

Internship Report on Financial Performance Analysis of First Security Islami Bank Limited

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Letter of Transmittal

June 5, 2024

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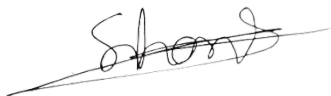
Subject: Submission of Internship Report

I take pleasure in submitting the report on “**Financial Performance Analysis of First Security Islami Bank Limited**” as a requirement of the BBA program of the Department Business Administration for your consideration. I have completed the report in due time and met all the proposed objectives. Apart from the academic knowledge gained, this internship program and preparation of report has given me the opportunity to understand the topic related knowledge.

I have tried my best to make this report a comprehensive and informative one. I hope you will appreciate my endeavor and find the report up to your expectation.

It has to be mentioned further that without your advice and cooperation it would not be possible for me to complete this report. I shall be gratified to answer any sort of queries you think necessary regarding this report.

Yours Sincerely,



Md. Shanto Mia

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Approval Certificate

This is certified that **MD Shanto Mia, ID # 193-11-6370, BBA (Finance)**, is a regular student of Department of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University. He has effectively completed his First Security Islami Bank Limited internship program and has prepared this internship under my direct supervision. The subject of his apprenticeship is "Financial Performance Analysis of First Security Islami Bank Limited." The report is sufficient to satisfy the partial requirements of the BBA program. I also confirm that the study has been conducted exclusively for academic purposes and that this paper is unsuitable for real-world market scenarios.

I have reviewed the report and have determined that it is well-written. He has independently finalized the report. I hope that he achieves all of his goals in life.



Mr. Md. Kamruzzaman Didar

Assistant Professor

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Acknowledgment

In the name of Allah, the Almighty, the Almighty. The guidance and support of a vast number of individuals who, in some capacity, contributed and extended their invaluable assistance in the preparation and execution of this research were essential to the feasibility of this report.

I initiated this internship report, and it has since been finalized. I would like to thank Mr. Md. Kamruzzaman Didar, an Assistant Professor in the Department of Business Administration, for his assistance as my supervisor. The internship program's development and smooth operation were significantly facilitated by his guidance and assistance. Your co-operation is greatly appreciated.

I am grateful to the senior bank officials who gave me the opportunity to acquire practical knowledge. This apprenticeship program has also enabled me to appreciate the significance of teamwork and the novelty of a professional environment that constantly presents us with new obstacles.

Finally, I am also indebted to all individuals who were involved in completing this report, both within and outside of First Security Islami Bank Limited.

Abstract

First Security Islami Bank Limited has been granted scheduled commercial bank registration by the Bangladesh Bank. The bank's operations comprise a variety of banking and functional endeavors for corporations, organizations, individuals, and other international organizations. This report has addressed the financial performance analysis and general banking activities of FSIBL. Financial Performance Analysis has provided this to determine the current condition of the finance industry. Among other things, FSIBL's financial performance assessment includes trend analysis, standard size, and ratio analysis (which provides for the liquidity ratio, activity ratio, credit risk ratio, and profitability ratio). General Banking is a critical division of First Security Islami Bank Limited. The wholesale banking division's goal is to fulfill the banking product needs of its customers. It is a substantial player in the general banking sector, as it possesses the ability to offer a wide range of innovative and personalized solutions to customers, in addition to possessing extensive local knowledge. They are committed to providing their clients with comprehensive local services. Transaction processing that is efficient financial data that is reliable and innovative Outstanding clearing services

**“Financial Performance Analysis of First Security Islami Bank Limited”
Table of Content**

CHAPTERS	PARTICULARS	PAGES
	Letter of Transmittal	i
	Approval Certificate	i i
	Acknowledgment	i i i
	Abstract	i v
CHAPTER-01	Introduction	1-3
	1.1 Introduction	1
	1.2 Background of the Study	2
	1.3 Study Objectives	2
	1.4 Study Objectives	2
	1.5 Study Methodology	2-3
	1.5.1 Data acquisition	2
	1.6 Study Limitations	3
CHAPTER-02	About Of First Security Islami Bank Limited	4-7
	2.1 Profile of First Security Islami Bank Limited	4
	2.2 First Security Islami Bank Limited's Objective	4
	2.3 First Security Islami Bank Limited's Vision	4
	2.4 Islami Bank Limited, Goal First Security	5
	2.5 Activities of FSIBL	5
	2.6 Products Offered by FSIBL ▶	5-7
CHAPTER-03	Theory analysis	8-14
	3.1 Ratio Analysis	8-9
	3.1.1 Quantity of Liquidity	9
	3.1.2 Ratio of Activities	10
	3.1.3 The Ratio of Efficiency	10
	3.1.4 The Ratio of Profitability	11
	3.1.5 The ratio of credit risk	11

	3.2. Analysis of Common Size	12
	3.2.1 Balance Sheets of Common Size	12
	3.2.2 Average Income Statement Size	12
	3.3 Trend Evaluation	13
	3.3.1 Balance sheet trend analysis	14
	3.3.2 Income Sheet Trend Analysis	14
CHAPTER-04	Financial Performance Analysis of FSIBL	15-23
	4.1 Analysis of the Ratio	15
	4.1.1 Quantity of Liquidity	15-16
	4.1.2 Ratio of Activities	17
	4.1.3 The Ratio of Efficiency	18
	4.1.4 The Ratio of Profitability	19
	4.1.5 The ratio of credit risk	20
	4.2 The Analysis of Common Sizes	21-23
CHAPTER-05	Problems, Recommendations & Conclusion	24-27
	5.1 Problems Identified	24
	5.2 Recommendations of FSIBL	25
	5.3 Conclusion	26
	References	27

Chapter: 01

Introduction

1.1 Introduction:

The First Security, a national banking sector entity, was incorporated as a banking corporation under the Companies Act of 1994 on August 29, 1999, to conduct banking business. The organization received authorization from Bangladesh Bank on September 22 to initiate its operations. It commenced its commercial banking operations on October 25, 1999, from a branch located in Dilkusha.

The bank currently operates more than 130 branches throughout Bangladesh. It provides consumers with every form of commercial banking service by the Banking Company Act of 1991, although the Bangladesh Bank occasionally compromises these regulations. It has distinguished itself from other national commercial banks through its diversity of products and services, innovation of customer-focused products, and adherence to applicable rules and laws. The organization underwent a system transition on January 1, 2009, and implemented Islamic banking. Additionally, they altered the name to "First Security." The Islami Limited Bank Individual and corporate banking are FSIBL's areas of expertise. It maintains robust affiliations with every bank in the nation and every bank consumer. Initial security Modern, progressive, and dependable, Islami Bank LTD is a regional financial institution committed to ensuring sound performance.

The initial security Islami Bank LTD is exerting considerable and fruitful effort to establish the bank as a brand. The prevailing perception is that it represents "Security."

1.2 Background of the Study:

Daffodil International University (DIU) offers a Bachelor of Business Administration (BBA) degree program, which requires students to intern and write a report. For a company to be believed, it has to exhibit several characteristics. As a student in Dhaka, Bangladesh, I had the opportunity to intern for three months at First Security Islami Bank Limited while I was getting my Bachelor of Business Administration degree. During my internship at FSIBL in Dhaka, I was responsible for thoroughly analyzing First Security Islami Bank Limited's financial performance. This research will allow me to write a report with the same title.

1.3 Study Objectives:

The study's purview includes investigating FSIBL's financial performance and general banking operations.

Analysis constitutes the primary focus of this report:

- Ratio Analysis
- Common Size Analysis

1.4 Study Objectives:

Objectives of the study are as follows-

1. To evaluate the five years financial performance of FSIBL by calculating and analyzing different types of ratio.
2. To find out the problems related with financial performance of FSIBL.
3. To propose recommendations for addressing the problems.

1.5 Study Methodology:

1.5.1 Data acquisition- The research must follow a methodical approach, starting with selecting the subject and ending with presenting the final report. To gain an understanding and insight into the financial performance of FSIBL, this inquiry made use of descriptive approaches. To carry out the study, the sources of data were first discovered and then collected. After that, the data were methodically classified, analyzed, interpreted, and presented, and the most important results were retrieved. An explanation of the approach that was followed throughout the whole of this investigation is provided in the following paragraphs.

Sources of data:

While conducting this research, primary and secondary sources were acquired for the material.

Secondary Sources:

- FSIBL's official website (<http://www.fsibld.com>).
- Annual report of the FSIBL, 2018-2022.
- A brochure for FSIBL products.
- LankaBd, accessible at <http://lankabd.com>

Analyzing the Data:

- All of the data analysis was carried out with the assistance of Microsoft Excel.

1.6 Study Limitations:

Despite the abundance of resources, the report's completion was not without its constraints.

In terms of constraints, the following are some of the more notable ones:

- More than one month is required to understand any branch's financial procedures comprehensively.
- It is impossible to devote sufficient time and energy to studying the financial system while sitting at a single workstation.
- Due to their employment constraints, acquiring all the actual information from various personnel is extremely difficult.
- Because specific finance disciplines are not addressed in our courses, certain activities were challenging to comprehend.
- The Bank's policy prohibiting the disclosure of confidential data and information poses a significant barrier to the report's completion.
- As a result of sparse information, assumptions were occasionally made. Therefore, some errors in presumption are possible.

Chapter: 02

About First Security Islami Bank Limited

2.1 Profile of First Security Islami Bank Limited:

The Islamic religion requires its adherents to cultivate an all-encompassing lifestyle. Pursuing success is the primary aim within the Islamic way of life, which spans both this life and the next. This is because success is the foundation of an Islamic existence. We must stick to the principles given in the Quran and endeavour to mimic the way of life of Hazrat Muhammad (Sm) in every part of our lives to attain unmatched success. Only then would we be able to reach success that would be unmatched? First Security Islami Bank Limited was created in 1999 to develop a modern banking system based on the Quran and Sunnah teachings.

The board of directors of the Bank is comprised of thirteen eminent and committed Islamic individuals from Bangladesh. Moreover, they are renowned for the wisdom that they possess. There are 1432 people working at First Security Islami Bank Limited, which is spread out among 68 branches. There is a difference between the authorized capital of Taka 2800 million and the paid-up capital of BDT 1748.18 million.

2.2 First Security Islami Bank Limited's Objective

The organization's primary objective is to provide products and services of the highest possible quality to its markets. They labour with genuine honesty and unrelenting determination to progress toward the bank's business goals. Clint is satisfied with the company because it has a reputation for being trustworthy, accountable, socially responsible, and giving outstanding service to customers. Clint took the time to express his satisfaction with the organization.

2.3 First Security Islami Bank Limited's Vision

In the first set of security measures, an assessment is made about the use of technology, the provision of customer service, and the likelihood of anything occurring. Islami Bank's major purpose is to achieve the maximum possible degree of efficiency, which was the primary impetus for its establishment.

2.4 Islami Bank Limited, Goal First Security

To prepare for the future, First Security Islami Bank Limited has set several goals. Two of these goals are creating an automated and computerized environment that provides a one-stop service and investigating a new frontier of inventive modern banking. A plan that involves these sorts of operations is a component of the strategy.

2.5 Activities of FSIBL:

Additionally, the General Banking activities of First Security Islami Bank Limited are comprised of the five sectors.

1. In the first part of the account, the introductory section
2. Section of Clearing
3. Section on Remittances
4. Section on Deposits
5. Cash Division

2.6 Products offered by FSIBL:

1. Deposit Products

- Present-day Al-Wadiah Deposition
- One example is the Mudarabah Savings Deposit.
- The Temporary Mudarabah Deposit
- Term deposit in Murabah currency:
 1. One Month
 2. Three Months
 3. Six Months
 4. Twelve Months
 5. Twenty-Four Months
 6. Thirty-Six Months
- FXD stands for foreign currency deposit.
- TM Mudarabah Savings Initiative:
 - Monthly Savings Initiative.
 - Monthly Profit Programme.
 - Mudaraba Programme for Six-Year Double Benefit Deposits.
 - The Mudaraba Triple Times Deposit Scheme will succeed in ten years.

- The Mudaraba Four Times Deposit Scheme has a 12-year duration.

2. Investment Products

➤ The funds were utilised or invested as follows:

- Bai-Murabaha; Deferred Lump Sum/Instalment Sale
- Bah-Muajjal, alternatively referred to as deferred installment or total sum sale,
- An Ijara, which is an agreement for leasing
- Musharaka, also known as profit-sharing and joint ventures
- Mudaraba, which refers to shared profits for trustees
- Bai-Salam (Major Purchase and Sale in Advance)
- Acquire-Have
- Direct Investments
- Ijara (A Leasing Agreement)
- Import-Following Investment
- Acquisition and Determination of Export Bills
- Payments Relating to Murabaha Imports
- Bills submitted by Bai-Muajjal for imports
- Investment Prior to Conveyance of Goods
- Beneficient investment, also known as Quard-ul-Hasan

❖ This is a letter of guarantee.

- Our Promised Bid
- Assurance of Performance
- Guarantee for Subcontractors
- Transport Guarantee
- Guarantee of Payment in Advance
- Instead of security deposits, a guarantee
- Guarantee of customs duty exemption

➤ A Letter of Credit (L/C) or consecutive Letters of Credit (L/C)

➤ Sophisticated Schemes

- Tender Assurance
- Scheme for Consumer Investment
- Scheme for SME Investment,
- Scheme for Lease Investment,

- Employ Purchase,
- Scheme for Earnest Money Investments,
- Mortgage Investment, as an example
- Scheme for Employee House Construction,
- Investment cards such as VISA and EEF; ATMs etc.

3. Transferring Money Abroad

4. Payment of the Utility Bill

5. Service for Lockers

- Personalized service
- Access to facilities beyond the designated schedule
- Parcel management
- Secure storage of merchandise and bonds/shares
- Lockers are offered in an assortment of sizes. Such as the sizes Small, Medium, and Large.

6. Transaction Services Over the Internet and in-person

7. In the realm of foreign exchange, business transactions and services

3.1 Ratio Analysis

The investigation of the correlations that exist between several different financial variables is what is known as ratio analysis. It investigates the connections that exist between these various factors. It examines several aspects of a company's operations and finances, including profitability, liquidity, efficiency, and solvency, among other things. To determine if these ratios are moving in an upward or downward direction, the temporal trend of these ratios is analyzed. A percentage, a rate, or a proportion are examples of expressions that may be used to convey ratios. Every one of them is an illustration of a representation. In financial accounting, ratio analysis is currently of the utmost relevance. While examining a firm's economic condition, several stakeholders, such as creditors, investors, management, and financiers, use the ratio to throw light on the decision-making processes they participate in. This study aims to look at the operational and financial performance of First Security Islami Bank Limited (FSIBL) for the years 2018, 2019, 2020, 2021, and 2022 to identify the outcomes of those evaluations. The ratios and analyses that are used the vast majority of the time are included in the report.

Because they give indications and symptoms of situations that are not yet present, a considerable number of ratios are used to evaluate financial accounts. This is because they provide information about the state of affairs. When it is difficult to recognize patterns and circumstances, a ratio may assist in identifying them. It is possible to do this by examining the ratio's components in their respective proportions. The use of ratios is an example of anything that may be classified as belonging to this category. This is similar to how other analytical tools often concentrate on the future. Their value is based on the ability to interpret them correctly, and they are frequently exposed to modifications to consider the future trajectory that is most likely to occur, as well as the breadth of the issue. The term "ratio" is used to indicate the mathematical connection that exists between two quantities. This connection is referred to as the relationship between the two quantities. If the quantity is written down, it can be

represented using several different phrases, including a percentage, a rate, or a proportion. This is because even though the calculation of ratios is a straightforward mathematical process, the understanding of ratios is only sometimes clear. A ratio must be linked to a significant economic relationship to be functional. This is a requirement for the ratio to be functional.

This section delineates an essential collection of financial ratios and their respective applications. The selected ratios are organized by the four fundamental components of financial statement analysis. The following are as follows:

- (i) The liquidity ratio (CRR)
- (ii) Ratio of action
- (iii) Ratio of Efficiency
- (iv) Ratio of profitability
- (v) Ratio of Credit Risk

3.1.1 Quantity of Liquidity

The degree to which a firm has the resources necessary to satisfy its impending financial commitments by the time those obligations are due is the company's liquidity. The temporal features of cash inflows and withdrawals and expectations for future performance are a few examples of the elements that influence it. Other examples include things like projections for future performance. An organisation's liquidity analysis aims to ascertain the amount of money the business requires to function correctly.

In order for a company to continue existing, it is necessary for it to meet its financial responsibilities. At this vantage point, every other measure of analysis is seen as being of less relevance than the one previously mentioned. It is essential that we constantly assess the veracity of this assumption by applying liquidity measures in our study, despite the fact that accounting measurements indicate the continuous existence of the organization.

This section delineates the primary ratios that are pertinent to the evaluation of the liquidity ratio:

- Cash to Ratio
- Ratio of Cash to Assets
- Currency to Deposits
- The ratio of loans to total deposits
- Partially Employed Assets

3.1.2 Activity Ratio

Activity ratios evaluate how well a business can convert the items on its balance sheet into revenue. Activity ratios examine how an organization uses resources, leverage, and similar elements on the balance sheet to determine its relative effectiveness. They are essential for assessing how well a business's management transforms resources into income and profits. Activity ratios evaluate a company's operational effectiveness and profitability. These ratios are beneficial in assessing how advantageous or disadvantageous an organization's procedures are compared to a rival or industry. Activity ratios may be used to make comparisons between different reporting periods to determine temporal variations.

This section delineates the primary ratios that are pertinent to the evaluation of the activity ratio:

- Turnover of Total Assets
- Equity Turnover

3.1.3 The Ratio of Efficiency

The degree of output an organization can attain via its resources is referred to as efficiency. Generally speaking, efficiency is evaluated based on the amount of money generated from a certain number of assets. Inefficient exploitation of assets may also lead to liquidity issues, which is another potential source of concern. The presence of restricted liquidity is sometimes an indication of deteriorating profitability and limited possibilities. Additionally, clients and suppliers are impacted by short-term liquidity shortages; banks are very vigilant in this regard. This section delineates the primary ratios that are pertinent to the evaluation of the efficiency ratio:

- Interest Income on Expenses
- Expenditures for Working Capital
- The operational income-to-asset ratio
- Ratio of Operating Expenses to Revenue

3.1.4 The Ratio of Profitability

To determine whether or not a company is able to generate a profit from its expenditures, a set of financial indicators called profitability ratios is used. The majority of these ratios have a greater value than the ratio of a competitor or the same ratio from a prior period, which indicates that the firm has been performing to a satisfactory level. This demonstrates that the organization has been doing well in recent instances.

The ability of a company to produce positive cash flows and make profitable use of its assets is of particular importance to us. Profitability is an organization's capacity to generate a positive return on its capital investments. Return on investment is calculated by evaluating earnings and the kind and quantity of funding. Solvency is also influenced by profitability. The importance of crucial profitability indicators in the examination of financial statements is explained in this section.

This section delineates the primary ratios that are pertinent to the profitability activity ratio:

- Margin of Operating Profit
- Margin of Net Profit
- Asset Return
- Equity Return

3.1.5 The ratio of credit risk

The risk associated with credit is the probability that the borrower may be unable to maintain the financial means necessary to repay the loan. Put another way, the creditor may choose not to return either the principal amount or the interest payments themselves. Depending on the circumstances, the principal amount may be repaid in whole or part. The circumstance causes the lender to incur financial losses due to the increased collection expenses and disruptions to cash flow that it causes. It may be the consequence of several different circumstances, including the inability to repay principal and interest owing to inadequate cash flows from the borrower, shifting market conditions that result in increased interest rates for loans with variable interest rates, the demise of a firm, going into default, or not repaying the loan.

The following section delineates the crucial ratios pertinent to the credit risk activity ratio:

- An assets-to-equity ratio
- Loans Concerned with Equity

3.2 Analysis of Common Size

A common-size analysis aims to study a group of items as they appear on a financial statement or an individual item about an amount that has been established in advance. This analysis may be performed on either the group or the particular item. Significant aggregate statistics are the base, total revenue or income for a bank's income statement and total assets for a balance sheet. These are all examples of critical aggregate statistics. When added together, these two numbers constitute the bank's total assets. Common-size assertions are an obligatory need for any analysis performed using a common-size metric. To prepare for the common-size study, the income statements and balance sheets of FSIBL for the last five years were created using the common-size format.

By using FSIBL common-size statements, I can ascertain the differences in the relative importance of each item included in the financial statement. Every amount is recalculated in common-size statements using common-size percentages throughout the process. Between 2018 and 2022, a comparative analysis is carried out on the income statements and balance accounts presented similarly.

3.2.1 Balance Sheets of Common Size

A balance sheet of standard size indicates the relative proportion and numerical value of each account for equity, total liabilities, and total assets.

An examination of the relative magnitudes of each asset, debt, and equity account may be performed more quickly using a balance sheet that incorporates standard dimensions. The total assets are related to the value of each asset line item in the balance sheet. It is also possible to determine the worth of a specific responsibility by looking at the overall amount of liabilities. When compared to this, the overall equity value is evaluated in every equity account. Therefore, each primary account classification will be comparable to one hundred per cent since the total of all lesser components will equal the primary account classification. This is because the sum of all fewer components will equal the primary account classification.

3.2.2 Average Income Statement Size

A standard-sized income statement states the sales value as a percentage for each account. This kind of statement is said to be standard size. When doing vertical analysis, which is a method used to assist comparisons, each line item in a financial statement is expressed as a percentage of a key figure inside the statement. This method is applied for vertical analysis.

Examining a standard-sized income statement makes it easier to determine the elements that contribute to a company's profitability and makes it possible to evaluate its performance over that of its rivals. For investors to see trends that could be indiscernible in a raw financial statement, they can examine the temporal development of performance in standard-size financial statements. A change in the business model or the manufacturing costs may be the cause of significant changes in the percentage of revenue assigned to different expenditure categories throughout the period that has been selected.

3.3 Trend Evaluation

A technique used in technical analysis is trend analysis. It analyzes historical data on trends to attempt to predict future changes in stock values. By using this method, traders can acquire insights into future developments by analyzing past events.

Horizontal analysis is one of the subsets that are taken into consideration in trend analysis. The distinction resides in that it computes trend percentages for a series of financial statistics rather than relying on percentage changes along the sequence. This method is more accurate than the traditional method. When doing trend analysis, the word "base period" refers to a specific following time rather than the period that came before it that is being considered.

A bull market run is an example of a trend that may be predicted using trend analysis. Trend analysis aims to ride the trend until evidence shows that it will reverse, which might be a bear market. It is possible to follow the trend until it is no longer present. When investing, it is more beneficial for investors to go in the direction of trends rather than against them since this will result in potential financial benefit. When discussing market trends, we refer to the all-encompassing path that the market follows for a certain amount of time. Markets can be bullish or bearish when coupled with trends that are climbing or sinking appropriately. Even though there are no predetermined minimum length requirements for a direction to be considered a trend, the trend becomes more noticeable as it continues over an extended period.

3.3.1 Balance sheet trend analysis

An accurate and up-to-date picture of a company's financial situation may be obtained using the balance sheet. As a result of the reports that have been presented, it is a great deal simpler to ascertain whether or not the organization is experiencing a terrible economic position. One method that a firm may use to identify whether or not its financial status is improving or worse is to research the percentage change that has occurred in the accounts featured on the balance sheet. The use of trend analysis ensures this outcome. Analysis of trends is one approach that might be used to accomplish this goal. To compute the change, a company will examine the dollar worth of entries on the balance sheet that cover at least two years, beginning with the most recent year. This analysis will start with the most recent year. This is going to be done in order to recognize the change.

3.3.2 Income Sheet Trend Analysis

Horizontal analysis, also known as trend analysis, is a method for analyzing financial statements that illustrates the temporal fluctuations in the amounts of related items on the financial statements. This method is sometimes referred to as trend analysis. This remarkable instrument may help analyze patterns and trends in the environment.

A horizontal analysis makes use of assertions that are relevant to two or more different periods. The things shown on the statements of the succeeding periods are compared to the items displayed on the statements of the base period, which has been the base period for the most significant amount of time ever since it was initially employed. When conveying the changes that have been done, it is common practice to use monetary numbers and percentage measurements.

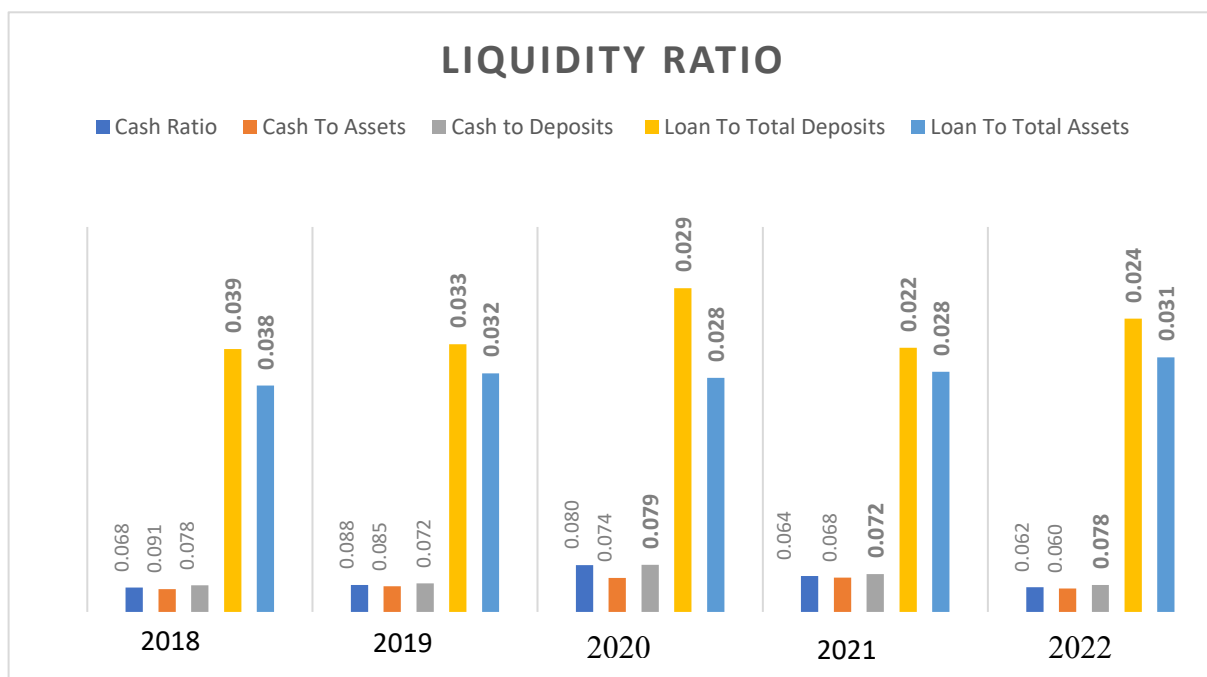
Chapter: 04

Financial Performance of FSIBL

4.1 Ratio Analysis

4.1 Analysis of the Ratio

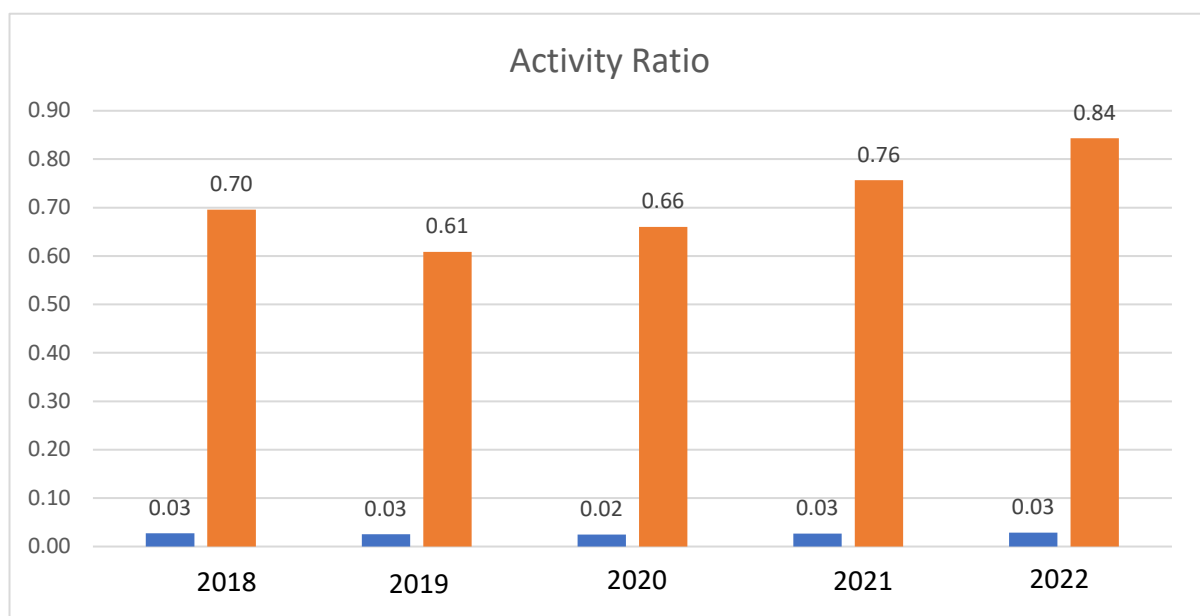
Liquidity Ratio					
Particular	2018	2019	2020	2021	2022
Cash to Ratio	0.068	0.088	0.080	0.064	0.062
Ratio of Cash to Assets	0.091	0.085	0.074	0.068	0.060
Currency to Deposits	0.078	0.072	0.079	0.072	0.078
The ratio of loans to total deposits	0.039	0.033	0.029	0.022	0.024
Partially Employed Assets	0.038	0.032	0.028	0.028	0.031



Interpretation: What is meant by the word "liquidity" in accounting is the ability of a business or organization to pay its financial obligations promptly. This capacity is referred to as "liquidity." The cash ratio, often referred to as the cash coverage ratio, is a liquidity ratio that analyzes the ability of a business to meet its immediate obligations by using cash and cash equivalents. In 2021, FSIBL had a cash ratio of 0.077, which is lower than the cash ratios of 0.112 in 2020 and 0.146 in 2021; hence, FSIBL has seen a fall in cash ratios that is not advantageous. A cash-asset ratio may be calculated by dividing the present value of the organization's cash and marketable securities by its current obligations. This will give you the liquidity ratio. Cash-to-assets ratio for FSIBL fell from 0.107 in 2021 to 0.073 in 2022, a decrease from the previous year. The cash-deposit ratio of the planned FSIBL is a substantial 0.147 as of the year 2019, which indicates the percentage of currency that is in hand and balances with the FSIBL in terms of deposits. Between the years 2018 and 2021, the cash-to-deposit ratio saw a progressive rise, which was then followed by a decline in the year 2022. The bank will have a negative consequence as a result. It is common practice to calculate a financial institution's loan-to-deposit ratio (LTD) by dividing the total loans by the total deposits. This ratio is used to evaluate the liquidity of the business. The ratio of loans to deposits saw a consistent yearly increase, reaching its highest point of 0.914 in 2022. Quantifying the level of leverage that a firm or consumer is displaying may be accomplished via a financial ratio. When expressed as a decimal or a percentage, the debt ratio represents the proportion of total assets comprising both long-term and short-term debt. Another positive development for the organization is the increase in the proportion of loans offered by the bank to the overall assets held by the institution.

4.1.2 Ratio of Activities

Activity Ratio					
Particular	2018	2019	2020	2021	2022
Assets Turnover in Total	2.76%	2.57%	2.50%	2.70%	2.88%
Turnover in Equity	69.56%	60.86%	66.04%	75.63%	84.32%

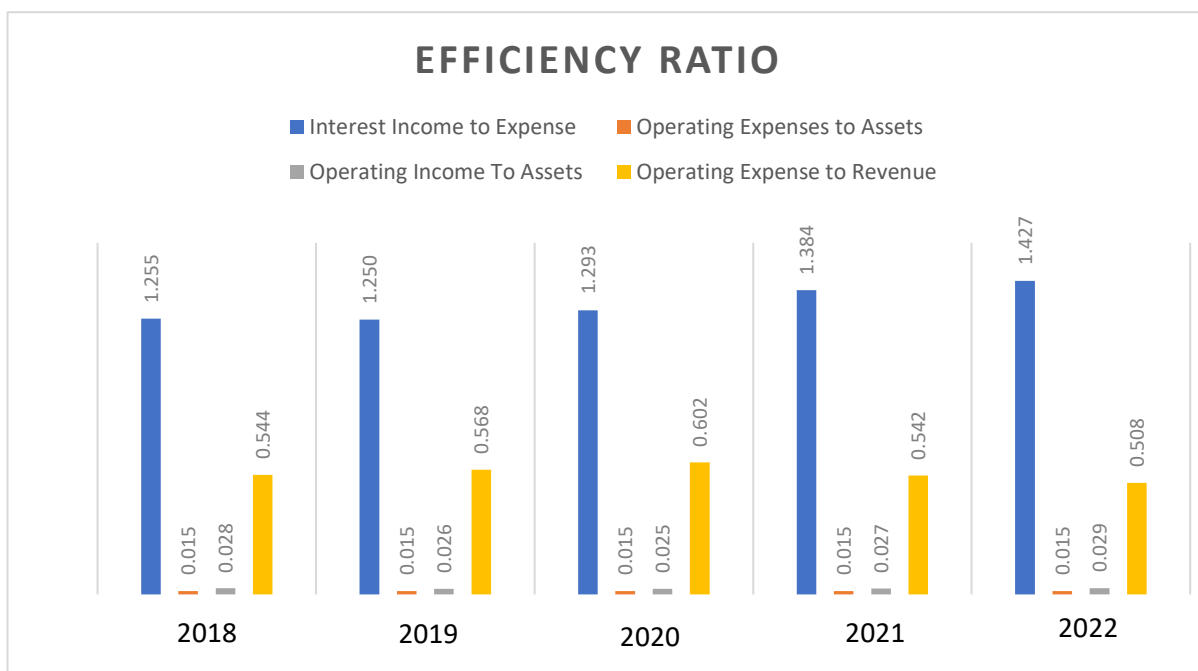


Interpretation: One factor that is considered when determining the credit risk is the buyer's total capacity to repay the loan. With the Equity Ratio, it is possible to arrive at a precise evaluation of the quantity of leverage that a company is in the process of using. The Equity Ratio is a ratio that indicates the percentage of a company's total assets that are supported by its shareholders as opposed to being financed by its creditors. A specific ratio referred to as the Equity Ratio is being discussed here. A constant decreasing trend for the whole of the company's history is shown by the fact that the equity-to-assets ratio of FSIBL declined from 0.040 to 0.034 between 2018 and 2022. For 2018, the ratio of equity to net loans is 0.056, which indicates a progressive reduction over the past four years. This ratio has been steadily decreasing.

4.1.3 Efficiency Ratio:

Efficiency Ratio

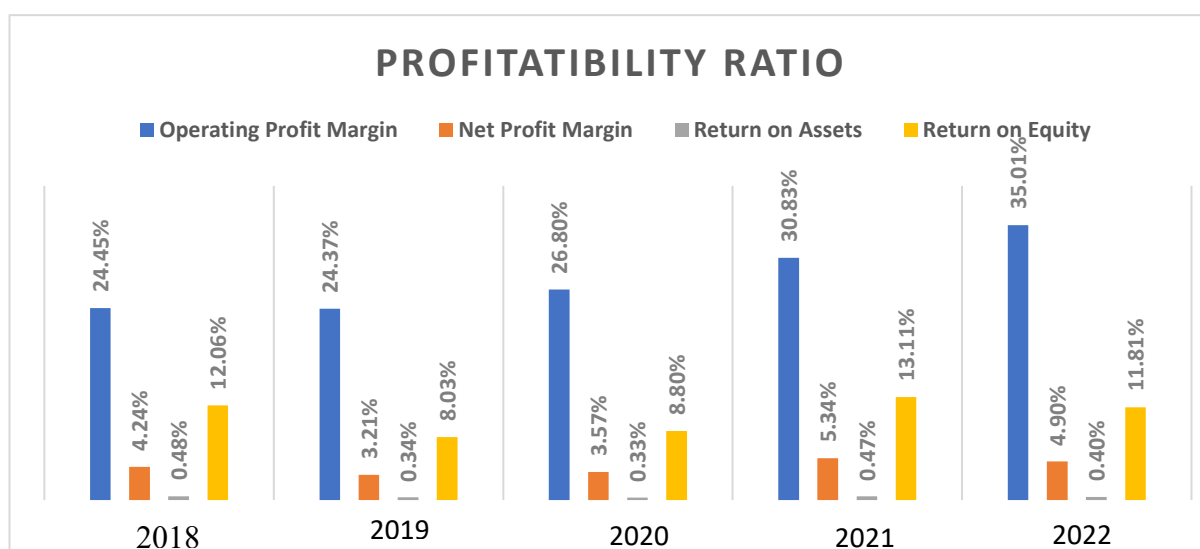
Particular	2018	2019	2020	2021	2022
Income from Interest Expenses	1.266	1.350	1.303	1.348	1.450
Expenditures for Operating Assets	0.018	0.016	0.017	0.019	0.027
Ratio of operating income to assets	0.030	0.025	0.028	0.030	0.035
Expenses of Operating to Revenue	0.550	0.570	0.613	0.542	0.518



Interpretation: This is because most businesses will have taken on debt with a higher interest rate during rising inflation, which means that interest expenses will likely be much higher. In 2018, the ratio of the bank's interest revenue to its expenses was 1.255, and it is expected to grow gradually over the subsequent four years. Between 2018 and 2022, the ratio of operating expenses to assets will remain almost stable. After reaching its highest point of 0.029 in 2020, the ratio of operating income to assets began a slow fall from 2018 to 2022. The operating expenditure ratio (OER) compares the amount of money needed to run a property and the amount of revenue the business generates. A more excellent BEP ratio indicates a more good expenditure ratio. In 2020, the ratio of operating expenses to revenue reached a record high of 0.602, marking the highest level it has ever reached since the bank was established.

4.1.4 The Ratio of Profitability

Profitability Ratio					
Particular	2018	2019	2020	2021	2022
Operating Profit Margin	24.55%	24.40%	26.90%	30.83%	35.24%
Net Profit Margin	4.50%	3.26%	3.60%	5.40%	5.50%
The ROC of assets	0.50%	0.40%	0.37%	0.50%	0.45%
The gain from equity	12.60%	8.30%	8.90%	13.20%	12.90%

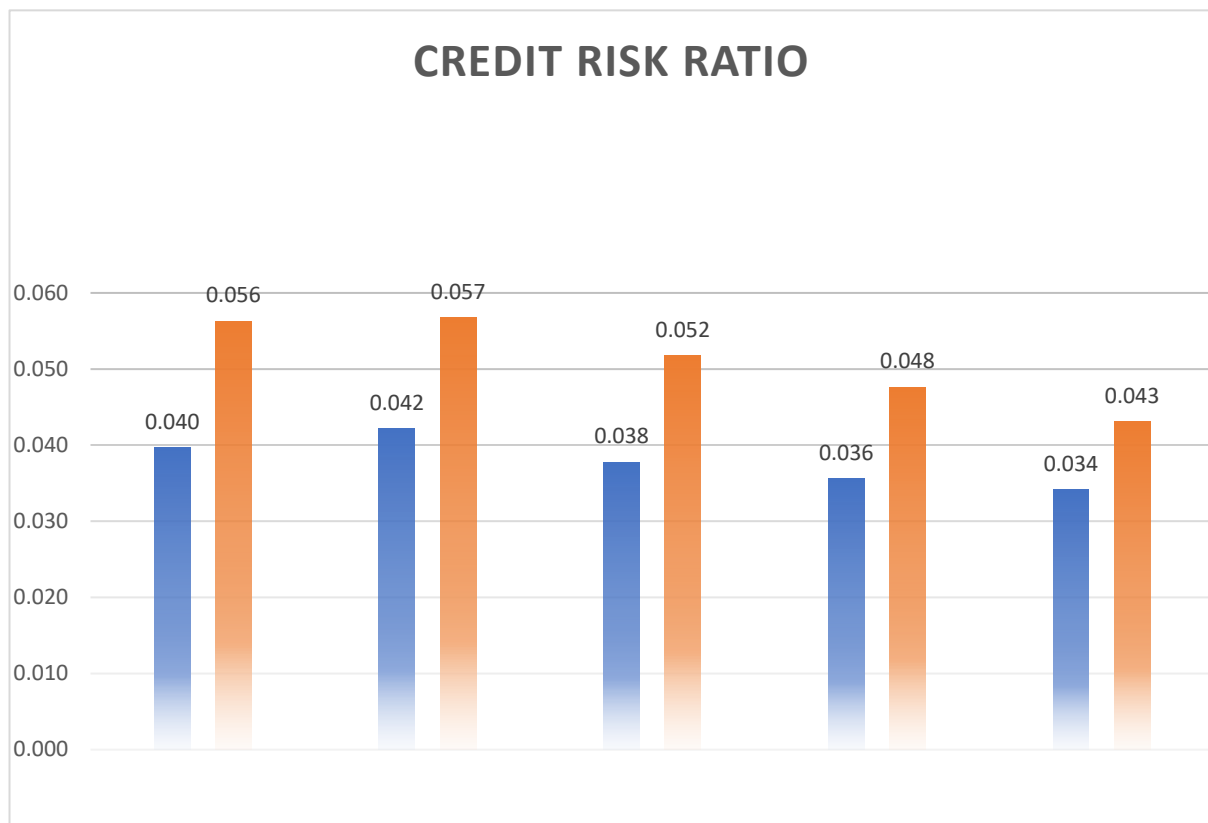


Interpretation: The term "profitability ratios" refers to a group of financial indicators used to assess a company's ability to create revenue from its expenditures and other relevant expenses accumulated over a certain period of time. The return on assets (ROA) ratio is a financial ratio that calculates the percentage of a company's total resources that are used to generate profits. The calculation of it is often accomplished by dividing the net income by the total assets. The rate of return on the bank's investments in 2021 was 0.01, which has remained the same throughout the previous four years. A company's ability to make profits from the capital invested by its shareholders is evaluated using the return on equity ratio (ROE), a statistic used to measure profitability. The Return on Equity was 0.47% in 2021; however, it dropped to 0.040% in 2022, a reduction from the previous year's value of 0.47%. The net profit margin for the year 2018 was 4.24%, while the margin for the year 2022 was one more, bringing the total to 4.90% from the previous year. According to the operational margin, the operating margin is the proportion of a company's revenue after subtracting variable production expenses (such as labour and basic materials). Over the last three years, the net operating margin has been good, with FSIBL 0.47 in 2018 and 0.42 in 2019. In 2022, this financial institution

grew its operating profit margin, which reached 35.01%. This figure is encouraging for the company.

4.1.5 The ratio of credit risk

Credit Risk Ratio					
Particular	2018	2019	2020	2021	2022
Assets to Equity	0.050	0.052	0.058	0.046	0.054
Net to Equity Loans	0.066	0.057	0.062	0.058	0.053



Interpretation: One factor that is considered when determining the credit risk is the buyer's total capacity to repay the loan. With the Equity Ratio, it is possible to arrive at a precise evaluation of the quantity of leverage that a company is in the process of using. The Equity Ratio is a ratio that indicates the percentage of a company's total assets that are supported by its shareholders as opposed to being financed by its creditors. A specific ratio referred to as the Equity Ratio is being discussed here. A constant decreasing trend for the whole of the

company's history is shown by the fact that the equity-to-assets ratio of FSIBL declined from 0.040 to 0.034 between 2018 and 2022. For 2018, the ratio of equity to net loans is 0.056, which indicates a progressive reduction over the past four years. This ratio has been steadily decreasing.

4.2 Common Size of Balance Sheet:

First Security Islami Bank Limited					
Balance Sheet					
Common Size Analysis					
Particular	2018	2019	2020	2021	2022
Property and Assets	16.0 0%	15.1 2%	16.5 5%	0.00 %	11.4 4%
Cash	7.13 %	7.95 %	10.6 1%	10.7 1%	7.31 %
Currently held (external currencies included)	0.80 %	0.62 %	0.51 %	0.57 %	0.49 %
Accounts receivable at Sonali Bank and Bangladesh Bank (including foreign currencies)	6.33 %	7.33 %	10.1 0%	10.1 4%	6.82 %
Equilibrium with other financial institutions and banks	8.87 %	0.29 %	0.14 %	0.17 %	0.19 %
In Bangladesh	8.77 %	0.06 %	0.03 %	0.03 %	0.02 %
Outside Bangladesh	0.11 %	0.23 %	0.10 %	0.14 %	0.16 %
Money at call and short notice	0.00 %	6.88 %	5.80 %	4.81 %	3.95 %
Investment in shares & securities	4.49 %	5.17 %	5.20 %	4.92 %	4.67 %
Government	3.72 %	4.80 %	4.75 %	4.61 %	4.35 %
Others	0.76 %	0.37 %	0.44 %	0.32 %	0.32 %
Loans and advances/Investment	70.5 6%	74.3 7%	72.9 7%	74.8 8%	79.3 5%
Loans, cash credits, overdrafts/General Investments	70.1 5%	74.2 2%	72.8 3%	74.7 0%	79.1 6%
Bills discounted and purchased	0.41 %	0.15 %	0.14 %	0.18 %	0.19 %
Buildings, land, furnishings, and fixtures (including assets that are leased)	1.55 %	1.53 %	1.27 %	1.14 %	1.01 %
Non-Banking Assets	0.00 %	0.00 %	0.00 %	0.01 %	0.01 %
Goodwill	0.00 %	0.00 %	0.01 %	0.00 %	0.00 %
Other assets	7.40 %	3.81 %	9.81 %	3.36 %	3.52 %

Total assets	100 %	100 %	100 %	100 %	100 %
Agent-obtained, other bank, and financial institution borrowings	2.55 %	0.20 %	0.46 %	0.00 %	2.75 %
Deposits and other accounts	86.1 0%	89.0 8%	72.3 2%	90.9 0%	86.8 3%
Current and other deposit accounts at Al-Wadeeah	4.63 %	4.68 %	4.35 %	5.29 %	5.99 %
Savings deposits/Mudaraba Savings Deposits	3.97 %	4.65 %	5.30 %	6.11 %	7.73 %
Mudarabba/ Term and Fixed deposits	61.3 9%	59.7 2%	62.3 3%	62.4 6%	57.4 1%
Other Deposits/ Mudarabba Deposits	15.3 8%	19.5 7%	0.00 %	16.5 6%	15.1 7%
Bearer certificates of deposits	0.00 %	0.00 %	17.8 1%	0.00 %	0.00 %
Bills payable	0.73 %	0.47 %	0.34 %	0.49 %	0.52 %
Other liabilities	5.73 %	5.33 %	0.00 %	4.74 %	5.34 %
Total Current Liabilities	94.3 8%	94.6 2%	72.7 8%	95.6 4%	94.9 2%
Long term liability - Bond	0.00 %	0.00 %	0.46 %	0.24 %	0.00 %
Subordinated Debt/Mudaraba bond	1.54 %	1.16 %	0.73 %	0.46 %	1.56 %
Total Long Term Liabilities	1.54 %	1.16 %	1.19 %	0.69 %	1.56 %
Total liabilities	95.9 2%	95.7 8%	96.1 1%	96.3 3%	96.4 8%
Shareholders' equity	3.97 %	4.22 %	3.78 %	3.57 %	3.42 %
Minority Interest	0.11 %	0.00 %	0.12 %	0.10 %	0.10 %
Total liabilities and shareholders' equity	100 %	100 %	100 %	100 %	100 %

Common Size of Income Statement:

First Security Islami Bank Limited					
Income Statement					
Common Size Analysis					
Particular	2018	2019	2020	2021	2022
Interest income	100%	100%	100%	100%	100%
The cost of interest on borrowings and deposits	79.69%	79.97%	77.31%	72.25%	70.06%
Net interest income	20.31%	20.03%	22.69%	27.75%	29.94%
Income from investments	1.37%	1.50%	0.51%	-0.24%	0.54%
Commission, exchange and brokerage Income	1.85%	1.91%	2.42%	1.90%	3.01%
Other operating income	0.92%	0.92%	1.18%	1.42%	1.52%
Total operating income	24.45%	24.37%	26.80%	30.83%	35.01%
Salaries, allowances and other benefits	6.41%	6.39%	7.47%	8.50%	9.48%
Other operating expense	6.88%	7.45%	8.65%	8.21%	-9.48%
Total operating expenses	13.29%	13.84%	16.12%	16.70%	17.77%
Profit before provision against loans and advances	11.16%	10.52%	10.68%	14.13%	17.24%
Total provision	2.73%	3.33%	4.22%	4.44%	7.31%
Profit before tax	8.43%	7.19%	6.45%	9.68%	9.93%
Current Tax	4.19%	3.98%	2.88%	4.34%	5.21%
Postponed tax	0.00%	0.00%	0.00%	0.00%	-0.19%
Accounting for taxes	4.19%	3.98%	2.88%	4.34%	5.02%
Net profit after tax	4.24%	3.21%	3.57%	5.34%	4.90%

Interpretation: Total assets are the standardized metric used in balance sheet analyses of typical magnitude. According to the accounting equation, this also corresponds to shareholders' equity and total liabilities, rendering the two terms synonymous for analysis. Additionally, total liabilities can be used to discern the precise location of a company's obligations and assess whether its debt management strategy is conservative or hazardous. The value of cash on hand decreased from 0.80% in 2018 to 0.49% in 2022. The value of investments in stocks and securities increased for the first three years but declined for the last two, peaking in 2020 at 5.20 per cent. The value of advances and loans increases by 79.35% between 2018 and 2022, a 70.56 per cent increase. The deposits and other accounts percentage experienced a positive trend for the initial two years (86.10 per cent and 89.08 per cent, respectively) but declined to 72.32% in 2020. Subsequently, it increased to 90.90% and 86.68% in 2021 and 2022, respectively. Annually, interest income increases.

Chapter: 05

Problems, Recommendation & Conclusion

5.1 Problems Identified:

The following is a list of the findings:

1. FSIBL's cash ratio has been declining since 2018 and will continue to decrease in 2020. The bank's liquidity is of the utmost importance and must be handled.
2. The bank's entire asset turnover is decreasing annually. Because the asset turnover ratio is commonly used as a measure of effectiveness, it is imperative that financial institutions make its upkeep a top management priority.
3. The bank's return on assets (ROA) decreased from 2020 to 2021 but has increased for the last two years.
4. The equity-to-assets ratio of FSIBL exhibited a consistent downward trend from 2019 to 2021.
5. The net interest margin exhibits an annual decline from 2019 to 2021.
6. Since 2022, cash to assets has also decreased.

5.2 Recommendations for FSIBL:

Providing a recommendation based on three months of work experience is a difficult task, and it would be audacious of me to give ideas to those with more extensive knowledge and experience than I have. Nevertheless, I think that the organization has space for growth in a few areas, including the ones that are listed below:

1. The bank ought to prioritise expanding its cash ratio and devise strategies to do so. Current obligations will be enjoyable should a bank experience a liquidity crisis.
2. The bank should concentrate its future endeavours on optimising asset utilisation to enhance its overall asset turnover.
3. Return on assets indicates the efficiency with which a bank generates returns from its assets. The bank must focus on improving its ROA.
4. Between 2018 and 2022, FSIBL's equity-to-assets ratio constantly declined. The bank should focus on this.
5. The bank's net interest earnings have to increase. From 2018 to 2022, they continued to decrease year after year. Because it is one of the most important indicators of a bank's performance, the net interest margin must be managed consistently.
6. The financial institution must train its employees to improve the quality of services they deliver to consumers.

5.3 Conclusion

Based on examining the financial statements and ratios, First Security Islami Bank Limited has performed admirably in a limited number of sectors. The comparative analysis of balance sheet items reveals that current liabilities appear greater than assets. When studying comparative income statements, it was observed that the net profit was typically diminished and exhibited fluctuations throughout the period. However, the latter has grown over time compared to the aggregate net profit and total operating income. A common-size comparative analysis of balance sheet items revealed that investments were declining while liabilities demonstrated an ascending trend. Cash, the most liquid asset, experienced a decline while fixed assets grew throughout the period. The operating expenses on the income statement in standard size were excessively high and exhibited a consistent upward trend over time, while the net profit demonstrated a yearly decline. Over most of the period, FSIBL's liquidity ratios grew, which is beneficial for the financial institution. When the bank's profitability is taken into consideration, it is clear that the profit margin, return on assets, and return on equity all showed a lackluster performance with a negative trend. An analysis of the earnings per share ratio unearths this.

Furthermore, an assessment of the solvency ratios reveals that FSIBL ought to make every effort to maintain its leverage ratios, as all of these ratios indicate that it has an exceptionally high level of leverage and, consequently, a greater risk. Additionally, it must augment its equity capital, as excessive leverage can engender heightened risk and indicate the bank's financial fragility. Finally, it is possible to conclude that FSIBL performed adequately overall.

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