



Internship Report on
Financial Performance an Analysis of First Security Islami Bank
(FSIBL),
City University Branch





“Submitted to”

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Letter of Transmittal

May 16, 2021

Dr. S M Sohel Rana

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Sub: Submission of the internship report titled “Financial Performance an Analysis” of First Security of Islami Bank Limited (FSIBL), City University Branch.

Dear sir,

With due consideration, the report would like to notify you that I have completed my internship report. "Financial Performance Analysis of First Security Islami Bank Limited" at FSIBL, City University Branch of Bangladesh. In a practical manner, the study gathered data from all possible sources. The Study attempted to follow your instructions in a systematic fashion when drafting the paper.

I genuinely hope that you will approve of this paper, and I also hope that The Study will receive your kind consideration in regards to its acceptance.

Yours Sincerely,

Faisal Hossain

ID: 171-11-5349

BBA

Major in Finance & Marketing

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Certificate of approval

This is to certify that Faisal Hossain, ID:171-11-5349, BBA (Finance & Marketing), is a regular student of Daffodil International University's Department of Business Administration, Faculty of Business and Entrepreneurship. He finished his internship at First Security Islami Bank Limited with flying colours, and he planned this internship under my direct supervision. "Financial Performance Analysis of First Security Islami Bank Limited" is his internship subject. I believe the paper is capable of meeting the BBA program's partial criteria. I would claim that the thesis was done for academic purposes only and that this article is not to be used in a real-world scenario.

I read and find it well formed through the paper. He completed his own research. In the future, I want the best of luck.

Dr. S M Sohel Rana

Associate Professor and Head

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Acknowledgement

The open door has just moved all over to express my heartfelt thanks and apologies to Allah, without whose help The Study would not have been able to complete such a massive undertaking as bringing together this report.

I want to extend my sincere gratitude to one of my mentors, Dr M Sohel Rana, Associate Professor, Head, Department of Business Administration, Faculty of Entrepreneurship and Business of the Daffodil International University. No one can achieve immaculateness without the help of a researcher. As a result, without the help of a good teacher, an understudy would never be perfect. For any understudy, a good mentor may be a turning point. The Study owes a huge debt of gratitude to one of my supervisors, Dr. S M Sohel Rana, Associate Professor and Head, Department of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University, for giving me the opportunity to finish my internship report and follow his recommendations and laws. Were of tremendous help to me.

The Study is especially grateful to those who gave me the opportunity to work in this hierarchical area. The Study would also like to express my heartfelt appreciation to all officers, as well as my companions and Senior Sibling, for their invaluable assistance and guidance in completing my entry-level role research.

Executive summary

In Bangladesh on 29 August 1999, under the Companies Act 1994, First Security Islami Bank Limited (FSIBL), was set up as a financial company. On September 22, 1999, Bangladesh Bank granted it permission to begin operations. The Bank operates in the country across one hundred and seventy-two (172) branches. The bank is all involved in commercial banking operations By the receipt of deposits, loans, bills, exchanges of cash and foreign currency and other associated resources such as insurance and repayment, guarantees, acceptances and letters of credit. The report's main objective is to explore FSIBL financial results, with a particular emphasis on its overall financial performance. It aims to assess and interpret various forms of ratios to determine FSIBL's financial performance over the last five years.

In order to get a better understanding of FSIBL's monetary display, a graphics technique was used in this study. To conduct analysis, sources were arranged, broken down, deciphered, and viewed in a foundational way, with key points identified. The information for this report was gathered from both primary and secondary sources. The evaluation entails determining the appropriate context for the subject to be introduced by a specific paper.

Ratio Analysis is one of the most critical methods and techniques for determining a firm's viability and liquidity. It assesses the efficiency of our money, whether owned or lent, and how easily it can be used. The findings of the analysis now have the following information: Present liabilities were higher in 2018, but increased to 0.21 in 2019. Net financial capital in 2018 was lower than in 2017. The total debt ratio of FSIBL was decreased in 2018 to 0,963 from 0,964 in 2017.

It is not uncommon for issues to arise in any organization. To run a company, there must be difficulties. FSIBLs will raise funds from both debt and equity. A company's return on equity will be increased by increasing the amount of debt capital compared to its equity capital. Increase your net income in a variety of ways to increase your return on investment.

The bank should lower its fund costs, operational expenses, and operation expenses, in order to provide a growing trend in cash supply to its debt supply. The company should use paperless transaction services to save money by using paperless transactions. It should increase its profit margins by reducing miscellaneous costs and increasing its profit margin by reducing its operating expenses. It can increase its net earnings by increasing its investment in technology.

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List of Abbreviation

FSIBL = First Security Islami Bank Limited.

CHAPTER ONE: Introduction

1.1 Introduction

These days, our lives are tightly entwined in the financial system's matrix. The house in which we live may be funded by a bond, whilst the car, taxi or bus we ride to work may be obtained from other banks. The firms we see have banking relationships; They may have borrowed funds from a fixed asset or working capital loan. They will at least have a checking account or insurance account to pay the day's sales earnings. We can go to the nearest bank to spend our money for the sake of good, or just dissimulate it in the wrong way from prying eyes or fluffy toes. It is also clear that at all aspects and at all periods of life, the finance and banking industry are of great importance to us.

Bangladesh's banking sector has undergone a revolutionary transformation over the last two decades. The expansion of bank branches, both of them resulted in increased public banking activities and banks' acceptance of their social obligations through the privatization and implementation of social management. The operational habits of our banks are being substantially improved in order to adjust them to our current social and economic system. If financial institutions grow in importance, study in banking and the industry is a priority for the majority of universities and educational institutions. As a result, I am staying at FSIBL, to have a better understanding of the banking industry

1.2 Background of the study

Students must complete an internship with a reputed corporate firm and submit an account as a prerequisite for the Bachelor of Business Administration from Daffodil International Universidad (DIU). As a BBA student, I completed a two-month internship at the City University branch of FSIBL and prepared an internship study titled "Financial Performance Analysis of First Security Islami Bank Limited (FSIBL)" on my actual basis experience.

1.3 Scope of the study

The findings of the report focus includes general banking activities as well as an assessment of FSIBL's financial performance.

The main goal of this report is to evaluate:

- ✓ Ratio Analysis for Performance Analysis
- ✓ Analysis of Common Size

1.4 Objectives of the study

The study's main goal is to investigate the financial performance FSIBL, with an emphasis on its overall financial progress.

Specific objectives:

1. Knowing the current financial situation of FSIBL.
2. Assess and interpret various forms of ratios to determine FSIBL's financial performance over the last five years.
3. To determine the issues with FSIBL's financial performance.
4. To make any possible proposals for resolving the issues.

1.5 Methodology of the study

The work is in the field of scientific exploration.

Data collection:

The assessment involves the identification of a correct framework for the topic to be introduced by a specified report. The graphics technique has been attempted in this examination to acquire some understanding of FSIBL's monetary display. In order to perform research sources, they were organized, broken down, deciphered and seen in a foundational manner, and key points were found. They are identified and collected. This general methodology protocol is given below, which was followed in the inquiry.

Source of data:

Data from primary and secondary sources have been collected for this analysis.

Primary sources:

- ✓ Discussion with FSIBL authorities.
- ✓ Face-to-face contact with the branch's corresponding officer
- ✓ Exposure on the bank's various desks
- ✓ Customers should be able to converse with each other face to face.

Secondary sources:

- The web site of FSIBL
- FSIBL Annual report (2017,2018 & 2019).
- Product brochure of FSIBL.
- Lanka Bd (<http://lankabd.com>)

Data analysis:

MS Excel was used to analysed the data.

1.6 Limitation of the study

Completing the study with extensive resources posed several challenges. The following are some of the most significant limitations:

- ✓ A multi-month period is insufficient to uncover almost all of a branch's financial activities.
- ✓ To consider the financial system, a single workstation cannot be considered complete.
- ✓ It is incredibly difficult to collect all of the true details from various work forces with their operation imperative.
- ✓ A few exercises became difficult to see since a majority of the financial fields are not covered by our courses.
- ✓ The bank's agreement to keep private details and data secret is a significant impediment to the report's development.
- ✓ Presumptions were often accepted as a result of limited evidence. As a result, there could be certain acceptance errors.

CHAPTER TWO: Banking overview

2.1 Background of FSIBL

On August 29, 1999, the Companies Act of 1994 came into effect in Bangladesh., FSIBL was established as a banking firm. Bangladesh Bank authorized the start of operations on 22 September 1999. Accepting deposits, making loans, discounting bills, managing currency payments and foreign exchange transfers, and other related services such as insurance and repayment, providing assurances, acceptances, and letters of credit are all part of the bank's commercial banking activities.

The bank worked with qualified and brilliant employees, modern equipment to make the challenges of the 21st century more effective; and the business concept "A step forward in time" was precisely what was at the heart of the Asiatic success legend; the bank operated with talented and brilliant people, modern technology to do so. The bank was established by First Security Bank Ltd in 1999, but changed its name and operating method on 1. January 2009 and was converted into First Security Islami Bank Ltd.

The Bank's administration is entrusted to the Managing Director as Chief Executive, a ten-member Board of Directors. Almost all forms of Shariah-based commercial banking operations are carried out by the bank. There are 172 divisions serving all of Bangladesh's major cities.

2.2 Corporate information

Name of the Company	First Security Islami Bank Ltd.
Chairman	Mr. Mohammad Saiful Alam
Vice Chairman	Mr. Mohammad Abdul Maleque
Managing Director	Mr. Syed Waseque Md. Ali
Company Secretary	Mr. Oli Kamal FCS
Legal Status	Public Limited Company
Date of Incorporation	29-Aug-99
Date of Commencement of Business	29-Aug-99
Date of getting license from Bangladesh Bank	22-Sep-99
Date of Opening of First Branch	25-Oct-99
Corporate Head Office	Rangs RD Center, Block: SE (F), Plot:03, Gulshan Avenue, Gulshan-1, Dhaka:1212
Registered Office	23, Dilkusha, Dhaka-1000, Bangladesh
Line of Business	Banking
Authorized Capital	Tk.10,000 Million
Paid up Capital	Tk.7,840.99 Million
Date of consent for IPO	4-Jun-08

Phone	+88 02 55045700 (Hunting), 8432614-8432625 (ICT Division).
Fax	880-02-55045709
E-mail	info@fsibld.com
SWIFT Code	FSEBDDH
Auditors	M/S. Hoda Vasi Chowdhury & Co. Chartered Accountants BTMC Bhaban (8th Level) 7-9, Karwan Bazar C/A, Dhaka-1215 Bangladesh
Legal Advisor	The Law Counsel, Barrister & Advocates, City Heart (7th Floor), Suit No. 8/8, 67, Naya Paltan, Dhaka-1000. Phone: 9349647-8, Fax: 9349866, 9567029, E-mail: l.counsel@bdonline.com.
Tax Consultant	K.M. Hasan FCA, K.M. Hasan & Co. Chartered Accountants, Dhaka Office Home Tower Apartment (8 th & 9 th Floor), 87, New Eskaton Road, Dhaka – 1000, Phone: 9351457,9351564, Fax: 9345792-112.

2.3 Hierarchical Structure of First Security Islami Bank Limited (FSIBL)

Managing Directors
Deputy Managing Director
Executive Vice President
SENIOR VICE PRESIDENT
Vice President
First Vice President

Assistant Vice President
Senior Principal Officer
Principal Officer
Senior Officer
Officer
Assistant Officer

2.4 Vision

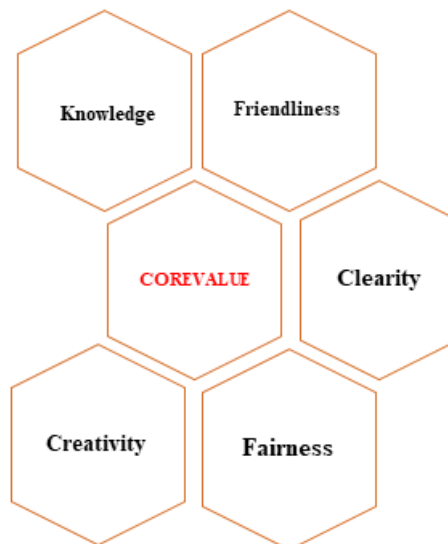
Be the first bank to give our clients, shareholders, and employees full benefit and socially contribute to the national economic environment.

2.5 Mission

Providing financial options that build, maintain and improve the resources of our customers while enhancing the quality of life of our services.

2.6 Core values

They have full confidence in Allah and faith in honesty and accountability. Being an Islamic bank, they obey Islamic Shariah.



2.7 Card division attainment

- In 2019, FSIBL successfully launched its interbank ATM Fund Service.
- Bkash ATM cash withdrawal service was launched.
- In 2018, revenue was 3.55 crore; in 2019, it will be 4.34 crore, with a growth rate of 22%.
- The number of e-commerce transactions has risen dramatically.
- From January to December of this year, there was an 18 percent increase in card sales.
- FSIBL installed 15 ATMs in 2019.
- The total sum is 27509000.00 and the number of Bkash txn is 3252.

2.8 Card division's future plans

- Launch of a credit card
- Installation of a cash processing ATM
- The arrival of the NFC card
- Launch of a POS terminal
- Paying of bills using an ATM system

CHAPTER THREE: Theoretical aspects

3.1 Ratio analysis

An inquiry into the relationships between money-related causes is known as a proportion investigation. It evaluates different facets of the operating and financial success of a firm, such as productivity, liquidity, profitability and dissolvability. For some time, the trend of these proportions is concentrated to see whether they are changing or deteriorating. Proportions may be expressed as a percentage, rate, or range. A basic method for investigating expenditure summaries is proportion analysis. Speculators, the board of directors, donors, and loan officers all use the proportion to break down an organization's financial situation for simple leadership purposes. This article includes the most generally recognised proportions and an analysis of First Security Islami Bank Restricted (FSIBL) functioning's and budgetary execution in the years 2017, 2018 & 2019.

Proportions are one of the most used methods in summary financial analysis since they include detail and the implications of fundamental variables. By studying the individual segments that make up the proportion, we will uncover conditions and phenomena that are otherwise difficult to detect. Proportions are usually positioned in the future as separate investigative instruments. They're often balanced with their possible future trend and scale, and their convenience is dependent on their ability to explain. A proportion reflects a scientific connection between two quantities. The percentage, rate, or degree are normally articulated. Though calculating proportions is a simple number-crunching task, elucidating them is not. A proportion must allude to a monetarily important relation in order to be significant.

This section depicts a substantial arrangement of monetary dimensions and their uses. The four arrangement squares of the budget review analysis are made up of the chosen proportions. The below are examples:

- (i) Liquidity Ratio
- (ii) Activity Ratio
- (iii) Efficiency Ratio
- (iv) Profitability Ratio
- (v) Credit Risk Ratio

3.1.1 Liquidity Ratio

Liquidity refers to an organization's ability to fulfil short-term cash needs for its properties. It is driven by the forecasting of capital inflows and spikes, as well as potential implementation prospects. Liquidity analysis is no longer needed for an organization's funding requirements.

It is unlikely that a company will continue to exist if it fails to fulfil its current obligations. From this vantage point, any other aspect of inquiry is of secondary importance. Including the

fact that accounting estimates anticipate the organization's continued existence, our inquiry should continue to assess the validity of this suspicion using liquidity steps.

The below are the main ratios to consider when evaluating the liquidity ratio:

- (i) Cash Ratio
- (ii) Cash to Assets
- (iii) Cash to Deposits
- (iv) Loan to Total Deposits
- (v) Loan to Total Assets

3.1.2 Activity Ratio

An operation proportion is a statistic that determines an organization's ability to convert its financial record accounts into revenue. Action proportions are important in determining whether an organization's management is doing an acceptable job of extracting revenue and capital from its assets. They assess a firm's overall proficiency based on how it uses its advantages, leverage, or other comparable asset report items. The technical proficiency and benefit of an organization are measured by movement proportions. These proportions are most useful when compared to a competitor or market to determine whether a substance's procedures are positive or negative. Movement proportions may be used to frame a premise of correlation across several reporting cycles in order to determine changes over time.

This section discusses the main ratios to consider when evaluating operation ratio:

- (i) Turnover in Total Assets
- (ii) Turnover in Equity

3.1.3 Efficiency Ratio

The term "effectiveness" refers to how profitable an organisation is at using its resources. The productivity of a given amount of money produced by a certain level of benefits is normally calculated. Furthermore, squandering advantages will lead to cash flow problems. Lack of liquidity is often associated with lower gain and less opportunities. Transient liquidity problems affect an organization's customers and suppliers as well, and it happens more when it's a financial enterprise.

The main ratios to consider when evaluating efficiency ratios are described in this section:

- (i) Operating Expense to Revenue
- (ii) Profitability Ratio
- (iii) Interest Income to Expense
- (iv) Operating Expenses to Assets

3.1.4 Credit Risk Ratio

The risk of a creditor failing to repay an advance is known as credit risk. Finally, we may define it as the possibility that the creditor will not repay the principal amount or the interest instalments associated with it (or both) halfway or absolutely. The loan professional suffers a loss as a result of the diversion of money sources and increased accumulation costs. It may be the result of any of the following factors: the borrower's weak cash flow, making it difficult to pay the premium and the principal balance, increasing borrowing costs if there are any skimming debt rate advances, changes in economic conditions, market failure, inability to repay, and so on.

The primary credit risk operation ratio ratios are described in this section:

- (i) Equity to Assets
- (ii) Equity to Net Loans

3.2 Common Size Analysis

The term 'general size evaluation' refers to a method to evaluate individual financial objects or to the social occurrence of items dependent on an entire species. We often depict a primary total number as the basis, which for a bank's compensation description is hard and quick salary or pay, and for a money-based record is normally full-scale assets. Common-size clarifications are needed for common-size inspection. In these lines, I have been orchestrating SEBL's common-size pay clarifications and common-size fiscal records for quite some time in preparation for the common-size audit of its financial accounts. I use FSIBL common-size clarifications to show changes in the overall value of each spending rundown item. In terms of common-size rates, each individual aggregate of common-size clarifications is called. From 2017 to 2019, the common-size money-related reports and pay declarations are shown.

3.2.1 Common Size of Balance Sheet

A common size financial record is an asset report that displays the numeric value as well as the proportional rate for absolute wealth, total liabilities, and value accounts.

A common size monetary record takes into account the overall degree of each profit, risk, and value record that must be checked right away. The estimate of all-out resources is compared to some single resource information. Similarly, any single duty is compared to an estimate of total obligations, and any benefit record is compared to an estimate of total value. As a result, each important order of record will climb to 100%, as each smaller section will reflect the true account characterization.

3.2.1 Common Size of Income Statement

A wage declaration in which each record is transmitted as a level of the calculation of offers is known as a common size payment intonation. It's used for vertical analysis, in which each information in a financial summary is reported as a percentage of a base figure inside the announcement to make inspections easier.

A compensation explanation examination of a standard scale makes it easier to understand what drives an organization's benefits and compare the exhibition to its peers. Popular scale fiscal papers assist investors in spotting inclines that a crude budget overview may not show by looking at how that exhibition has changed over time. Huge variations in the amount of income used by different cost groups over a given timeline could indicate that the strategy is shifting or that assembling costs are changing.

3.3 Trend Analysis

Trend analysis is a method of analysing a company's financial data over time. Depending on the conditions, periods may be calculated in months, thirds, or years. The objective is to compute and measure the sum and percent difference from one time to the next.

A technique known as trend analysis for financial reporting (also referred to as horizontal analysis) shows period changes in the amount of related financial statements. It is a useful guide to evaluate model scenarios.

For two or three times, horizontal analysis hires claims. The earliest date is also used as the basic phrase, and items on later-day statements are contrasted with items on base period statements. In the majority of situations, the changes are in dollars and percentages.

3.3.1 Trend analysis of balance sheet

Many businesses consider trended balance sheets to be important month-end analyses, and the finance committee uses them to assess monthly patterns in assets, liabilities, and equity. This form of report's main feature is that it dynamically lists months in the tables, beginning with January and ending with the current date. Users will examine the underlying transactions by drilling down on any statistic. A sample of this kind of report can be found below.

Balance Sheet Trend Reports are used by businesses and companies to easily assess upward or downward trends on everything on the balance sheet. When used as part of sound corporate practices in the Finance & Accounting Department, a firm may enhance its ability to easily spot patterns or deviations, as well as minimize the risk that problems on critical things like currency, receivables, or payables are discovered late in the process.

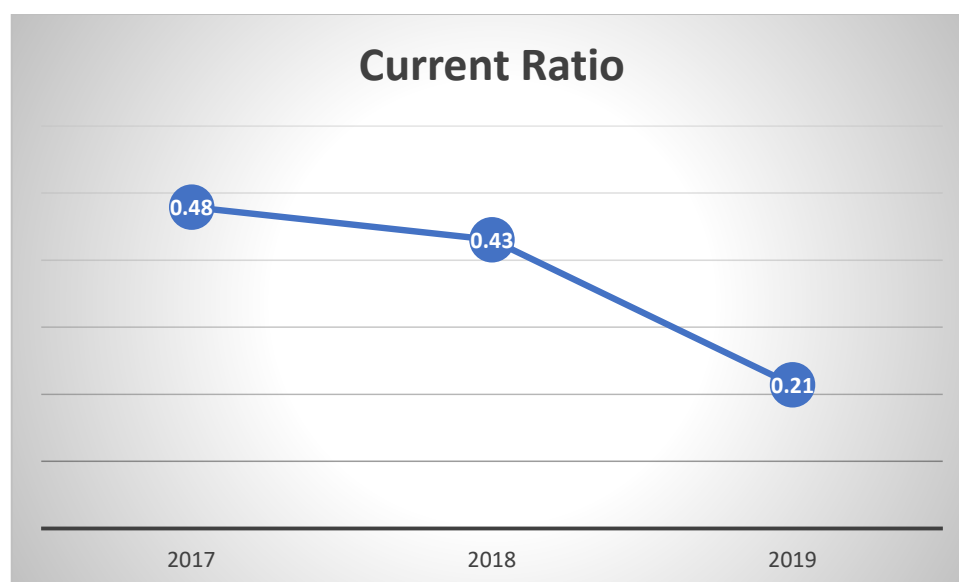
CHAPTER FOUR: Financial performance analysis

4.2 Current Ratio

Divide the current output by the new load to get the current measurement. When a company's reserves exceed its existing defences, the company is classified as short-term energy. If the company's existing liabilities outweigh its current assets, It would find it difficult to fulfil its short-term duties.

Current Ratio = Current assets /Current liabilities

<i>Particulars</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
<i>Current Ratio</i>	0.48	0.43	0.21

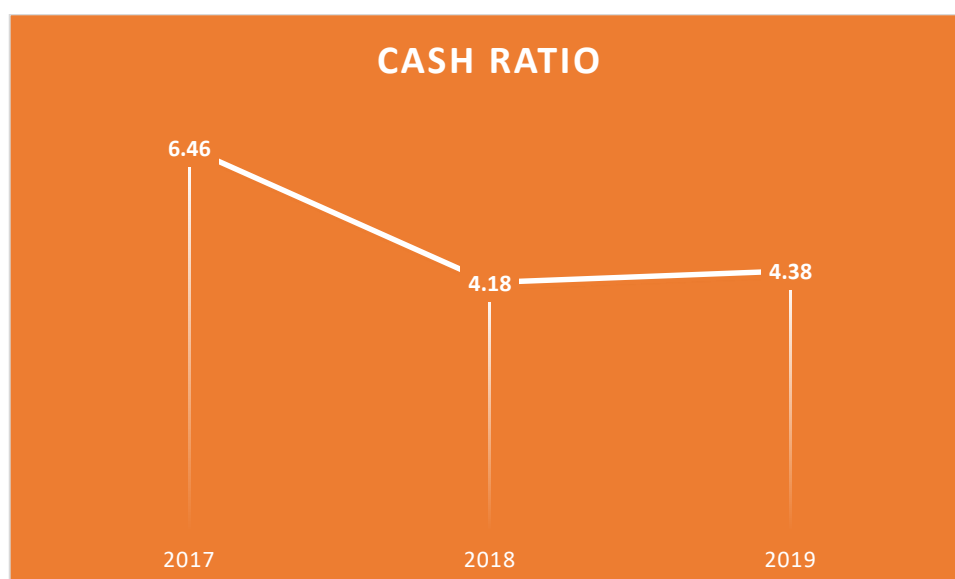


Interpretation: Liquidity is described in accounting as an organization's ability to fulfil its money-related out-of-this-world obligations. The capital proportion, also known as the money addition proportion, is a proportion of liquidity which provides a company with the ability exclusively to fulfil its current obligations using cash and cash. The money proportion of the FSIBL in 2019 is 0.21, compared to 0.43 and 0.48 in 2018 and 2017, respectively, indicating that the money proportion is decreasing, which is poor for the FSIBL.

4.3 Cash ratio

The cash ratio is the same as an estimation of the value of a firm in the worst case, for example when it goes out of business. It advises creditors and analysts of the value of existing investments that can be quickly turned into cash and how much of current liabilities can be protected by these cash and near-cash assets.

	2017	2018	2019
<i>cash ratio</i>	6.46266	4.18121	4.37943

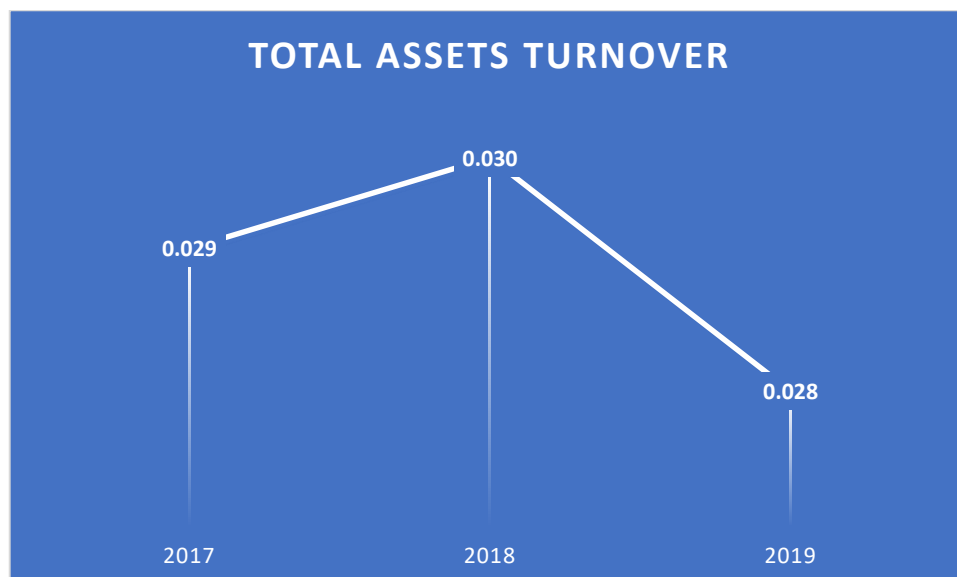


Interpretation: From 2017 to 2019, FSIBL's cash ratio declined. The cash ratio provides a positive answer by looking How much cash does the bank have on hand to cover its existing obligations. We may assume that management has neglected to use cash in this case, which is a significant failure for a bank.

4.4 Total assets turnover

The turnover ratio of assets measures the value of assets of a business with the value of profits and revenues. The inventory sales ratio tests how efficiently a company uses its properties to make sales.

	2017	2018	2019
<i>Total assets turnover</i>	0.029	0.030	0.028

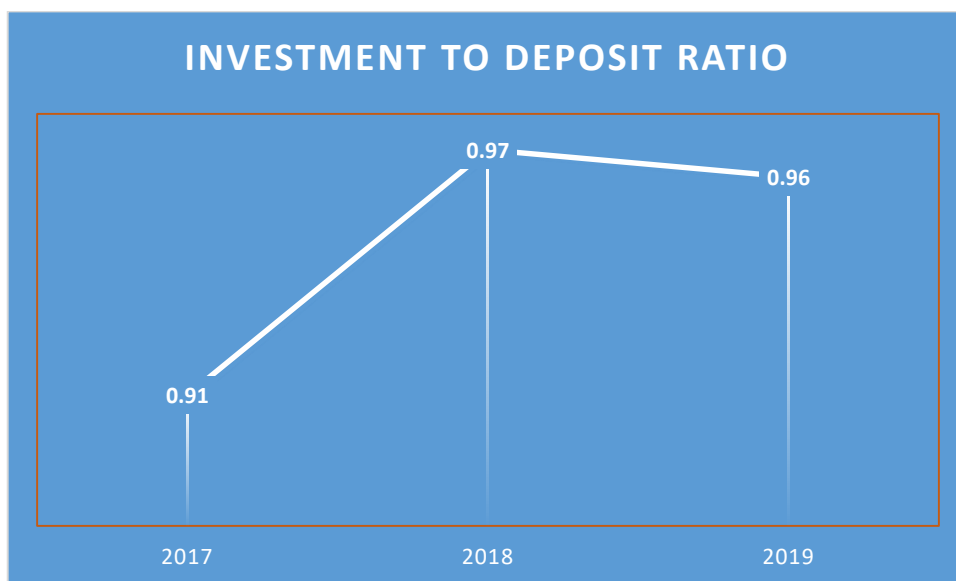


Interpretation: The total asset turnover ratio is estimated to see how well a company can produce revenue using its assets. The graph depicts the reduction in gross asset turnover over time. Overall asset turnover in 2017 increased by between 0.030 and 0.029, but dropped between 2018 and 2019. The FSIBL (total asset turnover ratio) is declining, which is a bad sign for the firm.

4.5 Investment to deposit ratio

It shows how much a deposit can be used for investment. Year after year is increasing the spending in the deposit ratio. This means that the bank invests its deposits accurately in a range of lucrative domestic and foreign industries.

	2017	2018	2019
<i>Investment to deposit ratio</i>	0.91	0.97	0.96

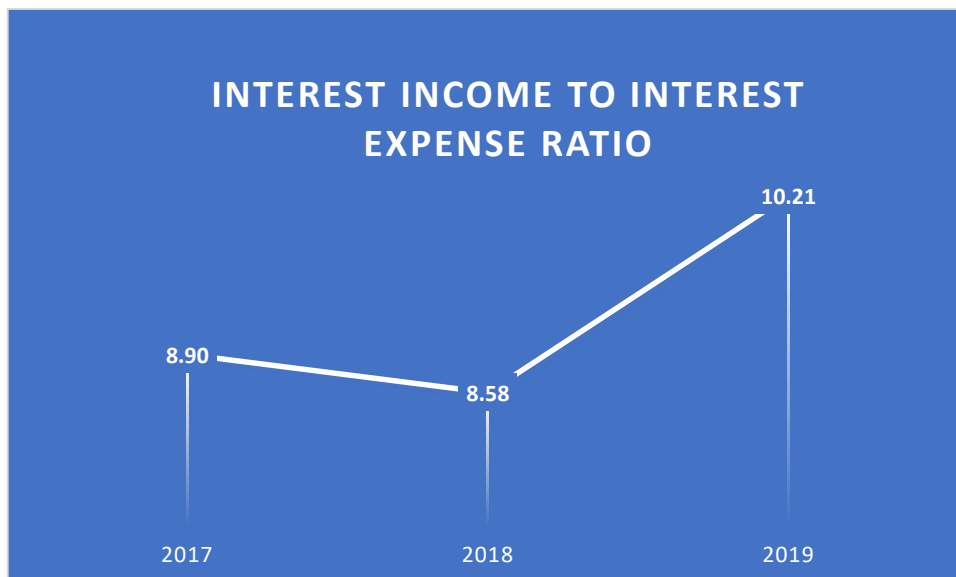


Interpretation: The investment to deposit ratio indicates how much of a deposit is spent. Year after year, the investment to deposit ratio rises. The operational efficiency would be better if the spending is higher.

4.6 Interest Income to Interest Expense Ratio

It tests management's overall success in producing interest income and interest expenses. It is preferable to have a higher ratio.

	2017	2018	2019
<i>Interest Income to Interest Expense Ratio</i>	8.90	8.58	10.21

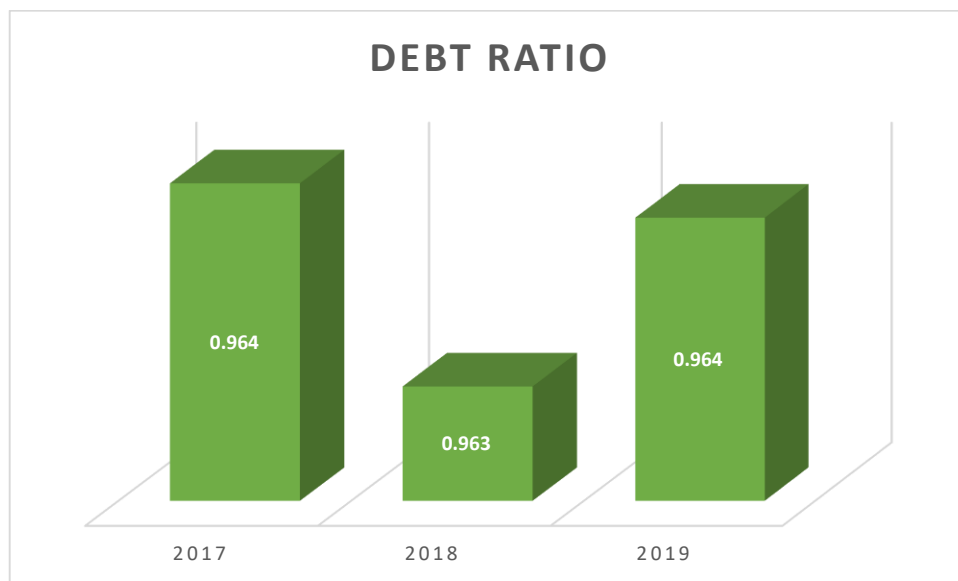


Interpretation: The above graph shows that this ratio rose from 2017 to 2019. The interest benefit to interest cost ratio at FSIBL is well managed. This ensures that the rise in interest revenue is greater than the increase in interest costs.

4.7 Debt Ratio

The debt ratio is a financial metric that determines how much debt a business owes. The decimal or percentage ratio of net debt to gross assets is referred to as the debt ratio. It relates to the proportion of the assets of a business financed by debt.

	2017	2018	2019
<i>Debt Ratio</i>	0.964	0.963	0.964

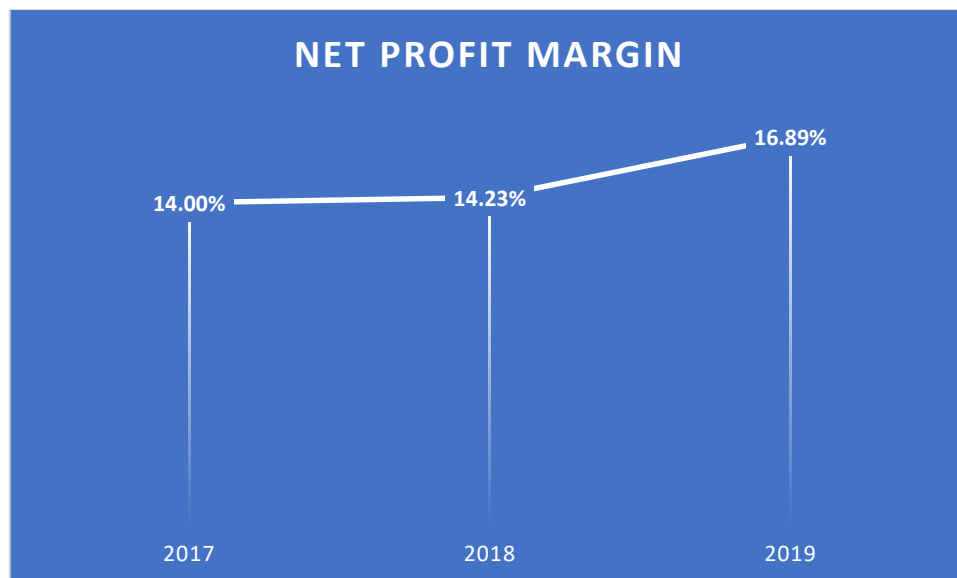


Interpretation: The debt ratio is a measurement of how many of the company's net assets are covered by its creditors. Through time, the bank's debt ratio fluctuated, as seen in this graph. The overall debt ratio of FSIBL reduced from 0.964 in 2017 to 0.963 in 2018; however, the debt ratio rose from 0.963 in 2018 to 0.964 in 2019, indicating that the debt to asset ratio of FSIBL has decreased.

4.8 Net Profit Margin

One of the most significant metrics of a company's financial performance is the net profit margin. A company can assess if existing tactics succeed and forecast sales revenues by tracking increases and reductions in its profit margin. The profitability of two or more companies can be measured, irrespective of the scale, when companies express net profit margin as a percentage instead of a dollar amount.

	2017	2018	2019
<i>Net Profit Margin</i>	14.00%	14.23%	16.89%

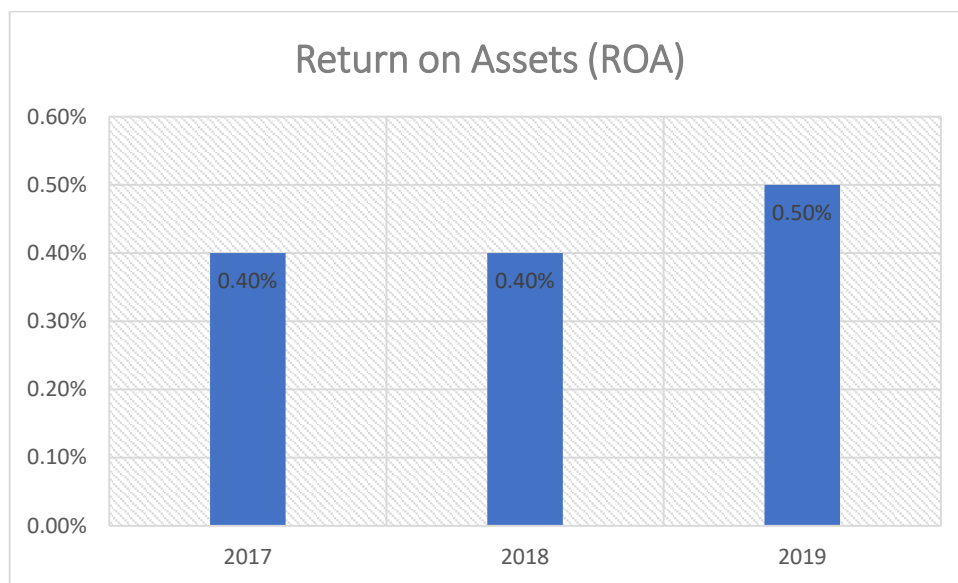


Interpretation: Over time, the net profit margin of banks fluctuated. In terms of earnings per transaction, the profit margin measures the profitability of a business. However, FSIBL is operating effectively, meaning that its net margin has increased from 14 percent in 2017 to 16,89 percent in 2019.

4.9 Return on Assets (ROA)

Calculate the success of a business by using it to maintain leverage over the funding of these properties. As a consequence, work fragments the funding mechanism, and tricks are employed.

	2017	2018	2019
<i>Return on Assets (ROA)</i>	0.004	0.004	0.005

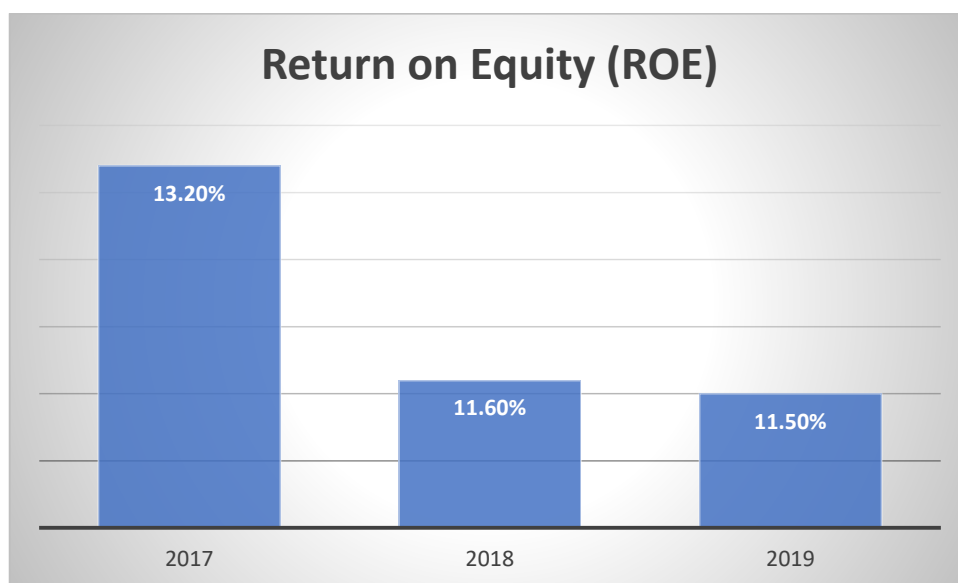


Interpretation: The chart shows how asset returns have fluctuated over time. It evaluates the overall performance of the company in obtaining revenues from the available funds, For the bank, this is a negative indicator.

4.10 Return on Equity (ROE)

ROE ratio is a profitability ratio that assesses a company's potential to profit from its shareholders' investments. In other words, the return on equity shows the benefit that each taka generates in the common equity.

	2017	2018	2019
<i>Return on Equity (ROE)</i>	13.20%	11.60%	11.50%

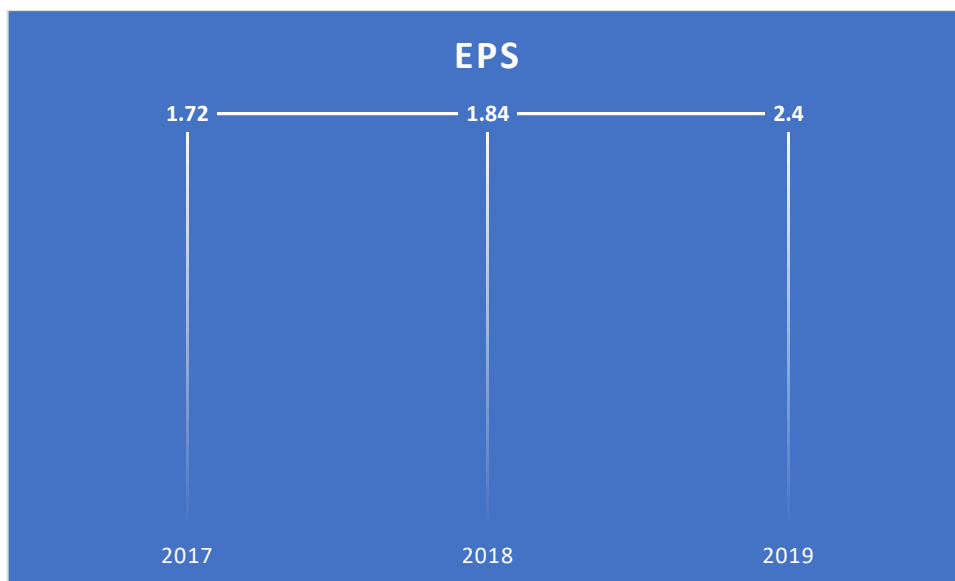


Interpretation: From the graphical presentation, return on common equity was high in 2017 but it declined in 2018 and 2019. There is a deviation that indicates the company is not performing well to generate revenue against equity. But as a medium-sized business and competitors, companies are not doing well and operating costs are high. In 2017, ROE was good for the industry.

4.11 Earnings per share (EPS)

Profits made from the initial investment are the earnings per share. Earnings per share (EPS). Present and future shareholders and managers generally are concerned. The earnings per share shall be the balance earned by Taka for any remaining common share. Earnings per share is calculated accordingly:

	2017	2018	2019
<i>EPS</i>	1.72	1.84	2.4



Interpretation: Earnings per share reflect the amount of money paid on each common stock share. The graph depicts how the company's per-share earnings have fluctuated over time, and saw good growth in share and increased profitability.

4.12 Balance Sheet Common Size Analysis

In general, the net assets value is the reference value for the popular scale study of the balance sheet. The net asset value of the balance sheet is the combined liabilities and equity of the lenders. A financial managing director or investor uses the conventional size analysis to balance a company's capital structure and the structure of its rivals. They will draw useful conclusions by reviewing particular lines compared to the general properties.

Where, compared to the size of net assets, the value of long-term lending is too high, for example, the company's leverage levels are too high. Likewise, the revenue calculation would indicate how much of the yearly profit is kept on the balance sheet, as the ratio of net assets.

Take, for reference, FSIBL, which has the following balance sheet for 2017, 2018, and 2019:

First Security Islami Bank Limited			
Balance Sheet			
As on DEC 31, 2017 to 2019			
Particulars	2017	2018	2019
Cash	7%	5%	7%
In hand (Including foreign currencies)	1%	1%	1%
Balances with Bangladesh bank and Sonali bank (Including foreign currencies)	7%	5%	6%
Balance with other banks and financial institution	0%	0%	0%
In Bangladesh	0%	0%	0%
Outside Bangladesh	0%	0%	0%
Money at call and short notice	4%	4%	3%
Investment in shares & securities	5%	4%	4%
Government	4%	4%	4%
Others	0%	0%	0%
Loans, cash credits, overdrafts/General Investments	81%	84%	83%
Bills discounted and purchased	0%	0%	0%
Total	81%	84%	83%
Land, building, furniture and fixtures (Including leased assets)	1%	1%	1%
Non-Banking Assets	0%	0%	0%
Other assets	2%	2%	1%
Total assets	100%	100%	100%
Borrowings from other banks, financial institutions and agents	3%	5%	3%

Current /Al-Wadeeah current and other deposit accounts	6%	6%	6%
Bills payable	1%	0%	1%
Savings deposits/Mudaraba Savings Deposits	8%	9%	9%
Mudarabba/ Term and Fixed deposits	58%	55%	51%
Other Deposits/ Mudarabba Deposits	15%	16%	20%
Total Deposits	88%	86%	86%
Other liabilities	4%	4%	5%
Subordinated Debt/Mudaraba bond	2%	1%	3%
Total liabilities	96%	96%	96%
Capital /Shareholders" Equity:	3%	4%	4%
Paid up capital	2%	2%	2%
Statutory reserve	1%	1%	1%
Assets Revaluation Reserve	0%	0%	0%
Retained earnings	0%	0%	0%
Other Reserve	0%	0%	0%
General reserves and others	0%	0%	0%
Minority Interest	0%	0%	0%
Total Equity	4%	4%	4%
Total liabilities and shareholders' equity	100%	100%	100%

4.13 Income Statement Common Size Analysis

In general, net purchases or gross earnings are a part of the income statement. A standard measuring scale calculates the net profit margin as well as the gross and operating margins. These ratios remind customers and financial managers of the company's turnover and enable it to predict possible sales. Companies may also use this method to compare rivals in order to determine the percentage of sales that goes to ads, R&D, and other necessary expenditures.

For FSIBL, we may calculate the 2017,2018 & 2019 common size income statement.

First Security Islami Bank Limited			
Income Statement			
For the Ended of The DEC 31,2017 to 2019			
Particulars	2017	2018	2019
Interest income	100%	100%	100%
Interest paid on deposits and borrowings	70%	73%	74%
Net interest income	30%	27%	26%

Income from investments	1%	1%	2%
Commission, exchange and brokerage Income	3%	2%	2%
Other operating income	2%	2%	2%
Total operating income	35%	33%	32%
Rent, Taxes, Insurance, Electricity etc.	2%	2%	2%
Shariah Supervisory Committee's Fees & Expenses	0%	0%	0%
Zakat Expenses	0%	0%	0%
Salaries and allowances	9%	9%	9%
Legal Expenses	0%	0%	0%
Postage, Stamps, Telecommunication etc.	0%	0%	0%
Stationery, Printing, Advertisement etc.	1%	0%	0%
Directors' Fees and Expenses	0%	0%	0%
Salary and allowances paid to Managing director/Chief Executive	0%	0%	0%
Auditors' Fee	0%	0%	0%
Depreciation and Repairs to Bank's Assets	2%	1%	2%
Other Expenses	3%	3%	3%
Total operating expenses	18%	17%	16%
Operating Profit	17%	16%	15%
Profit before provision	17%	16%	15%
Specific provision (Loan and Advances)	0%	0%	0%
Off balance sheet items	7%	7%	5%
Diminution in value of investment	0%	0%	0%
Others Provision	0%	0%	0%
Total provision	7%	7%	5%
Profit for the year before taxation	10%	9%	10%
Current Tax	5%	5%	5%
Deferred tax	0%	0%	0%
Provision for tax	5%	4%	5%
Net profit after tax for the year	5%	5%	5%

4.14 Trend analysis

In technological forecasting, trend analysis is a tool for predicting the future. The revenue and loss statistics of the revenue report of a business are recorded in a pattern over many reporting periods and are then analysed using this approach in the event of inconsistencies and irregularities. The aim of trend analysis is to identify actionable trends in data. The approach is very useful for checking for inaccuracies in early financial statements and determining what corrections should be made before they are submitted for general use

First Security Islami Bank Limited			
Balance Sheet			
As on DEC 31, 2017 to 2019			
Particulars	2017	2018	2019
Interest income	100%	120%	137%
Interest paid on deposits and borrowings	100%	125%	145%
Net interest income	100%	110%	118%
Income from investments	100%	279%	509%
Commission, exchange and brokerage Income	100%	95%	105%
Other operating income	100%	155%	150%
Total operating income	100%	113%	124%
Rent, Taxes, Insurance, Electricity etc.	100%	109%	126%
Shariah Supervisory Committee's Fees & Expenses	100%	0%	344%
Zakat Expenses	100%	123%	137%
Salaries and allowances	100%	119%	137%
Legal Expenses	100%	148%	107%
Postage, Stamps, Telecommunication etc.	100%	105%	106%
Stationery, Printing, Advertisement etc.	100%	88%	99%
Directors' Fees and Expenses	100%	136%	107%
Salary and allowances paid to Managing director/Chief Executive	100%	148%	145%
Auditors' Fee	100%	106%	108%
Depreciation and Repairs to Bank's Assets	100%	108%	129%
Other Expenses	100%	114%	103%
Total operating expenses	100%	115%	126%
Operating Profit	100%	111%	122%
Profit before provision	100%	111%	122%
Specific provision (Loan and Advances)			
Off balance sheet items	100%	112%	94%
Diminution in value of investment	100%	422%	450%
Others Provision	100%	0%	0%
Total provision	100%	114%	96%
Profit for the year before taxation	100%	109%	141%
Current Tax	100%	110%	133%
Deferred tax	100%	281%	180%
Provision for tax	100%	104%	132%
Net profit after tax for the year	100%	115%	150%

CHAPTER FIVE: Problems, Recommendations & Conclusion

5.1 Problems identified

Ratio Analysis is one of the most critical methods and techniques for determining a firm's or company's viability and liquidity. It assesses the efficiency of our money, whether owned or lent, and how easily it can be used without incurring additional costs. It also aids in the maintenance of an organization's debt reduction capability through delivering effective asset management strategies by ratio analysis. It also aids in the improvement of a company's results by intra-firm evaluation, as the most often the ratio analysis is an often employed and accurate source of financial performance analysis. The study' conclusions can now be summarized as follows:

✓ **Net Working Capital:**

Since current liabilities are higher in 2018 than they were in 2017, net working capital in 2018 is smaller than in 2017. However, there is a declining tendency in 2019 because existing liabilities have risen in relation to current assets.

✓ **Debt Ratio:**

FSIBL's overall debt ratio fell to 0,963 from 0,964 in 2017, but the debt ratio grew from 0,963 in 2018 to 0,964 in 2019, reflecting a reduction in FSIBL's asset debt.

✓ **Cash Ratio:**

From 2017 to 2018 and 2019, the cash ratio of FSIBL decreased. It is necessary to consider the extent to for a higher cash mix, the bank has assets to cover its existing liabilities. We could infer in this currency that management declined to use cash, resulting in a significant loss for the bank

✓ **Return on Assets:**

Over time, the return on asset has fluctuated. It evaluates the bank's overall performance in generating profits from its available assets, which is a negative measure.

✓ **Return on Equity:**

✓

In 2017, the return on equity was strong, but it fell in 2018 and 2019. There is a deviation, indicating that the firm is not doing well in terms of sales generation against equity. Companies, however, are not performing well as a medium-sized company and rivals, and running expenses are heavy.

✓ **Net Profit Margin**

In 2019, the gross margin rose from 14.00% in 2017 to 16.89% in 2019, showing that FSIBL operates effectively in its business.

5.2 Recommendations

It is not uncommon for issues to arise in any organisation. To run a company, there must be difficulties. To solve this problem, the following guidelines can be given.

✓ **Net Working Capital:**

Since FSIBL's current ratio is less than the industry average of 2.1, In order to fulfil short-term commitments, the existing assets can be increased against current liabilities.

✓ **Debt Ratio:**

Debt ratio has risen marginally over the years, indicating that FSIBL has a substantial portion of debt against their assets. As a result, the bank's debt position could be reduced.

✓ **Cash Ratio:**

FSIBL's cash ratio has been very modest over the years. As a result, the bank should lower its fund costs, operational expenses, and operation area in order to provide its debt status with an increasing trend in cash supply.

✓ **Return on Equity:**

FSIBLs will raise funds from both debt and equity. A company's return on equity will be increased by increasing the amount of debt capital compared to its equity capital.

✓ **Return on Asset:**

To receive a better return from their clients, FSIBL should carefully invest their money. Increase your net earnings and your return on investment. A company's net income can be increased in a variety of ways. For example, as the entity raises its total income for the year, its net earnings would grow as well.

✓ **Net Profit Margin:**

To maximize their earnings, FSIBL should reduce their miscellaneous costs. They can save money by using paperless transaction services.

5.3 Conclusion

FSIBL is a leading commercial bank in our country due to its reputation, large number of branches, interactive corporate culture, and employee teamwork. The Mohakhali Branch of FSIBL provides different forms of loans and advances to customers in accordance with our country's investment banking laws and regulations. The Bank's primary source of revenue is the loans it makes to other parties. The bank's attention is on its broad clientele base and what they demand from the bank. The Branch's success is adequate, but not sufficient to qualify it as a top banking institution. According to the Branch location as of the most recent fiscal year ended, more emphasis is placed on finance for the trade and commerce market, but consumer loans and corporate (large) company financing are not prioritized by the bank. Skilled labour and employee professionalism are needed for the bank to offer quality services, increase clients, and maintain them. More facilities, SMS banking, credit sales, and marketing can produce positive results and increase profit, allowing the bank to maintain its top position in the banking sector. Furthermore, careful management, oversight, and recovery practices will minimize loan loss and improve the bank's investment realization.

FSIBL has the potential to expand its product portfolio in order to improve its long-term strategic edge and gain more benefit. Business innovation and development, as well as the elimination of current problems, can strengthen the bank's role in the banking sector, allowing the bank to achieve its ultimate target.

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