

Internship Report
on
Finalcial Performance Analysis
on
First Security Islami Bank Limited



Supervised By

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Date of Submission: 16 January 2019

Letter of Transmittal

16 January 2019

To,

Md. Arif Hassan

Assistant Professor

Department of Business Administration

Daffodil International University

Subject: Submission of Internship Report on “Financial Performance Analysis of First Security Islami Bank Limited”.

Dear Sir,

It is my extraordinary joy to submit you my Internship report provide details regarding **“Financial Performance Analysis of First Security Islami Bank Limited”- A Study on Mirpur Branch**. I have attempted my best to finish this report appropriately following the rules given by you and concerned association.

I have certainty that the Internship program has expanded both of my useful experience and hypothetical learning all things considered. I will be obliged to answer any question that may emerge amid the assessment of this report. Along these lines, I am intensely asking for and trust that you would be sufficiently benevolent to acknowledge my report and oblige consequently.

Sincerely Yours,

M.M. Islam Nayem



ID: 142-11-3887

BBA, (Major in Accounting)

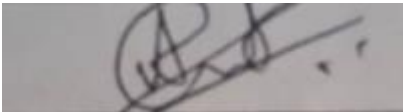
Department of Business Administration

Faculty of Business & Entrepreneurship

Letter of Acceptance

This is to certify that M.M. Islam Nayem, ID-142-11-3887, student of Business Administration of Daffodil International University has successfully completed the BBA Internship program entitled “**Financial Performance Analysis of First Security Islami Bank: A study on Mirpur Branch.** He has completed this work under my supervision and prepared this report according to my direction and guidance.

I wish his all success at every steps of life.



Md. Arif Hassan

Assistant Professor

Department of Business Administration

Faculty of Business & Economics

Daffodil International University

Acknowledgement

It gives me immense pleasure to thank a large number of individuals for their cordial cooperation and encouragement who have contributed directly or indirectly in preparing this report.

Firstly, I express my gratefulness to Almighty Allah who has enabled me to pursue my study.

Finally, I would like to convey my gratitude to my Parents. Without their contribution it would not be possible for me to complete the three months internship as well as my BBA program.

Executive Summary

First Security Islami Bank is one of the leading and largest bank in our country . FSIBL's mission is to achieve business excellence through quality by understanding, accepting, meeting and exceeding customer expectations. FSIBL follows International Standards to ensure consistent quality services to achieve customer satisfaction.

At long last, in the last or five sections, a few recommendations accommodate enhancement in budgetary execution. Also, in general ends is given in this section.

This all are executive summary of my report. All information are given on this report in five different part.

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Chapter - 01
Introduction

1.1. INTRODUCTION

First Security Islami Bank Limited is one of the famous and oldest names in as a business entity. Nevertheless, they are one of the most technologically advanced banking in Bangladesh and persistently struggling for innovating superior services. First Security Islami Bank is the one of the biggest private Bank in Bangladesh.

1.2. OBJECTIVES OF THE STUDY

Main Objectives: The main objectives of this report are to analyze the Financial Performance Analysis of First Security Islami Bank Limited.

Specific Objectives

- ↳ To assess the company's financial effectiveness and weakness.
- ↳ To gather the knowledge about the financial performance tools to analyze the financial performance of FSIBL.
- ↳ To find out some lacking, short comings related to financial issues.
- ↳ To provide some suggestion based on findings.

1.3. METHODOLOGY OF THE STUDY

Sources of data: All the data and information in the study has been incorporated and collected from the primary sources as well as secondary sources. The methodology of the report is given below:

The report was prepared by the help of both primary and secondary information. The details of these sources are highlighted below:

I. Primary Sources

- a) Practical work experiences in First Security Islami Bank Limited.
- b) Face to face talking with officers, managers and employees.

- c) Direct observation of First Security Islami Bank Limited Accounts and Finance Division activities.

II. Secondary Sources

- a) Annual report of First Security Islami Bank Limited.
- b) Internet is also used as a theoretical source of information.
- c) Website and newsletters are also used as major sources.
- d) Prospectus, Relevant books.

1.4. LIMITATIONS OF THE STUDY

In preparing this report different perspectives and encounters are required.

- **Confidentiality:** The bank's policy of not unveiling a few information and data for evident reasons, which would have been especially troublesome for the report.
- **Random changing system:** As the bank is continuously changing its framework time to time, it will be hard to learn the genuine performance of the bank each time.
- **Extreme workload:** Few officers at some point felt bothered, as they were occupied with their activity. At some point they would not like to direct me inside their official work. In some cases it was hard to gather information critical documents are kept in vault for security.
- **Lack of time:** Time imperative was one of the significant downsides in the report. The length of the Report was just three months which was short. Along these lines, I couldn't go inside and out examination.
- **Other limitations:** There was non-accessibility of some previous and most recent information. This is first time for me that I have made a report on financial performance of First Security Islami Bank Limited. Furthermore, numerous reasonable issues have been composed from my own perception that may vary from person to person.

Chapter - 02
The Organizational Profile of FSIBL

2.1. PROFILE OF THE BANK



ফার্স্ট সিকিউরিটি ইসলামী ব্যাংক লিঃ
 FIRST SECURITY ISLAMI BANK LTD.

সবার জন্যে
সবসময়



সমন্বিত গ্রাহক সেবায় আমরা সমৃদ্ধ













First Security Islami Bank Limited (FSIBL)

Corporate Office

House # SW (I) 1/A, Road # 08, Gulshan 1

Dhaka 1212, Bangladesh

Web: <http://www.fsibld.com>



Chapter - 03
Financial Performance Analysis

3.2. Categories of Financial Ratios:

Financial ratios can be divided for convenience into five basic categories:

- ↳ Liquidity
- ↳ Activity
- ↳ Debt
- ↳ Profitability
- ↳ Market Ratio

A. Liquidity Ratio:

The two basic measures of liquidity are:

1. Current Ratio
2. Quick (Acid Test) Ratio

Current Ratio:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Quick (Acid-Test) Ratio:

$$\text{Quick Ratio (Acid-Test Ratio)} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current Liabilities}}$$

3. **Net Working Capital Ratio:** The working capital ratio (Current Assets/Current Liabilities)

indicates whether a company has enough short term assets to cover its short term debt.

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

$$\text{Net Working Capital Ratio} = \frac{\text{Networking capital}}{\text{Net Assets}}$$

B. Financial Ratio Analysis:

The efficiency with which total assets are used can also be assessed.

1. **Inventory Turnover Ratio:** Inventory turnover is an efficiency ratio which calculates the number of times per period a business sells and replaces its entire batch of inventories. It is the ratio of cost of goods sold by a business during an accounting period to the average inventories of the business during the period. The standard inventory turnover ratio is 4:1.

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Good Sold}}{\text{Average Inventory}}$$

2. **Average Collection Period:** The average collection period is the ratio of net credit sales of a business to its average accounts receivable during a given period, usually a year. It is an activity ratio which estimates the number of times a business collects its average accounts receivable balance during a period. It measures how many times a company can collect average accounts receivable during a year. An efficient company's collection period is 30 days.

$$\text{Average Collection Period} = \frac{\text{Accounts Receivables}}{\text{Total Sales}} \times \text{No. of Days}$$

3. **Average Payment Period:** Average payment period is a ratio of net credit purchases of a business to its average accounts payable during the period. It measures short term liquidity of business since it shows how many times during a period, an amount equal to average accounts payable is paid to suppliers by a business. The ideal average payment period is between 45 to 65 days. The average payment period, or average age of accounts payable, is calculated in the same manner as the average collection period.

$$\text{Average Payment Period} = \frac{\text{Accounts Payable}}{\text{Annual Purchase}} \times \text{No. of Days}$$

4. Average Payment Period: Total Asset Turnover Ratios

$$\text{Total Asset Turnover Ratios} = \frac{\text{SalesorRevenue}}{\text{TotalAssets}}$$

C. Debt Ratio:

The ratio is calculated as follows:

$$\text{Debt Ratio} = \frac{\text{Totalliabilities}}{\text{TotalAssets}} \times 100$$

D. Profitability Ratio:

1. Gross Profit Margin: The gross profit margin is calculated as follows:

$$\text{Gross Profit Margin} = \frac{\text{GrossProfits}}{\text{SalesorRevenue}}$$

2. Operating Profit Margin: The operating profit margin is calculated as follows:

$$\text{Operating Profit Margin} = \frac{\text{OperatingProfits}}{\text{SalesorRevenue}}$$

3. Return on Total Assets (ROA): Return on assets is the ratio of annual net income to average total assets of a business during a financial year. It measures efficiency of the business in using its assets to generate net income. It is a profitability ratio. Higher Return on Total Assets for the company is better. The return on total assets is calculated as follows

$$\text{Return on Total Assets (ROA)} = \frac{\text{EarningsavailableforCommonStockholders}}{\text{TotalAssets}}$$

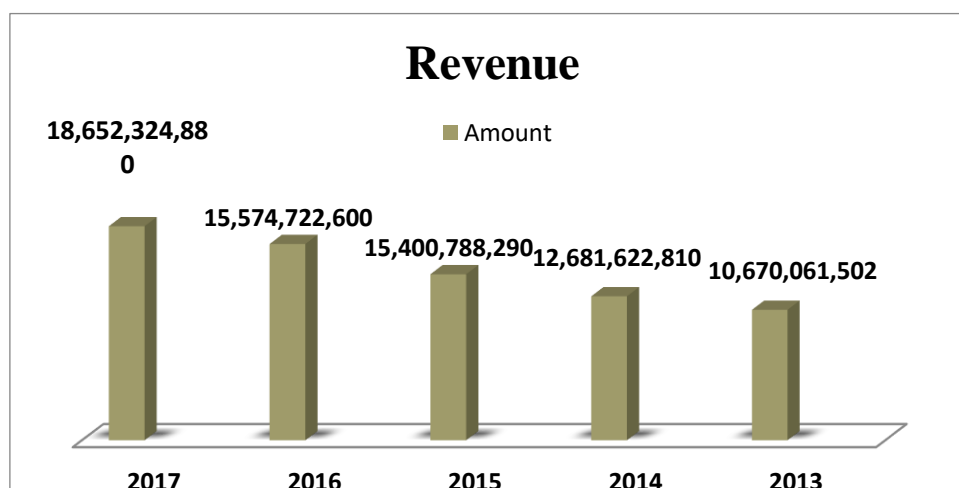
Chapter - 04
Ratio Analysis

To analyze the financial performance all calculation as like horizontal analysis, Common size statements and ratio analysis are given as follow:

4.1. Horizontal Analysis (Trend Analysis): The horizontal analyses of FSIBL. are given below as a table:

1. Revenue

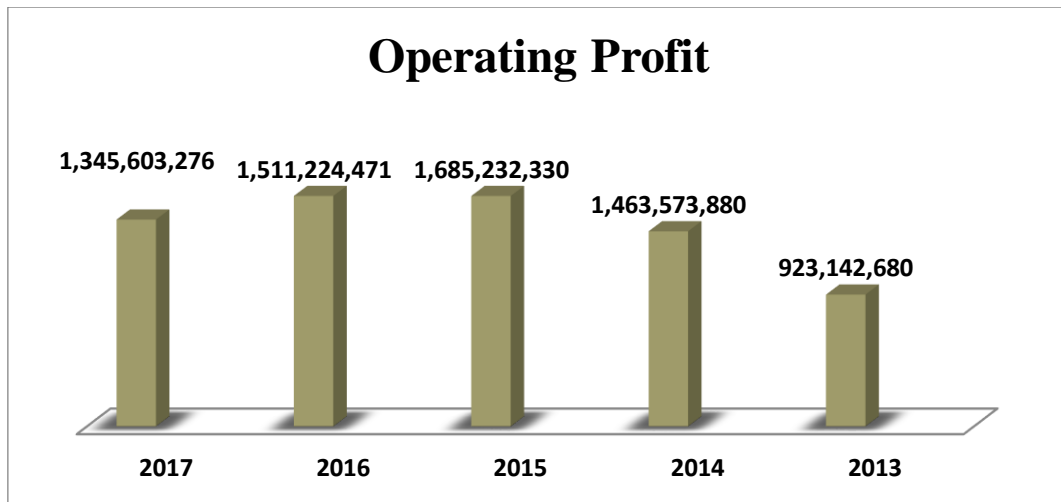
Particulars	2017	2016	2015	2014	2013
Revenue	18,652,324,880	15,574,722,600	15,400,788,290	12,681,622,810	10,670,061,502
Increase or Decrease	1,235,881,242	2,328,120,458	1,838,122,478	3,023,533,155	



2. Operating Profit:

FSIBL Limited's 2013-2017 Operating Profit (Amount in BDT):

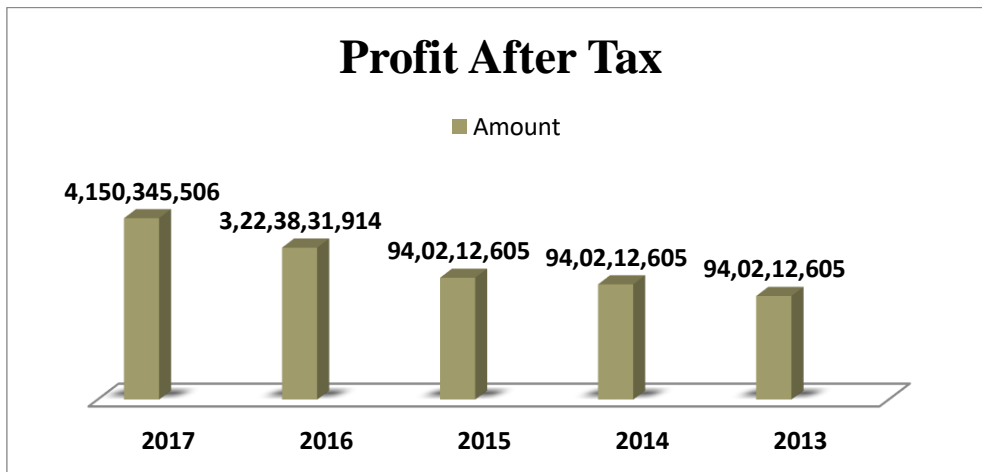
Particulars	2017	2016	2015	2014	2013
Operating Profit	1,345,603,276	1,511,224,471	1,685,232,330	1,463,573,880	923,142,680
Increase or Decrease	(155,431,195)	(183,987,859)	432,758,450	443,426,098	



3. Profit after Tax:

FSIBL Limited's 2013-2017 Profit After Tax(Amount in BDT):

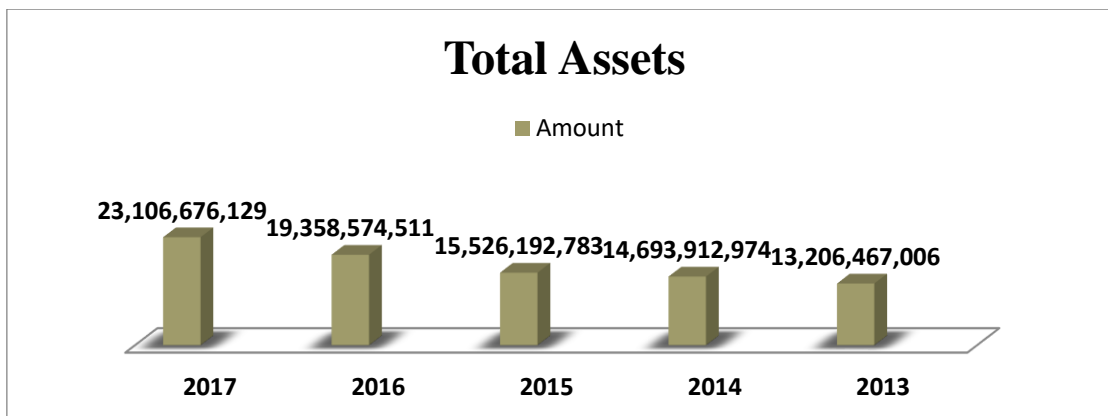
Particulars	2017	2016	2015	2014	2013
Profit after tax	4,150,345,506	3,22,38,31,914	94,02,12,605	660,187,906	445,115,873
Increase or Decrease	(24,216,328)	2,232,818,305	186,525,703	219,072,033	



4. Total Assets:

FSIBL Limited's 2013-2017 Total Assets (Amount in BDT):

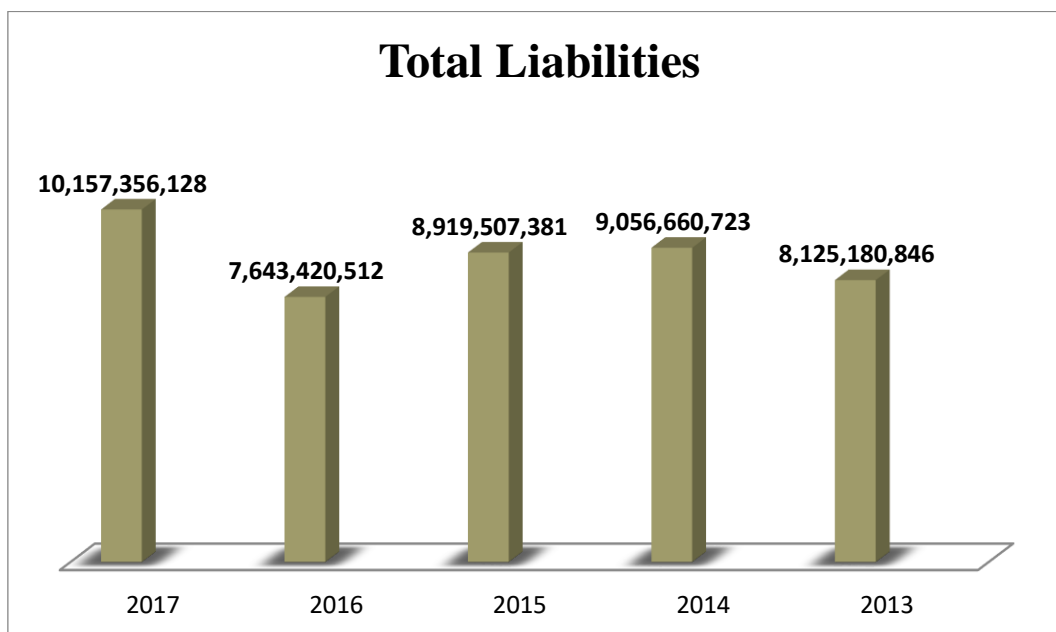
Particulars	2017	2016	2015	2014	2013
Total Assets	23,106,676,129	19,358,574,511	15,526,192,783	14,693,912,974	13,206,467,006
Increase or Decrease	3,748,101,618	3,832,381,728	832,279,809	1,487,445,968	



5. Total Liabilities:

FSIBL Limited's 2013-2017 Total Liabilities (Amount in BDT):

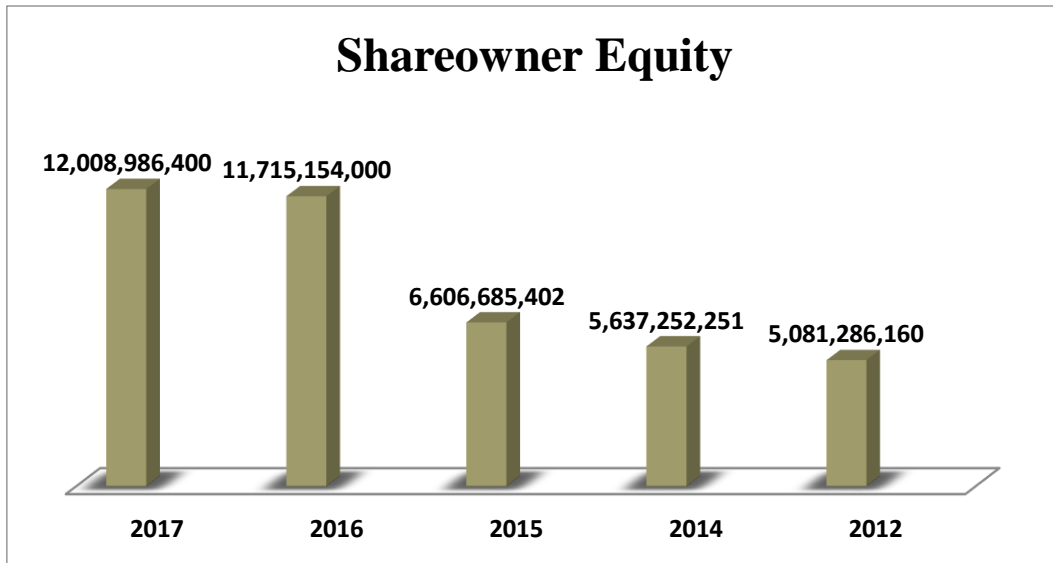
Particulars	2017	2016	2015	2014	2013
Total Liabilities	10,157,356,128	7,643,420,512	8,919,507,381	9,056,660,723	8,125,180,846
Increase or Decrease	2,513,935,616	(1,276,086,869)	(137,153,342)	931,479,877	



6. Shareowner Equity:

FSIBL 2013-2017 Shareowner Equity(Amount in BDT):

Particulars	2017	2016	2015	2014	2013
Shareowners' equity	12,008,986,400	11,715,154,000	6,606,685,402	5,637,252,251	5,081,286,160
Increase or Decrease	1,234,166,001	5,108,468,598	969,433,151	555,966,091	



4.3. Financial Ratio Analysis: The ratios are given below with explanation:

Financial Ratio Analysis of FSIBL

Last Five Years Financial Data Analysis of FSIBL

Particulars	2017	2016	2015	2014	2013
Gross Profit	7,121,570,814	6,262,007,047	5,170,841,756	4,257,530,564	3,590,183,239
Profit before tax	3,849,401,626	3,933,837,954	1,271,889,926	1,014,312,606	736,643,071
Profit after tax	3,159,315,586	3,183,531,914	950,713,609	764,187,906	545,115,873
Shareowner s' equity	12,949,320,001	11,715,154,000	6,606,685,402	5,637,252,251	5,081,286,160
Current Assets	12,606,552,622	10,959,604,714	9,927,161,551	9,461,772,496	8,334,671,204
Total Assets	23,106,676,129	19,358,574,511	15,526,192,783	14,693,912,974	13,206,467,006
Current Liabilities	7,044,771,790	6,547,974,378	8,358,791,057	8,101,494,869	7,101,682,744
Total Liabilities	10,157,356,128	7,643,420,512	8,919,507,381	9,056,660,723	8,125,180,846

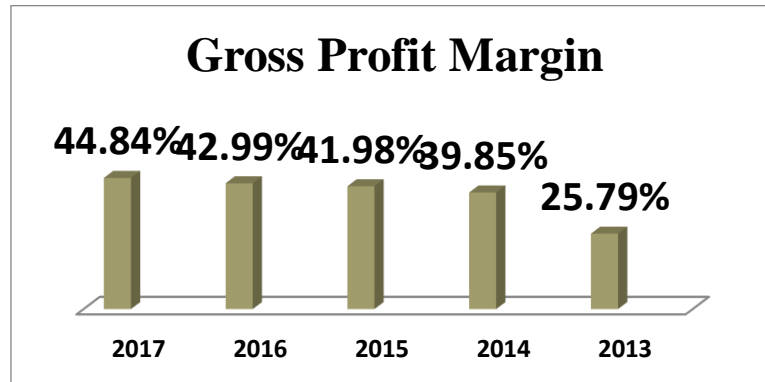
The table above indicates that changes occurred gradually during last five years in Gross Profit, Profit before and after tax, Shareowners' equity, Current assets, Current liabilities, Total assets and Total liabilities of FSIBL.

Profitability Ratio

Table 01: Gross Profit Margin Ratio of First Security Islami Bank Limited

Particulars	2017	2016	2015	2014	2013
Gross Profits	7,121,570,814	6,262,007,047	5,170,841,756	4,257,530,564	5,668,081,752
Sales or Revenue	15,882,424,790	14,566,843,648	12,318,723,190	10,683,600,712	21,976,300,877
Gross Profit Margin	44.84%	42.99%	41.98%	39.85%	25.79%

The fluctuation of the Gross profit margin ratio of First Security Islami Bank Limited is shown in the graph below-

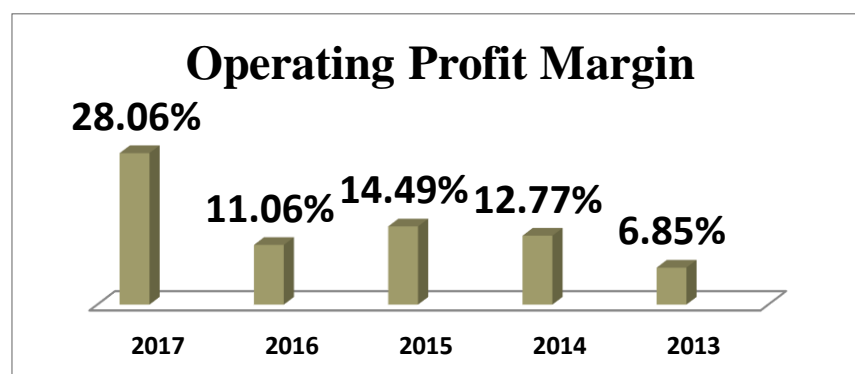


Interpretation: The Gross profit margin of FSIBL was 25.79%, 39.85%, 41.98%, 42.99% and 44.84% from 2013 to 2017 respectively. It rose by highly in 2014 compare to 2013 may be because they minimize their expenses and generated more revenues. It refers good condition of the company.

Table 02: Net Profit Margin ratio of First Security Islami Bank Limited

Particulars	2017	2016	2015	2014	2013
Operating Profits	4,457,032,761	1,611,234,471	1,785,232,330	1,363,473,880	1,504,878,893
Sales or Revenue	15,882,424,790	14,566,843,648	12,318,723,190	10,683,600,712	21,976,300,877
Operating Profit Margin	28.06%	11.06%	14.49%	12.77%	6.85%

The fluctuation of the Net profit margin ratio of First Security Islami Bank Limited is shown in the graph below-



Interpretation: From the above table, it can be seen that from 2013 to 2017 the Operating profit margin has fluctuated due to cost variation in different years. In 2013 it was 6.85% and from 2014 to 2015 it was increased and the ratio was 12.77% (2014) and 14.49% (2015). In 2015 it was slightly decreased compare to previous two years. And in 2017 it was highly increased and that was 28.06%.

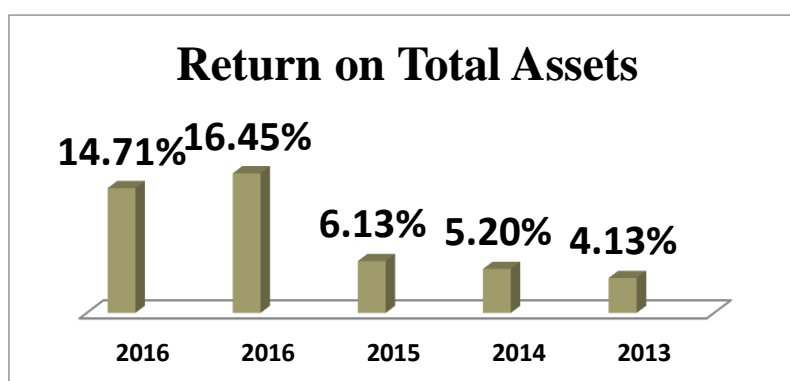
This 28.06% means that for every TK.1 of income, only 28.06 Paisa remains after the operating expenses have been paid.

Table 03: Return on Asset ratio of First Security Islami Bank Limited

(Figure in Million Taka where applicable)

Particulars	2017	2016	2015	2014	2013
Earnings available for Common Stock holders	3,398,288,965	3,183,531,914	950,713,609	764,187,906	545,115,873
Total Assets	23,106,676,129	19,358,574,511	15,526,192,783	14,693,912,974	13,206,467,006
Return on Total Assets	14.71%	16.45%	6.13%	5.20%	4.13%

The fluctuation of the Return on Asset ratio of First Security Islami Bank Limited is shown in the graph below-



Interpretation: Here in table it can be seen that in, 2013, 2014, 2015 & 2016 the ROA ratio was respectively 4.13%, 5.20%, 6.13% & 16.45%. In 2016 it decreased slightly to 14.71% due to lower earnings compare to the previous year. Here 14.71% means FSIBL. generates 14.71 TK by using TK 1 assets.

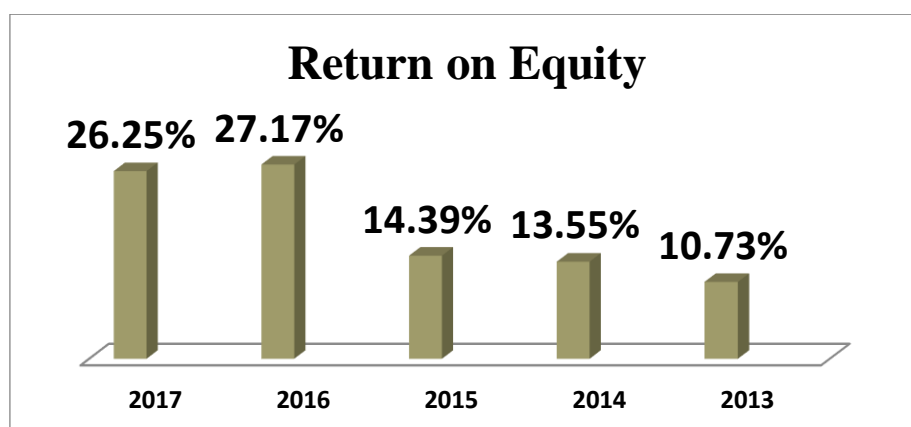
Table 04: Return on Equity ratio of First Security Islami Bank Limited

(Figure in Million Taka where applicable)

Particulars	2017	2016	2015	2014	2013
Earnings available for Common Stock holders	3,398,288,965	3,183,531,914	950,713,609	764,187,906	545,115,873
Common Stock Equity	12,949,320,001	11,715,154,000	6,606,685,402	5,637,252,251	5,081,286,160

Return on Common Stock (ROE)	26.25%	27.17%	14.39%	13.55%	10.73%
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The fluctuation of the Return on Equity ratio of First Security Islami Bank Limited is shown in the graph below-



Interpretation: Here the ratio was 10.73% in 2013. This means that every Tk.1 of common shareholder's equity earned about 10.73 Paise this year. In other words, shareholders saw a 10.73 percent return on their investment. From 2014 to 2016 it was highly increased respectively 13.55%, 14.39% and 27.17%. In 2017 it shows that, the ratio was slightly decreased by 26.25%. But considering a growing organization this percentage of return is acceptable.

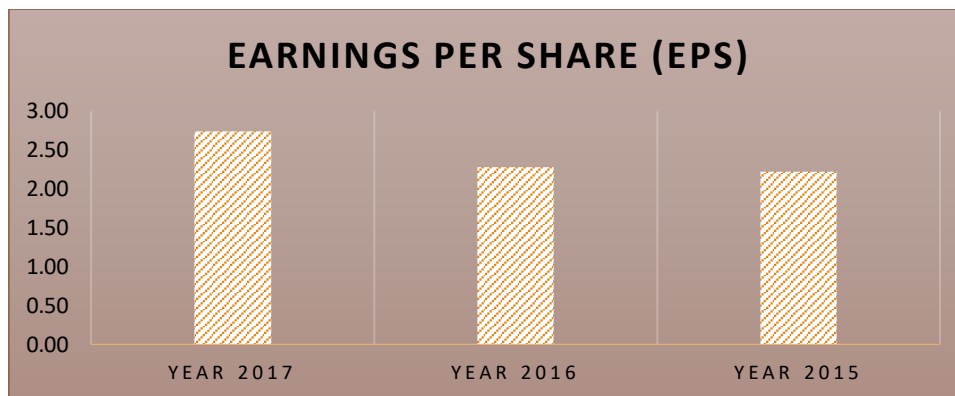
Earnings per share EPS:

Formula:

$$\text{EPS} = \frac{\text{Net Income} - \text{Dividend on Preferred Stock}}{\text{Average outstanding Share}}$$

Year	Net Profit After Taxation	Number of Ordinary Shares Outstanding	Ratio (Tk.)
2017	1,908,694,826	695,722,694	2.74
2016	1,587,083,690	695,722,694	2.28
2015	1,545,304,249	695,722,694	2.22

Graphical Presentation of Earnings per share (EPS)

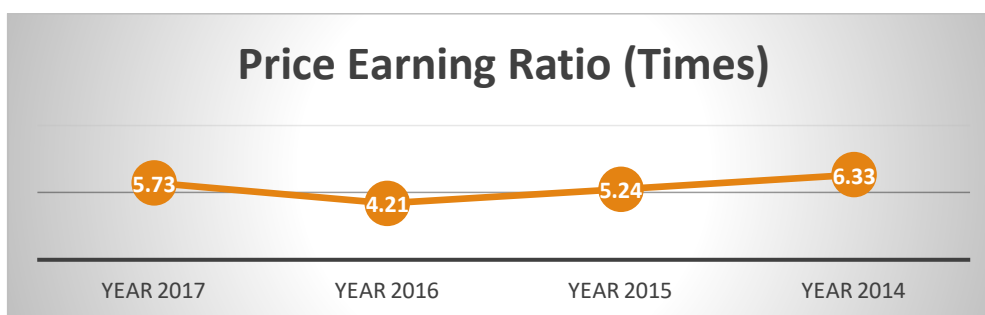


Price Earnings Ratio

Formula:

$$\text{Price Earnings Ratio} = \frac{\text{Stock Price Per Share}}{\text{Earning per share}}$$

	Year 2017	Year 2016	Year 2015	Year 2014
Price Earnings Ratio (Times)	5.73	4.21	5.24	6.33



Return on investment

Formula:

$$\text{Return on Investment} = \frac{\text{Net INCOME}}{\text{Total Investment}} \times 100$$

Total Investment				
Investments	Year 2017	Year 2016	Year 2015	Year 2014
Investments	22334.49	22,471.04	23,596.30	19,908.99
Loans, advances, and lease/ investments	135891.06	113,723.81	91,217.45	69,818.14
Total Investment	158225.55	136194.85	114813.8	89,727.13

Year	Net Income (In Million)
2017	1909
2016	1587
2015	961
2014	864

Return on Investment			
For the year 2017	For the year 2016	For the year 2015	For the year 2014
$= \frac{1909}{158225.55} \times 100$	$= \frac{1587}{136194.85} \times 100$	$= \frac{961}{114813.80} \times 100$	$= \frac{864}{89,727.13} \times 100$
= 1.21%	= 1.17%	= 0.84%	= 0.96%

Interpretation: The return on investment ratio measures how effectively a company can earn a return on its investment. The ROI shows a little fluctuating result over the four years. Over this four-year period, the value of this ratio ranged from 0.96% to 0.84%, 1.17% and 1.21%.

4.4. LIQUIDITY RATIOS

a) Current Ratio:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current Assets				
Particulars	2017	2016	2015	2014
	Amount in TK.	Amount in TK.	Amount in TK.	Amount in TK.
Cash & Cash Equivalent	11,338,246,488	10,035,167,151	8,534,064,596	7,276,187,578
Balance with other bank & financial Institutions	926,436,073	1,100,594,938	1,451,506,552	5,159,293,651
Investments	23,164,705,952	23,301,143,562	24,426,394,826	19,908,994,903
Loans & Advances and lease/investments	137,728,107,037	113,777,562,064	91,318,508,129	69,818,140,464
Total	173,157,495,550	148,214,467,715	125,730,474,103	102,162,616,596

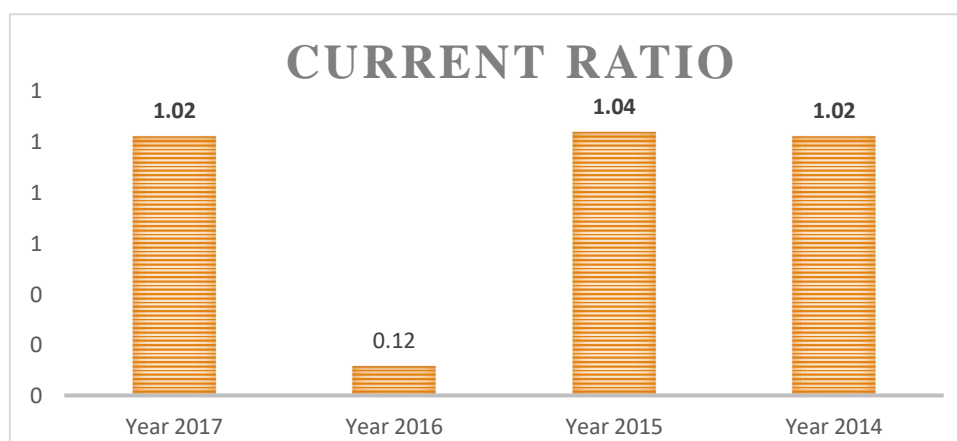
Current Liabilities				
Particulars	2017	2016	2015	2014
	Amount in TK	Amount in TK	Amount in TK	Amount in TK
Borrowing from other bank & financial Institutions & Grants	15,084,474,001	4,869,857,372	4,915,876,816	4,146,546,458
Non-convertible subordinated bonds	7,000,000,000	6,000,000,000	3,000,000,000	2,000,000,00
Deposit in other Accounts	140,644,053,680	1,256,403,709,898	108,875,127,732	90,503,763,183
Other Liabilities	6,649,505,297	6,743,819,530	4,242,228,686	5,375,555,824
Total	169,378,032,978	1,274,017,386,800	121,033,233,234	95,879,319,007

Current Ratio for the Year-2014 to 2017

Current Ratio			
For the Year-2017	For the Year -2016	For the Year- 2015	For the Year- 2014
Current Ratio	Current Ratio	Current Ratio	Current Ratio
$= \frac{173,157,495,550}{169,378,032,978}$	$= \frac{148214467715}{1,274,017,386,800}$	$= \frac{125,730,474,103}{121,033,233,234}$	$= \frac{102,162,616,596}{100,025,865,465}$
= 1.02 : 1	= 0.12 : 1	= 1.04 : 1	= 1.02 : 1

The fluctuation of the Current ratio of First Security Islami Bank Limited is shown in the graph below-

Graphical Presentation of Current Ratio



Interpretation: The main reason of increase is increase of current asset and decrease in current liabilities than 2015 & 2017. The Current ratio of 2016 is lower than the other two years. The reason is decrease in current asset & increase in current liability.

Chapter - 05
Findings, Recommendation and Conclusion

5.1 FINDINGS OF THE STUDY

Overall finding that we observed from above ratio analysis of First Security Islami Bank are stated below:

Horizontal Analysis

1. **Revenue:** There is an increasing trend in the changes of revenue. But in 2016, the changes in revenue decline were 9.03% compared to 2015. So, in each year company's total revenue is increasing which leads to sale are adequate.
2. **Operating Profit:** Total growths of operating profit of FSIBL were decreased (BDT 155,431,195) in 2016 than the year of 2015 and 2014. That's not a good sign of this company.
3. **Profit after Tax:** The average Profit after Tax BDT 24,216,328 of FSIBL was decreasing in 2016 than in 2015.
4. **Total Assets:** The total growths of total assets of FSIBL were increased and the condition of total assets of this company is quite good.
5. **Total Liabilities:** FSIBL's total liabilities are increasing and that percentage is 32.89%, which makes their lending capability is adequate.

Profitability Ratio:

1. There is an increasing trend (from 42.99% to 44.84% in year 2015 to 2016) of **Gross profit margin** at FSIBL so it is quite good.
2. In **Operating Profits** there have increased trend. And in 2016 it was highly increased and that was 28.06%. So it is also good.
3. **Return on Total Assets** shows increasing trends, which is desirable. But in the last year it was slightly decreased.
4. **Return on Common Equity** shows increasing trends. But in last year it was slightly reduced.

5.3 CONCLUSION

First Security Islami Bank Limited is trying to establish the maximum welfare of the society by maintaining the principles of Islamic Shariah which is based on Quran and Sunnah. Both Islam and Bangladesh bank discouraged luxurious lifestyle. Therefore, in terms of consumer investment First Security Islami Bank Limited also discourages luxurious lifestyle, and always tries to give investment only to those consumers who really need it. As a result, at a time it reduces the extensive usage of luxurious products and also upgrades the lifestyle of society by serving the deserved people.

The First Security Islami Bank Limited is the pioneer of the welfare activities in Bangladesh. It is emphasizing equally in developing the rural areas of the country. The special feature of the Investment Policy of the Bank is to invest on the basis of profit-loss sharing system in accordance with the tenets and principles of banking & Islamic Shariah. Earning of profit is not the only motive and objective of the Bank's Investment Policy rather emphasis is given in attaining social goal and objective in creating employment opportunities.

Having been considered the pro-efficiency character of modern banking and its beneficial impacts on the economy, government policy in countries should be in favor of transforming conventional banking system into modern banking.

