

# **Internship Report**

**An Appraisal of First Security Bank Ltd.**

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Dr. Tanbir Ahmed Chowdhury  
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**Sub: Submission of Internship Report (Bus-499)**

Dear Sir,

Here is my Internship Report that fulfills partial requirement of my Bachelor of Business Administration (B.B.A) Degree. It is very helpful as a student of Business Administration to undergo this report writing.

I completed my internship report on First Security Bank Ltd. Its helped me to fulfill the requirement of writing the internship report and subsequent preparation of this report is a very valuable experience for me as its helps to combine practical within theoretical knowledge.

I tried to accommodate your valuable comments and suggestions in my report. In this concern, if you need any further clarification, please call on me.

Thank you Sir for you kind cooperation, without which this projects report, would not be done. So, I am submitting the final version of my Internship Report and requesting you sir to accept it.

Thanking you.

Yours truly,

*Md. Uzzal Hossain*

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**Mohammad Uzzal Hossain**  
ID # 2000-2-10-028

# *Preface*

A Internship Report is an essential work of the last platform of completion of BBA Degree. It is a three months program. After doing the job, the submission of a Internship Report will fulfill the requirements of final degree in Business Administration.

The main theme of the internship is to gather practical experience and knowledge about the corporate banking activities of the financial sector in our country. It also help a student compare to the theoretical knowledge with th practical field and this helps the student to get more exposure in the service life in a banking sector.

It familiarizes student to the working environment of the real world. It gives student the best opportunity to improve their interpersonal skills as well as they can implement their theoretical enlightenment to the real life situation. After graduating, this experience would be very much useful to their working life.

Lastly, by this program, a student can polish his or her strengths and weaknesses by having this real life hands or experience.

# *Acknowledgements*

I would like to unfold my gratitude with the name of my course coordinator, Dr. Tanbir Ahmed Chowdhury, without whose priceless and inestimable supports, I did not able to produce this report.

I would also like to unfold my gratitude to Kazi Abual Monjur, Assistant Vice Precedent of First Security Bank Ltd. Mohakhali Branch. The report could never been completed without the help of some helpful and cooperative persons. I would like to state the names of some of those supportive bodies. Md. Shamsul Alam (Tutul), Mr. Shah Amran Farazi for their extra ordinary and friendly cooperation. And finally, my lovely parents for giving me their inspiration, unfathomable affection and countless support through my life journey.

# *Executive Summary*

First Security Bank Ltd. are direct agents to create opportunities for development a country and also provide large scale of employment opportunities. Banks mobilize savings and make it advances to investors and by this process make profit. As they deal with public money, their form of business is different from others Banks must refund publics money when they demand, either it makes profit or not. So, performance of banks should be analyzed carefully.

This internship report represents the three months working experiences. I have assigned in the First Security Bank Ltd. Mohakhali Branch. My topic of this report is an appraisal of First Security Bank Ltd. There are five chapter in this report and I elaborately discuss the overall bank performance in the different chapter.

In the first chapter consist of the overview of the First Security Bank Ltd. and objectives of my study, methodology and different limitation of my study.

The second chapter I focus on the principal activities of the first security Bank Ltd. It also includes the capital structure and organizational structure of the first security Bank Ltd.

The third chapter is consist of financial performance of the first security Bank Ltd. and the ratio analysis of the Bank.

The forth chapter are focus on the difficult problem of the first security Bank Ltd.

Lastly the fifth chapter consist about the policy implication, recommendation and conclusion.

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# **Chapter - 01**

## **Introduction**



## **1.1 An overview of First Security Bank Ltd.**

Bangladesh economy has been experiencing a rapid growth since '90s. Industrial and agricultural development, growth in exports and imports, inflow of wage earners remittance, local and foreign investment in construction, communication, power, food processing and service enterprises introduced an era of economic activities in both private and public sector. Concurrently, urbanization and lifestyle changes created a demand for personal banking products and services to support the new initiatives as well as to encourage consumer investments and savings in a profitable manner. So the boom of private banks has begun, which ultimately gave birth to the First Security Bank Ltd.

The Bank was incorporate as a public limited company on August 12, 1999, under the company's Act 1994 and the commencement banking operation effectively from October 25, 1999. During this short span of time the bank had position itself as a progressive and dynamic financial institution in the country.

By now the bank has positioned a one of the progressive and growing banks in the banking sector. The number of employees in 310. Within 5 years of its operations in the industry FSBL has been operating its activities through 11 Branches across the country.



## **1.2 Objectives and Missions**

### **Mission**

The First Security Bank Ltd.'s business mission to provide Banking services to our valued clientele with utmost proficiency & sincerity reinforced by an efficient work force and the latest state of the art technology.

### **Objectives**

- To provide standard banking services
- Financial profit maximization

### **Vision**

A Step Ahead in Time.

## **1.3 Objectives of the Study**

- The present an overview of FSBL
- The apprise the principal activities of FSBL
- To apprise the financial performance of FSBL
- To identify the problems of FSBL
- To suggest policy implications for FSBL

## **1.4 Scope and Methodology of the Study**

### **Scope of the Study**

First Security Bank Ltd. is operating 11 branches all over Bangladesh. The report looks into the bank's historical background as well as its present status. For this purpose I am selected a private commercial bank (First Security Bank Ltd.)



### **1.4.1 Methodology of the Study:**

To gather information for the preparing a report, an information plan will be developed. The information collected will be analyzed in an organized manner. The methodology of the study has been enumerated below.

#### **Data Collection:**

For the purpose of this study, the data, which are collected, is more or less processed data or secondary data. The data were collected from the annual report of the First Security Bank Ltd.

#### **Primary Data:**

I am working three months in the First Security Bank Ltd. So I can earn more practical experience about the banking sector. In the media of primary source I collect information regarding banking operations, organization structure, management personnel and policies.

#### **Secondary Data:**

Data regarding the operations of First Security Bank Ltd. and analysis of financial statement were collected from secondary sources like Annual Report, Brochures, Manuals and publication of First Security Bank Ltd. and also the General Manager's circulars regarding rules and procedures of operations etc. were the major sources of secondary data.

For analyzing the performance of FSBL. Data were collected from the 2000 to 2003. Some selected ratios are calculated and analyzing to see the overall performance of this bank.



## **1.5 Limitations of the Study:**

Like all other reports, this report is not an exception. In this study, I have tried to my best to collect the related information within the time constraint and analyzed and compared the data. I have faced following limitations of the study:

- Annual report does not contain some valuable information, which is required to calculate some important ratios to see the bank performance.
- Lack of comprehensive of the respondents was the major problem that created a lot of confusion regarding verification of conceptual question.
- While using ratios, the conclusion was taken on the basis of their book value, not fair market value and it is very much difficult to compare.
- Confidentiality of data was another important barrier that was faced during the process of this study.
- Limited knowledge in respective issues and as well as in practical field.



## Chapter-02

# Principal Activities and ~~Different Structure~~ of First Security Bank Limited.





## **2.1 An Appraisal of Principal Activities of FSBL.**

**First Security Bank Ltd.** was incorporate as a public limited company on August 12, 1999, under the company's Act 1994 and the commencement banking operation effectively from October 25, 1999. During this short span of time the bank had position itself as a progressive and dynamic financial institution in the country.

### **2.1.1 Performance of First Security Bank.**

This has been appreciable improvement in the performance of our Bank in all respects. As such, there has been a noticeable rise in deposits as well as advances as also in foreign exchange business. Profits of the Bank witnessed a marked up trend from Tk. 12.71 crore in 2002 to Tk. 22.12 crore in 2003 showing a rise of 74.04 percent. All these have been possible due to the pursuit of pragmatic and prudential policies in overall management of the Bank under the able guidance of the Board of Directors. As a part of our prudential policies provision has been made for bad and doubtful loans to the tune of Tk. 8.64 crore against loan classified during 2003.



### 2.1.2 Deposit.

The total deposits of the Bank increased sharply by 80.56 percent from Tk. 5230.30 million at the end of 2002 to Tk , 9443.75 million at the end of 2003. That why the deposit year 2002 (5230.30) is more than the year 2001 (3080.20) And year 2003 (9443.57) is more than the year 2002. So deposit is increasing year by year. A graphic presentation of the year wise deposit movement can be seen on the below.

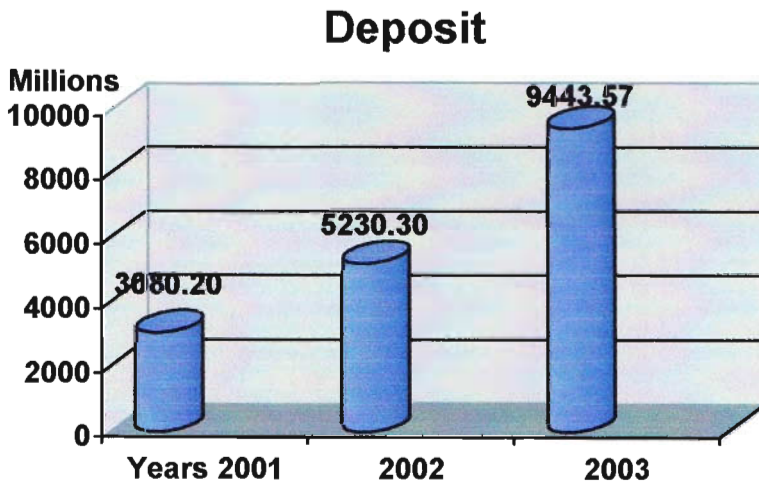


Figure-1

### 2.1.3 Advance.

Loans and advances made by the Bank during the year ending 2003 stood at Tk. 6476.84 million, up by 57.87 percent from Tk. 4102.61 million a year 2002 and Tk. 2539.8 million a year 2001. So that the bank advance is increasing year by year. A year wise graphic presentation of the same is provided at the below.

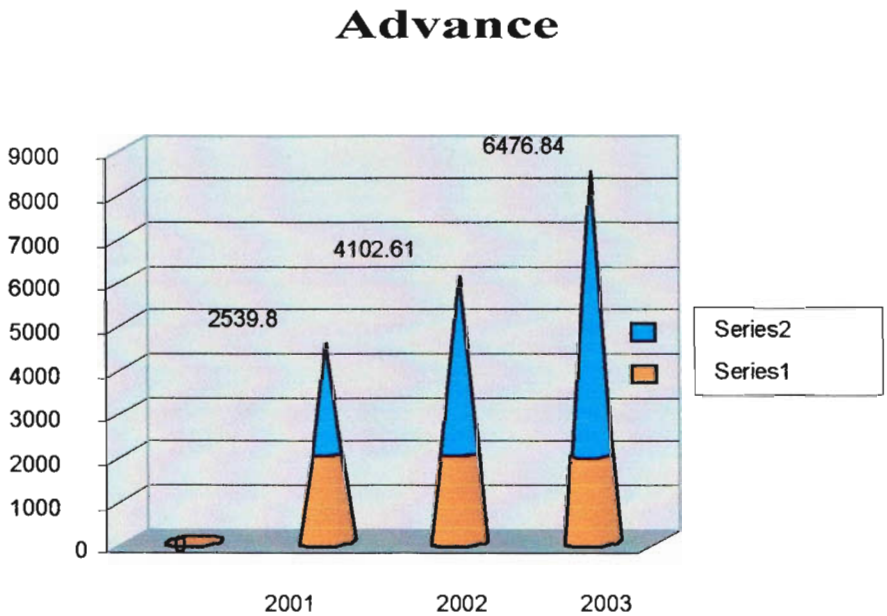


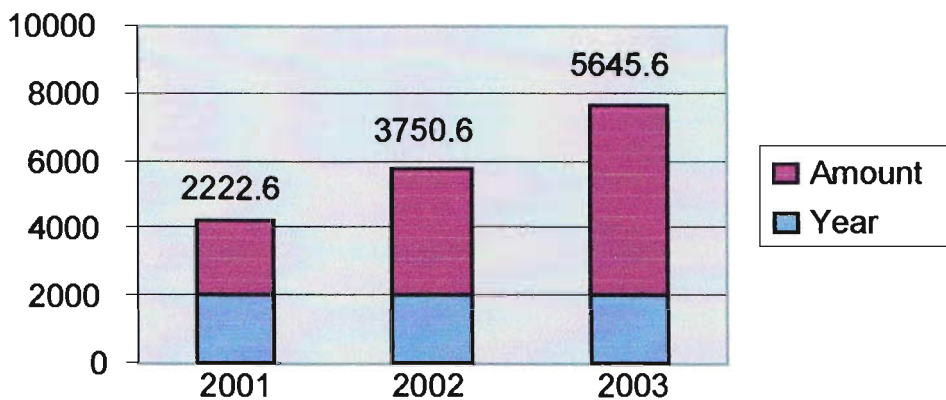
Figure-2

**Foreign Exchange Business:**

**2.1.4 Import**

The Bank’s foreign exchange business relating to import into Bangladesh expanded markedly by 50.53 percent to Tk. 5645.60 million at the end of December 2003 from Tk 3750.60 million a year 2002 and Tk. 2222.6 million year 2001. So the bank foreign exchange is increasing. A year-wise graphic representation on below.

**Import**



**Figure-3**

### 2.1.5 Export:

Export business handled by the Bank during 2003 stood at Tk. 2807 million, showing a growth of 41.17 percent from Tk. 1988.40 million during 2002 and Tk. 1514.5 million year 2001. A year-wise graphic presentation of the same is provided on the graph.

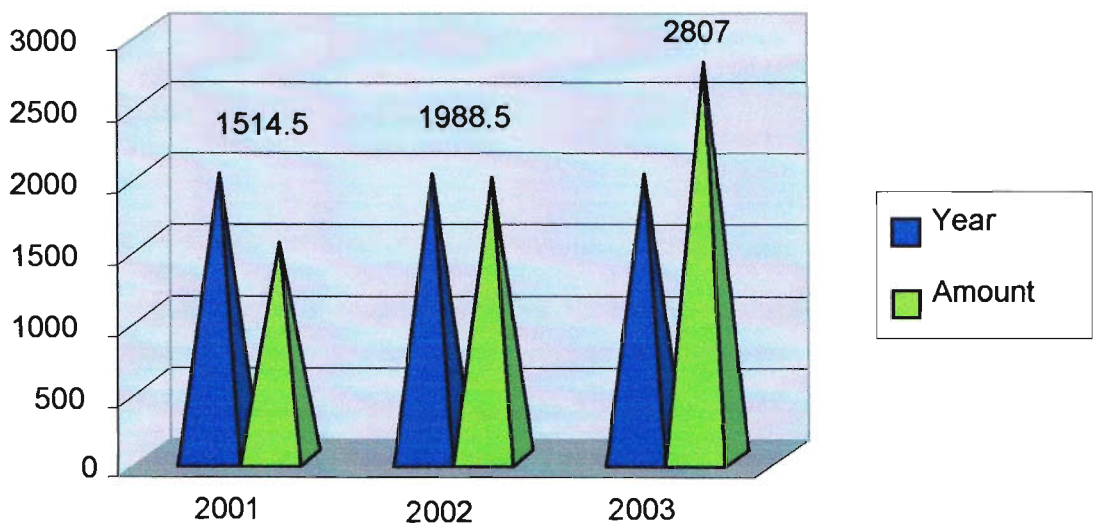


Figure-4



### **2.1.6 Inward Remittance:**

During 2003 the Bank handled inward remittances from Bangladeshi workers broad to the tune of Tk. 82.90 crore against 6054 million in 2002.

### **2.1.7 Profit and Operational Result:**

During the year under report total operating income of the Bank stood at Tk. 385.38 million indicating an increase of 45.98 percent from Tk. 263.99 million in the year 2002. Total operating expenses, which had stood at Tk. 136.91 million during 2002 increased to Tk. 164.22 million during the year 2003 showing an increase of 19.95 percent. The profit of Bank before provision edged up Tk. 221.16 million in 2003 from Tk. 127.08 million in 2002. A provision of Tk. 86.39 million has been made for made for unclassified assets during 2003. Besides provision for income tax has been placed at Tk. 60.65 million for the year 2003 while statutory reserve has been placed Tk. 23.30 million. Retained earning are placed at Tk. 44.18 million for the year 2003 as against Tk. 11.63 million in the previous year 2002.

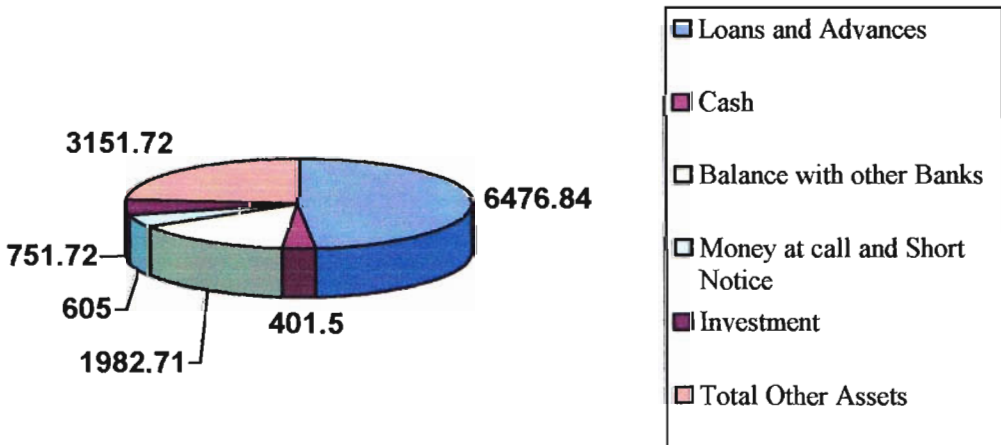
**2.1.8 Asset Portfolio:**

The Bank’s total assets outstanding as of December 31, 2003 amounted to Tk. 13369.49 million as compared to Tk. 7227.45 million in 2002. Of the total assets outstanding in 2003, loans & advances constituted 48.44%, Cash 3%, balances with other banks 14.83%, money at call and short notice 4.52%, investments 5.63% and total other assets 23.58% as against 56.77%, 3.85%, 12.07%, 1.45%, 7.48% and 18.38% respectively in 2002.

**Composition of asset Portfolio:**

Components	Amount(Million)	% of Total
Loans and Advances	6476.84	48.44
Cash	401.50	3.00
Balance with other Banks	1982.71	14.83
Money at call and Short Notice	605	4.52
Investment	751.72	5.63
Total Other Assets	3151.72	23.58
<b>Total</b>	<b>13369.49</b>	<b>100</b>

**Table-1**



**Figure-5**

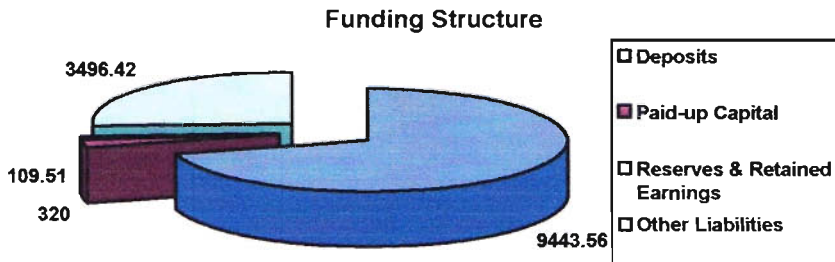
**2.1.9 Funding Structure:**

The Bank’s prime source of fund is deposits, which constitutes 70.64% of total banking funds in 2003 as compared to 72.37% in 2002. The Bank’s deposit 70.64%, paid-up capital accounted for 2.39% reserves 0.82% and other liabilities 26.15% of total funds in 2003 against 72.37%,2.77%,0.74% and 24.12% respectively in 2002.

**Funding Structure**

<b>Components</b>	<b>Amount(Million)</b>	<b>% of total</b>
Deposits	9443.56	70.64
Paid-up Capital	320.00	2.39
Reserves & Retained Earnings	109.51	0.82
Other Liabilities	3496.42	26.15
<b>Total</b>	<b>13369.49</b>	<b>100</b>

**Table-2**



**Figure-6**





### 2.1.10 A Framework For Evaluating Bank Performance

Like any corporation, the ultimate measure of a bank's performance is the value of its common shares. Maximization of shareholder wealth is a complex issue that involves both internal and external management factors.

Internal factors are the areas of bank management that the officers and staff of the bank have under their immediate control. External factors are environmental aspects of the bank's market over which management has no direct control.

The problem that bank management faces is allocating scarce resources to the different performance dimensions shown there in order to maximize the total value of the bank. In this regard, interactions between different performance areas must be carefully considered

#### **Internal Performance:**

This section considered three aspects of internal performance: bank planning, technology, and personnel development.

#### **Bank planning:**

As a first step in planning, bank objectives should be stated. The ultimate objective of the bank is the maximization of owner's equity. Other bank objectives facilitate this result. Some examples of the bank objectives are the following:

01. Improve the market share of prime grade loans.
02. Upgrade (he quality of management expertise in the area of high technology lending.
03. Expand the financial services being offered to retail customers to increase (lie size am! diversification of the deposit base.



04. Implement an automated delivery system for payment services.
05. Help the community grow so that they may grow with it.
06. Facilitate employee training.
07. Diversify the loan portfolio to a greater extent in terms of both different assets and the geographic distribution of these assets.

### **Technology:**

Automation of operations can improve internal performance in a number of ways. For example, more up-to-date and accurate information can be supplied to customers and managers alike. New financial services, such as direct deposit and automatic bill paying can be offered to the public. Also, at least in the long run, the operating costs of the bank may be reduced, as capital investment in computer and communications equipment is substituted for labor. Especially for small banks, automation may not be feasible because of low public demand for electronically produced financial services or lack of internal information needs.

### **Personal development:**

As the commercial banks require a highly skilled labor force, it is essential that attention be focused on personnel development. Human resources play a critical role in the achievement of bank goals and objectives. Banks must provide opportunities for the continuous training of their employees in the latest banking operations and techniques and must provide means for their employees to keep up with the changes in bank regulations. And also banks must provide opportunities for the self-growth of each employee and their advancement within the organization



**Challenges:**

Two major challenges that face today's banks are the greater emphasis on personal selling of financial services and the trend toward geographic expansion in banking. Complexities of today's banking service require interpersonal skills to communicate with and sell to customer. Existing officers and staff need to be involved in sales training and marketing techniques.

**External Performance:**

External performance is reflected in the ability of the bank to cope successfully with customers, competitors, regulators and the public.

**Market Share:**

Market share is the proportion of asset, deposits and loans held by a bank in its business region relative to other banks. Failure to meet market demands normally will result in a decline in market share.

**Earning:**

Market share can affect the earnings of the bank. For example, given that the bank's rate of returns on assets did not change, if its asset size declined, then earning per share would decline. Conversely, growing too fast can also lower equity returns, because assets are expanded but profitability may not be.



### **Technology:**

A well-worn phrase in modern business organizations is that “technology is the future”. By implementing new technologies, banks promote the perception that they are up to date and progressive. Hence, technology is a marketing tool that can attract customers. Another reason to offer the latest technology to the public is to improve the competitiveness of the bank. Technology enables the bank to reach out to customers beyond the traditional market boundaries.

### **Regulatory Compliance:**

Another dimension of external performance is regulatory compliance. All banks must conform to the laws and regulations of relevant Govt. authorities. Failure to comply will prompt some form of supervisor action.

Requests for a plan of action by the bank to overcome the problem could be made and then monitored over time to assess the progress of the bank. of course, as regulatory interference increases, the costs of compliance increase for the bank

### **Public Confidence:**

Public confidence relates to the market’s perception of a banks safety and soundness. No matter how well capitalized a bank is, loss of public confidence can cause a run of deposits and subsequent closure by regulatory authorities



## 2.2 Capital structure of first security Bank limited.

Capital structure is the important part of the financial institution. In the Banking sector capital structure are the main part of the organization infrastructure. It's show the current condition of the organization. Capital structure is one of the most complex areas of financial decision making due to it's interrelationship with other financial decision variables. The poor capital structure show a high cost of capital, thereby lowering project NPVs and making more of them unacceptable. The strong capital structure show an low cost of capital, resulting in higher NPVs and more acceptable projects, there by increasing the value of the firm. There are two types of capital structure debt capital and equity capital. The First Security Bank also maintains the capital structure.

### 2.2.1 Debt Capital:

Debt capital is the one part of the capital structure. A major source of debt capital is corporate bonds. The cost of debt was found to be less than the cost of other forms of financing. The debt capitals are focus on.

- (i) They have a higher priority of claim against any earning or assets available for payment.
- (ii) They have a far stronger legal pressure against the company to make payment than do preferred or common stockholders.
- (iii) The tax deductibility of interest payments lowers the debt cost to the firm substantially.

### 2.2.2 Equity Capital:

Equity capital is expected to remain in the firm for an identify period of time. The two basic source of equity capital is

- (i) Preferred stock.
- (ii) Common stock equity.

Common stock is typically the most expensive from of equity. In the below show the First Security Bank capital structure condition.



## Capital Structure of FSBL

Title	(Amount in Tk.)	
	At 31st December-03	At 31st December-02
<b>Liabilities and Capital</b>		
Current liabilities	2,066,679,928	1,006,215,883
Long term debt	9,443,566,135	5,230,301,832
<b>Capital/Shareholder's Equity</b>		
Preferred stock	320,000,000	200,000,000
Common stock equity	41,326,289	18,026,557
Common stock	24,000,000	24,000,000
Retained earnings	44,183,688	11,633,629
<b>Total shareholder's Equity</b>	<b>429,509,977</b>	<b>253,660,186</b>

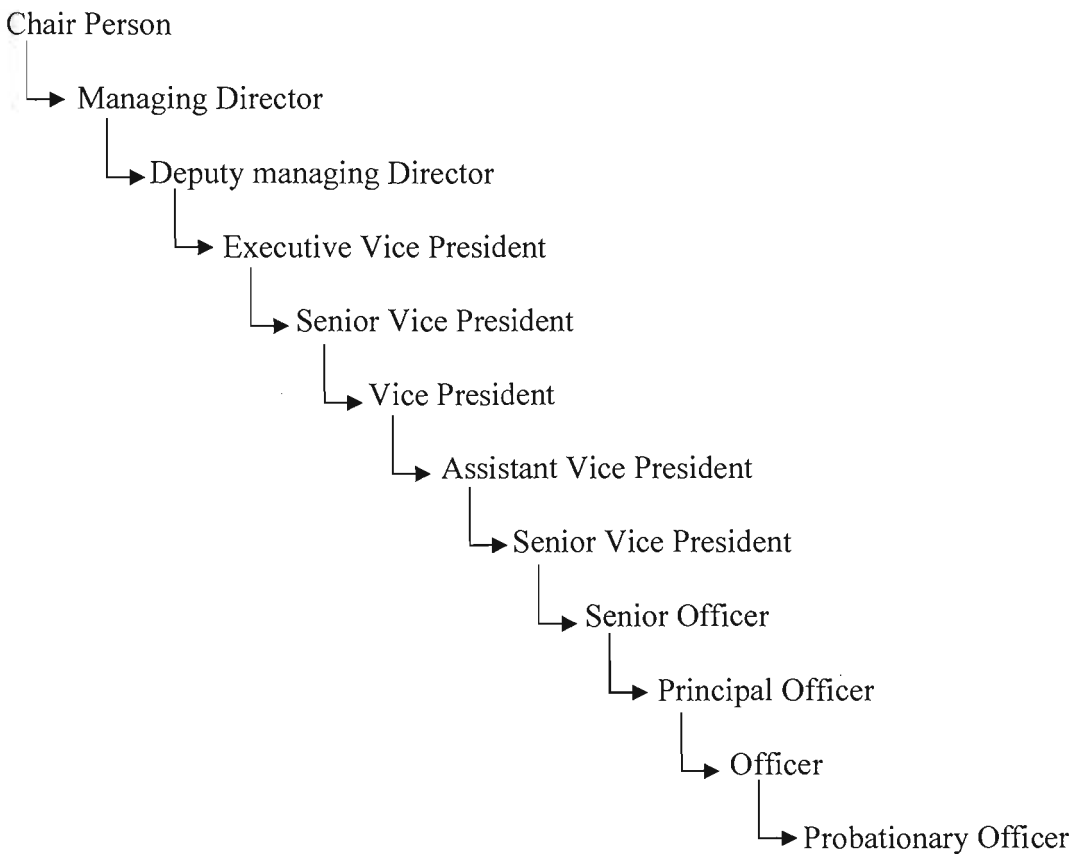
**Table-3**

In this chart differently show the debt capital and equity capital. Current liability and long term debt and includes debt capital and all the share stock are includes in equity capital. The FSBL Capital Structure increased from 2002 to 2003. It is good for FSBL.



### 2.3 Organization Structure

First Security Bank Limited is a centralized organization and operates in a functional oriented structure. Organizational structure plays an important role on the profitability of any organization. The chips of the structural-managing director are direction of the middle level manager. And maintain all of structure. That is, activities are designed on the basis of traditional banking business, such as credit, international division, administration and operation etc. FSBL has a formal organizational structure that is highly specialized and centralized. The whole organizational structure is given below-





## 2.4 Branch Expansion

The Bank added one new branch to its network. As at 31st December 2003 the Bank had a network of 11 (eleven) branches. During the year 2003 the Bank opened 1 (one) branch at Syllhet. Bank have sent a long term programme to Bangladesh Bank to open more branches in phases in important locations in Bangladesh.

### 2.4.1 Name, Address and Opening of Operating branches of FSBL

Name of the Branch	Address	Opening
01. Dilkusha	23, Dilkusha Commercial Area, Dhaka	25 <sup>th</sup> October, 1999.
02. Khatungonj	142, Chand Meah Lane Khatungong, Chittagong	9 <sup>th</sup> August, 2000
03. Mohakhali	Khaja Tower 95, Mohakhali C/A Dhaka	26 <sup>th</sup> November, 2000
04. Agrabad	163, Sheikh Mujib Road Agrabad C/A, Chittagong	30 <sup>th</sup> November, 2000
05. Biswanath	Hazi Abdul Khalique Super Market, Natuan Bazar Rampasha Road Biswanath, Sylhet.	20 <sup>th</sup> March, 2001
06. Bangshal	176, Bangshal Road Dhaka	10 <sup>th</sup> July, 2001
07. Jubilee Road	365, Jubilee Road Chittagong	9 <sup>th</sup> August, 2001.
08. Dhanmondi	Rifles Square	7th March 2002
09. Rangpur	Aziz Super Market	12th October, 2002
10. Keranihat	Keranihat, Satkania	17th November, 2002
11. Sylhet	Shalim Mansion	22nd August, 2003

**Table-4**





## 2.4.2 Training

Most companies believe that their employees are their most important assets. This is particularly true for a service institution, which is a strongly decentralized as **First Security Bank** that makes high demand on the skills of the staff. Therefore, the bank consistently channels a great deal of resources and efforts in to training and development of executives and employees.

To enhance and update the professional skill knowledge of the officer and staff, regular meeting with the Executives, regular training held by the bank.

## 2.4.3 Future Plans and Prospects of FSBL

**First Security Bank Ltd.** had been widely acclaimed by the business community, from small businessman or entrepreneurs to large traders and industrial conglomerates including the top rated corporate borrowers for forward looking business outlook and innovative financing solution. The central bank of Bangladesh has declared that FSBL is going to the top on the table performance among private local banks for its tremendous management.

**FSBL** is a forward-looking bank. **FSBL** is planning to open new branches in the city. The bank will introduce ATM service very soon. **FSBL** is going to be the first private local bank that is going to provide ATM service at a large scale. Credit card facility is another important aspect to help the clients. Therefore, **FSBL** is also planning to introduce credit card facility that will represent the bank as a complete bank.



## **2.5 Deposit Schemes.**

General banking system of the FSBL provides different types of account facilities. Each account has different restriction and requirement. There are different types of account facilities. They are as follows-

- i. Savings Deposit Accounts (SB)**
- ii. Current Deposit Account (CD)**
- iii. Short Term Deposit (STD)**
- iv. Fixed Deposit Receipt (FDR)**
- v. Monthly Saving Schemes (MSS)**
- vi. Monthly Benefit Saving Scheme (MBSS)**
- vii. Double Benefit Saving Scheme (DBSS)**
- viii. Non-Residential foreign currency Deposit.**
- ix. Residential current Deposit.**
- x. Sunday Deposit**

### **2.5.1 Current Deposit Account (CD)**

Current deposit account is the important part of the deposit schemes. Depositors can withdraw their deposits any time in the working days. In current accounts no interest is given but some sorts of freedom are offered to the current accounts maintaining depositors. There is no time restriction. There are different types of current account that are provided by FSBL are as follow-



### **A) Current Account Individual**

Individually the depositors open this type of account. The clients who want to open this type of account have to deposit at least 1000/- Taka to maintain this account.

There must be nominee. Requirements for opening of this account are as follow-

1. Two copies of Photograph (Passport Size)
2. Nationality Certificates / Photocopy of passport.
3. Nominees-1 (one) photograph attested by the A/C Holder.

### **B) Current Account Proprietorship**

The proprietor of a firm can open this type of account. Requirements of this account are as follows-

1. Two copies of Photograph (Passport Size)
2. Nationality Certificates / Photocopy of passport.
3. Trade license
4. Nominee Declaration.
5. TIN (Tax Identification Certificate)



### **C) Current Account Partnership**

The partnership business organization open this types of current account the requirements are as follows-

1. Individual two copies of Photograph (Passport Size)
2. Trade license
3. Tin No./Application.
4. Nationality Certificate/Photocopy of Passport.
5. Nominees Declaration.
6. Partnership deed authorize by Notary public.

### **D) Current Account Limited Company**

The Limited Companies Depositor open this types of Current Account the requirements are as follows-

1. Photographs
2. Incorporate Certificate.
3. Memorandum of Articles.
4. Resolution- List of Directors.
5. Tin No./Application.
6. Nationality Certificate/Photocopy of Passport.
7. Certificate of Incorporation & Memorandum Association of Articles.



### **E) Current Account Public Limited Company**

The Public Limited Companies Depositor open this types of Current Account the requirements are as follows-

1. Photograph
2. Trade License
3. Tin No./Application.
4. Nationality Certificate/Photocopy of Passport.
5. Nominee Declaration.
6. Partnership deed authorize by Notary public.
7. Business Commencement.
8. List of Directors.
9. Resolution.

### **F) Current Account Club Society**

Different types of Club Society are open this types of Current Account. In the below show the different requirement:

1. Photograph
2. By lodge (Rules & Regulation.)
3. Govt. Approved Letter.
4. Resolution.



## 2.5.2 Short Term Deposit (STD)

Short Term Deposit Account Opening procedure is similar that of the current account.

The rate of interest on this type of account is 5.25%. Withdrawals from this type of account require a prior notice of seven days.

## 2.5.3 Sundry Deposit:

It is the another types of important deposit schemes. When deposits name and A/C No; is different. And that's why the deposits amount can not be transferred to the treasury, then this types of deposit amount are transferred to the sundry deposit account.

## 2.5.4 Savings Bank Accounts (SB).

The Saving Bank accounts are other types of deposit scheme. The depositor can deposit the money for long period of time. These types of account are designed specially for the middle-income groups who are generating limited income and have the tendency to save. The depositor is obliged to maintain a balance of Tk. 1,000 of the sake of earning the interest. They are paid a fixed interest on there savings. The interest rate of this account is 8.25% fixed for any balance. Requirements for opening of this account are as follows-

- ❑ Two copies of Photograph (Passport Size)
- ❑ Specimen Signature
- ❑ Introducer
- ❑ TIN (Tax Identification Certificate)
- ❑ VAT Certificate



### 2.5.5 Fixed Deposit Receipt (FDR)

Fixed Deposit is the popular Deposit Scheme. The middle class and lower class people are interested to open these types of Deposit Scheme. There are various fixed deposit schemes in **FSBL**. The interest rate of the deposited amount depends on duration and volume of the amount. If duration is long the interest rate is high, and at the same time if the volume of amount is large the interest rate is also high and vice-versa. Depositors have to withdraw the interest after the maturity date. If the depositors intend to withdraw the interest earning before expiring the maturity date then the bank is not bound to pay the interest. But FSBL pays the lump sum amount to their clients. Where the nominee also can be selected in the absence of the account holder.

Particulars	Rate of Interest	Negotiable Maximum Rate
a) One Month	8.50%	9.00%
b) Three Months	8.75%	9.50%
c) Six Months	9.25%	10%
d) One Year	9.75%	10.50%
e) Two Year	10.25%	11%
f) Three Years & Above	10.50%	11%

**Table-5**



**2.5.6 Non Resident foreign currency deposit:**

Non Resident foreign currency deposits are popular deposit for foreign investor. The First Security Bank Ltd. can offer different periodically deposit scheme. Like three months, six months & one year. The depositor are deposit dollar amount in the Bank Deposit Scheme.

**2.5.7 Residential Foreign Currency Deposit:**

The foreign investors are residentially to Deposit the amount of money in First Security Bank Ltd. Deposit Scheme. Investor can get more interest in there money. It is the important source of Bank Deposit.

**2.5.8 Monthly Saving Schemes (MSS)**

Monthly Saving Scheme is the another popular Deposit Scheme of the FSBL. Monthly Saving Scheme is as same as FDR. But in this scheme client have to pay some amount in every month with in the first ten days. Normally the maturity time is 5 years. No one can withdraw money before maturity.

Maturity Time	Monthly Installment 250	Monthly Installment 500	Monthly Installment 1000	Monthly Installment 5000
5 Years	19307	38614	97229	386147
8 Years	36188	72331	144664	723319
10 Years	50402	100804	201608	1008042

**Table-6**





### 2.5.9 Monthly Benefit Saving Scheme (MBSS)

**Monthly Benefit Saving Scheme** is as same as **MSS**. The main difference between **MBSS** & **MSS** is client must have a deposit 25000/- Taka. Maturity date is only 5 years. The benefit against the deposit is given to the client every month. The depositors can get 80% loan against his/her deposits. The depositor has to give 16% interest on the loan amount. A number of monthly payments encompassed hereinafter-

Deposits	Amount of Benefit
60000	500
120000	1000
240000	2000
600000	5000
1200000	10000

**Table-7**

### 2.5.10 Double Benefit Saving Scheme (DBSS)

**Double Benefit Saving Scheme (DBSS)** is more popular Deposit Scheme in the **FSBL**. because it gives more interest. The main difference between **MBSS** & **DBSS** is client must have a deposit 10,000/- Taka. Maturity date is only 7 years. The benefit against the deposit is given to the client every month. If the depositors want to withdraw his / her money before 7 years, he/she will get the interest as the scheme but the depositors want to withdraw his money before months, he/she will not get any interest or benefit. The depositors can get 80% loan against his/her deposits. The depositor has to give 16% interest on the loan amount. A number of monthly payments encompassed hereinafter-



Maturity	Deposit	Principle with Interest	Total Amount
7 Years	10,000	Double	20,000
7 Years	25,000	Double	50,000
7 Years	50,000	Double	1,00,000
7 Years	1,00,000	Double	2,00,000
7 Years	2,00,000	Double	4,00,000
7 Years	5,00,000	Double	10,00,000

**Table-8**

## **2.6 Credit Scheme:**

Credit Scheme is the important source of fund in each Bank FSBL also offer different types of Credit Scheme. In the below describe different types of Credit Scheme.

### **2.6.1 Loan (General)**

Short term, medium term and long term loans allowed to individual/farm/industries for a specific purpose but for a definite period and generally repayable by installments fall under this head.

### **2.6.2 Cash Credit (Hypo)**

Advances allowed to individuals or firm for trading well as whole-sale purpose or to industries to meet up the working capital requirements against hypothecation of goods as primary security fall under this type of lending.



### **2.6.3 Security over draft against financial obligation (SODFO)**

The First Security Bank gives credit scheme of security over draft against different financial obligation. These types of credits scheme are support or security for finance. Its interest rate is very low. And investor can get more benefit about these types of credit scheme.

### **2.6.4 Security Over draft SOD (General)**

Advances allowed to individual/firm against financial obligation (i.e. lien of FDR/PS/BSP/Insurance policy, etc) and against assignment of work order for execution of contractual works fall under this head. This advance is generally allowed for definite period and specific purpose. It is not a continuous credit.

### **2.6.5 Consumer finance scheme (CFS)**

Consumer finance scheme are another important types of credit scheme. The FSBL can give loan about the consumer finance. Consumers are need money to consume product. So they can borrow this credit scheme. And gives some interest to the bank.

### **2.6.6 Higher Purchase Scheme**

Higher purchase scheme is other types of credit scheme. The bank can give these types of loan for higher purchasing product. It also gives the financial support to the credit holder.

### **2.6.7 House Building Loan.**

It is other types of credit scheme. Bank can gives these types of loan for making house building. The FSBL also gives these types of loan but only for bank employee.



## 2.6.8 Disbursement

The authorization credit personnel prior to credit approval must accurately determine this. So they can follow some rules & regulation. The arrangement is made with the borrower, the bank disburses loan. Loan disbursement procedures follow the rules and conditions, which was mentioned in the agreement. Both the banker and the borrower have to follow this items and conditions. Mode of loan disbursement depends on the agreement and types of loan. It may be disbursed at a time of step by step. Bankers should be very careful in loan disbursement whether the conditions are met.

## 2.7 Credit recovery

Credit recovery is the important part of the profitable banking business. Credit recovery means to repay or covered the credit amount for loan funds. So bank are strictly to follow or monitory the credit repayment and total recovery amount.

### 2.7.1 Recovery Activities.

#### (I) Existing Loans (all categories)

Existing Loans means that types of loan can not be pay fully. But payment period also be existing. This condition organization follow some step.

- A) Dialyzing due date of repayment
- B) Regular follow-up
- C) Periodical inspection
- D) Surprise visits



(II) Overdue Loans/Advance

These types of loan payment date are over but credit holder can not pay the amount.

This condition manager follows some step.

A) A preparation of quarterly lists; branch copy, controlling office copy and H.O. copy.

B) Attempts made for adjustments of loan before application of quarterly interest.

(III) Classified Loans/Advances

The credit can be classification it indicate the total recovery of the credit amount. And follow some steps.

A) Target for recovery

B) Steps for de-classification

## **2.7.2 Credit Administration**

The bank credit must be administrative. The credit is included in the credit administration procedure. But the most two important principle elements of bank credit are as follows-

(I) Credit File Maintenance

(II) Facility Evidence Maintenance



### **2.7.3 Supervision of Credit**

Banks have started financing in an increasing measure to priority and preferred sectors and as a result the demands for fund has increased substantially. So it is important tasks before the banks today is the follow-up and supervision of the credit provided by them. Besides, credit is a scarce national resource and therefore proper and rational distribution of credit is very essential. In the circumstances, it is incumbent upon a banker to see that the advances granted to the borrowers are being utilized for the purpose, which they are given.

### **2.7.4 Early Warning Signals**

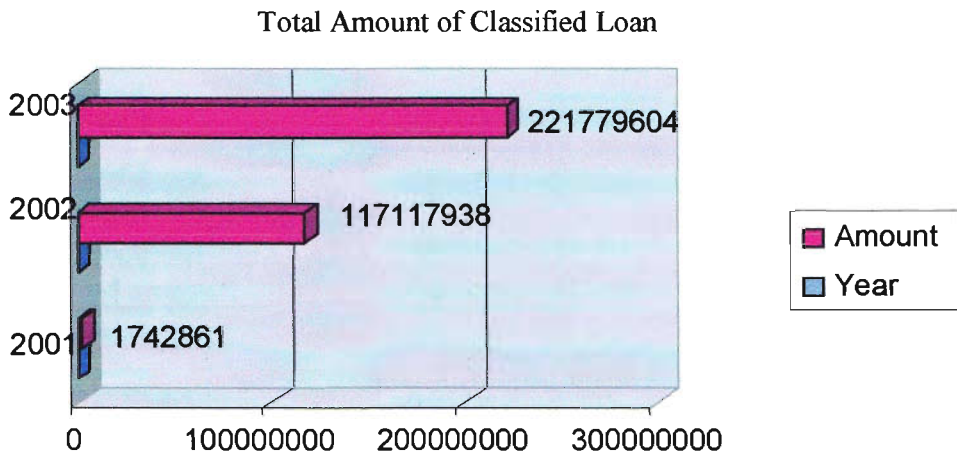
When there is “material change” in the borrower condition, present or expected the implications of which are not clear is known as early warning signals. The following items manifest complacency and should always be guarded against----

- (I) Lack of adequate supervision of old and familiar borrower.
- (II) Dependence on oral information furnished by borrower instead of reliable financial data.
- (III) Optimistic interpretation of known credit weakness based on past survival of recurrent hazard and distresses.

**Total amount of Classified Loan of FSBL**

Year	Total Loan Amount	Classified Amount	Unclassified Amount	% of Classified Loan
2003 (31.12.03)	2,21,779,604	1,160,585,590	55,721,014	74%
2002 (30.12.02)	117,117,938	79,673,528	37,444,410	68%
2001 (30.09.01)	17,42,861	3494	17,39,367	0.20%

**Table-9**



**Figure-7**

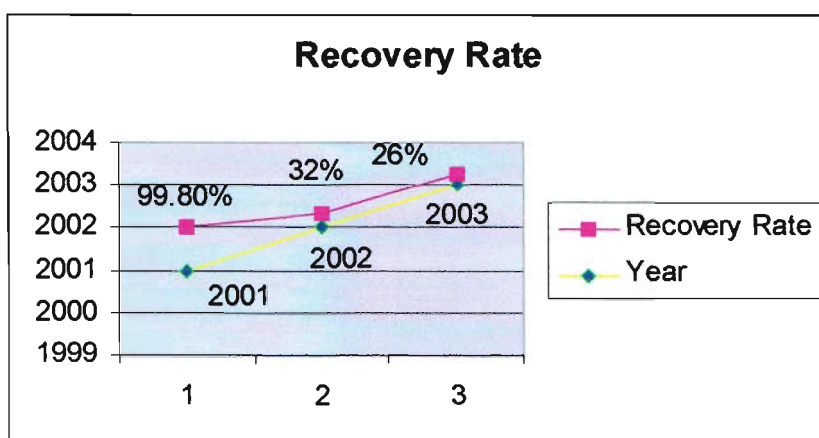
In year 2003 total classified loan is 221779604, year 2002 classified amount is 117117938 and year 2001 classified amount is 1742861.

**Recovery Rate of Total Loan**

Recovery Rate of Total Loan

Year	Amount	Recovery Rate
2003	22177604	26%
2002	117117938	32%
2001	1742861	99.80%

**Table - 10**



**Figure-8**





## 2.8 Classification of loan.

The principal resource of the bank is to make loans to their customer. Bank are expected their local communities with an adequate supply of credit for all legitimate business and consumer financial needs and to price that credit reasonably in line with competitively determined interest rate. Loan is the principal economic function of bank. There are many types loan. In the below describe them.

### 2.8.1 Term Loans

The term of loan is determined on the basis of gestation period of a project and generation of income by the use of the loan. Such loans are provided for seasonal agriculture activities, Farm Machinery, Dairy, Poultry, Transport facilities, Extension of tea gardens and development of horticulture, Fishing, Etc. It is categorized in three segments---

<b>Types of Term Loan</b>	<b>Time (Period)</b>
# Short Term	: 1 to 3 years
# Medium Term	: 3 to 5 years
# Loan Term	: Above 5 years

### 2.8.2 Agriculture Loan

Credit extended to support farm and ranch operation.



### 2.8.3 Loan against trust receipt (LTR)

Advance allowed for retirement of shipping documents and release of goods imported through L/C without effective control over the goods delivered to the customers fall under this head. The goods are handed over the importer under trust with the arrangement that sales proceed should be deposited to liquidate the advance within a given period. This is also temporary advance connected with import that is known post-import finance under the category 'Commercial Lending'

### 2.8.4 Working capital loan.

Short term business loan to purchase inventories, meet payrolls and cover other near-term operation costs.

### 2.8.5 Others loans.

All other non-funded facilities that is not included in any other non-funded facilities

#### Chart of interest on Lending of FSBL

Agriculture loan including raw jute	15 %
Term loan (Project Loan)	15 %
Working Capital Loan (Except Jute)	16 %
Export Loan (Packing Credit)	11.5 %
Other Commercial Loan (CC, CP, HPL, LTR, IBP etc.	16 %
Urban Housing Loan	16 %
Small & Cottage industry Loan	15 %
Other Special Program Loan	16 %

**Table-11**



## 2.9 Foreign Exchange

Foreign exchange is most important part of the banking sector. Foreign exchange are focus on the exchange the product for home country and foreign country. That's means the product or currency will be import or export from the out side country. Foreign exchange includes currencies and other instrument of payment denominated in currencies. Foreign Exchange is divided in three parts. They are ---

1. Import
2. Export
3. Foreign Remittance

### 2.9.1 Import

Import is foreign goods and services purchased by customers, firms and Government in Bangladesh.

An importer must have Import Registration Certificate (IRC) given by Chief Controller of Import & Export (CCI & E) to import anything from other country.

#### A) Import Procedure

Before making imports, the importer enters in to a purchase contract with foreign suppliers. If the suppliers have local agent, the importers obtain an indent and pro-forma invoice. If the suppliers have no local agents in Bangladesh, the importers holding valid IRC.

All importers in to Bangladesh are subject to opening of L/C. Import transaction are concluded with the help of documentary letter of credit established by the importer's bank in favor of supplier or Beneficiary and advised through the agent's bank located in the supplier's country.

Documents that are needed for opening an import L/C are listed bellow-

1. L/C opening proposal approved by the opener authority mentioning L/C details.
2. L/C application form (to be the bank) duly signed and sealed by the opener.
3. Party application duly signed and sealed by the opener.
4. At least four (4) copies of pro-forma invoice/indent duly signed and sealed by the opener and beneficiary/indenter.



5. Beneficiary credit report (if the L/C is more than US\$8000/- or BDT 500,000/- which ever is highest).

## **B) Import Mechanism**

According to import & Export Control Act, 1950, the office of chief controller of import & Export provided the registration (IRC) to the importer. After obtaining this, person to secure a letter of Credit Authorization (LCA) from Bangladesh Bank. And then a person becomes a qualified importer. He is the person who instructs the opening bank to open an L/C. The import mechanisms are discussed bellow-

1. The importer submits an application to the import department. An officer scrutinizes this application and accordingly prepares a proposal and forwards it to the head office. If the Managing Director satisfies, he sanctions the limit and returns to the branch. Thus the importer is entitled for the limit.
2. After sanctioning the limit, an officer of FSBL makes a L/C application.
3. After making the L/C application, must be scrutinized by the authority.
4. The transmission of L/C is done through tested telex or fax or mail to advise the L/C to the beneficiary.
5. The seller being satisfied with the terms and conditions of credit proceeds to dispatch, the required goods to the buyer and after then, has to present the documents evidencing dispatching of goods to the negotiating bank or before the stipulate expiry date of the credit. After receiving all the documents, the negotiating bank checks the documents against the credit. If the documents are found in order, the bank will pay accept or negotiate of FSBL.
6. On scrutiny, if it is found that the document drawn in conformity with the terms of the credit, i.e. the documents are in order, FSBL lodges the documents in PAD.
7. This is the most sensitive task of the import department. The officials have to be very much careful while making payment.

### **2.9.2 Export**

By the term export we mean carrying out of anything from one country to another. As Banker we define export as sending of visible things outside the country for sale. In a word export means goods are out wares and foreign currencies are inward.



Export trade plays a vital role in the development process of an economy. Export trade is always encouraged but anybody cannot export anything to any place. Export Registration Certificate (ERC) given by CCI & E is required for this purpose.

The exporter presents the relative documents to the negotiating bank after shipment of the goods. The L/C opening bank undertakes to honor its obligation only if the beneficiary fulfills the conditions stipulated in the L/C within the stipulated time. Even a slight deviation of the documents from these specified in the L/C may give an excuse to the issuing bank to refuse the reimbursement of the payment already made by the negotiating bank. So the negotiating bank must be careful to scrutinize the documents.

## **A) Export Procedure**

### **1. Export Mechanism**

The export trade of the country is regulated by the exports and imports (control) Act, 1950. There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. These formalities or procedures of export mechanism are enumerated as follows:

- A) The export is allowed to export any commodity permissible for export from Bangladesh unless he or she is registered with CCI & E and holds valid Export Registration Certificate (ERC).
- B) After having the registration, the exporter applies to the bank with trade license and ERC to get EXP.
- C) After registration, the exporter to secure the export order. Contracting the buyers directly through correspondence can do this.
- D) After making the deal and on having the L/C opened in his favor, the next step for the exporter is to set about the task of procuring or manufacturing the contracted merchandise.



## **2. Procedure for FDBP.**

After purchasing the documents, FSBL takes FDBP charge from customer's A/C. A FDBP register is maintained for recording all the particulars.

## **3. Foreign Documentary Bills for Collection**

FSBL forwards the documents for collection. FDBC signifies that the exporter will receive payment only when the issuing bank gives payment. The exporter Submits Duplicate EXP Form and Commercial Invoice. An FDBC register is maintained where first entry is given, when the documents are forwarded to the issuing bank for collection and the second one is after realization of the proceeds.

## **4. Advising L/C:**

When export L/C is transmitted to the bank for advising the bank sends advising letter to the beneficiary depicting that L/C has been issued. The procedure L/C advising is as follows-

- Verify the signatures
- Given entry in the L/C advising register
- Issued voucher for L/C advising commission

## **B) Letter of Credit (L/C)**

Letter of credit (L/C) is an arrangement between an importer and the bank (Issuing bank). The bank provides L/C in order to purchase goods from the exporter. The bank acts on the behalf of the clients to deal with exporter and the clients make the payments after receiving the goods accordingly.

## **C) Requirements of opening a L/C:**

- Current deposit A/C holder
- IRC (Import registration certificate)
- Import policy
- L/C authorizing form duly registered
- L/C application duly fill up and sign



- Contract/Indent
- Insurance coverage
- Income tax document
- Contingency liability voucher
- L/C registration

#### **D) Back-to-Back letter of credit (BTT L/C)**

A back-to-back letter of credit is a new credit. It is different from the original credit based on which the bank undertakes the risk under the back-to-back credit. In this case, the bank's main security is the original credit. The original credit (selling credit) and back to back credit (buying credit) are separate instruments independent of each other and in no way legally connected, although they both form part of the same business operation.

#### **E) Documentation**

Next step is documentation. When goods are shipped then they send the documents. At first prepare forwarding. Then arrange the following documents-

- Bill of exchange
- Bill of lading
- Commercial Invoice
- Packing List
- Certificate & Other documents
- Any other documents as asked for by the opener

In case of shipment made by vessel, the bill of lading must be submitted with negotiable & non-negotiable copies with stamps. But in case of air, airway bill must be submitted with two copies without stamp.

#### **F) Retirement**

Next step is Retirement. This means wait for payment. When the beneficiary sends the goods, then they sent related documents for payment to the bank. The bank starts the retirement procedure. At first checking these documents with the L/C, L/C time,



date number, invoice, terms & conditions, beneficiary's certificate. Certificate of origin, a certificate of undertakings by M.D. (in case of local), etc. then entry in the register and the number is posted to documents with seal in every page. The register number entry is called ABP. The prepare lodgment & commission voucher and entry in the liability book for that amount. It must be mentioned that as per rules the amount, which is admissible, that must be entered in the liability register.

### G) Payment

Nest step is payment-local payment & foreign payment.

### 2.9.3 Foreign Remittance

Remittance is another factor of the FSBL from where it earns a lot of foreign exchange every year. Remittance menace to send or transfer money or money worth from one place to another. In this case, the bank acts as the media to transfer or remit the money. Against the service it charges some commissions from the client.

### Types of Remittance

Generally, there are two types of Remittance

1. **Foreign Inward Remittance:** The remittance in foreign currency, which is received from outside the country to our country is known as Foreign Inward Remittance. The remittance can be performed in two ways.
  - A) Visible Inward Remittance - such as export proceeds.
  - B) Visible Inward Remittance- such as family maintenance consultant fee etc.
2. **Foreign Outward Remittance:** Foreign Outward Remittance is funds remitted to overseas on behalf of the client.
  - A) Visible Outward Remittance- such as, payment against import, sale of traveler's cheques.





## 2.10 General Banking

### Division of General Banking:

1. **Cash Department**
2. **Remittance**

#### Cash Department

All sorts of transaction considering the cash is taken into the care in the cash department. Cash is deposit in the name of concern bank and disbursed to the client by his department.

#### Remittance Department.

Remittance is another significant part of the General Banking. The bank provides services and various types of bills throughout the remittance within the country. Obviously, the bank charges commission on the basis of bills account.

## 2.11 Managing Core Risks of Bank:

Bangladesh bank has identified 5 (five) core risk areas for the management of the banks and provided necessary guidelines for implementation. The five core risk areas are:

1. Asset liability Management
2. Credit Risk Management
3. Foreign Exchange Risk Management
4. Internal Control and Compliance
5. Prevention of Money Laundering

While the Risk Management suggested by the Bangladesh Bank is being practiced in the Bank to a considerable degree, the same is being codified and structured as per stipulated guidelines. The Bank has formed a committee to overview proper implementation of the system by middle of 2004.



### **2.11.1 Asset Liability Management:**

The Bank has an Asset liability Committee (ALCO), which responsible for managing short term and long term liquidity and ensure that the Bank has adequate liquidity at all times at optimal funding cost. The other tasks of the committee include Balance Sheet Structure and management, measuring capital adequacy, keeping available cushion to meet the risk and determination of lending and deposit pricing strategy. The assessment and the control of liquidity is done through liquidity Report and Financial Statements. A contingency plan as per the guideline of Bangladesh Bank will be in place very soon.

### **2.11.2 Credit Risk Management:**

The guidelines issued by Bangladesh Bank deals with the following aspects of Credit Risk Management.

1. Policy Guidelines
2. Preferred Organizational Structure & Responsibilities
3. Procedural Guidelines

### **2.11.3 Foreign Exchange Risk Management.**

Market based floating exchange rate has been introduced both trading opportunities and Foreign Exchange volatility. There has thus risen a need controlled management, through a single department of the risk and at the same time to exploit business potentials. The tasks of reconciliation of all transactions initiated by Treasury Department rests which a separate back office independent of Treasury.

### **2.11.4 Internal Control and Compliance:**

The key component of effective internal control i.e. effective information system is already in place. The Bank has further established the following internal control measures:



1. Established authority Limits for transactions and expenses;
2. Strengthen the internal audit department to ensure comprehensive audit of the branches and Head Office at regular intervals;
3. Review of the Bank's performance on monthly and quarterly basis at highest level;
4. Review of Bangladesh Bank's audit report and Management's compliance thereof at regular intervals;
5. Taking measures for strict compliance of other regulatory requirements;

### **2.11.5 Prevention of Money Laundering:**

Recognizing the fact that the banks and financial institutions are vulnerable to being used by money Launderers, the Bank, based on the directives of Bangladesh Bank, has established its prevention of Money Laundering. As a matter of fact, First Security Bank Ltd. has stepped forward to combat acts of Money Laundering. The regulatory requirements are complied with him KYC on opening new accounts. The Bank has also nominated a Chief Anti Money Laundering Compliance Officer who is associated with the Branch Compliance Officers. For awareness of Money Laundering, the staffs are being regularly trained.

### **2.12 Corporate Social Responsibilities:**

First Security Bank Ltd. keeps on discharging its Corporate Social Responsibilities as a part of social entity for the greater interest of the entire society. The authority always extended for support to the development of the community through promotion of sports, culture, educational programmed, disaster and treatment aids of the distressed people.

The FSBL authority distribute blankets among the hard core poor people in the different remote areas of northern regions with the advent of the biting winter. Besides, First Security Bank Ltd. actively participates for promotion of the sports, religious events and culture.



## Chapter-3

# Financial Performance of First Security Bank Ltd.



### **3.1 An appraisal of financial performance.**

The financial statements of the Bank are prepared on a going concern basis under historical cost convention and in accordance with international accounting standards, including the ones so far adopted by the institute of chartered accountants of Bangladesh, wherever appropriate, such principles are explained in succeeding notes. Subject to explanatory notes appearing at appropriate places, the Balance sheet, Profit and loss statement, Cash Flow statement, Statement of Changes in Equity and Statement of Liquidity Analysis have been prepared full compliance with all relevant provisions of Banking Companies Act 1991, Companies Act 1994, circulars of Bangladesh Bank issued from time to time and other applicable laws, regulations and pronouncements and drawn as per proformas prescribed by Bangladesh Bank.



**Statement of Changes in Equity**  
For the year ended 31 December 2002 & 2003

Amounts in Taka

	Paid-up capital	Other reserve	Statutory reserve	Retained earnings as per Profit and Loss Statement	Total
<b>For the year 2002</b>					
Balance at 01 January 2002	200,000,000	-----	10,352,178	888,301	211,240,479
Addition during the year	-----	24,000,000	7,674,379	10,745,328	42,419,707
Balance at 31 December 2002	2,00,000,000	24,000,000	18,026,557	11,633,629	253,660,186
<b>For the year 2003</b>					
Balance at 01 January 2003	200,000,000	24,000,000	18,026,557	11,633,629	253,660,186
Addition during the year	120,000,000	-----	23,299,732	32,550,059	175,849,791
Balance at 31 December 2003	320,000,000	24,000,000	41,326,289	44,183,688	429,509,977

**Table-12**



### 3.2 Operating Income:

Income from operations is determined by operating expenses from net sales. The operating income are shown on the Income statement. More operating income show the more stronger of the firm or organization In the below show the First Security Bank Ltd. Different years operating income.

#### Operating Income

Particulars	2000	2001	2002	2003
Operating income	67,568,115	91,746,515	263,990,745	385,382,047

**Table-13**

In the above information it is clear to indicate the operating income of the FSBL in increase day by day because the year 2003 operating income is more than the year 2002 and 2001 operating income is more than the year 2000. So the bank performance is good.

### 3.3 Operating Expenditure:

Operative expenses are expenses incurred in the process of earning sales revenue. The operating expenses are deducted to determine net income. Operating expenses are the total cost of the operating and maintenance the firms. Operating expenditure are often subdivided into selling expenses and administrative expenses. The First security Bank also maintenance different expenditure for there operation. In the below show expenditure of the FSBL.

#### Operating Expenditure

Particulars	2000	2001	2002	2003
Operating Expenditure	32,193,292	95,278,755	13,69,10,276	16,42,21,721

**Table-14**

In the following information we can understand the condition of the organization expenditure it also be increase day to day. The operating income is incoming and expenditure also increasing so it will be realized that the bank will be expanded more.



### 3.4 Net Profit

Net profit is the amount by which revenues exceed expenses. In the organization or firms show the more profit that means firms current condition is more stronger. In the below show the different years net profit of FSBL.

#### Net Profit

Particulars	2000	2001	2002	2003
Net profit	8,396,474	12,143,527	18,419,707	558,49,791

**Table-15**

So that the First security bank net profit is increasing year by year. In the 2003 net profit is 5 crore and some thing that is more than the previous years. So the Banks financial performance is good.

### 3.5 Investment

The Bank's investment in treasury bills includes unearned interest on such bills. Unearned interest is recognised as income on accrual basis and taken to profit and loss statement in proportion of time elapsed. In the below show the different years investment of the FSBL.

#### Investment

Particulars	2000	2001	2002	2003
Investment	192,775,328	321,625,721	540,364,600	751,725,200

**Table-16**

More investment means more profit so the Bank investment is increasing year to year and that make more profit for the organization.





### 3.6 Dividend:

A dividend is a distribution by a corporation to its stock holders on a prorate basis. Dividend may be expressed as a percentage of the par or stated value of the stock or a total amount per share.

### 3.7 Ratio Analysis:

Ratio analysis expresses the relationship among selected items of financial statement data. A ratio expresses the mathematical relationship between one quantity and another. The relationship is expressed in terms of either a percentage, a rate or a simple proportion. So that analyzing the financial performance of FSBL we need to measure its financial ratios.

#### 3.7.1 Profitability Ratios:

Profitability ratios measure the income or operating success of an enterprise for a given period of time.

#### A. Return on Assets (ROA)

Return on assets measure the success of a firm in using assets to generate earnings. ROA can be interpreted in two ways. First, it measures management's ability and efficiency in using the firm's assets to generate profit. Second, it reports the total return according to all providers of capital.

**Return on assets Ratio**

Particulars	2000	2001	2002	2003
Return on Assets	0.0040	0.0035	0.0025	0.0042

**Table-17**

The return on assets indicates the net return on total investment of the firm. The return on asset of the year 2000 is 0.0040 and the next two year it decreasing so 2001 and 2002 FSBL suffers from loss but in 2003 the return on asset is increase 0.0042, which is good for the bank.



## B. Return on Equity (ROE)

This ratio indicates the degree to which the firm is able to convert operating income into an after tax income that eventually can be claimed by the shareholders. This is a useful ratio for analyzing of the firm's management to realize an adequate return on the capital invested by the owners of the firm.

### Return on Equity Ratio

Particulars	2000	2001	2002	2003
Return on Equity	0.0419	0.0621	0.073	0.13

**Table-18**

The return on equity measure the return earned on the owner's investment in the firm. Generally the higher this return the better off is the owners. The return on equity of FSBL. Has increased from year to year. That is good for FSBL.

## C. Net Profit Margin

The Net profit margin ratio provides information about the ability of management to control expenses. It includes taxes, and a particular level of operating income.

### Net Profit Margin

Particulars	2000	2001	2002	2003
Net Profit Margin	0.1246	0.10	0.0697	0.145

**Table-19**

The profit margin of 2001 and 2002 are decrease in the previous your 2000 that means FSBL suffering from loss but in 2003 they become able to recover this loss. In 2003 Net Profit is 0.145 that the bank's performance is impressive.



## D) Net Bank operating Margin :

Net Banking Operating Margin measures how large a spread between operating revenues and operating expenses management has been able to achieve by control over the bank's earning assets and the pursuit of the cheapest sources of fund.

### Net Bank Operating Margin

Particulars	2000	2001	2002	2003
Net Bank Operating Margin	0.0087	0.0093	0.0175	0.0165

**Table-20**

The Bank operating margin of FSBL is year to year increase that is goods of FSBL.

## 3.7.2 Liquidity Ratios :

Liquidity Ratios measures the short term ability of the enterprise to pay to pay its maturing obligations and the meet unexpected needs for cash.

### A) Current Ration :

Current Ratio indicated the ability of a company to meet its short-term obligations. Short-term obligations indicate those obligations that are due within a year. Current ratios provide a single indicator of the extent to which assets that are expect to be converted to cash in period roughly corresponding to the maturity of the claims of the clients.

A higher current ratio may be indicate that the excessive amount of current assets, which is considered to be management's failure to utilize the resources properly. A lower current ratio is an indication that the firm may not be able to pay future obligations in time.



### Current Ratio

Particulars	2000	2001	2002	2003
Current Ratio	1.48	1.24	1.07	1.08

**Table-21**

We find current ratio has decreased from year to year. It means that the bank's current assets in term of current liabilities have been decreased from year to year.

### B) Net working capital to total assets.

The difference between the current assets and the current liabilities is known as the net working capital. It roughly measures the bank potential reserve for cash, manager often express net working capital as a proportion of total assets.

#### Net working capital to total Assets

Particulars	2000	2001	2002	2003
Net Working capital to total Assets.	0.13	0.091	0.054	0.058

**Table-22**

We find that the net working capital to total assets has been decreased from year to year. The ratio show the liquidity of the bank has been decreased from year to year.

### 3.7.3 Leverage Ratio :

Leverage Ratios measure how heavily the bank is in debt. One of the most important leverage ratio is the Total Debt Ratio.



### A) Debt to Asset Ratio :

It indicates the total borrowed funds as a percentage of total assets.

#### Debt to asset Ratio

Particulars	2000	2001	2002	2003
Debt to asset Ratio.	0.89	0.93	0.964	0.967

**Table-23**

The debt to asset ratio of FSBL has increased from year to year. That means the bank's total liabilities in terms of total assets have increased from year to year.

### B) Debt to equity Ratio :

It indicates the borrowed fund versus the funds provided by shareholders.

#### Debt to equity Ratio

Particulars	2000	2001	2002	2003
Debt to equity Ratio	19.42	21.07	27.49	30.12

**Table-24**

The total debt to equity ratio of FSBL has increased from year to year. That is good of FSBL.

### 3.7.4 Activity Ratios :

Activity Ratios or Turnover ratios measure how productively the bank is using its assets.



### A) Total assets Turnover :-

Total Assets Turnover ratio (Assets Utilization) represents the ability of management to employ assets effectively to generate revenue.

#### Total Assets turnover

Particulars	2000	2001	2002	2003
Total assets turnover	0.0354	0.0312	0.0365	0.0288

**Table-25**

The total assets turnover has decreased from year to year that means the bank could not utilized its assets.

### B) Fixed Asset turnover

This ratio indicates how efficiently the firm is using its fixed asset to generate revenue.

#### Fixed Assets turnover

Particulars	2000	2001	2002	2003
Fixed assets turnover	3.091	3.153	3.184	4.889

**Table-26**

The fixed asset turnover has increased from year to year. It means that the bank is more utilize its Fixed assets.



### C) Net working capital Turnover:

The ratios indicates How to use working capital of the firms

#### Net working capital turnover

Particulars	2000	2001	2002	2003
Net working capital turnover	0.257	0.528	0.697	0.478

**Table-27**

The net working capital turnover has increase from the year to year but the year 2003 it will be decreases. That means the firms working capital are properly used in the firms.

### Another Different ratios:

In the above mentioning Ratios in important to analyzing the financial performance of FSBL and also some others ratios that are effected to the financial statements. In the below they are mentioning.

Particulars	2000	2001	2002	2003
Load deposits Ratio (%)	50.38%	62.07%	78.44%	68.59%
Ratio of classified loan to total loan & advance	5.06%	6.8%	7.49%	13.97%
Cost of funds	3.75%	2.92%	6.69%	4.87%
Return on investments	3.2%	4.82%	5.19%	6.56%
Earning per share (Tk)	9.13	10.62	9.21	17.45
Net income per share (Tk)	9.13	10.62	9.21	17.45
Price Earning Ratio (Time)	N/A	N/A	N/A	N/A

**Table-28**

Note: Data are collecting from Annual Report.



# Chapter-4

## Problem of FSBL





## 4.1 Problem of FSBL

Every organization have some problem and that's are effect to develop the organization. When I assign to internship in first security bank ltd. I have found that banking sector requires to be studied in right perspective and individual bank has find out its own course of action strategy to survive. I have attempted to found some problem of FSBL. The authority must be control the problem for developing the organization. In the below describe the problems of first security Bank Ltd.

- ❖ In the modern civilization technology is important part of the banking organization. But the FSBL can not use modern technologies for banking services. So they are far behind from other competitor.
- ❖ Another problem of FSBL is lack of intelligence and skill employee. Because FSBL does not have any own training institution.
- ❖ The FSBL PC Bank system is not more advanced banking software because this software is not provide sufficient banking services.
- ❖ The another problem of FSBL is lower number of advertisement. An advertisement is important part to build up a strong image and reputation among the potential customers. But the FSBL advertisement is not attraction and sufficient. So they are far behind from other competitors.
- ❖ The FSBL are store information for manually. So it more time and employee. But the modern time every where use computer to store data. The FSBL can not do this. And the FSBL is not provide on like banking service.
- ❖ The FSBL Recruitment process is not systematic and effective, because the process can not make sure that right people are in the right place.



- ❖ FSBL can also enter into the part for any account related data or information. In this situation it is very easy to do fraudulent activity. Any employee can access any one part and do unauthorized transaction.
- ❖ The FSBL can not offer any types of credit card facility. So the customer can not easily transaction. The FSBL are far behind in another competitive bank.
- ❖ The valuable customer and investor are need more information about current condition of Bank. But it is not easy to get because FSBL have no internet web side or information both.
- ❖ The FSBL pay lower amount for their employee. So that the employee job turnover rate is very high. The experience employee are interested to join other banks.
- ❖ The FSBL can not use proper loan recovery technique. So that the bank can not earn more profit and not to fulfil the loan amount. And credit holder does not pay the payment in due time.
- ❖ The another problem of FSBL is conflict between subordinate pairs. So the bank employee are not work properly. It is create gap between the customer and the bank.
- ❖ The another problem of FSBL is bad appointment technique. Because most of the employee are appointed by the reference of higher level manager.
- ❖ The FSBL are not motivate their employees. So the banks employee are fail to provide better service for their customer.
- ❖ The FSBL are not give sufficient facilities for the bank borrower. It is too much critical to get borrowing amount. Because bank gives more rules and regulation for borrowing. So that the customer are not get amount in proper time. And customer moves another bank.



## Chapter-5

# Suggestion and conclusion



## 5.1 Suggestion for FSBL

The first security Bank is well known private bank in Bangladesh. I complete internship in first security Bank. So I found some problem of FSBL. And give some suggesting against the problem. If this policy can provide in the organization management bank will be more develop and easily to capture the competitive market. In the below describe the different suggestion.

### **A) Modern technology develop:**

The FSBL can not use modern technology. If the bank use modern technology than the customer get better banking service and easily capture the top position of the private bank

### **B) Establish training institution:**

The FSBL has no own training institution. It is need for improve the employee skill. And that's why bank can provide good service for the customer.

### **C) Update Banking software:**

The FSBL use old Banking software. So bank can use modern update PC bank software that can provide sufficient and speedy banking service.

### **D) Create attractive advertisement:**

Advertisement is the important media to build up a strong image and reputation. So that FSBL must create new attractive advertisement like electronic billboard, Newspaper and sponsorship different festival.



**E) Deliver sufficient information:**

The FSBL can not provide sufficient information for their customer. So the FSBL must provide sufficient information. Establish internet web address and information booth.

**F) Proper recruitment process:**

The FSBL are provide systematic and effective recruitment process. That means right person are work in right place.

**G) Security for transaction:**

The FSBL must establish strong security system for customer transaction. Because any unauthorized person can not know any important information. It protect the fraudulent activity.

**H) Provide on line banking:**

The FSBL are not maintain on line banking. So the bank must provide on line banking service. That's why customer get better facility and banking service.

**I) Credit card facility:**

The FSBL provide credit card facility because the customer are easily and speedy transaction and strongly competitive another bank.

**J) Provide attractive salary:**

The FSBL pay low amount for employee. So provide attractive salary for employee. That's why decrease for turnover rate and experience employee are not interest to change the job.



**K) Strongly loan recovery:**

The FSBL provide strong technique to withdraw. The loan payment. That's why the recovery rate is increasing and bank can get more profit.

**L) Good relationship:**

The FSBL employee to avoid the conflict between subordinate pairs. And establish good relationship between manage and other employees. So the employee work properly.

**M) Strata appointment technique:**

The FSBL maintain proper appointment technique and must be avoid appointment by reference. It make bright future for bank.

**N) Employee motivation:**

The FSBL can motivate their employee. Because more motivate employee to provide better service for customer.

**O) Avoid more rules and regulation:**

The FSBL must avoid more rules and regulation regarding customer borrowing. Because customer get fund for proper time and bank can get more customer.



## 5.2 Conclusion

The first security Bank limited has created a good reputation in the banking sector of the country. Now the bank has positioned of the progressive and growing banks in the banking sector. **Shikder Group** is the head of the board of director so easily the bank create an image of good will in the competitive market. The FSBL is moving to the next stage of automation through introduction of on line banking in seven branches. The bank has already established SWIFT for international transactions. So I believe that the FSBL must achieve its goal. Finally the FSBL are monitoring properly and solve different problem then the near future FSBL reached at the top position in other competitive bank.

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# Appendix

## FINANCIAL ANALYSIS

### FIRST SECURITY BANK LIMITED.

A. Profitability Ratio:

(1) Return on Assets:

$$\begin{aligned} \text{(i) Return on Assets}_{2002} &= \text{Profit After Taxation/Total Assets} \\ &= 18419707 \div 7227449242 \\ &= 0.0025 \end{aligned}$$

$$\begin{aligned} \text{(ii) Return on Assets}_{2003} &= \text{Profit After Taxation/Total Assets} \\ &= 55849791 \div 13369489962 \\ &= 0.0042 \end{aligned}$$

(2) Return on Equity:

$$\begin{aligned} \text{(i) Return on Equity}_{2002} &= \text{Profit after Taxation/Total Equity} \\ &= 18419707 \div 253660186 \\ &= 0.073 \end{aligned}$$

$$\begin{aligned} \text{(ii) Return on Equity}_{2003} &= \text{Profit after taxation/total Equity} \\ &= 55849791 \div 429509977 \\ &= 0.13 \end{aligned}$$

(3) Net Profit Margin:

$$\begin{aligned} \text{(i) Net Profit Margin}_{2002} &= \text{Profit after Taxation/Total operating Income.} \\ &= 18419707 \div 263990745 \\ \text{Net Profit Margin} &= 0.06 \end{aligned}$$

$$\begin{aligned} \text{(ii) Net Profit Margin}_{2003} &= \text{Profit After Taxation/Total operating Income} \\ &= 55849791 \div 385382047 \\ &= 0.145 \end{aligned}$$

4) Net Bank Operating margin:

(i) Net Bank Operating margin<sub>2002</sub> =  $(\text{Total Oper Income} - \text{Total Oper Expenc})/\text{Total Assets}$   
=  $(263990745-136910276)\div 7227449242$   
= 0.0175

(ii) Net Bank operating Margin<sub>2003</sub> =  $(\text{Total operating Income}- \text{Total o. Expeu})/\text{Total Assets}$   
=  $385382047-164221721\div 13369489962$   
= 0.0165

**B. Liquidity Ratio:**

(1) Current Ratio:

(i) Current Ration<sub>2002</sub> = Current Asset/current liability  
=  $5898745867\div 5510301832$   
= 1.07 Time

(ii) Current Ratio<sub>2003</sub> = Current Asset/Current Liability  
=  $10217774823\div 9443566130$   
= 1.08 Time

(2) Net working capital to total Assets:

(i) Net working capital<sub>2002</sub> = Net working capital/total Assets  
=  $388444035\div 7227449242$   
= 0.054

(ii) Net working capital<sub>2003</sub> = Net working capital/total Assets  
=  $774208690\div 13369489962$   
= 0.058

**C. Leverage Ratio:**

(1) Debt to Asset Ratio:

(i) Debt to Asset Ratio<sub>2002</sub> = Total liability/total Assets  
=  $6973789056\div 7227449242$   
= 0.964

(ii) Debt to Asset Ratio<sub>2003</sub> = Total liability/total Assets  
=  $12939979985\div 13369489962$   
= 0.967

- (2) Debt to equity Ratio:
- (i) Debt to equity Ratio<sub>2002</sub> = Total liability/total equity  
= 6973789056÷253660186  
= 27.49
- (ii) Debt to equity Ratio<sub>2003</sub> = Total liability/total equity  
= 12939979985÷429509977  
= 30.12

**D. Activity Ratios:**

- (1) Total Assets tern over:
- (i) Total Assets tern over<sub>2002</sub> = Total operating Income/total Asset  
= 263990745÷7227449242  
= 0.0365 times
- (ii) Total Assets tern over<sub>2003</sub> = Total operating Income/Total Assets  
= 385382047÷13369489962  
= 0.0288 times
- (2) Fixed Assets Tern over:
- (i) Fixed Assets turn over<sub>2002</sub> = Total operating Income/Fixed Assets  
= 263990745÷82890693  
= 3.184 times
- (ii) Fixed Assets turnover<sub>2003</sub> = Total operating Income/Fixed Assets  
= 385382047÷78813828  
= 4.889 times.
- (3) Net working capital turnover:
- (i) Net working capital turnover<sub>2002</sub> = Total operating income/Networking capital  
= 263990745÷388444035  
= 0.679
- (ii) Networking capital turnover<sub>2003</sub> = total operating Income/Networking capital  
= 385382047÷774208690  
= 0.497