. Furthermore, various findings and recommendations concerning this department have also been included in this report to further the understanding of the reader regarding its operations.

TSBACE OF CONTENTS

	Page
DECLARATION	I.
CERTIFICATE	II.
INTERNSHIP CERTIFICATE	III.
ACKNOWLEDGEMENT	IV.
EXECUTIVE SUMMARY	V.

Table of Contents

Chapter-1 Introduction	
Introduction	2
Background of the study	2
Objective of the Report	3
Methodology of the Study	4
Limitation of the Study	4

Chapter- 2 Historical Background Of Exim Bank	
Historical Bank of Exim (Export-Import) Bank of Bangladesh Ltd	6
Islamic Banking	6
The Mission Of Exim Bank	6
The Vision of Exim Bank	7
Branch Network of Exim Bank Ltd	7
Organization Structure	7
Islamic Investment	9
Concept of interest in Islam	9

Investment Principle	9
Investment Scenario	10
Investment policy and procedure of Exim Bank	10
Investment policy Guidelines	12
Industry and Business segment focus	12
Investment Categories	12
Modes of Investment of Exim Bank	13
Comparative position of General Investment of Exim Bank	16
Investment assessment and risk grading	17
Approval Authority	18
Documentation	18
Organizational Structure	20
Investment/Landing Procedure	21
Investment modes of Exim Bank Limited	22
Mode wise Investment	23
Investment scheme of Exim Bank Ltd	24
Roles Of Investment	28

Chapter-3 Findings

Findings	33
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Chapter-4 Recommendation and Conclusion

Recommendation	35
Conclusion	36

CHAPTER-1

Introduction

Introduction

In recent years, Bangladesh has been rapidly switching to a service sector-based economy from the traditional agriculture-based economy. Banking Sector is one of the fastest-growing among existent service sectors of Bangladesh. The number of Banks, especially the Private Commercial Banks, has increased by more than 100% in the last 15 years (49 commercial banks in the year 2021). Among all the functions of a commercial bank, “loaning and investment” is undoubtedly an important function. The volume of loans and advances directly affects private sector investment, interest rate, inflation, monetary policy, private consumption, the volume of export-import, etc. In this context, this report has chosen a particular private commercial bank of Bangladesh (EXIM Bank Ltd) and has attempted to depict an overall picture of the “Loans and Advances Department” of this bank in terms of the annual disbursement of loans in different sectors, interest rates imposed, a recovery rate of loans, rescheduling of loans, etc.

In general banking and export-import operations, a bank must satisfy the customers in a way in which they want to be satisfied. So customer satisfaction is considered to be a key motto as satisfied customers will come back in the future. Customer satisfaction proves to be the most highlighted strategy whatever may be the product, service, or non-service, concerning business. In the case of export-import operation, clients demand more and more sophisticated privilege, because such an operation is not dealing for thousands, rather a dealing for crores in amount. Service is the outcome of the Bank. It is widely acknowledged that customer service begins from the moment a customer enters a Bank. The first person representing the bank, in this case, often is the sentry posted in front of the bank’s building, who greets the customer with a smiling face and good wishes.

Background of the Study

Any academic course of the study has great value when it has practical application in the real life. Only a lot of theoretical knowledge will be little important unless it is applicable in practical life. So we need proper application of our knowledge to get some benefit from our theoretical knowledge. To make it more fruitful when we engage ourselves in such field to make proper use of our theoretical knowledge in our practical life, only then do we come to know about the benefit of the theoretical knowledge. Such an application is made possible through practical activities. When theoretical knowledge is obtained from a course of study it is only half of the subject matter. Practical working shows the full application of the methods and procedures through rich acquired knowledge of subject matter can be fruitfully applied in our daily life. Such a procedure of practical application is shown in this study. The study is titled “**Investment policy and procedure of EXIM Bank Limited.** From my practical study, I tried to complete the report as an academic requirement of my BBA.

The objective of the Report

Broad objective

The broad objective of the report is to have a better orientation on investment policies, practices, valuation of Exim Bank Limited and to develop an understanding of the practical banking activities and to relate them with the theoretical knowledge acquired from the banks. In this report, I have attempted to give an overview of the investment operation of Exim Bank Limited.

specific objectives

The specific objectives are as follows-

- To know the adequacy of investment policy, procedure, and internal controls.
- To find out the opportunity and suitability of the investment, as well as compliance with Islamic Shariah.
- To know the Investment schemes of Exim Bank Ltd.
- To know the Investment process and find out the distribution of classified loans according to business sectors that it will be feasible for management to quickly trace out the investment-related problem.
- How do they recover the loan amount
- Scheme's modes, features, security, terms, conditions, etc.
- To evaluate the performance of investment of Exim Bank LTD.
- To find out some contains of investment.
- To suggest some recommendations.

Methodology Of The Study:

Different data and information are required to meet the goal of this report. Those data and information were collected from various sources, such as primary and secondary which are shown below:

Primary Sources of Data:

- ☞ Personal observation,
- ☞ Face-to-face conversation of the officers.
- ☞ Face-to-face conversation with the client.
- ☞ Working at different desks of the bank.

Secondary Sources of Data:

- ☞ File study.
- ☞ Annual report of EXIM bank of Bangladesh Ltd,
- ☞ Bank Rate sheet&Progress report of the Bank.
- ☞ Internet.

Limitations of the Study

During the completion of the report, I came across certain limitations that have hampered the actual findings and analysis of my research work. Some of the constraints that I have faced while preparing this report are as follows:

- i. There was some restrictions to have access to the information confidential by the concerned authority.
- ii. Sufficient records, publications regarding customer service were not available as per requirement.
- iii. Three-month is not sufficient time to gain practical knowledge and prepare a report.
- iv. The employees of the bank are so much busy that they cannot provide me to give information about the different types of loans and advances.
- v. I have no proper experience to do this kind of report. So, inexperience creates an obstacle to following the systematic and logical research methodology.
- vi. Sufficient books, publications, facts, and figures are not available. These constraints narrowed the scope of accurate analysis.
- vii. All required information was not available in any specific branch of the Bank and there was also limited opportunity to visit more than one branch.

Chapter:2

Historical Background of EXIM Bank

Historical Background of EXIM (Export-Import) Bank of Bangladesh Limited:

EXIM Bank Limited was established in 1999 under the leadership of Late Mr. Shahjahan Kabir, founder chairman who had a long dream of floating a commercial bank that would contribute to the socio-economic development of our country. He had a long experience as a good banker. A group of highly qualified and successful entrepreneurs joined their hands with the founder chairman to materialize his dream. Indeed, all of them proved themselves in their respective business as the most successful star with their endeavor, intelligence, hard-working and talented entrepreneurship. Among them, Mr. Nazrul Islam Mazumder became the honorable chairman after the demise of the honorable founder chairman. This bank starts functioning on 3rd August 1999 with Mr. Alamgir Kabir, FCA as the advisor and Mr. Mohammad Lakiotullah as the Managing Director. Both of them have long experience in the financial sector of our country. By their pragmatic decision and management directives in the operational activities, this bank has earned a secured and distinctive position in the banking industry in terms of performance, growth, and excellent management. The authorized capital and initially paid-up capital of the bank are Tk. 1000.00 million and Tk.225.00 million respectively.

The bank has migrated all of its conventional banking operations into Shariah-based Islami banking since July/2004.

Islami Banking:

From the 1st of July of 2004, the bank has been converted to Shariah Based Islamic Bank and from then it is provided services by Islamic Shariah. For smooth operations, the Board of Directors established a Shariah Board, which decides on the banking principles according to which the bank will operate its business.

The mission of EXIM Bank Ltd:

Every financial institution wants to earn at least a reasonable profit for its long-term survival and also wants to obtain a sustainable position in the Banking sector in the country.

In keeping this in mind, the bank has checked out the following corporate objectives to ensure smooth achievement of its goals-

- ☞ To be the most caring and customer friendly and service-oriented bank.
- ☞ To create a technology-based most efficient banking environment for its customers.
- ☞ To ensure ethics and transparency at all levels.
- ☞ To ensure sustainable growth and establish the full value of the honorable shareholders.
- ☞ Above all, to add effective contribution to the national economy.

Eventually, the bank also emphasize on:

- ☞ Provide high-quality financial services in export and import trade.
- ☞ Providing efficient customer service.
- ☞ Maintaining corporate and business ethics.
- ☞ Being a trusted repository of customers' money and their financial advisers.
- ☞ Making its products superior and rewarding to the customers.
- ☞ Display team spirit and professionalism.
- ☞ Sound Capital Base.
- ☞ Enhancement of shareholders' wealth.
- ☞ Fulfilling its social commitments by expanding its charitable and humanitarian activities.

The vision of EXIM Bank Limited

The gist of their vision is “Together Towards Tomorrow”. Export-Import Bank of Bangladesh Limited believes in togetherness with its customers, in its march on the road to growth and progress with services. To achieve the desired goal, there will be a pursuit of excellence at all stages with a climate of continuous improvements, because in Exim Bank, we believe, the line of excellence is never-ending. Bank’s strategic plans and networking will strengthen its competitive edge over others in rapidly changing competitive environments. Its personalized quality services to the customers with the trend of constant to achieve our operational success.

Branch Network of EXIM Bank Limited

EXIM Bank Limited operates its banking activities through its 63 branches located all over the country. The table below summarizes the branch network of Exim bank LTD.:

Table 01: Banking Network of EXIM BANK LTD.

Banking Network	
Branches	63
Proposed Branch	09
SME Service Center	63
EXIM Exchange Houses	02 (At UK & Canada)
Off-shore Banking Unit	1
ATM	12

Organizational Structure

An organizational structure involves a chain of command which determines and defines: job positions, who makes the decisions, and who's accountable for various duties. A proper organizational structure works as a building block for any organization to prosper. The organizational hierarchy of Exim Bank Ltd. Is depicted through the following flowchart:

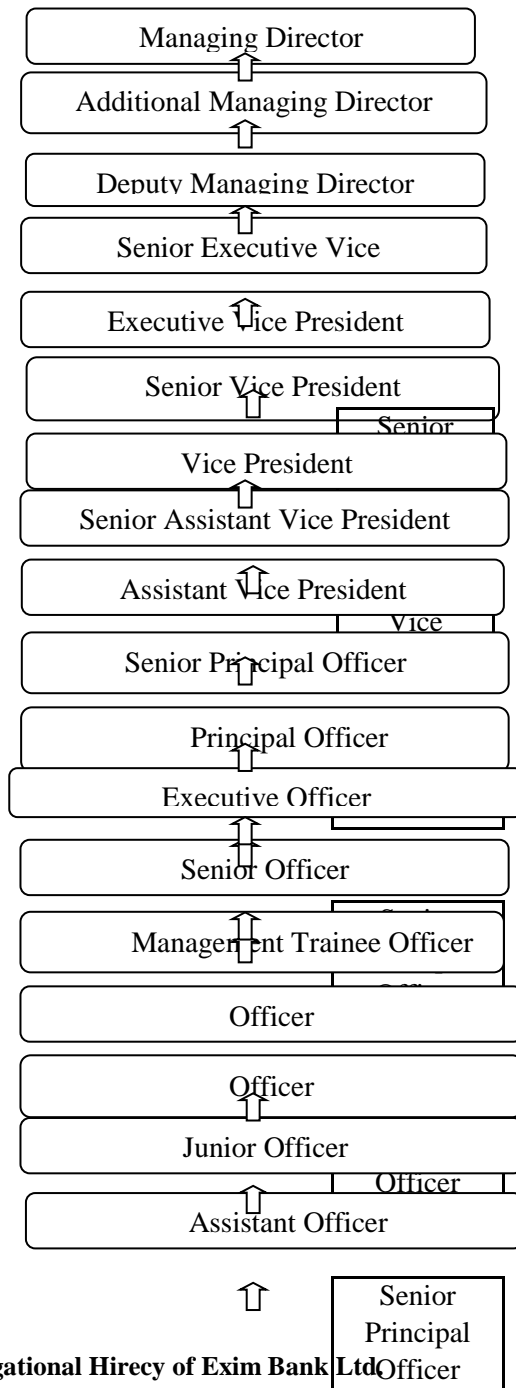


Fig 1: Oraganigational Hirecy of Exim Bank Ltd

Islamic investment:

Islamic investments are a unique form of socially responsible investments because Islam makes no division between the spiritual and the secular.

Various Islamic financial institutions, especially in Islamic countries offer various types of investment products that are free of Riba or interest. An Islamic investment fund is usually one in which a number of people pool their money and the money is in turn invested in an Islamic legal manner.

Investment funds have been defined by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI) as follows: “Funds are investment vehicles, which are financially independent of the institutions that establish them. Funds take the form of equal participating shares or units which represents the shareholders/ unit holders share or assets, and entitlement to profit or losses. The funds are managed on the basis of mudaraba or agency contact.”

So, Islamic bank conducted its portfolio under the principles of Islamic Shariah. Profit earning is not the only objective of Islamic banks, rather than welfare of the society through managing its investments is also looked into. The banks generally allow investment in different sectors including priority sectors declared by the government. Its main areas of investment are trade and commerce, industry, agriculture, real estate, rural development etc.

Concept of Interest in Islam:

Islamic banking refers to a system of banking or banking activity that is consistent with Islamic law Shariah principles and guided by Islamic economics. Islamic financing is based upon the principle that the use of Riba (interest) is prohibited. This prohibition is based upon Shariah ruling. Since Muslims cannot receive or pay interest, they are unable to conduct business with conventional banks. To service this niche market, Islamic financial institutions have developed a range of halal interest-free financing instruments that conform to Shariah ruling, and therefore are acceptable to their clients

INVESTMENT PRINCIPAL:

According to the Qureshi (1997) a prudent banker should more concern to the following general principal:

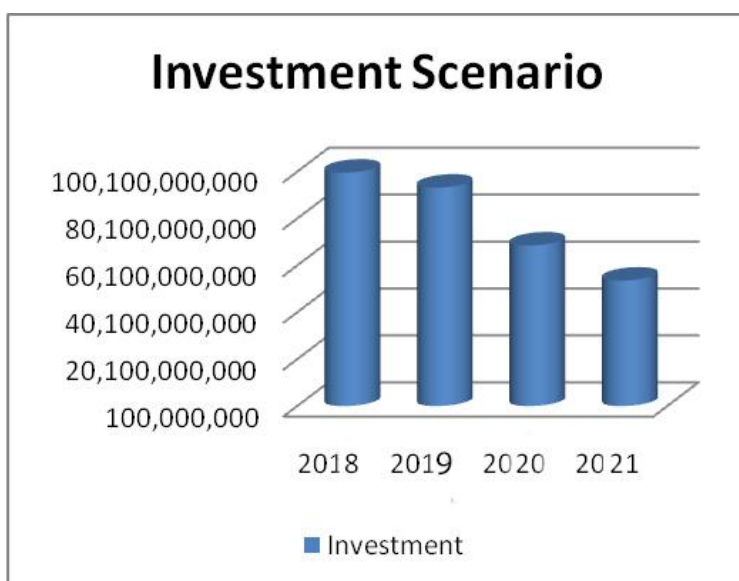
- ☞ Background, character and ability of the borrowers,
- ☞ Purpose of the facility,
- ☞ Term of facility,

- ☞ Safety,
- ☞ Security,
- ☞ Profitability,
- ☞ Source of repayment,
- ☞ Diversity.

Investment Scenario:

Financial soundness of all banks depends on the performance of its disbursed loan on various sectors. Loan performance means how the loans were scheduled to act and how they are actually acting. It is closely associated with timely and steady repayment of interest and principal of a loan. A loan is said to be well performed when its repayment is duly made. If a loan fails to be repaid duly for some consecutive period or installments, it falls under the classification criteria.

Year	Investment	Percentage Change from preceding year
2021	99,699,627,656	6.86%
2020	93,296,648,855	35.98%
2019	68,609,907,470	27.91%
2018	53,637,677,103	15.34%



INVESTMENT POLICY AND PROCEDURE OF EXIM BANK :

Export Import Bank of Bangladesh Limited is a new generation Bank. It is committed to provide high quality financial services/products to contribute to the growth of G.D.P. of the country through stimulating trade & commerce, accelerating the pace of industrialization, boosting up export, creating employment opportunity for the educated youth, poverty alleviation, raising standard of living of limited income group and over all sustainable socio-economic development of the country.

In achieving the aforesaid objectives of the Bank, Investment Operation of the Bank is of paramount importance as the greatest share of total revenue of the Bank is generated from it, maximum risk is centered in it and even the very existence of Bank depends on prudent management of its investment portfolio: The failure of a commercial Bank is usually associated with the problem in investment portfolio and is less often the result of shrinkage in

the value of other assets. As such investment portfolio not only features dominant in the assets structure of the Bank, it is critically important to the success of the Bank also.

To provide a broad guide line for the Investment Operation towards achieving the objectives of the Bank, for efficient and profitable deployment of its mobilized resources and to administer the Investment portfolio in the most efficient way, a clearly defined, well planned, comprehensive and appropriate Investment policy and control guidelines of the Bank is a pre-requisite.

In view of the above, this Investment Policy and Control Guidelines of the Bank has been prepared which is subject to amendment, revision, readjustment and refinement from time to time as may be warranted by the change of circumstances due to passage of time to suite the requirement of the Bank. Investment policy and procedure are five categories. They are given bellow:

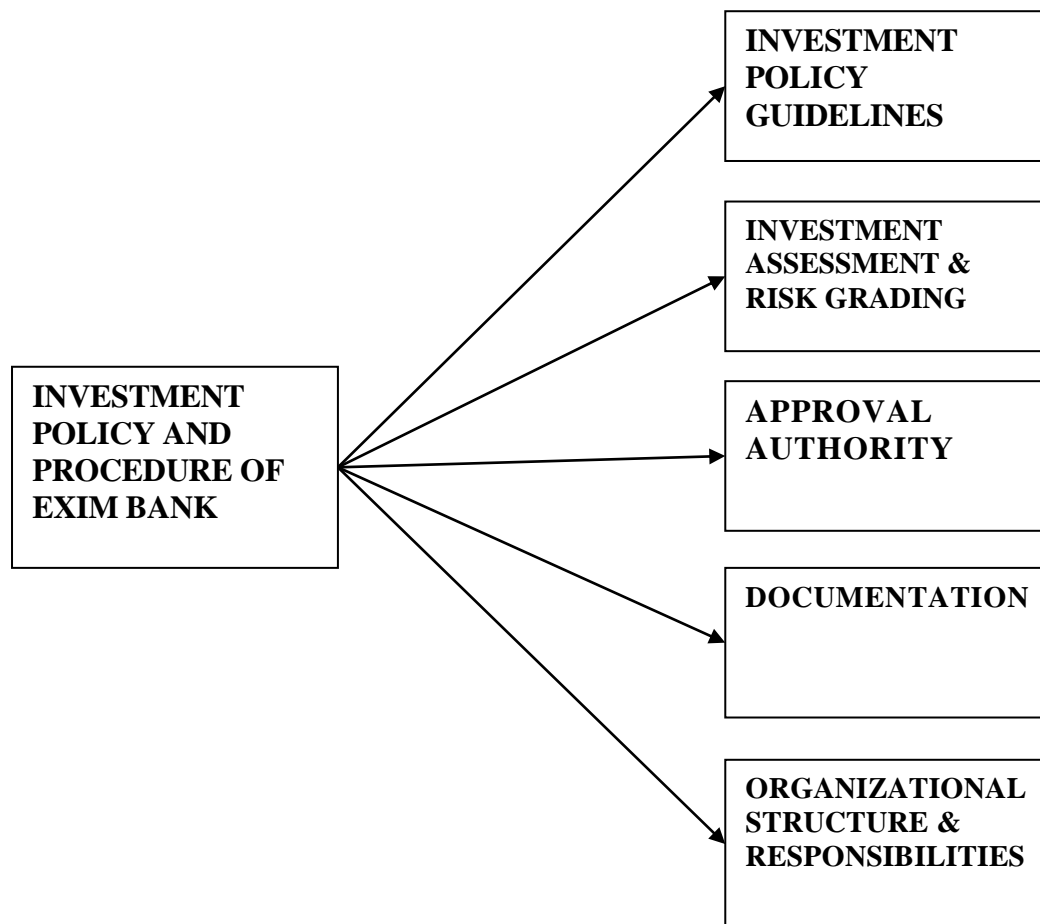


Fig 2: Investment Policy and Procedure of Exim Bank

1. INVESTMENT POLICY GUIDELINES:

The Investment policy should be updated annually to reflect changes in the economic outwork and evolution of bank's investment portfolio. The investment proposal should be forwarded to Head Office for sanction with recommendation showing justification that should include the following :

i) INDUSTRY AND BUSINESS SEGMENT FOCUS:

The Bank shall provide suitable Investment services & products for the following sectors, which must meet the other requisites as set by the Bank from time to time.

Sectors :

- a) Steel & Engineering.
- b) Food & Allied.
- c) Agriculture.
- d) Textile & Garments.
- e) Pharmaceuticals & Chemicals.
- f) Paper & Paper Products.
- g) Service Industries.
- h) Housing & Real Estate.
- i) Cement.
- j) Bricks Fields.
- k) Edible Oil.
- l) Assembling Industry.
- m) Cottage Industry.
- n) Electronics & Electrical Commodities.
- o) Construction Company.
- p) Trading (Retail/Whole sale)
- q) Others.

Every year at the time of investment budgeting a clear indication of Bank's appetite for growth to be reflected. Approved investment budget shall be strictly followed for the development of the Bank.

ii) INVESTMENT CATEGORIES:

As initiated by Bangladesh Bank vide BCD Circular No. 33 dated 16-11-89 different kinds of lending were subdivided into 11 categories w.e.f. 01-01-90, which was subsequently reduced to 9 vide BCD circular No. 23 dated 09-10-93 and again to 7 prime sectors vide BCD Circular No. 8 dated 25-04-94 for fixation of rates of profit by the individual banks on competitive basis depending on the cost of Funds, prevailing market condition and monetary policy of the country.

Investment have primarily been divided into two major groups:

• **Izara Bill Baia :**

These are the investments made by the Bank with fixed repayment schedules. The term of investment are defined as follows :

Short term	:	Up to 12 months
Medium term	:	More than 12 and up to 36 months.
Long term	:	More than 36 months.

• **Continuing Investments :**

These are the investments having no fixed repayment schedule, but have an expiry date at which it is renewable on satisfactory performance.

Further all categories of investments have been accommodated under the 7 prime categories as under:

- Agriculture
- Izara Bill Baia for Large & Medium Scale Industry
- Izara Bill Baia to Small & Cottage Industries
- Working Capital
- Investment on Export
- Commercial Lending
- Others

Modes of INVESTMENT OF EXIM BANK LTD:

Investment allowed to the manufacturing units to meet their working capital requirements, irrespective of their size-big, medium or small, fall under the category.

1. Murabaha:

Financial accommodations to individual/firm for trading as well as for wholesale or to industries as working capital against pledge of goods as primary security fall under this head of investment. It is also a continuous investment.

2. Agriculture:

The Bank has committed itself to the government's initiative to provide agricultural investment directly to the farmers for agricultural development of the country. Investment facilities to the agricultural sector fall under this category. It is subdivided into two major heads:

- a) **Investment to primary producers:** Financing under these categories refers to the investment facilities allowed to production units engaged in farming, fishing, forestry or livestock.
- b) **Investment to dealers/distributors:** It refers to the financing allowed to input dealers and (or) distributors in the agricultural sectors.

3. Export Financing:

Investment facilities allowed to facilitate export of all items against Letter of Credit and/or confirmed export orders fall under this category. Investment Facilities available under this category are:

a) Musharaka Pre-shipment (Export Cash Credit):

Financial accommodation allowed to a customer for exports of goods fall under this head and Short term, Medium term & long term investment allowed to individual/firm/industries for a specific purpose but for a definite period and generally repayable by installments fall under this head. This type of investment is mainly allowed to accommodate financing under the categories:

(i) Large & Medium Scale Industry

This category of investment accommodates the medium and long term financing for capital structure formation of new industries or for expansion of the existing units who are engaged in manufacturing goods and services. Investment Facility available under this category is:

a. Izara (Lease Finance):

It is one of the most convenient sources of acquiring capital machinery and equipment whereby a client is given the opportunity to have an exclusive right to use an asset usually for an agreed period of time against payment of rent. It is a term financing repayable by installment.

(ii) Small & Cottage industry:

These are the medium and long term investment allowed to small & cottage manufacturing industries.

4. Bai-Muazzal:

Continuous Investment have no fixed repayment schedule, but have an expiry date at which it is renewable on satisfactory performance. It allowed to individual/firm for trading as well as wholesale purpose or to industries to meet up the working capital requirements against hypothecation of goods as primary security fall under this type of lending. It is allowed under the categories

- (i) "Commercial Lending" when the customer is other than an industry and
- (ii) "Working Capital" when the customer is an industry

is categorized as "Investment on Export". The loans are liquidated out of export proceeds with 180 days.

b) Musharaka Pre-shipment (Packing Credit):

Investment allowed to a customer against specific L/C contract for processing/packing of goods to be exported falls under this head and is categorized as "Musharaka Pre-shipment". The investments are adjusted from proceeds of the relevant exports within 180 days.

c) Foreign Documentary Bill Purchase (F.D.B.P):

Payment made to a customer through purchase/negotiation of a foreign documentary bills falls under this head. This temporary investment is adjustable from the proceeds of the shipping/export documents.

d) Local Documentary Bill Purchase (LDBP):

Payment made against documents representing sell of goods to Local export oriented industries that are deemed as exports and which are denominated in Local Currency/Foreign Currency falls under this head. This temporary liability is adjustable from proceeds of the Bill.

e) Foreign Bill Purchase (FBP):

Payment made to a customer through purchase of foreign currency cheque/drafts fall under this head. This temporary loan is adjustable from the proceeds of the cheque/draft.

f) Bai-Muazzal (Export):

Investments allowed for purchasing foreign currency for payment against L/Cs (Back to Back) where the exports do not materialize before the date of import Payment fall under this head. This is also a investment for temporary period, which is known as export finance.

5. Import Financing

a) Murabaha Import Bills (MIB):

Payment made by the Bank against lodgment of shipping documents of goods imported through L/C falls under this head. It is an interim investment connected with import and is generally liquidated against payment usually made by the party for retirement of the documents for release of imported goods from the customs authority.

b) Murabaha Post Import (MPI):

Loans allowed for retirement of shipping documents and release of goods imported through L/C taking effective control over the goods by pledge in go down under bank's lock & key fall under this type of investment. This is a temporary investment connected with import that is known as post-import finance.

c) Trust Receipt (TR):

Loan allowed for retirement of shipping documents and release of goods imported through L/C falls under this head. The goods are handed over to the importer under trust with the arrangement that sale proceeds should be deposited to liquidate the investment within a given period. This is also a temporary loan connected with import and known as post-import finance.

6. Others:

Any investment that does not fall in any of the above categories is considered under the category "Others". It includes loans to i) Transport equipment's, ii) Construction works including house (commercial/residential), iii) work order finance, iv) personal loan etc. Investment Facilities available under this category are:

a) Izara Bill Baia (House Building):

Investment allowed to individual/enterprises for construction of building for commercial purpose fall under this type of investment. The amount is repayable by monthly installment with a specified period.

b) Izara Bill Baia (Staff House Building):

Investment allowed to Bank's employees for purchase/construction of house falls under this Loan.

c) Other Loan to Staff:

Investment allowed to employees other than for House Building is grouped under head Staff Izara Bill Baia (General).

Comparative Position of General Investment of EXIM Bank Ltd.

Amount in Taka		
General Investments In Bangladesh	2020	2021
	1,259,075,807	341,929,182
Murabaha Post Import (MPI)	736,137,278	680,109,953
Murabaha Import Bill (MIB)	692,338,284	515,234,506
Bai Mubaraha	5,016,606,179	4,170,886,864
Bai Muazzal	208,793,585	203,731,509
Bai Muazzal (Work Order)	297,119,349	234,504,132
Bai Muazzal (PC)	1,683,635,584	285,265,124
Wazirat bil Wakala (ECC)	4,558,458,650	2,812,497,705
Izara Bil baia (LG/HP)	359,913,400	192,984,410
Izara Bil Baia (HB)	10,707,100	18,677,545
Izara (LF)	76,225,922	52,944,191
Izara Bil Baia (Staff HB)	30,076,793	48,814,772
Wazirat Bil Wakala (CA)	59,789,846	12,253,900
Quard against SS	347,657,039	867,302
Quard against MTDR	10,711,502	8,904,216
Wazirat Bil Wakala (SSD)	9,140,679	9,014,350
Quard General (Staff car)	2,649,329,819	1,735,971,448
TR (MIB/MURA/MPI)	18,005,716,816	11,324,591,109
Outside Bangladesh wazirat bil Wakala (Bills discounted and purchased) - Note 7.7:	18,005,716,816	11,324,591,109
In Bangladesh	1,024,379,066	766,614,884
Outside Bangladesh	302,340,190	197,914,183
Total Amount	19,332,436,072	12,289,120,176

INVESTMENT ASSESSMENT & RISK GRADING:

Investment Assessment:

A thorough investment and risk assessment should be conducted prior to the granting of investments and at least annually thereafter for all facilities. The results of this assessment should be presented in an investment proposal that originates from relationship manager/account officer and is approved by Head of Investment Division. The relationship manager/account officer should be the owner of customer relationship and must be held responsible to ensure the accuracy of the entire investment proposal submitted for approval.

The following steps for completion of Investment Risk assessment for each facility should be followed in conjunction with the guidelines/instructions given in Head Office circulars issued from time to time. All proposals of investment facilities must be supported by a complete analysis of the proposed investment.

Risk Management:

Investment proposal should summarize the results of the risk assessment and include, as a minimum, the following details :

- Amount and type of investment(s) proposed.
- Purpose of investments.
- Investments Structure (Tenor, Covenants, Repayment Schedule, Profit)
- Security Arrangements.

In addition, the following risk areas should be addressed:

- Borrower Analysis
- Industry Analysis
- Supplier/Buyer Analysis
- Historical Financial Analysis
- Project Financial Performance
- Accounts Conduct
- Adherence of Lending Guidelines
- Mitigating Factors
- Investment Structure
- Security

Risk Grading:

The risk grading system should define the risk profile of borrower's to ensure that account management, structure and pricing are commensurate with the risk involved. Risk grading is a key measurement of a Bank's asset quality, and as such, it is essential that grading is a robust process. All facilities should be assigned a risk grade.

APPROVAL AUTHORITY:

To ensure proper and orderly conduct of the business of the Bank, the Board of Director will empower the Managing Director and other Executives of the Bank to lend up to certain amount under certain terms and conditions at their discretion. The lending authority are broadly categorized as follows:

- (1) Board/Executive Committee.
- (2) Managing Directors.
- (3) Head of Investment Division.

- Investment approval authority must be delegated in writing from the Board/Managing Director.
- The authority must review delegated approval authority annually.
- The Investment approval function should be separate from the marketing/relationship management.
- The Investment Committed shall recommend the investment proposal and put up the proposal for sanction.
- The aggregate exposures to any borrower or borrowing group must be used to determine the approved authority required.
- Any investment proposal that does not comply with lending guidelines regardless of amount, should be referred to the Board for approval.
- It is essential that executives/officers charged with process/approve of investment proposal having relevant training and experience to carry out their responsibilities effectively. As a minimum, approving executives should have.
- At least 5 years experience working in corporate/commercial banking as a relationship manager or account executive.
- Training and experience in financial statement, cash flow and risk analysis.
- A thorough working knowledge of Accounting.
- A good understanding of the local industry/market dynamics.

The responsibilities for Investment Policy, procedure, approval & review shall vest amongst the following groups :

- a) Board of Directors
- b) Executive Committee of the Board shall be responsible for
- c) Head of Investment, Head Office
- d) Head Office Investment Committee
- e) Branch Marketing & Investment `Committee

DOCUMENTATION:

It is essential that the proposal define clearly the purpose of the facility, the sources of repayment, the agreed repayment schedule, the value of security and the customer relationship consideration implicit in the investment decision.

General documentation, as required for different kinds of investment is enumerated below. There may be requirement of specific banking or legal documents to secure an investment according to sanction terms and conditions, which should also be obtained in addition to the following :

Investment :

- D.P. Note.
- Letter of partnership (in case of partnership concerns) or resolution of the Board of Directors (in case of Limited Companies).
- Letter of arrangement.
- Letter of disbursement.
- Letter o Pledge (in case of pledge of goods).
- Letter of hypothecation (in case of hypothecation of goods)
- Trust Receipts (incase of TR facility).
- Letter of lien and ownership/share transfer from (in case of investment against shares).
- Letter of Lien for Musharaka Pre-shipment (in case of Musharaka Preshipment-PC).
- Letter of Lien (in case of investment against MTDR).
- Letter of Lien (in case of investment against PSP, BSCP etc.)
- Legal documents for mortgage of property (as drafted by Legal Adviser).
- Copy of Sanction letter mentioning details of terms & conditions duly acknowledge by the borrower.
- Letter of Guarantee of all Directors (in case of Limited Company).

Overdrafts:

- D.P. Note.
- Letter of partnership (in case of partnership concerns) or resolution of the Board of Directors (in case of Limited Companies).
- Letter of arrangement.
- Letter of continuity.
- Letter of Lien (in case of Investment against MTDR).
- Letter of Lien and ownership/share transfer from (in case of investment against shares).
- Letter of Lien and transfer authority (in case of investment against PSP, BSP etc.)
- Legal documents for mortgage of property (as drafted by Legal Adviser).

Bai-Muazzal:

- D. P. Note.

- Letter of partnership (in case of partnership concerns) or resolution of the Board of Directors (in case of Limited Companies).
- Letter of arrangement. Letter of continuity. Letter of Hypothecation [in case of Bai-Muazzal]
- Letter of Pledge/Agreement of Pledge [in case of Murabaha].
- Legal documents for mortgage of property (as drafted legal Adviser).

Bill Purchased :

- D. P. Note.
- Letter of partnership (in case of partnership concerns) or resolution of the Board of Directors (in case of Limited Companies).
- Letter of arrangement.
- Letter of Hypothecation of bill.
- Letter of Acceptance, where it calls for acceptance by the drawee.

All required documents, as enumerated above, should be obtained before any investment is disbursed. Disbursement of any investment facility requires approval of the authorized official of the Branch who should ensure, before exercising such authority, that all the required documentation's have been completed.

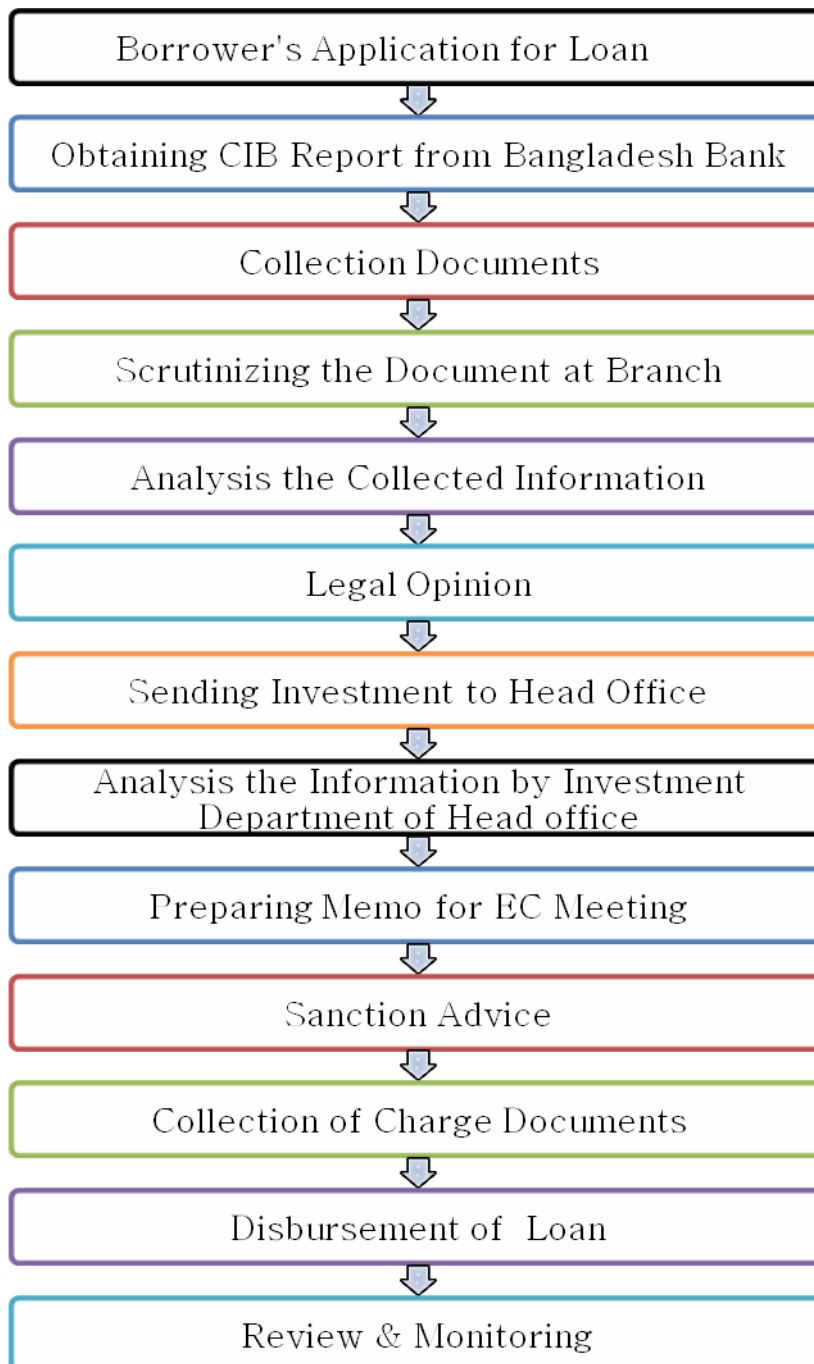
ORGANIZATIONAL STRUCTURE & RESPONSIBILITIES:

The appropriate organizational structure must be in place to support the adoption of the policies detailed in Section 1 of these guidelines. The key feature is the segregation of the Marketing/Relationship Management function from Approval/Risk Management/Administration function.

Investment approval should preferably be centralized within the CRM function. The head of Investment Risk Management or Managing Director/CEO/Board of delegated Head Office investment executive must approve all proposals applications.

Investment/Lending Procedure:

Lending is the main profit generating activity of EXIM bank ltd. The assessment of investment appraisal process is shown as a set of sequential by the following diagram:



Borrower Selection:

Lending is one of the most important functions of a bank. Therefore, it is of paramount importance that the bank chooses a reliable borrower. For this the bank places the kind of mechanisms that helps it identify the borrower who can be creditworthy. This section deals with some of the mechanisms that the bank can able to find the reliable client for investment on his/her business.

Investment Application form:

A investment application form usually contains information pertaining to the name of the concern, constitution, nature and place of business, year of establishment, borrower's experience in the line, particulars of assets and liabilities, purpose of advance, amount required, period of advance required for, nature of security offered, sources of repayment, names of present bankers with detailed borrowing and other facilities. This is the core step of knowing about the borrower.

Personal Interview:

The bank arranges interview with the borrower to know more about his specific requirements, the prospects of his employing the funds prudently, his capacity to repay and the suitability of the security offered. The main points that are covered in the interview are: his business, all legal documents required for operation of his business (Memorandum and Article of Association, trade and import license), his capital with reference to working capital, his experience in the business, results of financial statements, amount of investment and period, purpose of advance, source of repayment, terms of payment, security documents that are offered etc... The bank officials who conduct the interview try to analyze and judge for themselves the correctness or otherwise of the various statements and documents of the prospective borrower and to arrive at a balanced opinion regarding the acceptability or otherwise of the proposal.

After the initial interview, if the officer found that the information meets with the basic investment criteria of the bank, then the next step will be to conduct a more in-depth investigation, relying upon the documents obtained from the client and from bank's own and outside sources.

Investment Modes of Exim Bank Ltd:

When money is deposited, the bank in turn, makes investment in different forms approved by the Islamic sharia with the intention to earn profit not only a bank. But also an individual or organization can use Islamic modes of investment to earn profits for wealth maximization. Some popular modes of Exim's investment are listed below:

INVESTMENT MODES
1.PARTNERSHIP MODE: I. MUDARABA II. MUSHARAKA
2.BAI MODE: I. BAI-MUAZZAL II. BAI-MURABAHA III. BAI-SALAM IV. ISTISNA
3.IZARA MODE: I. HIRE PRCHASE II. IZARA BILL BAIA III. LEASING
4.OTHER MODES: I. WAZARAT BILL WAKALA II. MIB III. MPI IV. MTR

Mode-Wise Investment:

Particulars	2020	2021	Change in Percentage
Bai-Muajjal	36,991,343,058	34,689,419,345	6.64%
Bai-Murabaha	17,746,405,168	16,387,615,174	8.29%
Bai-Salam	3,033,228,095	2,638,112,443	14.98%
Izara bill baia (commercial)	36,825,680,283	32,422,859,431	13.58%
Izara bill baia (Staff)	894,471,784	577,200,724	54.97%
Quard	209,492,097	383,563,586	-45.38%
Local Documentary Bill Purchased (LDBP)	2,374,501,763	3,074,062,953	-22.76%
Foreign Documentary Bill Purchased (FDBP)	449,528,622	670,617,006	-32.97%
Murabaha Import Bill (MIB)	1,174,976,786	2,453,198,193	-52.10%

INVESTMENT SCHEM OF EXIM BANK LTD:

Investment Guideline for Preparation of retail/consumer investment products proposal:

EXIM Abasan(আবাসন) Home Investment	EXIM Bahan(বাহন) Transport Investment	EXIM Sahayak(সহায়ক) Household durables Investment
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A. PRE-SANCTION ACTIVITIES

1. Selection of customer:

- Collection and verification of customer's information
- Application form duly completed all the columns
- KYC check list
- Photocopy of telephone bill/electricity bill/gas bill etc
- Photocopy of National ID (original to be seen and marked by the Bank Officials)
- Copy of passport/TIN certificate/driving license (if any)
- Certificate of professionals degree copy to be retained
- Membership certificate (For professional)
- Employment and salary certificate (LPC) from the employer (For salaried person)
- Yearly income statement
- Net worth statement (as per Bank's format)
- Statement/particulars of liability including Bank's name and statement
- CIB undertaking and collection of CIB report.

2. Guarantor(s) information:

- Collection of consent and verification of particulars of the guarantor(s) i.e Parents name, spouse name, guarantor(s) present address, permanent address, profession, net worth particulars, National ID card, Passport number (if any) Passport size photograph etc.

3. Business/product information:

- Invoice/quotation of article/goods to be purchased (competitive preferable)
- Verification of price quality and marketability etc. to be done.

4. Fixation of investment terms and conditions:

Limit/Amount/Margin/Equity: Negotiation to be made at least at win-win situation, covering stipulated minimum margin/ equity.

- Security:
 - Primary: Ownership/hypothecation of assets/goods to be purchased/acquired through investment.
 - Collaterals: As per negotiation but covering the policy guideline for specific sectors investment.
- Recommendation: Specific recommendation to be given including furnishing the contents that information supplied by the customer are duly verified by the branch and found correct.
- Period/Term of investment: Repayment schedule to be fixed with frequency in matching with his monthly income and schemes stipulation. In that case value of primary security and its economic life to be taken in to consideration.
- Pricing (Profit/rent fixation): Negotiation to be made to realize highest price of the slab/range declared in the rate schedule keeping in mind risk volume to be undertaken for the investment.

B. PRE-DISBURSEMENT FUNCTION

- Preparation of Check list of documentation as per sanctioned stipulation
- Completion of documents i.e charge forms, PG, Mortgage(if any), NOC from competent authority etc
- Compliance of Shariah and ensure payment directly to the supplier of the articles/goods.

C. POST-DISBURSEMENT FUNCTION

- Ensure end use and utilization of investment for appropriate purpose
- Follow up to ensure monthly installment within stipulated time both in writing and over phone
- Submission of monthly statement of overdue accounts (having two or more installment overdue) to Head Office within 10th of subsequent month on the following format:

SL	Customer name	Disbursed amount	Expiry date	Cumulative due for recovery		Cumulative recovery		Cumulative overdue		Remarks
				No. of Ins.	Amount	No. of Ins.	Amount	No. of Ins.	Amount	

- Final call back notice to be served to the customers and also to the guarantors of the account having more than 3 installments overdue and permission for legal action to be sought from Head Office.

1.Scheme for EXIM Abasan(Avevmb): A product for Home Investment

At EXIM Bank we offer an easy-to-avail Home Investment with convenient repayment facility and maximum limit on investment amount. From the scheme the customer will get necessary help to materialize long cherished dream, to enable him/them proud owner of a flat/dwelling house in a modern developed urban area.

Purpose of Investment Product:

- Purchase apartment/House(not older than 8 years)
- Completion of finishing/construction work of house
- Renovation of existing house
- Taking over of regular house building loans/investments against acquiring ownership of existing Home/Apartment from other Banks/NBFIs(Only principal amount)

Eligibility:

- **Confirmed and regular Employee having 2 years continuous service of the following:**
 - Govt. Organizations
 - Semi-Government Organizations
 - Autonomous Bodies
 - Multinational Companies
 - Banks
 - Insurance Companies
 - Educational Institutions
 - Corporate Bodies

(Monthly average income of the above applicant must be commensurate with the monthly installment of the investment)

- **Professionals & self employment**
 - Doctor
 - Engineer
 - Accountant
- **Business and others**
 - Businessman (at least five years of successful track record)

Age:

- Maximum 65 years (including repayment period)

Investment Limit

- Maximum BDT 50.00 lac (65:35 debt equity ratio)

Duration of the Investment

- Maximum 18 years including grace period (from 06 months to 18 months)

Repayment Mode

- Equal monthly installment

Rent rate & others

- Rent will be @ 13% pa
- Processing fee @1% of the investment amount for both the fresh and take over cases
- All documentation fees to be borne by the customer
- Bank may have the option to revise the rate of rent on the basis of prevailing market price time to time.
- Management/Supervision fee @ 2% p.a. on outstanding amount

Required Documents:

- Usual charge documents
- Personal Guarantee of spouse
- Advance dated cheques in support of installments
- Employer Certificate/salary certificate
- Photo copy of National ID Card/Passport
- Yearly income statement
- Photocopy of Tin Certificate, if any
- Bank Account Statement of last six months
- Photocopy of Telephone (T&T) Bill/Municipality/Pourasova tax payment, if any
- Application in a prescribed form

Investment Mode: Ijara Bil Baiya (IBB)**Securities:**

- RM with RIPA of house/flat to be constructed/purchased/renovated
- Tripartite agreement for purchasing apartment/flat among the customer, seller/developer and Bank and subsequent RM & RIPA.
-

Others:

- Other usual formalities/norms (e.g CIB collection, site visit, verification of particulars of customer, valuation & investment requirement assessment etc) to be done properly.
- Guideline and instruction of Bangladesh Bank including instruction of prudential guidelines for the scheme also to be followed.

2.Scheme for EXIM Bahan(evnb): An Investment product for purchasing Car/vehicle

An investment Scheme facilitating to purchase a new/reconditioned car/jeep for own/business use.

Feature of investment:

1. To extend investment facilities to an individual for purchasing a new/reconditioned imported car/jeep from showroom.
2. To ensure investment to a person who has the capacity to maintain the car/jeep but will help to accumulate the capital at a time.
3. To provide investment facility very promptly and easiest condition to a deserving customer/applicant.
4. Facility of repayment by 12 to 60 equal monthly installments to be determined on the basis of monthly income of the customer.

Eligibility:

Employees of:

- Government/Semi government/ Autonomous bodies
- Sector Corporation
- Non-Government Organizations
- Multinational Companies
- Banks/financial Institutions
- Educational Institutions.

Professionals:

- Doctor
- Engineer
- Accountant

Others:

- Reputed business person
- Age between 21 at the time of application and 60 at the time of maturity
- Minimum monthly income BDT 25,000.00
- Length of service /age of business minimum 2 years
- For service holder a head minimum service up to maturity of investment

Rules of investment:

- Must be an account holder of the Branch/Bank
- Application in a prescribed form
- 3 sets competitive quotations to be submitted
- Personal net worth statement in Bank's prescribed form
- Guarantor's personal net worth statement (if any)
- Employee's certificate including salary statement for service holders/copy of trade license for businessman including net worth statement of guarantors (if any) Bank account statement for 6 months
- Copy of passport/National ID Card
- Telephone (T&T) bill (if any)
- Photo copy of TIN Certificate (if any)

Eligible items/Article

- i) Car
- ii) Jeep
- iii) Station wagon
- iv) Any other vehicle for own/business use

Investment limit and tenure of investment:

New/reconditioned vehicle maximum limit Tk.20.00 lac margin not less than 20% of cost price and tenure upto 5 years.

Investment equity ratio minimum : 80:20

Profit rate : 15% pa

Risk fund : @ 1% of disbursed amount (Changeable on the basis of market)

Supervision charge : @ 0.5% (per year on outstanding investment)
(Changeable on the basis of market)

Application fee : BDT 300.00

Mode of Investment : IBB (Car/Transport)

Source of investment fund : Own source

Security:

- i) Ownership of vehicle (Car/Jeep) by registration in joint name
- ii) Personal guarantee of the spouse
- iii) Post dated cheques in support of installment
- iv) Others (if any) as per negotiation
- v) Cost of registration, fitness, Tax Token, Insurance to be borne by the customer

Others:

- Other usual formalities/norms (e.g CIB collection, price verification, verification of particulars of customer, & investment requirement assessment etc) to be done properly.
- Guideline and instruction of Bangladesh Bank and other regulatory authority for the

sector also to be followed.

3.Scheme for EXIM Sahayak: An Investment product for procuring Household Durables

Necessity and comfort are constantly changes with the change of time and life style which also basic indicator of the quality of life. A stitch in time saves nine. Luxurious/comfortable articles/appliances of yesterday may be treated/converted as essentials/necessities of today. Necessity of many things do not wait for capacity.

Exim Bank provides a suitable solution of above and make breeze between necessity and capacity to acquire the household durables.

Investment Mode: Ijara Bil Baiya (IBB)

Security:

- Hypothecation/ownership of article/goods to be purchased favoring the Bank
- Personal guarantee from an individual acceptable to the bank and another from his/her family(preferably spouse).
- Advance dated cheques in favor of the Bank covering the whole amount.

Others:

- Other usual formalities/norms (e.g CIB collection, price verification, verification of particulars of customer, & investment requirement assessment etc) to be done properly.
- Guideline and instruction of Bangladesh Bank including instruction of prudential guidelines for the scheme also to be followed.

Recovery of Investments and Advances

Normally the granted loan is recovered in periodical installment deposited by the borrower. But in case of a defaulter party bank follows a series of process to recover its money.

- Reminder to the client is given through a formal communication method usually a letter on bank's pad signed properly. This letter is issued several times in short notice just to remind the lender to repay lending amount.
- If the loan amount is not yet recovered after mailing series of letter then social pressure is created on the client by different references used by the client introducing him while opening the account in the bank.

- Legal notice is given by the bank when the above two steps are followed to recover the pending amount. It is a threat to the lender to repay the loan amount.
- The last and final step of recovery procedure is the help from the court. bank has to case a file to court.

CHAPTER - 3

Findings

Findings:

- Data shows the evidence that the profit for EXIM Bank Ltd comes from mainly three sources-
 - (A) Profit from Bai-Muazzal and Murabaha Investment
 - (B) Rent from Izara Bill Baia
 - (C) Bank Guarantee Commission or L.C. Commission
- Loan disbursement rate for Exim Bank Ltd has been found quite static over the last few years (80% of the total deposit)
- EXIM Bank Ltd is undoubtedly one of the most successful commercial banks in Bangladesh in terms of loan recovery rate (nearly 98% recovery rate). One of the major reasons behind this achievement is the presence of very low amount of classified loan (1.82%). Whenever the percentage of the classified loans exceeds 5%, EXIM Bank Ltd responds by reducing the amount of large loan disbursements.
- As EXIM Bank Ltd is mainly an export-import based bank, it is interesting to find out how they adjust to the fluctuation of the foreign exchange rates. Recently with the constant devaluation of Taka, import has become more expensive than before. It has been found that this devaluation of Taka has been followed by the reduction of the number of outstanding L.C.s by EXIM Bank LTd. They have also started charging higher commission charges from the importer. Thus the stability of profits is being achieved by putting the importers into more adverse position.
- EXIM Bank Ltd strictly follows Customer Relationship Management (CRM) guidelines which are provided by Bangladesh Bank.

Chapter 4 Recomandation And Conclusion

Recommendation:

In order to get competitive advantage and to deliver quality service, top management should try to modify the services.

Rectify the Existing Problems

1. The synergy of dedicated manpower, technology, and market opportunity can lead the organization to achieve the goal, a bank must establish and adhere to adequate policies, practices and procedures for evaluating the quality of asset and the adequacy of loan provision and reserve.
2. EXIM Bank should train up their branch personnel about all sort of information regarding SWIFT and its service.
3. Due to lack of proper knowledge about the operation procedures and services provided to the customers by SWIFT, certain customers are facing problem, as they have to wait for certain time to get service. And sometimes personnel are not being able to operate SWIFT without any confusion. They are not fully independent of handling SWIFT. Official training is the solution to this problem.
4. EXIM Bank should always monitor the performance of its competitors in the field of Foreign Trade.
5. Mercantile Bank Ltd. Standard Bank Ltd., Mutual Trust Bank Ltd., Premier Bank Ltd., First Security Bank Ltd., Eastern Bank Ltd., Bank Asia Ltd. and Dhaka Bank Ltd. and all other private banks are the emerging competitors of EXIM Bank. They should continuously strive and try to introduce new products.
6. For customer's convenience in Foreign Exchange Department of EXIM Bank Ltd. should provide more personnels to deliver faster services to their honorable customer.
7. It seems to me that day-by-day customers operation is increasing; individual employee has to handle different types of job. But that is pocking a back for an employee. As a result it might be happen any big mistake by the employee and service is also timed consuming and customer has to suffer for this situation. May be it would be the reason for employee's de-motivation as well as the customer's dissatisfaction.
8. EXIM Bank Ltd. should focus on their promotional activities.
9. They should also focus on the marketing aspects to let customers know about their products and offerings and more promotion should be given to attract new customer.
10. EXIM Bank Ltd. must develop electronic banking system to moderate the service. Technological advantage of a bank ensuring its competitive edge in the market place can only

be achieved by efficient manpower. It is market share to reduce its operating cost and to generate new revenue. Electronic banking system also allows increased access to the financial system by its customers.

Some other important factors that should be focused on the development process:

11. Time consumed at service level should be minimized at optimum level.
12. Evaluate customer's needs from their perspective and explain logically the shortcomings.
13. Customer's convenience should receive priority over other.
14. Improve office atmosphere to give customers better feeling.
15. Use of effective management information systems.
16. Use appropriate techniques in evaluating customer need professionally.
17. To deliver quality service top management should try to mitigate the gap between customer's expectation and employee's perception.

Conclusion:

The internship is designed to bridge the gap between theoretical knowledge and real life experience as a part of the Bachelor of Business Administration (BBA) program. This report is an outcome of a three months' internship with Export Import Bank of Bangladesh. The main objective of this report is to evaluate the overall performance of Export Import Bank of Bangladesh Ltd. along with how efficiently the Bank is providing services to its customers. The main focus of this report is the investment procedure and policy guidelines of the bank. There was some limitation like the employees in a bank are usually very busy with their normal activities. It is tough for them to accommodate time for internship . So knowledge as well as experience cannot be shared during internship.

Now-a-days, the conventional banking concept is outmoded. Banks are now offering more ancillary services like credit cards, on-line services, etc. EXIM Bank Ltd. should differentiate its **services adopting such modern** facilities. The Bank is providing both internal and external training for its officers but it should be more scrupulous about the training facilities so that its officials can implicate this in their job. People are now very sensitive about their work-environment, so the bank premises should always be well decorated and EXIM Bank has made significant progress in this respect.

EXIM Bank Ltd. has also converted into a full-fledged Islami Bank based on Shariah from traditional interest based banking from July, 2004 with the approval of Bangladesh Bank.

Before conversion the Bank sought for the valued opinions of their customers concerning this change and this initiative not only helped improve the relation between the Bank and its customers but also helped it to retain much of its business after the conversion was made. In fact, presently the bank has been experiencing a higher growth rate than ever before.

The Bank provides advances towards the true entrepreneur through reconsidering conventional systems of security and collateral. Moreover, the whole process is completed within an acceptable time. Having said so, there is no denying the fact that EXIM Bank Ltd. has been playing a vital role in Bangladesh's export-import economy for the last few years. And with all these suggestions I believe that EXIM Bank Ltd. will be able to contribute further in this manner in the years to come.