

Report On
“Banking Performance of First Security Islami Bank Limited,
measured by CAMELS Rating System”

By

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17104063

An internship report submitted to the BRAC Business School in partial fulfillment of the
requirements for the degree of
Bachelor of Business Administration

BRAC Business School
Brac University
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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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Letter of Transmittal

Mohammad Mujibul Haque, PhD.

Professor and Associate Dean

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of internship report after successful completion of BUS400 in Fall 2021.

Dear Sir

With due respect and gratitude, I am presenting my internship report on "Banking Performance of First Security Islami Bank Limited, measured by CAMELS Rating System" This report was written to attain the requirements of my Bachelor of Business Administration degree from BRAC Business School. I was assigned to the First Security Islami Bank's Dhanmondi Model Branch. I have collected and computed critical financial data in order to analyze FSIBL's effectiveness in its overall financial performance in banking sector.

The following study details First Security Islami Bank's operating strategy, management methods, and marketing activities, as well as a complete examination of its financial data in terms of banking performance during the last five years, as measured by the CAMELS rating system. This research focuses on FSIBL's unique techniques, which enable it to handle a variety of common banking challenges. I feel that this study will aid in the comprehension and knowledge of Bangladesh's banking business.

Sincerely yours,



MoonMoon Siddique

17104063

BRAC Business School

BRAC University

Date:

Non-Disclosure Agreement

[This page is for Non-Disclosure Agreement between the Company and The Student]

This agreement is made and entered into by and between First Security Islami Bank Limited and the undersigned student at Brac University

MoonMoon Siddique

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Acknowledgement

To begin, I want to express my gratitude to Almighty for bestowing upon me the patience and strength necessary to successfully write my internship report. Following that, I would want to express my thanks to our respected Professor and Associate Dean of BRAC Business School, Mohammad Mujibul Hoque PhD, who served as my internship report supervisor and provided me with regular assistance and direction throughout the process of writing this report. I would also want to express my gratitude to my co-supervisor, Dr. Sang H Lee, Professor and Dean of BRAC Business School, for his invaluable time and guidance.

Furthermore, I would wholeheartedly thank to Mr. Mustafizur Rahman (SAVP and Branch Manager, FSIBL, Dhanmondi Model Branch), Mrs. Rokshana Akter (AVP and Manager Operations, FSIBL, Dhanmondi Model Branch), Mr. Md. Mosharrof Hossain (Senior Principal Officer and General Banking In-charge, FSIBL, Dhanmondi Model Branch), Mr. Sk. Mahmudul Alam (Principal Officer and Investment In-charge, FSIBL, Dhanmondi Model Branch), Ms. Nazmus Sakib Laboni (Senior Officer, FSIBL, Dhanmondi Model Branch) who generously welcomed me into their bank and diligently assisted me during my internship period. I am also very thankful to the officers and assistant officers- Mrs. Tasnuva Zerin, Ms. Syeda Arshun Nahar Sultana, Ms. Ratila Hoque, Mrs. Farida Akter, Mrs. Asma Begum, Mr. Mohammad Forkanul Hoque, Mr. Md. Nurul Azad, Mr. Md. Shahed Uddin and all other employees of the FSIBL Dhanmondi Model Branch who provided me their precious time and encouraged me to learn so much even after having too much of work pressure.

Finally, I appreciate that FSIBL, Dhanmondi Model Branch provided an illuminating work atmosphere that enabled me to get a thorough understanding of Islamic Banking operations and initiatives in Bangladesh. Finally, I would want to express my gratitude to my family and friends for their continual encouragement and support.

Executive Summary

This report was written as part of the requirements for the Bachelor of Business Administration degree at BRAC University. This thorough analysis detailed First Security Islami Bank Ltd's strategic, operational, and financial performance. Along with CAMEL Ratings Analysis, the financial performance of FSIBL during the recent five years has been clearly described. This analysis was prepared using financial data from the preceding five years and organizational write-ups. Additionally, observations made while working inside the bank and insights gained through conversations with various persons, including workers and customers, gave thorough management and operational information. After collecting the relevant financial data and conducting CAMELS rating analysis, an overview of FSIBL is supplied, along with significant interpretations of the findings on a scale ranging from strong to poor. Additionally, this research study illustrates how well or badly FSIBL performs in comparison to their rivals in terms of critical financial metrics. This research concluded by demonstrating how well FSIBL performs as a Sharia based bank in terms of return on equity in comparison to rivals and making recommendations for increasing their return on assets, which would boost not only their profits ratio but also their management efficiency.

Keywords: FSIBL; CAMELS Rating System; Sharia based bank; Financial Data; Financial Performance; Rivals.

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List of Acronyms

FSIBL	First Security Islami Bank Limited
IA	Industry Average
CAMELS	Capital Adequacy, Asset Quality, Management Efficiency, Earnings Capacity, Liquidity Management, Sensitivity to Market
CAR	Capital Adequacy Ratio
ROA	Return on Asset
ROE	Return on Equity
ATM	Automated Teller Machine
NPL	Non-Performing Loans
PLL	Provision for Loan Loss
MTDR	Mudarabah Term Deposit
MMDS	Mudarabah Monthly Deposit Scheme
NIM	Net Investment Margin

Glossary

Liquidity Ratio	Liquidity Ratios indicate an organization's ability to repay loans.
Efficiency Ratio	The efficiency ratio of a company indicates how much expense they expend in relation to their revenue.
Debt Leverage	The term "Debt Leverage" refers to an organization's ratio of debt to assets and equity.
Risk Associated Ratio	Risk Associated ratios of an organization interpret if the organization is adequately capitalized or inadequately capitalized.
Return Associated Ratio	The Return on Assets (ROA) of an organization indicates the amount of net interest revenue that may be generated in comparison to total assets.
Earning Capacity	The Earning Capacity of an organization indicates the rate of return generated by its assets and equity.
CAMELS Rating	A supervisory grading system designed to measure the overall health of the banking system.
Mudarabah Term deposit	Name of a term deposit scheme offered by FSIBL.
Mudarabah Monthly Deposit Scheme	Name of one of the deposit schemes offered by FSIBL.

Chapter 1

Overview of Internship

1.1 Student Information

Table:1 Student information

Name	MoonMoon Siddique
ID	17104063
Program	Bachelor of Business Administration (BBA)
Major	Finance
Minor	Accounting

1.2 Internship Information

1.2.1 Period, Company Name, Department/Division, Address

Table:2 Internship information

Period	3-month period (September 16 th , 2021 – December 15 th , 2021)
Company Name	First Security Islami Bank Limited
Department/Division	General Banking
Address	Dhanmondi Model Branch House#21, Road-16 (Old 27) Dhanmondi, Dhaka-1209.

1.2.2 Internship Company Supervisor's Information:

Table-3: Company supervisor information

Company Supervisor's Name	Mrs. Rokshana Akter
Position	Assistant Vice President (AVP) and Manager Operations

1.2.3 Job Scope

- First Security Islami Bank Limited is a progressive third generation Islami Shariah-based private commercial bank with a remarkable network of branches throughout the country; consisting of an excellent work environment, a strong corporate culture and a track record of steady growth in its business expansion program.
- There is quite good job scope in First Security Islami Bank. The Human Resource Management of FSIBL initially recruit people as Probationary Officer and Trainee Junior Officer. Probationary officers and trainee junior officers are usually fresh graduates with zero previous work experience. They are usually recruited to work under any department, such as- General Banking, Cash, Investment and so on. The goal is to make them habitat to corporate culture.
- Moreover, they recruit interns in order to help them accomplish their required academic degree and also to give them very basic idea regarding banking operation.

1.3 Internship Outcomes

1.3.1 Student's contribution to the company

It was an incredible experience and chance for me to work in the Dhanmondi Model Branch of First Security Islami Bank Ltd. I was assigned to the bank's general banking department, which works mostly with direct consumers. I was responsible for the following tasks:

- Initially, I was assigned the responsibility of filling out cheque books and account opening paperwork for clients seeking to create new bank accounts, as well as completing incomplete forms.

- I was assigned the responsibility for giving phone calls to the clients in order to remind them for retrieving their debit cards and chequebooks.
- Gather records from other branches.
- Keep track of the number of cheque books and debit cards received in register books, as well as the number of persons contacted about opening bank accounts.
- I gained knowledge about the information and paperwork required to create an account, and through seeing my colleagues, I gained insight into how an employee should interact with a client and resolve their issues.
- I gathered paperwork from my co-workers and obtained signatures from the manager and deputy manager.

Throughout my internship, I had the opportunity to work with really kind and helpful co-workers, particularly my supervisor, who assisted me and explained in depth any aspect I didn't understand.

1.3.2 Benefits to the student

- First of all, I got the opportunity to observe the corporate environment and gain some very basic banking knowledge from the employees of First Security Islami Bank's Dhanmondi Model Branch where I worked as an intern.
- I used to observe my seniors how they interact with the clients and tried to learn.
- I got to meet a lot of prestigious corporate people in this branch. They are:
 - Honourable Associate Vice President (AVP), Mrs. Rokshana Akter. She is my internship supervisor.
 - The Head of the Branch, also known as Senior Associate Vice President (SAVP) and branch manager, Mr. Mustafizur Rahman.
 - Honourable General Banking In-charge of the branch, Mr. Mosharrof Hossain.
 - Honourable Investment In-charge of the branch, Mr. Sheikh Mahmudul Alam.

They are the senior most bankers of the branch who used to make sure that interns could get good lessons and gain some basic insights. Most importantly, they assisted me to build up my professional network. They used to provide me useful advice related to job markets. They used to provide advice on how I should prepare myself in order to get a job in the future.

- I got the opportunity to attend two of the most remarkable corporate programs organized by First Security Bank. One of them was organised by the Dhanmondi Model Branch in order to celebrate job promotion of some the dedicated officers of this bank and that was arranged in a well-known restaurant named 'The Aristocrat Lounge'.

The another one was even more astounding, that is, 22nd anniversary of First Security Islami Bank Limited and that event was arranged in all of its branches both inside and outside Dhaka.

1.3.3 Problems/difficulties faced during the internship period

Though it was a good opportunity for me to get the chance of doing internship in FSIBL's Dhanmondi Model Branch, but I faced some challenges in the workplace.

- The Human Resource Management of FSIBL hire interns in any of their branch but with condition of zero honorarium. As a result, one of the major challenges I faced was that I gave my time and effort in an unpaid internship which was kind of demotivating to me.
- Since I joined in a new branch so it did not have much employees. The existing fewer employees needed to manage huge workload and therefore, I, as an intern had to assist them in completing their loads of pending works. As a result, I did not get much scope to learn and make questions.
- Unlike other banks or any organization FSIBL's Dhanmondi Model Branch does not have any desk for interns to sit and do their task. As a result, we needed to sit in the clients' chairs, and so whenever any client used to visit our branch we were supposed to leave the chair for them to get their service done. Therefore, I used to feel awkward.

Despite the above-mentioned challenges that I encountered as an intern in my workplace, I still had the interest to do my tasks, to learn and I really had respect towards my workplace seniors.

1.3.4 Recommendations to the company on future internships

First of all, I would recommend that the Human Resource Management should make some slight changes in the Human Resource Policy for betterment of the employees, specifically for interns. They should pay the interns at least minimum remuneration since they are also providing time and effort to the workplace.

All the branches of FSIBL should have a desk for the interns so that they can do their tasks at least with minimum comfort.

The Dhanmondi Model Branch of First Security Islami Bank Ltd. was opened on 20th December, 2020, and as such, it is a new branch with a tiny workplace. It employs a total of twenty people, including four subordinate staffs. In my opinion, the employees always worked tirelessly and appeared to require assistance almost constantly in the general banking department, where there are only four employees managing the customers, and I was there to cooperate them with little tasks such as photocopying required documents for clients to complete the account opening forms. This exhausts people and lowers their morale, resulting in diminished job efficiency. As a result, I would propose that they recruit more staffs to alleviate the strain of their current employees; this will have a significant influence on their job efficiency and morale. Additionally, bank operations are entirely reliant on reliable internet access. As a result, any interruptions in internet connection force workers to pause their work, increasing the time required to finish a job. As a result, backup internet service is critical to maintaining seamless operation.

Chapter 2

Organization Part

2.1 Introduction

According to Tofael and Mizanur (2016), the financial ecosystem of any nation or economy is generally constituted of five critical components: ‘money’, ‘financial institutions’, ‘financial instruments’, ‘rules and regulations’, and ‘financial markets’. Banks are crucial to these aspects and are considered as a fundamental component (Dhanabhakym & Kavitha, 2012). McKinnon (1973) examined the financial system's importance and the role it plays in a country's economic development in his study. Additionally, he said that the financial sector and economic progress are inextricably linked (cited by Misra and Aspal, 2013). According to the Bangladesh Bank's website (March 16, 2021), Bangladesh currently has 60 scheduled banks, including six state-owned commercial banks (SOCBs), three specialized banks (SDBs), 42 private commercial banks (33 conventional PCBs and eight Islami Shariah-based PCBs), and nine foreign commercial banks. First Security Islami Bank Limited is one of the major private commercial banks in Bangladesh and is designated as a Shariah-compliant PCB. FSIBL started their banking function in 1999 and later converted to an Islamic shariah-compliant bank in 2009. (As stated on the FSIBL website). They have been rated A+ for seven consecutive years, putting them in the investment category of upper medium grade. This demonstrates that the bank has sufficient financial means to fulfil their financial responsibilities. The company does, however, has a few minor problems. It is incapable of steering effectively when the economy grows at a negative rate. Nonetheless, their other considerable advantages as an Islamic bank are fair enough to compensate for these minor short comings.

The core purposes of my report are- to examine and observe the workplace surrounding and inside workings in the segment of general banking, to narrate acquired data, to learn about the presented framework and methodologies, and to get an understanding of the ways banking

attestations are prepared on regular basis. Additionally, this report concentrates on elucidating several facets of banking, such as management techniques, market offers, financial and operational processes. Moreover, the objective is to get an understanding of how an Islamic bank functions in Bangladesh.

For the purpose of compiling this internship report, FSIBL's annual reports from the previous five years have been downloaded from their website. This report has gathered and examined carefully information on their goods, services, accomplishments, and their supplementary functional schemes from the bank's website, online portals of news, and profiles from LinkedIn, as well as other publicly available sources. Furthermore, past studies done on FSIBL were referenced for the aim of conducting this study. The Bangladesh Bank website provided some important information, which was also used to write this report.

This in-depth study of an Islamic bank, such as FSIBL, will serve as a resource for future students and academics interested in learning more about Islamic banks in Bangladesh. This comprehensive study focuses on FSIBL's utilitarian activities and overall banking condition as a Bangladeshi Islamic bank. Additionally, the SWOT analysis and Porter's Five Generic analysis will provide a clear picture of FSIBL's position in Bangladesh's banking industry.

2.2 Overview of First Security Islami Bank Limited

2.2.1 Corporate details of FSIBL

In the year of 1999, 29th August FSIBL incorporated as a commercial banking institution in compliance with Companies Act 1994 to conduct banking activities. On 25 October 1999, they began operations as a commercial bank with one billion BDT worth of authorised capital. The bank's initial official headquarters were located at 23, Dilkusha, Dhaka-1000, Bangladesh, that is the bank's registered office now. In 2009, FSIBL began operations in Bangladesh as an

Islamic Sharia compliant bank. They have now grown to be in the list of one of the renowned Islamic banks in Bangladesh. Address of their present official headquarter- Rangs RD Center, Block: SE (F), Plot:03, Gulshan Avenue, Gulshan-1, Dhaka:1212. (Source: FSIBL website)

According to the Dhaka Stock Exchange (DSE) website as at 13th January, 2022 the following basic information has been gathered:

- Company trade code: FIRSTSBANK
- Authorized Capital: 10,000 million BDT
- Paid-up Capital: 9,961.98 million BDT
- Face value of share: BDT 10 per share
- Total number of outstanding securities: 996,198,211
- Market Capitalization: 12,850.957 million BDT
- Last share trading price: BDT 12.90 per share
- Last closing price of share: BDT 12.90 per share

Last Annual General Meeting (AGM) was conducted on 7th July, 2021 according to DSE website. The following important information was announced in that AGM for the year ended 31st December, 2020:

Table:4 Information from Dhaka Stock Exchange (DSE) website

Dividend in Cash	5% 2020, 5% 2016, 10% 2015
Bonus Issue of Stock Dividend	5% 2020, 10% 2019, 10%2018, 10% 2017, 5% 2016, 10% 2014, 10% 2012, 10% 2011, 12% 2010, 10% 2009
Issue of Right Shares	1R:2 2014, 1R:5 2010
End of Fiscal Year	31 st December
Reserve and Surplus fund without OCI (million BDT)	7,983.50
Other Comprehensive Income (OCI) (million BDT)	0.0

Source: Dhaka Stock Exchange website

2.2.2 FSIBL's Present Situation in Bangladesh

FSIBL began their banking function in the industry as an Islamic bank in Bangladesh since 2009 and has grown to become one of the country's reputed Islamic-based banks, achieving a number of corporate milestones along the way. Several of the more notable ones from recent years are included here:

Table:5 FSIBL's corporate milestones

2022	9 th January, 2022 FSIBL achieved first position for the third time in collecting Dhaka WASA bill.
2021	9 th December, 2021 FSIBL's Information Security Management System has been certified to the globally recognized and famous ISO 27001:2013 standard.
2021	25 th October, 2021 The 22nd anniversary of First Security Islami Bank was celebrated.
2020	21 st February, 2020 First Security Islami Bank Limited has won the Bashundhara Banker's Championship Trophy-2020 twice in a row.
2019	They earned the “Best Corporate Award-2019” as a renowned Private Commercial Bank in the year 2019. (Islamic Operation).
	21 st March, 2018

2018	First Security Islami Bank announced the debut of its new trade finance product, dubbed "Tasdir."
2016	1 st August, 2016 First Security Islami Bank Limited got a “Letter of Appreciation” from Bangladesh Bank for attainment of the objective of agricultural and rural investment disbursement in fiscal years of 2014-2015.

Source: FSIBL’s notable achievements so far collected from ‘Corporate News’ section of FSIBL’s website.

At the moment, First Security Bank has added seven new branches, fifteen ATM booths, and sixteen agent banking locations. They are currently operating - 9 zones, 196 branch, 201 ATM, 138 sub-branch, 71 Agent Banking, 27 collection booth; according to FSIBL website.

2.2.3 Corporate Vision of FSIBL

“To be the premier financial institution in the country based on “Islamic Shariah” by providing high quality products and excellence in services backed by latest technology and a team of highly motivated personnel to deliver excellence in Banking Service”. (*Source: ‘Our Vision’ section of FSIBL website*)

2.2.4 First Security Islami Bank’s Corporate Mission Statement

Table:6 FSIBL’s corporate mission

<ol style="list-style-type: none"> 1. “To contribute to the socio-economic development of the country”. 2. “To attain the highest level of satisfaction through the extension of services by dedicated and motivated professionals”. 3. “To maintain continuous growth of market share by ensuring quality”. 4. “To ensure ethics and transparency in all levels”. 5. “To ensure sustainable growth and establish full value of the honourable shareholders and above all, to contribute effectively to the national economy.”

Source: Collected from 'Our Mission' section of FSIBL website.

2.2.5 Official Highlights published under 'Corporate News' section of FSIBL's website

- 8th January, 2022: First Security Islami Bank Ltd. and the Institute for Developing Science and Health Initiatives cooperated to provide a free Thalassaemia Carrier Screening and Awareness Camp.
- 3rd January, 2022: First Security Islami Bank Ltd. Debuted its 201st Automated Teller Machine (ATM).
- 8th November, 2021: First Security Islami Bank hosted a session on Anti-Money Laundering and Countering Terrorism Financing.
- 22nd September, 2020: First Security Islami Bank Ltd. presented the Rotary Club of Jashore with an ambulance.
- 24th July, 2019: Officers of First Security Islami Bank have been presented with the 'Award of Integrity 2018'.
- 7th July, 2018: First Security Islami Bank has announced the introduction of a new VISA debit card.
- 20th December, 2015: First Security Islami Bank Ltd. was awarded the 2014 Best Sponsor Award.

2.3 Management Practices

Management is critical to the success of any firm, but notably financial institutions. First Security Islami Bank's management structure is comprised of 12 intellectuals, including

- Mohammed Saiful Alam, Chairman
- Mohammed Abdul Maleque, Vice Chairman
- Syed Waseque Md Ali, Managing Director

Members of the Board of Directors are always devising novel methods to enhance FSIBL's overall performance.

First Security Islami Bank's management organogram:



Figure:1 Organization structure of FSIBL's management

2.3.1 Recruitment

As a pioneering Islamic Shariah-based private commercial bank in its third generation, FSIBL has always placed a premium on people development in order to deliver high-quality services to its customers. It thinks that the characteristics that enable banks to exist and distinguish themselves from competitors are inextricably tied to the quality of services and customer happiness, which are dependent on personnel qualification, efficiency, and effectiveness of work. As their human resources contribute significantly to the organization's competitive advantage, they continue to recruit the finest professionals and create programs to develop and retain high-quality personnel capable of meeting the challenges of the twenty-first century. The bank is committed to providing equal opportunity for emerging talent in its recruiting and selection processes.

Recruitment criteria of FSIBL is shown in table below

Table:7 Recruitment criteria of FSIBL

Post Name	Recruitment Criteria
Deputy Managing Director (DMD)	<p>5 years as a General Manager or comparable position in a scheduled bank and a minimum of 28 years in the work.</p> <p>4 years as a GM or comparable position in a scheduled bank, with a minimum tenure of 25 years.</p>
Executive Vice President (EVP)	<p>7 years as a Deputy General Manager or 3 years as a General Manager or comparable position in a scheduled bank, with a minimum tenure of 22 years.</p> <p>5 years as a DGM or 2 years as a GM or comparable position in a scheduled bank, with a minimum tenure of 20 years in the employment.</p>
Senior Vice President (SVP)	<p>5 years as a DGM or 1 year as a GM or comparable position in a scheduled bank, with a minimum tenure of 20 years in the employment.</p> <p>3 years as a DGM or 1 year as a GM or comparable position in a scheduled bank, with</p>

	<p>a minimum tenure of 18 years in the employment.</p>
Vice President (VP)	<p>2 years as a Deputy General Manager or 5 years as an Assistant General Manager or other comparable position in a scheduled bank, with a minimum tenure of 18 years.</p> <p>1 year as Deputy General Manager or 3 years as Assistant General Manager or in a comparable position in a scheduled bank with a minimum tenure of 16 years.</p>
First Vice President (FVP)	<p>3 years as an Assistant General Manager or comparable position in a scheduled bank, with a minimum tenure of 16 years.</p> <p>2 years as an Assistant General Manager or comparable position in a scheduled bank and a minimum of 14 years in the job</p>

Assistant Vice President (AVP)	<p>2 years as an Assistant General Manager or 4 years as a Senior Principle Officer or equivalent position in a scheduled bank, with a minimum tenure of 14 years in the employment.</p> <p>1 year as an Assistant General Manager or 3 years as a Senior Principle Officer or equivalent position in a scheduled bank, with a minimum tenure of 12 years in the employment.</p>
First Assistant Vice President (FAVP)	<p>3 years as a Senior Principle Officer or a comparable position in a scheduled bank with a minimum tenure of 12 years.</p> <p>2 years as a Senior Principle Officer or equivalent position in a scheduled bank, with a minimum tenure of 10 years.</p>
Senior Officer (SO)	<p>3 years in a scheduled bank as a Junior Officer or in an equivalent position.</p> <p>2 years in a scheduled bank as a Junior Officer or in an equivalent position.</p>
Junior Officer (JO)	<p>2 years' experience in a scheduled bank as an Assistant Officer or in an equivalent position.</p>

	1 year employment as an Assistant Officer or other comparable position in a scheduled bank.
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In general, just like other organisations FSIBL provides recruitment advertisement in online job portals, in newspaper and their own website. They mention all the required education qualification, previous job experience if needed, job responsibility in their advertisement which the candidates are required to fulfil in order to apply for the advertised position. After job application the Human Resource Management shortlist the candidates and arrange for them written examination. Candidates need to get a favourable grade in the written exam and again will be shortlisted for viva or interview. The candidates' whose performance will be good in viva will finally be selected for a particular job position.

2.3.2 Training

FSIBL is continuing its efforts to grow its people by giving necessary trainings, workshops, and seminars both domestically and internationally to equip them to give excellent services to its consumers. It organizes training and workshops for its senior executives in Bangladesh and overseas to help them design and execute suitable policies for the Bank's benefit. Additionally, it organizes priority-based trainings and seminars to ensure that its personnel are compliant with the regulatory body and to assist them in their career development.

Furthermore, the Bank organizes weekly training program in their head office in order to educate the officers with Sharia techniques which they are supposed to implement in day-to-day banking operation. Nonetheless, they also arrange seminar outside Dhaka for all the Anti-money Laundering Compliance Officers of all the branches of FSIBL, to train them with the policies of anti-money laundering norms and regulations that are set by Bangladesh Bank and which they are supposed to strictly implement in respective branches. Moreover, the bank encourages the officers to sit for the Banking Diploma examinations conducted by Bangladesh Institute of Banking Management (BIBM) in order to better educate them regarding banking policies. If the officers can score passing mark in those Diploma examinations they are being rewarded with job promotion and salary increment.

2.3.3 Payroll Strategy

FSIBL compensates its workers fairly. There are two distinct kinds of compensation systems: salary and bonus schemes. Employees are not compensated for working more hours. On occasion, workers get incentives. They are rewarded for their collaborative efforts as well as for their exceptional contributions to the workplace. Employees get fringe benefits such as paid sick leave, paid maternity leave, vacation pay, pension schemes, medical allowance, transportation, and provident fund. Promotion, according to FSIBL's human resource management, boosts staff morale. As a result, they reward workers depending on their job performance and achievement of objectives. Employees are relocated between branches to avoid boredom from working in the same office and at the same desk.

2.4 Marketing Practices

FSIBL began operations in the category of a Bangladeshi Islamic bank in the year 2009, and the management of the bank has worked hard to give their clients the finest financial products and services possible since then. FSIBL strives to establish customer friendliness strategy with its clients; the bank mainly focuses on ensuring that the customers are happy by using all sorts of product or facilities being offered by them.

The marketing mix of any firm consists of 4Ps, they are- Product, Price, Place and Promotion. Those 4Ps of FSIBL will be discussed in this report.

2.4.1 Products

Customers may choose from a diverse selection of products offered by FSIBL. Their most important products come within the categories of Deposit Schemes, Investment Schemes and their value addition facilities respectively.

1. Deposit Schemes

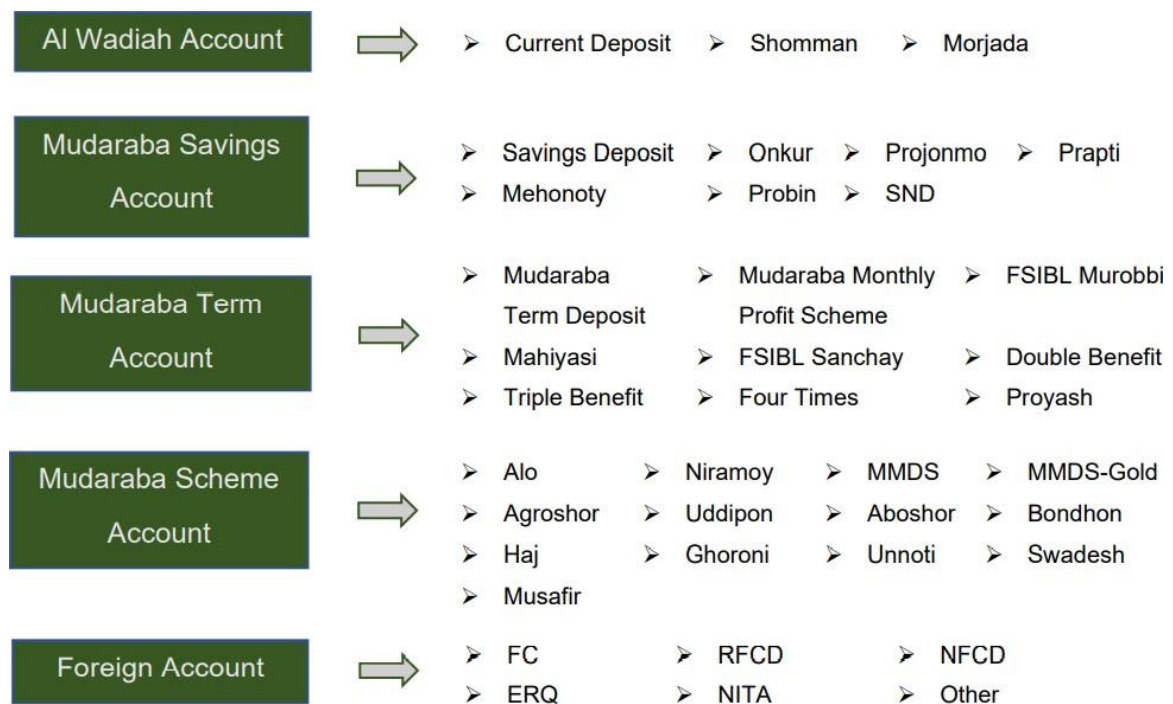


Figure:2 Deposit Schemes offered by FSIBL

Five deposit programs are available at FSIBL as shown in the above figure. These schemes include-

- Al Wadiah Current Deposit – these deposits are for transaction purpose
- Mudaraba Savings Account, namely- Prapti, Savings deposit, Short Notice Deposit (SND), Mehonoty, Projonmo: these accounts are for saving purpose

- Mudaraba Term Account, namely- Mahiyasi and Double benefit
- Mudaraba Scheme Account, namely- Alo, Niramoy, Ghoroni and Musafir

The above-mentioned deposit programs are extremely demanding among the FSIBL's account holders particularly in Dhanmondi Model Branch of the bank.

2. Investment Schemes

Table:8 Investment products of FSIBL

<p>Bai-Murabaha Investment</p>	<ul style="list-style-type: none"> • Bai-Murabaha (Hypo) • Bai-Murabaha (General) • Bai-Murabaha (Real Estate Material) • Bai-Murabaha (Pledge/TR/ Local Purchase) • Bai-Murabaha (Hypo) under SME • Bai-Murabaha (EMI) under SME • Bai-Murabaha (Agriculture) • Bai-Murabaha (Hypo) against MTDR and other Deposit Schemes
<p>Hire Purchase under Sirkatul Milk (HPSM) Investment</p>	<ul style="list-style-type: none"> • HPSM (House Building-Residential) • HPSM (Real Estate/Commercial) • HPSM (Transport-Bus, Truck, Launch, Cargo vessel etc.) • HPSM (Auto-Car, CNG Three-wheeler, Microbus etc.) • HPSM (Machinery) • HPSM (Industry) • HPSM (Consumer Durables Scheme) • HPSM (Lease/ Ijara Investment) • HPSM-Car Lease (Staff) • HPSM (House Building-Staff)
<p>Investment against Import</p>	<ul style="list-style-type: none"> • Bai-Murabaha-Import Bill (Cash LC-MIB) • Bai-Murabaha (MIB-EDF Fund) • Bai-Murabaha-Post Import (TR) • Bai-Murabaha-Post Import (Pledge)

<p>Investment against Export</p>	<ul style="list-style-type: none"> • Bai- Istisna (Pre Shipment Investment) • Bai-Salam • Bai-Murabaha (Export) • Wajira Bill Okalah against Cash Incentive
<p>Documentary Bill Purchase</p>	<ul style="list-style-type: none"> • Foreign Documentary Bills Purchased (FDBP) • Inland Documentary Bills Purchased (IDBP-FC)
<p>Other Investment</p>	<ul style="list-style-type: none"> • Musharaka Investment • Mudaraba Investment • Bai-Muajjal Investment
<p>Quard</p>	<ul style="list-style-type: none"> • Quard against MTDR • Quard-E-Hasana • Quard against Car (Staff) • Quard against Provident Fund (Staff)
<p>Letter of Guarantee</p>	<ul style="list-style-type: none"> • Tender Guarantee • Performance Guarantee • Guarantee for Sub-Contracts • Shipping guarantee • Advance Payment guarantee • Guarantee in lieu of Security Deposits • Guarantee for exemption of Customs Duties • Others
<p>Specialized Schemes</p>	<ul style="list-style-type: none"> • Consumer Investment Scheme • SME Investment Scheme • Women Entrepreneur Investment under SME Investment • Agriculture Investment Scheme

Source: Collected from 'Product' section of FSIBL website

Facilities of value addition offered by FSIBL

- **Online Banking:** Customers of First Security Islami Bank may use online banking to transfer funds, check their balances, get banking statements, check the status of their cheque books, and obtain profit information, among other things.
- **Locker Facility:** FSIBL offers locker facility to its customers; in order to use this service, a client must have an FSIBL account. They presently provide a locker service at 55 branches around Bangladesh, where FSIBL clients may store their belongings.
- **Remittance from abroad:** FSIBL has money transfer affiliation with the following money exchange organisations:
 - Western Union
 - Zenj Exchange
 - The MoneyGram brand
 - The Xpress Money
 - Placid Express
 - IME (International Money Express) Ltd.
 - TRANSFAST
 - RIA
 - Aftab Currency Exchange Limited
 - BRAC Saajan Exchange Limited
 - Wall Street Finance LLC
 - Prabhu Money Transfer P.Ltd.
 - Al Muzaini Exchange Co.
- **'Tasdir':** First Security Islami Bank's account holders may use this facility to acquire shipments according to their requirements and pay them afterwards without the need for a letter of credit (LC) or a down payment.
- **FSIBL's Mobile Financial Service:** Account holders may use the FSIBL mobile financial facility for cash deposit, cash withdraw, fund transfer, mobile phone top-up, making of payments, look over at account balances and changing of PIN number. All these facilities can be enjoyed at home or elsewhere without the need for going to the bank through their mobile App "FSIBL Cloud". Moreover, this is their newest addition in order to provide mobile banking facility to the customers.
- **FSIBL's Agent Banking:** The Agent Banking provides limited banking services in rural regions.

- **SMS Banking Service:** Through SMS banking services, clients of FSIBL are alerted after each transaction.

2.4.2 Price

Pricing strategy of banks are usually the rate of interest or the rate of profit on various financial products that they offer. In case of conventional banks, it is the rate of interest. In case of Sharia based banks, it is the rate of profit. Therefore, in case of FSIBL the pricing strategy is the rate of profit they provide on their term deposit accounts.

Some of the profit rates are shown below:

Mudarabah Term Deposit Account (MTDR)

- Any adult possessing sound mind may open this account in his/her name separately or jointly with others.
- Any proprietorship/partnership business, limited corporation (private/public), educational institution, club, association, socio-economic organization may also create this account.
- Minimum balance is TK. 10,000 only.

Table:9 MTDR profit rates

Serial number	Nature of Account	Period(s)	Profit Rate (Provisional)
1	MTDR	1 month	3.50%
2	MTDR	3 months	5.60%
3	MTDR	6 months	5.60%
4	MTDR	12 months	5.60% (up to 10.00 crore)
5	MTDR	12 months	5.75% (up to 10.00 crore and above)

Mudarabah Monthly Profit Scheme (MMPS)

- One-time deposit, begin at 25,000/- or in multiples thereof.
- 1 year, 2 years, or 3 years- tenure
- Profits are distributed on a monthly basis.
- The applicant must maintain a savings account, and profits will be automatically sent to the savings account on a regular basis.
- Profit rate is rather attractive.
- The scheme will not be automatically renewed. After account maturity, the applicant must reapply.

In the event of an early redemption, the profit computation will be as follows:

Closed Prior to One Year - There will be no profit.

Profit

- For 1 year tenure: Monthly profit of around TK. 485/- against a deposit of TK. 1,00,000/-.
- For 2 year tenure: Monthly profit of around TK. 495/- against a deposit of TK. 1,00,000/-.
- For 3 year tenure: Monthly profit of around TK. 495/- on a deposit of TK. 1,00,000/-

Mudarabah Monthly Deposit Schemes (MMDS)

Monthly Payments: 500/- to 25,000/- over 3, 5, 8, 10, and 12 Years

Fixed instalments determined by the tenure or the payment. Once an instalment/Tenure has been selected, it cannot be changed.

Pay the payment at any branch during the month.

The option of depositing the instalment in advance is available, however there is a penalty for late payments (up to BDT 5000, the penalty is 25 tk and more BDT 5000, penalty is 50tk).

If a consumer fails to pay an instalment for three (3) consecutive months, the account will be immediately cancelled.

Instalment payments must be made by the twentieth day of the month.

Investment facility secured by the deposited sum.

Profit computation in the event of early encashment will be as follows: - Closed before one year – no profit will be awarded.

– Cancelled after one year but before to maturity – profit at the savings rate.

Table:10 MMDS Profit Rates

Years/Monthly Instalment	3 years	5 years	8 years	10 years
100	3,943	6,977	12,227	16,253
250	9,858	17,443	30,567	40,634
500	19,717	31,886	61,134	81,287
1000	39,433	69,772	1,22,269	1,62,534
1500	59,150	1,04,658	1,83,403	2,43,802
2000	78,866	1,39,543	2,44,537	3,25,069
2500	98,583	1,74,429	3,05,672	4,06,336
5,000	1,97,166	3,48,858	6,11,343	8,12,672
10,000	3,94,332	6,97,717	12,22,686	16,25,343
15,000	5,91,498	10,46,575	18,34,029	24,38,015
20,000	7,88,664	13,95,434	24,45,372	32,50,687
25,000	9,85,830	17,44,292	30,56,716	40,63,358

2.4.3 Place

‘Place’ is an important marketing mix for financial institutions like banks. For all banks place is the head office and all the branch offices where banking operations take place. Similarly, FSIBL has its head office located in Rangs Tower, Gulshan, Dhaka and branch offices all over the country. Moreover, the place not only includes the branch offices of the bank but also locations of ATM Booths, Zonal Office, Agent Banking, Collection Booth, and so on.

- Head office: All the decision-making activities take place in head office. The upper-level management of FSIBL, that is, the board of directors regularly keep pace with Bangladesh Bank Circulars and distributes to all the ancillary branches through E-mail so that they can operate in right track.

- Branch Offices: Branch offices are the ancillary offices of banks from where customers get their desired service. There are 196 branches of FSIBL all over Bangladesh.
- Zonal Office: There are 9 zonal offices of FSIBL. Management in those offices keep track with all the branches in their respective zones.
- ATM Booth: There are 201 ATM booths of FSIBL around the country. ATMs are convenient for customers, since they are able to withdraw cash 24/7 using ATM cards.
- Agent Banking: There are 71 agent banking of FSIBL in rural regions. People in rural areas need those agent banking for limited banking services.
- Collection booth: There are 27 collection booths of FSIBL.

2.4.4 Promotion

Promotion is an important marketing mix. This includes advertising, public relations and other promotional strategies in order to grab attention of target segment. All firms need promotions in order to reach to their customers the products and services they offer. Similarly, banks also need to promote their products and services to create public awareness. FSIBL does not follow conventional promotional strategies like advertisement, TVC, Billboard, etc. They promote their product through their own website. Moreover, they try to increase their reach to public through sponsorship.

Some of their sponsorships include-

- “First Security Islami Bank Ltd. Donated 90pcs Oxygen Concentrators to Shaheed Suhrawardy Medical College Hospital and Bangladesh Shishu Hospital and Institute for the Treatment of Covid-19 Patients”.
- “First Security Islami Bank Ltd. Donated 30pcs Oxygen Concentrators to 5 Hospitals of Khulna Zone for the Treatment of Covid-19 Patients”.
- “First Security Islami Bank Ltd. sponsored 15 weight scale machines to Biman Bangladesh Airlines Ltd.”

Sponsorships assist FSIBL to boost their corporate image to the general people.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial performance

Table-11: Loan/Deposit Ratio

Loan/Deposit Ratio	2020	2019	2018	2017	2016
Total Loans/Total Deposit	96.75%	96.66%	97.31%	91.39%	82.37%
IA	85.42%	87.38%	91.44%	87.25%	88.21%

Calculation of Industry Average (IA) is shown in table below:

Table:12 Loan/Deposit Ratio IA

	2020	2019	2018	2017	2016
Islami Bank	87.44%	94.54%	97.42%	93.61%	89.78%
ICB Islamic Bank	68.88%	70.72%	74.95%	78.23%	85.85%
EXIM Bank	99.93%	96.87%	101.96%	89.91%	89.00%
IA	85.42%	87.38%	91.44%	87.25%	88.21%

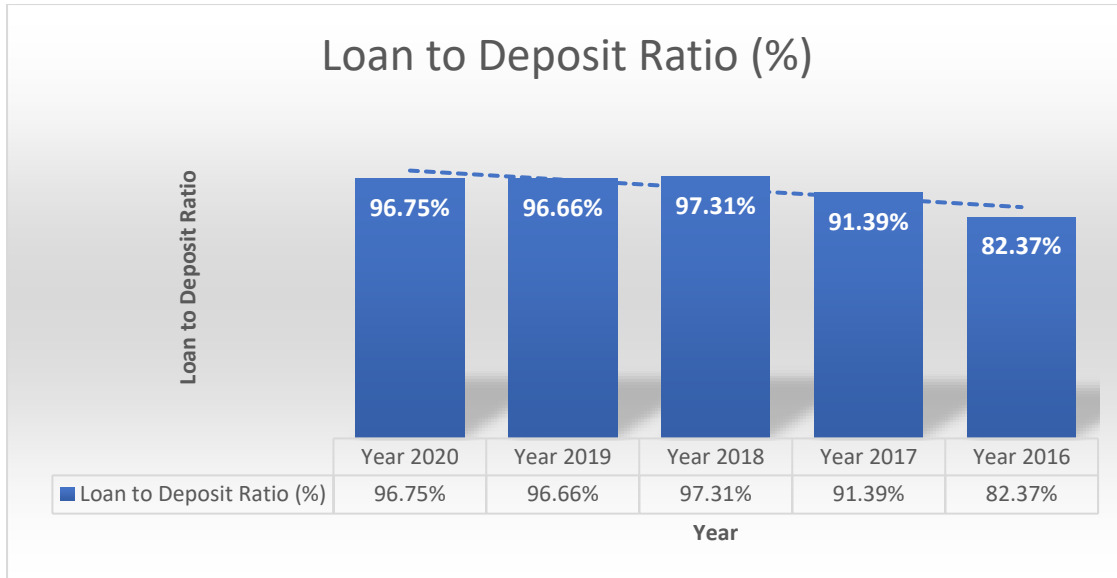


Figure:3 Loan to Deposit Ratio

Explanation: In 2020, FSIBL's Loan/Deposit Ratio is 96.75%, that means the bank continuously lending 0.9675 BDT for every 1 BDT deposit. This parameter is less than 100 percent but higher than 90 percent, that is less than the optimal loan/deposit ratio. However, in comparison of average of the industry, that is, 85.42%, the bank needs to work for lowering this Loan/Deposit ratio significantly, if the ratio exceeds the industry average, the bank may lack the liquidity necessary to meet any unanticipated cash needs.

Table13:- Provision for Loans Ratio

Provision for	2020	2019	2018	2017	2016
Loans Ratio					
Provision for Loan/Total Loans	0.34%	0.52%	0.73%	0.74%	0.57%
IA	0.47%	0.51%	0.51%	0.50%	0.61%

Calculation of Industry Average (IA) is shown in table below:

Table:14 Provision for Loans Ratio IA

	2020	2019	2018	2017	2016
Islami Bank	0.43%	0.83%	0.78%	0.65%	0.67%
ICB Islami Bank	0.701%	0.27%	0.17%	0.23%	0.53%
EXIM Bank	0.29%	0.43%	0.59%	0.61%	0.62%
IA	0.47%	0.51%	0.51%	0.50%	0.61%

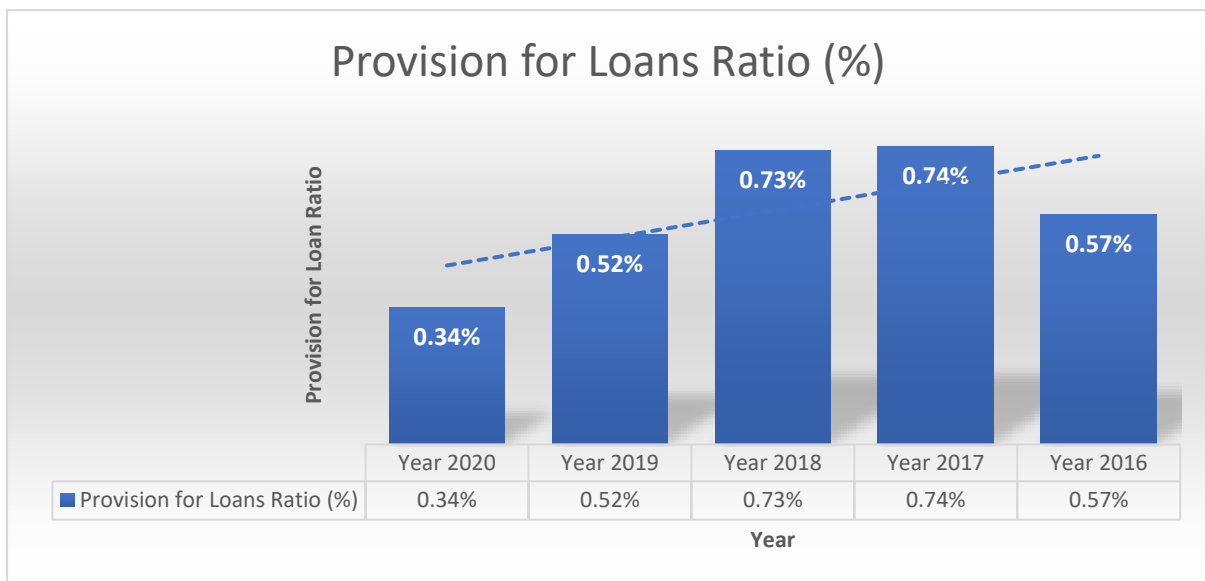


Figure:4 PLL Ratio

Explanation: According to the Provision for Loan Ratio (PLL) for 2020, for every 100 loans, there's a chance that only a few of them are risky and might not be paid back. In 2017 and 2018, this ratio was going up, but it has been going down in the last few years. It was even lower than

the industry average in 2020, which was 0.47%. That means that FSIBL's loans are now much more safe than they used to be.

Table-15: Debt/Asset Ratio

Debt/Asset	2020	2019	2018	2017	2016
Total Debts/Total Assets	96.32%	96.40%	96.32%	96.48%	96.33%
IA	94.39%	94.03%	93.30%	92.70%	91.96%

Calculation of Industry Average (IA) is shown in table below:

Table:16 Debt/Asset Ratio IA

	2020	2019	2018	2017	2016
Islami Bank	95.58%	94.80%	94.44%	94.37%	93.88%
Al-Arafah Islami Bank	93.91%	94.04%	93.06%	92.01%	91.08%
EXIM Bank	93.69%	93.26%	92.40%	91.72%	90.91%
IA	94.39%	94.03%	93.30%	92.70%	91.96%

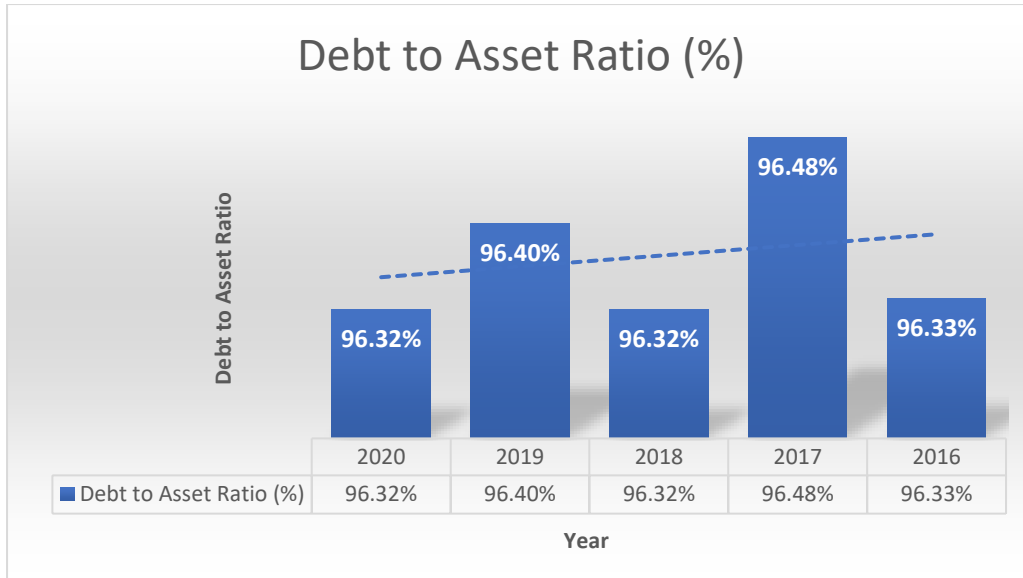


Figure:5 Debt to Asset Ratio

Explanation: In 2020, FSIBL's debt by asset ratio was 96.32 percent, indicating the bank is in debt of 96.32 BDT for every single 100 BDT worth of assets. Between 2017 and 2019, their debt-to-asset ratio increased, and it is currently 96.32 percent, above the industry average of 94.39 percent. To prevent liquidity risk, FSIBL must work on reducing its debt-to-asset ratio to at least 94%.

Table-17: Debt by Equity Ratio

Debt by Equity Ratio	2020	2019	2018	2017	2016
Total Debts/Total Equity	26.69	27.38	26.83	28.48	27.01
IA	17.31	15.62	14.53	13.63	12.33

Calculation of Industry Average (IA) is shown in table below:

Table:18 Debt by Equity Ratio IA

	2020	2019	2018	2017	2016
Islami Bank	21.64	18.24	16.99	16.76	15.34
Al-Arafah Islami Bank	15.43	14.78	14.44	13.04	11.65
EXIM Bank	14.85	13.84	12.17	11.08	9.99
IA	17.31	15.62	14.53	13.63	12.33

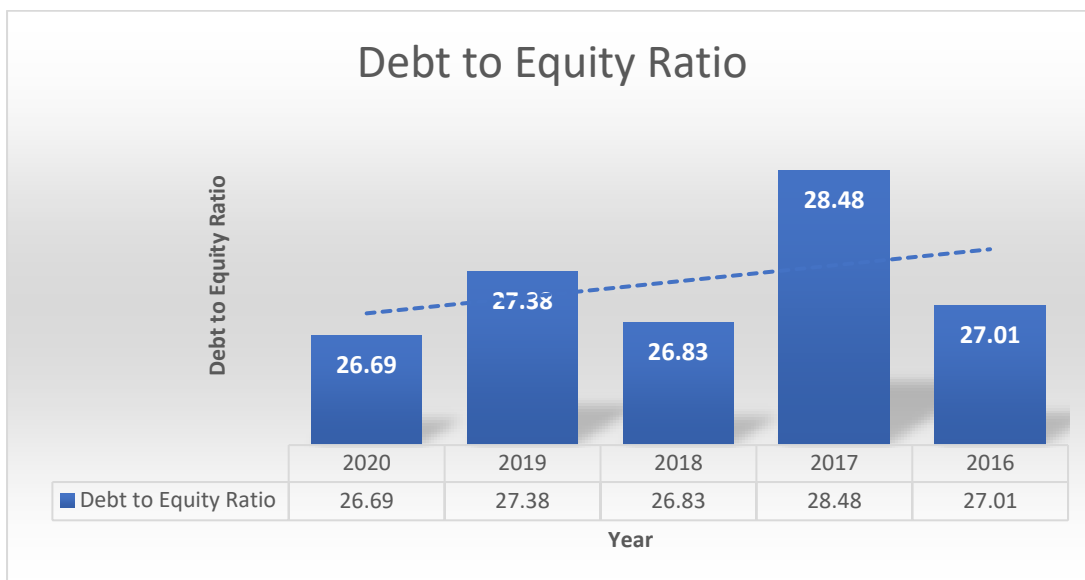


Figure 6: Debt to Equity Ratio

Explanation: In 2020, FSIBL's debt by equity result was 26.69, implying that the company is borrowing 26.69 BDT for each 1 BDT in equity capital. The benchmark for 2020 was 17.31, which suggests they are spending more money on equity capital than their rivals. They should reduce this percentage in the near future to prevent unexpected barriers and ineffective liquidity risk management.

Table-19: Tier 1 Capital Ratio

Tier 1 Capital Ratio	2020	2019	2018	2017	2016
Tier 1 Capital/Total Risk-weighted Assets	7.36%	6.05%	6.12%	6.77%	7.51%
IA	9.00%	8.91%	8.81%	9.26%	10.07%

Calculation of Industry Average (IA) is shown in table below:

Table:20 Tier 1 Capital Ratio IA

	2020	2019	2018	2017	2016
Islami Bank	8.72%	8.65%	8.51%	8.75%	8.77%
Al-Arafah Islami Bank	9.74%	10.22%	10.12%	10.40%	11.92%
EXIM Bank	8.54%	7.86%	7.79%	8.64%	9.51%
IA	9.00%	8.91%	8.81%	9.26%	10.07%

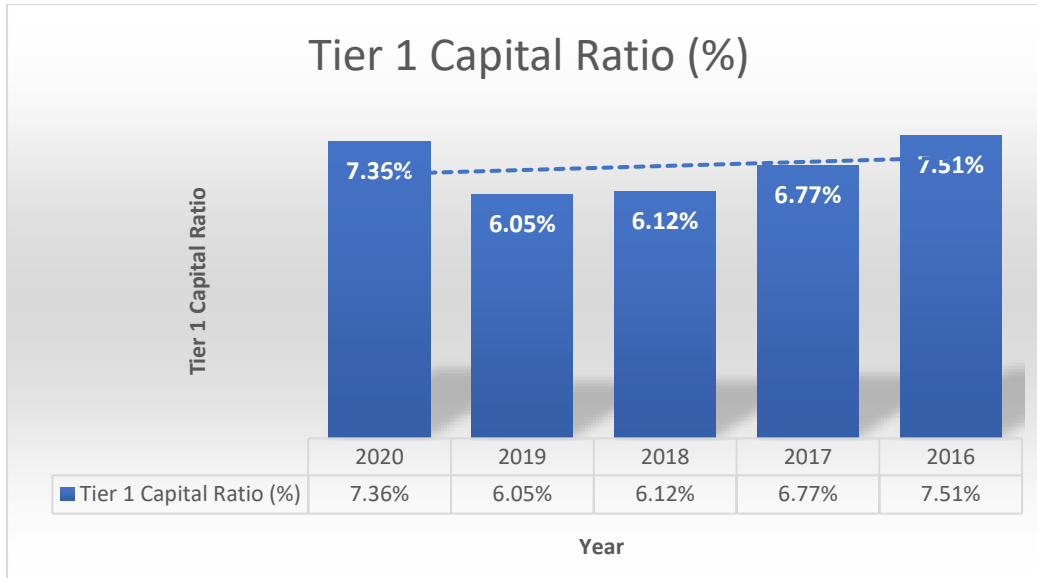


Figure:7 Tier1 Capital Ratio

Explanation: Basel III requires that banks maintain an up to the mark tier 1 capital ratio of 10.5 percent, that is computed through division of tier 1 capital by total risk-associated assets. Risk-associated assets quantifies a financial institution’s credit risk vulnerability based on the loans it underwrites. Tier-1 Capital Ratio for FSIBL is 7.36 percent in 2020, implying that the bank has 7.36 percent of majority capital in opposition with all risk associated assets. Tier-1 Capital is 9 percent on average in the industry, which indicates FSIBL should concentrate on boosting this ratio in order to maintain adequate liquidity and credit risk management.

Table-21: Net Investment Margin (NIM)

Net Investment Margin (NIM)	2020	2019	2018	2017	2016
Net Investment Income/Total Assets	2.30%	1.74%	2.50%	2.46%	2.43%

IA	2.04%	2.37%	2.55%	2.50%	2.96%
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Calculation of Industry Average (IA) is shown in table below:

Table:22 NIM IA

	2020	2019	2018	2017	2016
Islami bank	2.07%	2.69%	2.91%	2.84%	2.93%
Al-Arafah Islami Bank	2.34%	2.68%	2.57%	2.73%	3.25%
EXIM Bank	1.72%	1.75%	2.18%	1.92%	2.70%
IA	2.04%	2.37%	2.55%	2.50%	2.96%

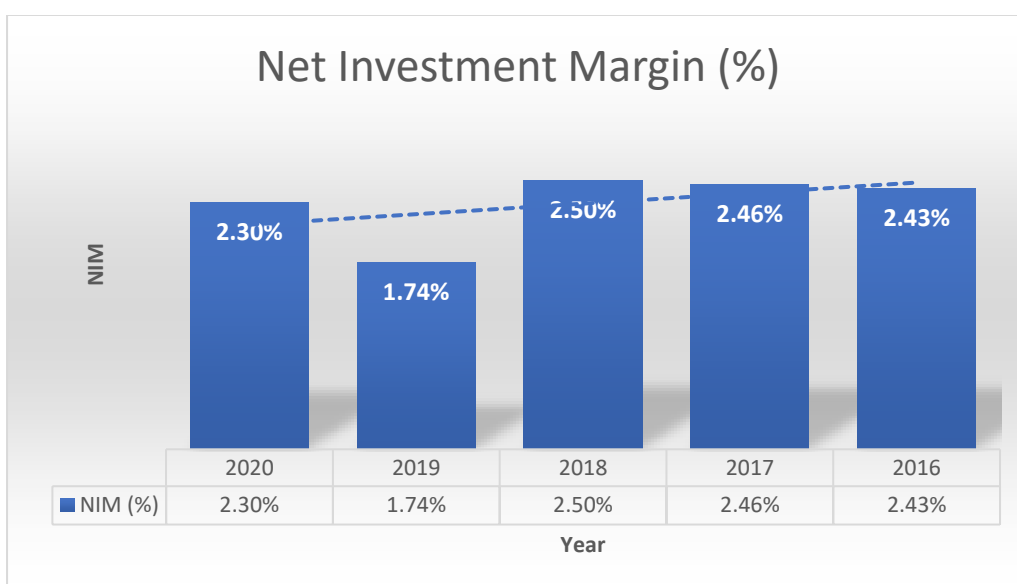


Figure:8 NIM

Explanation: Net Investment Margin for FSIBL is 2.30 percent in 2020, it implies that in each 100 units of the bank's assets, 2.30 BDT in net investment income was produced. Because the industry average is 2.04%, their NIM is higher than the industry average, which is progressive

for a bank. This demonstrates that FSIBL is doing well in terms of investment revenue generated by its assets. As a consequence, the bank should maintain its efficiency in terms of NIM ratio in order to maintain a healthy liquidity risk management.

2.5.2 Accounting Practices

The financial statements such as- Balance Sheet, Profit and Loss Account, Cash Flow Statements, Statements of Changes in Equity, Statement of Liquidity Analysis and relevant notes to the financial statements and disclosures thereto, of the bank are prepared under historical cost convention on a going concern basis.

The financial statements of FSIBL are prepared at the end of every fiscal year and are prepared under the historical cost convention on a going concern basis and in accordance with the First Schedule Section 38 (4) of The Bank Companies Act, 1991 and Amendment 2013, BRPD Circular#14 dated 25 June 2003, BRPD Circular#15 dated 09 November 2009, Other Bangladesh Bank Circulars, International Accounting Standards and International Financial Reporting Standards, The Companies act 1994, The Bangladesh Security and Exchange Rules 1987, Dhaka and Chittagong stock Exchanges listing regulations, Income Tax Ordinance 1984 and other laws and rules applicable in Bangladesh.

2.6 Operations Management and Information System Practices

2.6.1 Operations Management

FSIBL constantly improving its goods and services to meet the ever-increasing need of the Bangladeshi people. 196 branches of the bank are being managed centrally using fundamental system of banking, that is, online system which enables clients getting any sort of financial facility from the bank's branches anywhere in the country. FSIBL's main branches are separated in 3 divisions. These are- General Banking division, Investment Banking division

and Division of Foreign Exchange and Remittance. These three divisions function similarly to those of other available banks in Bangladesh.

Corporate governance of FSIBL is concerned with how a firm manages its operations in order to accomplish its corporate goals. Bangladesh Bank (BB) places a premium on corporate governance implementation among financial institutions, and to that end, BB prioritizes the application of its corporate governance rules for the banking industry. Corporate governance measures that are effective improve an entity's corporate image and market credibility, which attracts money and boosts its borrowing capacity. These can be seen in the quality of financial reporting and disclosures; the strength of the internal control system and internal audit function; the appointment of professionally competent, independent non-executive directors to the corporate board of directors; the establishment of an Audit Committee; delegation of authority to executives and staff; and the protection of corporate governance in order to strengthen organizational strength. To promote efficient involvement and a keen interest in the company's business, and in accordance with Bangladesh Bank BRPD Circular No. 11, dated 27.10.2013, the bank has established the following three committees:

- Executive Committee
- Audit Committee
- Risk Management Committee

2.6.2 Information System Practices

In order for executing each and every financial operation in real time across all 196 locations FSIBL uses 'Bank ULTIMUS' as its fundamental banking system software. ULTIMUS software is a robust application utilized by the majority of Bangladesh's largest banks that enables them to deliver client care from any single branch without any problem. The bank is now utilizing 'Bank ULTIMUS 2.1.6.2' version, and that is the most recent ULTIMUS version. This displays the sophistication of FSIBL's information system methods. A software company named 'Leads Corporation Ltd.', delivers FSIBL's Agent Banking system with solutions via its "nCore" software method, that is as well integrated with their fundamental system in banking.

2.7 Industry and Competitive Analysis

Since Bangladesh is a country of majority Muslim community, its people usually place high premium on the bank's that are Islamic compliant. Due to the fact that Bangladesh now has eight Islamic banks, people are increasingly demanding more from these eight Islamic banks, and as a consequence, rivalry between these Islamic-based banks is fierce. To ascertain First Security Islami Bank's performance in comparison to various Islamic banks, a recognized framework study known as a "SWOT" analysis and Porter's Five Generic Analysis was undertaken.

2.7.1 SWOT Analysis

Table:23 FSIBL’s SWOT Analysis

<i>Variables</i>	<i>Emphasis</i>
S for Strength	<ul style="list-style-type: none"> ○ Islamic Shariah Compliant Bank ○ Known for being "Customer Friendly" ○ DPS is a distinguished savings plan aimed towards the elderly and low-income members of our community ○ Concentrates on high-quality investments ○ Profitable expansion and a sizable asset base
W for Weakness	<ul style="list-style-type: none"> ○ Their goods and services get less exposure and promotion. ○ Their own ATM booths are less in number. ○ ATM booths are insufficiently updated.
O for Opportunity	<ul style="list-style-type: none"> ○ Bai-Murabaha (Hypo) as a counter-measure to MTDR and deposit schemes is gaining popularity. ○ Each and every employee is diligent and committed to their job. ○ Management team with extensive experience’ ○ Friendliness in the Workplace ○ Mobile financial service providing app “FSIBL Cloud”
T for Threat	<ul style="list-style-type: none"> ○ Competitor invests in a higher proportion of BAI-mode investments. ○ Less specialized investment plans ○ Competitors provide a broader geographic reach. ○ Competitors with a greater number of ATM booths ○ Strict government policies

2.7.2 Porter’s Five Generic Analysis

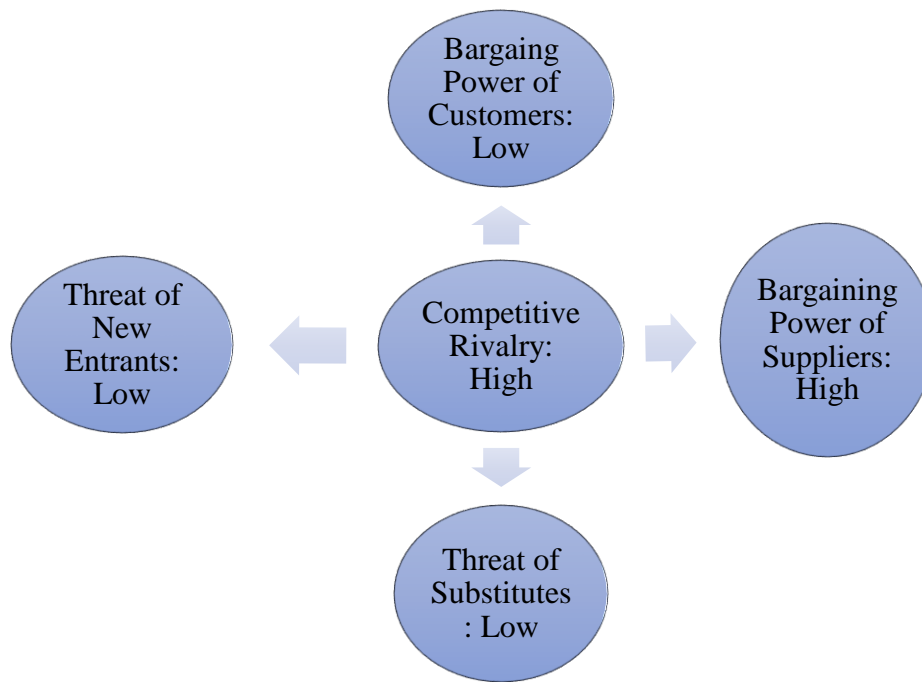


Figure:9 Porter's Five Generic Forces

Bargaining Power of Customers: Low

While individual customers may not constitute a significant danger to the banking sector as a whole, there is one critical aspect that influences the purchasing power of buyers: the relatively high switching costs. If an individual has just one bank that meets all of their financial requirements, it may be difficult for that individual to switch banks. Constant use of the internet has significantly increased customers' power in the banking industry by enabling them to conduct transactions from home, particularly during government-imposed lockdowns. Customers can conduct any transaction from home without visiting branches, and it has also provided them with insight into the rates charged by banks for opening accounts.

Bargaining Power of Suppliers: High

In the Islamic Banking Sector, the important strength of suppliers is the Shariah Board or Scholars. Lack of qualified Shariah scholars leads in scholars seeking a greater salary, since Islamic banks cannot design their goods and services without contacting qualified Shariah scholars. One may argue that suppliers have considerable negotiating power in the Islamic banking market.

Threats of New Entrants: Low

Trust is critical in the banking sector, which is why not everyone who desires to be a banker succeeds. Start-up banks have significant barriers to entry into the market because of the banking industry's handling of people's precious assets and financial documents. Larger banks have a stronger reputation, and consumers place their faith in them based on their performance and dedication. Because the banking sector has united, all of the customers' needs are met in one location, this acts as a barrier to entry for new banks. Even with modest entry barriers, new banks have a difficult time providing the same level of trust and services as larger banks.

Threats of Substitutes: Low

Numerous financial institutions do not adhere to Sharia-based rules, which is why they are unable to attract clients who want Islamic Sharia-based services. While many financial institutions utilize and supply interest that has been declared unlawful, only a limited number of institutions provide Sharia-compliant services. As a result, the danger of substitution is minimal.

Competitive Rivalry: High

Banking is a highly competitive sector. One bank will constantly attempt to woo consumers away from rival banks by providing better rates and more adequate services. In urban areas, rivalry between Islamic and commercial banks is fierce. Numerous global and local banks are launching Shariah-compliant products in Bangladesh. As a result, competition is constantly fierce.

2.8 Summary and Conclusion

The aim of this report was to evaluate the FSIBL's comprehensive operational functions, practices and for ascertaining the organization's present status and performance as an Islamic-based banking institution. In short, FSIBL's management methods and marketing tactics, which include a diverse variety of goods and services, are performing much efficiently. Therefore, as a consequence, their amount of deposit climbed by 17.68 percent in recent year of 2019. This diversity of deposit and investment products is luring new clients. FSIBL is committed to developing healthy relationships with its clients and ensuring that they are happy using their provided services, and that enables the bank for obtaining one-upmanship in the industry of Islamic banking. Bank ULTIMUS's use of updated software ensures that banking services run smoothly and that consumers get their services without delay or difficulty. Despite its excellent attributes, FSIBL is vulnerable to attacks and weaknesses in the Islamic banking market. By appropriately identifying and overcoming these hurdles, FSIBL has enough prospect to grow in the banking industry of Bangladesh as a Sharia compliant institution.

2.9 Recommendation

As a result of the SWOT analysis discussed above, we can observe that FSIBL now faces various vulnerabilities and threats. To begin, FSIBL offers a diverse selection of goods and services to its clients, but sadly, the majority of consumers are unaware of these offerings. FSIBL should improve promotion of the schemes of deposit and investment that they provide. They should also promote the facilities they provide, which includes- 'FSIBL Cloud', 'Tasdir', 'Locker Facility' and 'Agent Banking' facility in order for reaching the target clientele of the bank.

Second, First Security Islami Bank comparatively has small number of ATM booths. They had just 201 ATM booths in Bangladesh till 2022. Though they have risen in recent years, such as they opened their 201st ATM booth on 23rd January 2022, this is still insufficient. Islami Bank of Bangladesh Ltd., one of their key rivals, operates 1131 number of ATM booths around the

country. The bank has a branch in Banani where they have no ATM booths of their own, residents must look for a Q Cash booth to withdraw money using an ATM card. They should expand the number of ATM booths, particularly in densely inhabited regions such as Banani.

Additionally, the branch where I worked as an apprentice, Dhanmondi Model Branch, has an ATM booth which often remains idle or undergoing repair. As a consequence, FSIBL must prioritize modernizing its ATM booths in order to increase client satisfaction.

Third, FSIBL does not provide Bai-As-Sarf and Bai-Istijrar from investment category of Bai-Mode, which is offered by one of their rivals, Islami Bank Bangladesh Ltd. FSIBL should continue to improve its investing strategies in order to maintain a competitive edge.

Chapter 3

Project Part

“Banking Performance of First Security Islami Bank Limited, measured by CAMELS Rating System”

3.1 Introduction

Inadequate liquidity risk management may result in the demise of a bank. In 1979-80, the United States established a supervisory rating system called CAMELS Rating to forestall bank failures and to evaluate the banking system's overall performance. CAMELS Rating has been shown to be an outstanding tool for identifying the soundness of a financial institution and helps regulators in deciding a bank's effectiveness.

The CAMELS grading system is comprised of six qualities.

- Capital Adequacy
- Asset Quality
- Management Effectiveness
- Earnings Capability
- Liquidity Management
- Sensitivity to market

Those distinct characteristics allow for the identification of specific areas in which a bank excels or falls short of its rivals. On the basis of this ranking, regulators may take swift action to reclaim their competitive edge in their respective performances in the industry. The Central Bank of Bangladesh received the CAMELS Rating for the first time in 1993, then that was an unwavering supervision mechanism in the banking industry of Bangladesh ever since.

Thus, the purpose of this report is to ascertain First Security Islami Bank Ltd.'s overall banking performance using major monetary parameters. The purpose is to ascertain FSIBL's commercial status from a variety of angles and categorize ratios into key categories in an effort to quantify the company's overall financial performance using the CAMELS rating system, as well as to compare the results using time series analysis. Additionally, the management techniques and results of FSIBL will be discussed, with a special emphasis on efficiency in management and liquidity risk management condition.

The study would help close the gap regarding the use of CAMELS rating in appraisal instrument for a Sharia based bank in Bangladesh. The study will analyse FSIBL's comprehensive financial condition and the utilization of the CAMELS scoring as an evaluation instrument. Further investigation is prompted to ascertain how FSIBL's methods differ from those of more banking institutions for academic and actual goals. My report would hopefully open up contemporary avenues in future study into the feasibility of applying this strategy to additional branches of FSIBL and those of their other activities in the country.

3.1.1 Background/Literature Review

Jamil and Sahar (2013) demonstrated that an unwell banking system might risk long-term viability and can contribute to the development of an economic disaster in a country through a bank failure.

Hirtle and Lopez (1999) highlighted the utility of applying earlier CAMELS ratings to assess a bank's current status. They discovered that prior CAMELS rating assessments, which include sensitive supervisory information, provide important insight into the bank's current situation, as reflected in the current camel rating research (cited by Jamil and Sahar in 2013).

Well and Kent (2001) revealed a substantial relationship between the bank efficiency score and financial measures by selecting and computing highly related financial parameters. Additionally, these financial ratios are a significant component of the CAMEL evaluation (cited by Jamil and Sahar in 2013).

According to Desta (2016), the CAMELS rating has established itself as an effective internal supervisory instrument for assessing the financial soundness of a financial business, particularly in the banking sector. Additionally, the methodology indicates the bank's exposure to operational, financial, and market risks on the basis of the bank's composite rating derived from its core financial measures.

The CAMELS model is the most widely used model for analysing the financial performance of banks among academics, concerned authorities, and regulators (Baral, 2005; Dang, 2011, as cited by Desta, 2016). According to Dang (2011), researchers often utilize the CAMELS framework to examine a bank's internal (bank-specific) variables (Desta, 2016).

3.1.2 Objective

- To assess the overall performance of First Security Islami Bank Limited using CAMELS grading system.
- To compute and show the financial data of First Security Islami Bank which are related to CAMELS, those data will be compared to industry average.
- Financial data of FSIBL's major rivals such as- Islami Bank Bangladesh Ltd., EXIM Bank Ltd., ICB Islami Bank Limited, Al-Arafah Islami Bank Ltd.; will be taken into account in order to calculate industry average.

3.2 Methodology

My paper is the result of an apprenticeship for period of 3 months at First Security Islami Bank Ltd.'s Dhanmondi Model Branch. Primary and secondary sources have been used to gather information on different elements of First Security Islami Bank. Major sources of information

are my own observations during the apprenticeship period, actual job observance, discussions with Managers, Managers (Operations), Senior Officers, and Officers on a variety of challenges, and also insights from customer conversations. Secondary sources include the FSIBL website, annual reports, current events of the bank, Bangladesh Bank Circulars, CAMELS rating norms and regulations and previously done study on First Security Bank. Yearly accounts of the preceding five years are comprehended as my subsidiary information, and they are mostly utilized to calculate monetary ratios, particularly in CAMELS scoring research.

3.3 Findings and Analysis

3.3.1 Liquidity performance

Table-24: Liability/Deposit Ratio

Liability/deposit ratio	2020	2019	2018	2017	2016
Total Liability/Total Deposit	111.75%	112.09%	112.02%	111.12%	105.98%
IA	138.13%	140.00%	142.43%	139.13%	140.42%

Calculation of Industry Average (IA) is shown in the table below

Table:25 Liability/Deposit Ratio IA

	2020	2019	2018	2017	2016
Islami Bank	114.90%	114.43%	114.58%	112.53%	109.92%
ICB Islami Bank	184.33%	192.05%	198.37%	196.90%	204.73%
EXIM Bank	115.16%	113.53%	114.29%	107.97%	106.62%
IA	138.13%	140.00%	142.43%	139.13%	140.42%

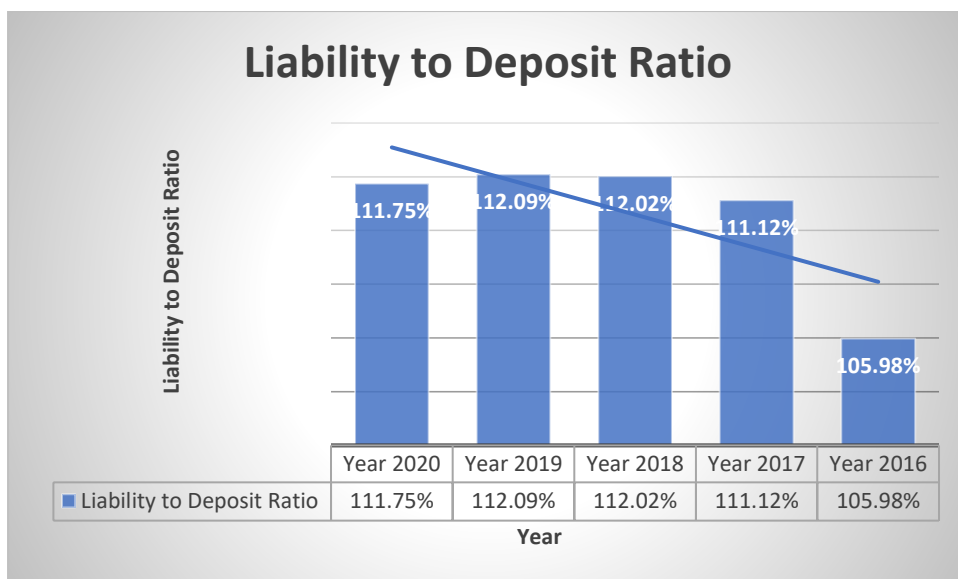


Figure:10 Liability to Deposit Ratio

Explanation: In 2020, FSIBL's Liability/Deposit Ratio is 111.75%, indicating the bank encountered a liability of 1.11 BDT for every 1 BDT deposit. Between 2019 and 2016, the bank's liability/deposit ratio declined, it was positive signal for FSIBL, but then it happened to rising again in 2017, presently it is 111.75%, and it is lower the benchmark, that is, industry average. This indicates that First Security Bank is performing relatively good in this parameter in comparison of their other rivals.

Table-26: Non-Performing Loans

Non-Performing Loans	2020	2019	2018	2017	2016
Non-performing Loans/Total Loans	5.51%	4.59%	4.85%	5.49%	6.15%
IA	4.88%	5.12%	2.96%	3.54%	4.73%

Calculation of Industry Average (IA) is shown in table below

Table:27 Non-Performing Loans IA

	2020	2019	2018	2017	2016
Islami Bank	5.44%	6.05%	4.01%	4.27%	8.79%
ICB Islami Bank	3.04%	1.31%	1.28%	1.25%	1.18%
EXIM Bank	6.16%	7.99%	3.60%	5.103%	4.21%
IA	4.88%	5.12%	2.96%	3.54%	4.73%

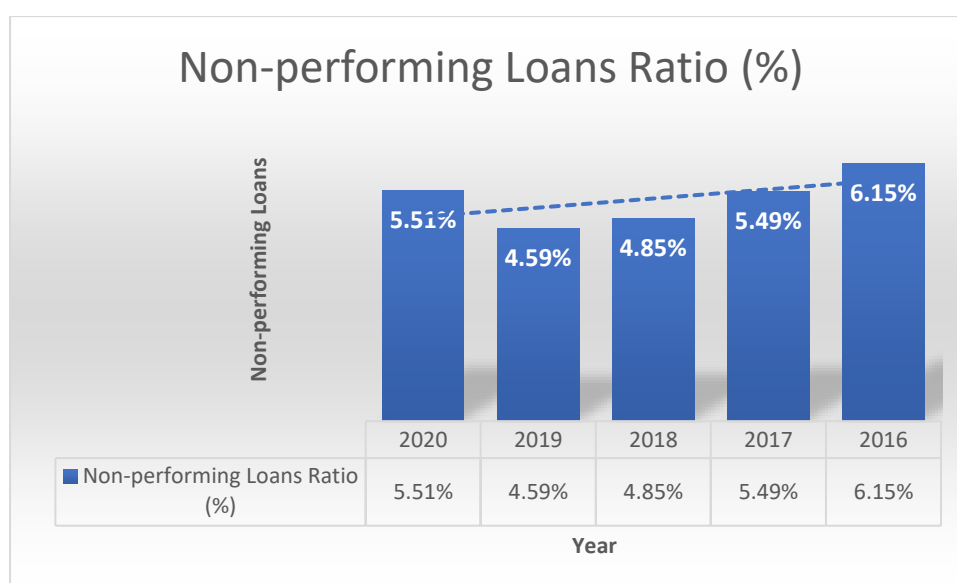


Figure:11 NPL ratio

Explanation: For the year 2020, FSIBL's NPL Ratio is 5.51 percent, which means that for every 100 loans made by FSIBL, almost six become uncollectible. This NPL ratio reduced by 1.56 percent between 2016 and 2019, which is a positive development in the overall banking performance. In comparison of the benchmark, First Security Bank's non-performing loans derivative is not excellent; most years, it was much higher, as indicated in the above table and graph, which is very detrimental to a bank's total liquidity. As a result, they should concentrate their efforts on decreasing the non-performing loans to the possible extent.

3.3.2 Efficiency

Table-28: Cost/Income Ratio

Cost/Income Ratio	2020	2019	2018	2017	2016
Operating cost/Operating income	54.22%	51.69%	51.55%	50.76%	54.18%
IA	54.57%	46.73%	47.15%	47.16%	45.61%

Calculation of Industry Average (IA) is shown in table below

Table:29 Cost/Income Ratio IA

	2020	2019	2018	2017	2016
Islami Bank	61.97%	48.70%	48.28%	52.24%	55.34%
Al-Arafah Islami Bank	49.82%	44.45%	49.41%	43.28%	35.60%
EXIM Bank	51.92%	47.04%	43.76%	45.96%	45.90%
IA	54.57%	46.73%	47.15%	47.16%	45.61%

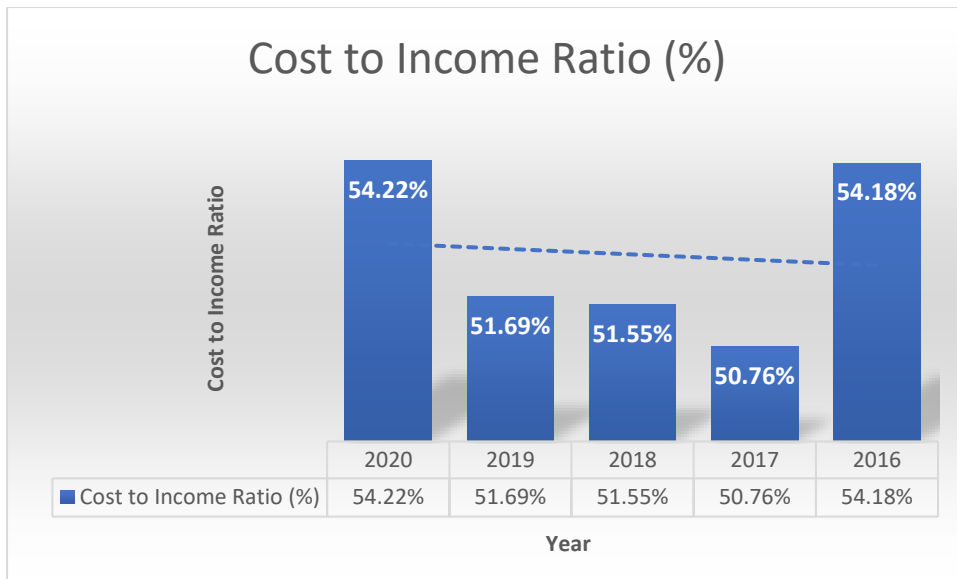


Figure:12 Cost to Income Ratio

Explanation: For the fiscal year 2020, FSIBL's cost to income ratio is 54.22 percent, indicating that the company expended 54.22 Tk in operating costs for every 100 Tk in operational revenue. In 2020, this expense to income ratio was the highest for FSIBL, but it was relatively acceptable when compared to the industry average of 54.57 percent. From 2019 to 2017, that tendency was downward, but they remained above the industry average, which is not acceptable. As a result, FSIBL's primary emphasis should be on decreasing operating expenditures and boosting operational revenue to the maximum extent feasible in order to minimize liquidity risk.

3.3.3 Risk associated Ratios

Table-30: Capital Adequacy Ratio (CAR)

CAR	2020	2019	2018	2017	2016
(Tier 1 Capital + Tier 2 Capital)/Total Risk-Weighted Assets	12.11%	11.26%	10.18%	12.01%	10.51%
IA	14.36%	13.39%	12.58%	12.22%	12.51%

Calculation of Industry Average (IA) is shown in table below:

Table:31 CAR IA

	2020	2019	2018	2017	2016
Islami Bank	13.84%	13.04%	12.17%	11.50%	10.84%
Al-Arafah Islami Bank	15.97%	14.58%	14.68%	13.06%	14.91%
EXIM Bank	13.27%	12.55%	10.88%	12.09%	11.77%
IA	14.36%	13.39%	12.58%	12.22%	12.51%

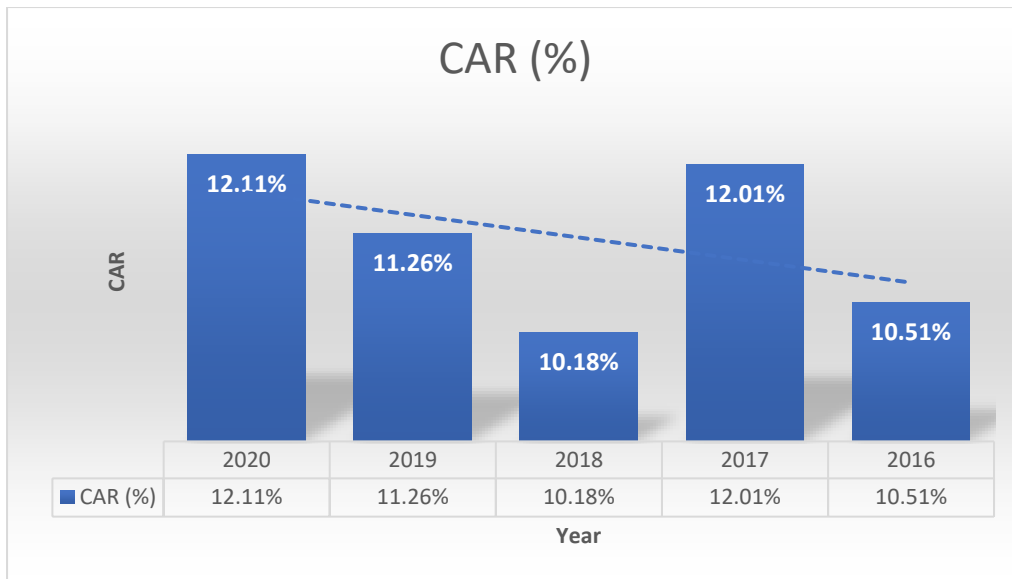


Figure:13 CAR

Explanation: Capital Adequacy Ratio for FSIBL is 12.11 percent in 2020, which implies that the bank maintains 12.11 percent of overall capital for every risk-weighted asset. Given that the benchmark was 14.36 percent, First Security Bank needs to focus on earning higher than 14% of all capital versus risk-associated assets in order to maintain a healthy condition of liquidity risk management.

3.3.4 Earning Capacity

Table-32: Return on Asset (ROA)

Return on Asset (ROA)	2020	2019	2018	2017	2016
Net Income After Tax/Total Assets	0.60%	0.51%	0.45%	0.41%	0.51%
IA	0.53%	0.60%	0.76%	0.95%	0.91%

Calculation of Industry Average (IA) is shown in table below

Table:33 ROA IA

	2020	2019	2018	2017	2016
Islami Bank	0.34%	0.48%	0.63%	0.55%	0.56%
Al-Arafah Islami Bank	0.64%	0.73%	0.99%	1.23%	1.08%
EXIM Bank	0.61%	0.59%	0.66%	1.06%	1.09%
IA	0.53%	0.60%	0.76%	0.95%	0.91%

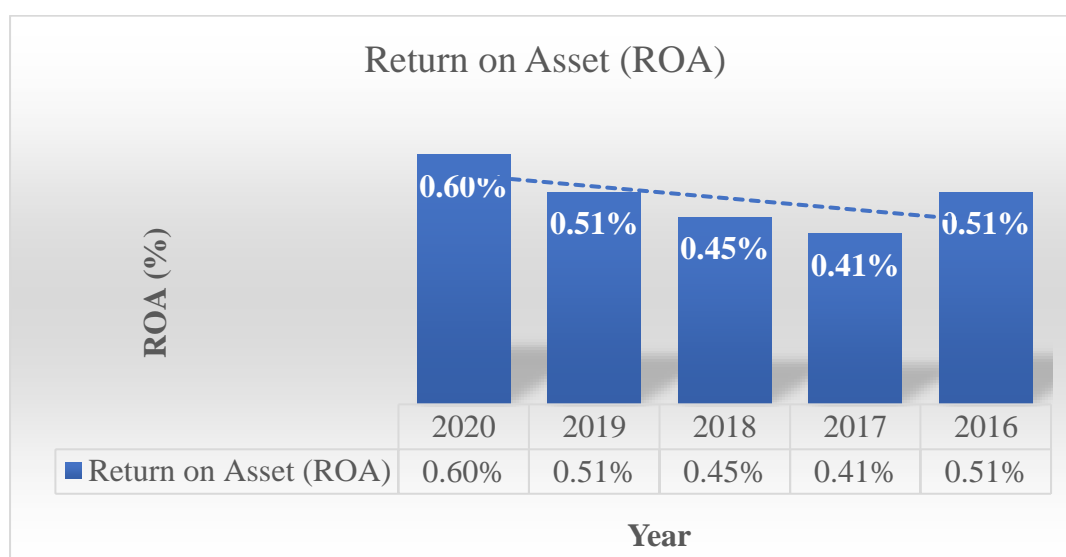


Figure:14 ROA

Explanation: In 2020, FSIBL's ROA was 0.60 percent, that indicates that the bank earned 0.60 percent on every 100 units of their asset. The industry average is 0.53 percent for 2020; they are performing fairly well in comparison, but they should strive to earn a higher rate of return on their assets in order to have a positive influence on liquidity risk management.

Table-34: Return on Equity (ROE)

Return on Equity (ROE)	2020	2019	2018	2017	2016
Net Income After Tax/Total Equity	15.56%	13.50%	11.93%	11.81%	13.11%
IA	9.04%	9.19%	10.06%	11.99%	12.22%

Calculation of Industry Average (IA) is shown in table below

Table:35 ROE IA

	2020	2019	2018	2017	2016
Islami Bank	7.66%	9.23%	11.38%	9.71%	9.17%
Al-Arafah islami Bank	10.05%	10.05%	10.46%	14.07%	15.70%
EXIM Bank	9.42%	8.30%	8.35%	12.19%	11.78%
IA	9.04%	9.19%	10.06%	11.99%	12.22%

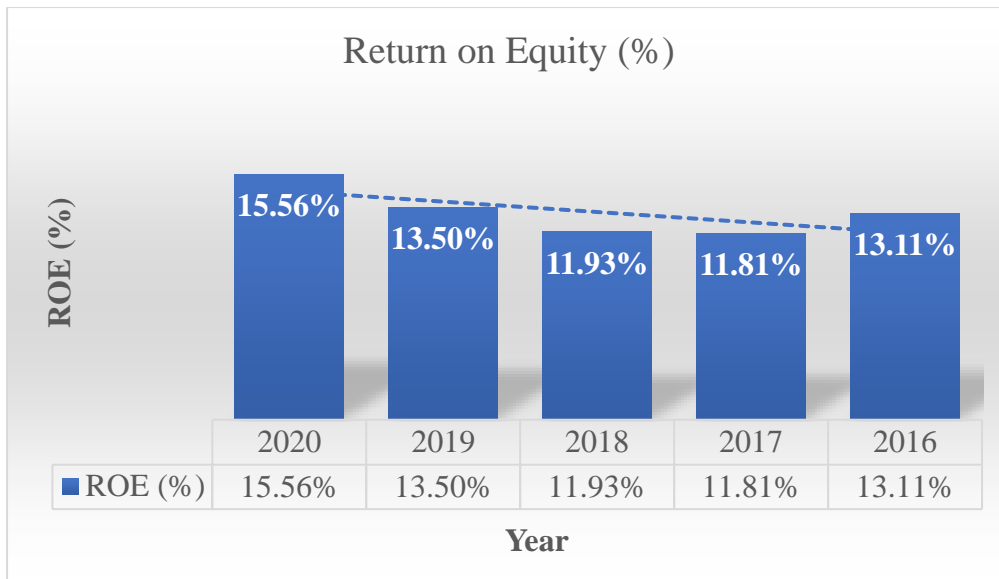


Figure:15 ROE

Explanation: For the year 2020, FSIBL's Return on Equity is 15.56 percent, indicating that the bank earns 15.56 percent on each hundred units of equity. The above accompanying graph demonstrated that ROE was at its pinnacle in this year. The industry average for 2020 is 9.04 percent, indicating that they are producing a higher rate of return than their rivals. As a consequence, FSIBL's ROE should continue to rise in order to sustain positive financial performance and hence effective liquidity risk management.

3.3.5 CAMELS Rating Analysis

The preceding section discussed the important financial statistics of FSIBL using a globally recognized scoring of performance methodology in financial institutions called the "CAMELS Rating System." The derivatives discussed in the preceding part of this report is being classified into 5 distinct groups in order to fulfil the purpose of evaluating various elements of the bank from 2016 to 2020.

As previously stated, the CAMELS rating study consists of six components: C= Capital Adequacy, A= Asset Quality, M= Management Efficiency, E= Earning Capacity, L= Liquidity Management, and S= Sensitivity of market. The sixth component, sensitivity to market ratio, is omitted owing to insufficient data availability, also the continuing epidemic. The table below summarizes the scoring standard of CAMELS used in a Desta survey done in 2016 on several African banks.

CAMEL Component	Ratio's Rating					
	1	2	3	4	5	
Capital Adequacy Ratio	> 15%	12 – 14.99%	8 – 11.99%	7 – 7.99%	< 6.99%	
Asset Quality Ratio (NPLs/TL)	< 1.25%	< 2.5 – 1.26%	< 3.5 – 2.6%	< 5.5 – 3.6%	> 5.6%	
Management Efficiency (Cost/Income)	< 25%	30 - 26%	38 - 31%	45 - 39%	> 46%	
Earnings Ability	(ROA)	> 1.5%	1.25 - 1.5%	1.01 - 1.25%	0.75 - 1.00%	< 0.75%
	(ROE)	> 22%	17 - 21.99%	10 - 16.99%	7 - 9.99%	< 6.99%
Liquidity (TL/TD)	< 55%	62 - 56%	68 - 63%	80 - 69%	> 81%	

Figure:16 CAMELS Component

Source: Rozzani and Rahman (2013) and Babar and Zeb (2011), cited by Desta (2016)

As shown in the following table, after each individual category has been calculated and rated, an average rating has been applied, also these results have been narrated in order to provide context for the final widely circulated detail of First Security Bank, as shown in the above chart, and that was derived from the previously stated Desta research (2016).

Rating	Rating Range	Rating Analysis	Interpretation
1	1.0 - 1.4	Strong (or outstanding)	The bank is basically good in every aspect.
2	1.6 - 2.4	Satisfactory (or superior)	The bank is primarily good, but has several identified weaknesses.
3	2.6 - 3.4	Fair (or average), with some categories to be watched	The bank have financial, operational, or compliance weaknesses that would give reasons for supervisory concern.
4	3.6 - 4.4	Marginal (or under perform), with some risk of failure	The bank has serious financial weaknesses that could damage future capability to ensure normal growth and development.
5	4.6 - 5.0	Unsatisfactory (or doubtful), with a high degree of failure	The bank has critical financial weaknesses that will give a probability of failure to be extremely high in the near future.

Figure:17 CAMELS Scoring

Source: Rozzani and Rahman (2013) and Babar and Zeb (2011), cited by Desta (2016)

Output of CAMEL scoring:

- **Capital Adequacy Ratio (CAR)**

Table-36: CAR average rating

CAR	2020	2019	2018	2017	2016
(Tier 1 Capital + Tier 2 Capital)/Total Risk-Weighted Assets	12.11%	11.26%	10.18%	12.01%	10.51%
Rating: CAR	2	3	3	2	3
IA: CAR	2020	2019	2018	2017	2016
(Tier 1 Capital + Tier 2 Capital)/Total Risk-Weighted Assets	14.36%	13.39%	12.28%	12.22%	12.51%
Rating: CAR	1	2	2	2	2
Average Rating	2				

Remark	Satisfactory or superior
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Explanation: As measured by their capital adequacy ratio, FSIBL receives a grade of 2, which means that their performance in this regard is satisfactory or superior, but that they have financial and operational weaknesses that need to be sincerely monitored.

- **Asset Quality**

Table-37: Asset quality average rating

Asset Quality	2020	2019	2018	2017	2016
Non-performing Loans (NPL)/Total Loans	5.51%	4.59%	4.85%	5.49%	6.15%
Rating: Asset Quality	4	4	4	4	5
IA of Asset Quality	2020	2019	2018	2017	2016
Non-performing Loans (NPL)/Total Loans	4.88%	5.12%	2.96%	3.54%	4.73%
Rating: Asset Quality	4	5	2	3	4
Average Rating	4				
Remark	Marginal or under performance				

Explanation: FSIBL has an average grade of 4 for asset quality, indicating that the bank's financial achievement in this regard is marginal and/or not up to the mark. The non-performing loan of First Security Bank climbed enough to 5.51 percent. The bank needs to exercise sufficient vigilance in times of lending funds to their customers.

- **Management Efficiency**

Table-38: Management efficiency average rating

Management Efficiency	2020	2019	2018	2017	2016
Total Cost/Total Income	54.22%	51.69%	51.55%	50.76%	54.18%
Rating: Management Efficiency	5	5	5	5	5
IA of Management Efficiency	2020	2019	2018	2017	2016
Total Cost/Total Income	54.57%	46.73%	47.15%	47.16%	45.61%
Rating: Management Efficiency	5	5	5	5	4
Average Rating	5				
Remark	Unsatisfactory or doubtful				

Explanation: FSIBL receives an average rating of 5 for management efficiency, indicating the bank's presentation on this area is not satisfactory. Their management board performance has some flaws which need to be fixed. Moreover, their risk managing policies, level of risk exposure also should be appropriate enough.

- **Earnings Capacity**

Table-39: Earnings ratio average rating

Return on Asset	2020	2019	2018	2017	2016
Net Income After Tax/Total Assets	0.60%	0.51%	0.45%	0.41%	0.51%
Rating: Return on Asset	5	5	5	5	5
IA of Return on Asset	2020	2019	2018	2017	2016
Net Income After Tax/Total Assets	0.53%	0.60%	0.76%	0.95%	0.91%
Rating: Return on Asset	5	5	5	4	4
Average Rating	5				
Comment	Unsatisfactory or doubtful				
Return on Equity	2020	2019	2018	2017	2016
Net Income After Tax/Total Equity	15.56%	13.50%	11.93%	11.81%	13.11%
Rating: Return on Equity	3	3	3	3	3
IA of Return on Equity	2020	2019	2018	2017	2016
Net Income After Tax/Total Equity	9.04%	9.19%	10.06%	11.99%	12.22%
Rating: Return on Equity	4	4	3	3	3
Average Rating	3				
Remark	Fair or average				

Explanation: FSIBL has an average grade of 5 for return on assets, indicating that the bank’s presentation on this particular metric is insufficient; this bank should maximize their asset utilization to enhance the net income after payment of all taxes.

First Security Bank’s standard return on equity score is 3, indicating that the performance in this metric is acceptable or average. They do, however, need to improve in order to get the highest ranking.

Liquidity Ratio

Table-40: Liquidity ratio average rating

Liquidity Ratio	2020	2019	2018	2017	2016
Liability to deposit ratio	111.75%	112.09%	112.02%	111.12%	105.98%
Rating: Liquidity Ratio	5	5	5	5	5
IA of Liquidity Ratio	2020	2019	2018	2017	2016
Liability to deposit ratio	138.13%	140.00%	142.43%	139.13%	140.42%
Rating: Liquidity Ratio	5	5	5	5	5
Average Rating	5				
Remark	Unsatisfactory or doubtful				

Explanation: FSIBL receives an average grade of 5 for their Liquidity Ratio, indicating that their performance against this metric is inadequate. Additionally, the industry's total liability to deposit ratio is unfavourable. This also shows that FSIBL's liquidity position is problematic, indicating that their fund management practices are inadequate. Therefore, it clearly shows that the bank's liquidity risk management condition is at stake.

3.4 Summary & Conclusion

The purpose of this study is to evaluate First Security Islami Bank's performance in banking using a well-accepted rating technique known as CAMELS ratings analysis. According to the financial ratios and CAMELS rating scrutiny discussed before, FSIBL performs similarly to other Islamic banks in Bangladesh, though they outperform competitors such as Al-Arafah Islami Bank Limited, Islami Bank of Bangladesh Ltd and Exim Bank Limited in terms of

Return on Equity. However, critical operational ratios such as the Non-Performing Loan Ratio, the Cost-to-Income Ratio, and the Return on Asset Ratio must be closely monitored and improved to the maximum extent possible, particularly during this current Covid-19 epidemic.

As mentioned before, FSIBL generates a return of 15.56 percent on every 100 units of equity capital in 2020. They generated the highest compared to their main competitors, such as- Islami Bank of Bangladesh Ltd., which generates a return of 7.66 percent, Exim Bank Ltd., which generates a return of 9.42 percent and Al-Arafah Islami Bank Limited, which generates a return of 10.05 percent for year.

When FSIBL commenced operations in Bangladesh as a Sharia based bank in 2009, its non-performing loan ratio was only 2.14 percent, an astonishingly low figure for an Islamic bank in Bangladesh. It changed throughout the years; in 2012 it was at its peak of 1.85 percent; since then the ratio has been increasing, and by 2020 it reached at 5.51 percent, which is pretty concerning considering that it was 4.59 percent in 2019. It increased by almost 1%, or 0.92 percent in a year.

Additionally, FSIBL's rivals, such as Islami Bank of Bangladesh Ltd (IBBL) and EXIM Bank Ltd., are not doing well in terms of non-performing loans. IBBL's NPLs were 5.44 percent in 2020, EXIM Bank's was 6.16 percent in 2020, while ICB Islamic Bank's NPLs were a reasonable 3.04 percent in 2020. The total industry average of NPL has been alarming in recent years, as seen by the fact that the industry average was 4.88 percent in 2020 and 5.12 percent in 2019. In compared to the industry average, FSIBL's NPL ratio is acceptable but not exceptional. The banking sector is now seeing an alarming condition in NPLs, owing largely to the continuing worldwide epidemic of Covid-19.

3.5 Recommendation

After doing CAMEL ratings report on FSIBL, it is clear that the bank is operating rather well being an Islami bank in Bangladesh. They should prioritize managerial efficiency, the ratio of assets to profits, and liquidity management. Their primary objective should be to maximize profit from their assets; if they can maximize profit from their assets, their ROA will improve, and not only that, FSIBL's overall revenue will increase as well, resulting in an increase in management efficiency. FSIBL should boost their overall deposit amount for the liquidity management department. The marketing department of FSIBL can make a significant contribution to increasing their total deposit amount by inviting more clients to conduct transactions through their bank or by entering into agreements with more renowned organizations in Bangladesh for salary account, savings account, or current deposit account purposes.

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Appendix A.

	2020	2019	2018	2017	2016
Total Liabilities (Amt. in million TK)	479,044.48	422,141.19	358,477.74	332,375.69	290,608.81
Total Deposit (Amt. in million TK)	428,687.22	376,609.70	320,011.19	299,106.10	274,224.78
Liability to Deposit Ratio (%)	111.75%	112.09%	112.02%	111.12%	105.98%
IA	138.13%	140.00%	142.43%	139.13%	140.42%

	2020	2019	2018	2017	2016
Total Loans (Amt. in million TK)	414,780.69	364,029.96	311,416.52	273,352.47	225,889.89
Total Deposits (Amt. in million TK)	428,687.22	376,609.70	320,011.19	299,106.10	274,224.78
Loan to Deposit Ratio (%)	96.75%	96.66%	97.31%	91.39%	82.37%
IA	85.42%	87.38%	91.44%	87.25%	88.21%

	2020	2019	2018	2017	2016
Provision for Loans	1,394,515,178	1,893,080,857	2,260,614,688	2,020,390,197	1,285,643,508

(Amt. in TK)					
Total Loans (Amt. in TK)	414,780,693,070	364,029,962,729	311,416,514,513	273,352,470,705	225,889,892,521
Provision for Loans Ratio (%)	0.34%	0.52%	0.73%	0.74%	0.57%
IA	0.47%	0.51%	0.51%	0.50%	0.61%

	2020	2019	2018	2017	2016
Non-performing Loans (Amt. in TK)	22,873,900,000	16,700,000,000	15,100,000,000	15,000,000,000	13,900,000,000
Total Loans (Amt. in TK)	414,780,693,070.00	364,029,962,729	311,416,514,513	273,352,470,705	225,889,892,521.00
Non-performing Loans Ratio (%)	5.51%	4.59%	4.85%	5.49%	6.15%
IA	4.88%	5.12%	2.96%	3.54%	4.73%

	2020	2019	2018	2017	2016
Operating Cost (Amt. in TK)	7,298,582,107	6,366,894,034	5,777,785,563	5,038,141,249	4,409,315,906
Operating Income (Amt. in TK)	13,460,491,862	12,317,499,919	11,207,963,510	9,925,238,367	8,137,940,312
Cost to Income Ratio (%)	54.22%	51.69%	51.55%	50.76%	54.18%
IA	54.57%	46.73%	47.15%	47.16%	45.61%

	2020	2019	2018	2017	2016
Total debts (Amt. in TK)	479,044,481,050	422,077,867,795	358,477,739,947	332,375,689,505	290,608,811,795
Total Assets (Amt. in TK)	497,342,492,739	437,831,586,420	372,183,319,966	344,486,615,040	301,669,248,374
Debt to Asset Ratio (%)	96.32%	96.40%	96.32%	96.48%	96.33%
IA	94.39%	94.03%	93.3%	92.70%	91.96%

	2020	2019	2018	2017	2016
Total Debts (Amt. in TK)	479,044,481,050	422,077,867,795	358,477,739,947	332,375,689,505	290,608,811,795
Total Equity (Amt. in TK0)	17,945,502,468	15,413,827,638	13,361,352,465	11,671,676,133	10,759,836,385
Debt to Equity Ratio (%)	26.69%	27.38%	26.83%	28.48%	27.01%
IA	17.31%	15.62%	14.53%	13.63%	12.33%

$CAR = (Tier\ 1\ Capital + Tier\ 2\ Capital) / Total\ Risk\ -Weighted\ Assets$

	2020	2019	2018	2017	2016
Tier 1 Capital (Amt. in BDT crore)	2,109.62	1,450.99	1,253.45	1,108.13	1,015.24

Tier 2 Capital (Amt. in BDT crore)	1,362.67	1,252.36	829.66	856.11	406.58
Total Risk-Weighted Assets (Amt. in BDT crore)	28,678.15	23,998.63	20,468.59	16,360.91	13,526.11
CAR (%)	12.11%	11.26%	10.18%	12.01%	10.51%
IA	14.36%	13.39%	12.58%	12.22%	12.51%

Tier 1 Capital ratio = Tier 1 Capital/Risk-Weighted Assets

	2020	2019	2018	2017	2016
Tier 1 Capital (Amt. in BDT crore)	2,109.62	1,450.99	1,253.45	1,108.13	1,015.24
Risk-Weighted Assets (Amt. in BDT crore)	28,678.15	23,998.63	20,468.59	16,360.91	13,526.11
Tier 1 Capital Ratio (%)	7.36%	6.05%	6.12%	6.77%	7.51%
IA	9%	8.91%	8.81%	9.26%	10.07%

Net Investment Margin (NIM) = Net Investment Income/Total Assets

	2020	2019	2018	2017	2016
Net Investment	11,439,298,316	7,597,979,559	9,303,599,066	8,487,784,667	7,325,059,143

Income (Amt. in BDT)					
Total Assets (Amt. in BDT)	497,342,492,739	437,831,586,420	372,183,319,966	344,486,615,040	301,669,248,374
NIM (%)	2.30%	1.74%	2.50%	2.46%	2.43%
IA	2.04%	2.37%	2.55%	2.50%	2.96%

	2020	2019	2018	2017	2016
Return on Assets (ROA) (%)	0.60%	0.51%	0.45%	0.41%	0.51%
IA	0.53%	0.6%	0.76%	0.95%	0.91%

Return on Equity (ROE) = Net Income after tax/Total Equity

	2020	2019	2018	2017	2016
Net Income After Tax (Amt. in BDT)	2,792,579,874	2,080,506,106	1,594,654,484	1,389,925,900	1,410,330,230

Total Equity (Amt. in BDT)	17,945,502,468	15,413,827,638	13,361,352,465	11,770,743,328	10,759,836,385
ROE (%)	15.56%	13.50%	11.93%	11.81%	13.11%
IA	9.04%	9.19%	10.06%	11.99%	12.22%