

**AUDITORS' REPORT
&
AUDITED FINANCIAL STATEMENTS
OF
FIRST SECURITY ISLAMI BANK LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2009**

**AUDITORS' REPORT
TO THE SHAREHOLDERS
OF
FIRST SECURITY ISLAMI BANK LIMITED**

We have audited the accompanying financial statements of **First Security Islami Bank Limited** ("FSIBL"), namely, the Balance Sheet as of 31 December 2009 and the related Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Statement of Liquidity Analysis and notes 1 to 42 thereto for the year then ended. Preparation of these financial statements and notes thereto are the responsibility of the Bank's management. Our responsibility as independent auditors, is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

Through our test checking we found that additional provision against investments (loans & advances) for Tk. 28.20 million is required to be provided in the financial statements.

In our opinion, except for the effects on the financial statements of the matters stated in the preceding paragraph the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the affairs of the Bank as of 31 December 2009 and of the results of its operations and its cash flow for the year then ended and comply with the Banking Companies Act 1991, Companies Act 1994, the Securities and Exchange Rule 1987 and rules and regulations issued by the Bangladesh Bank and other applicable laws and regulations.

We also report that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us;

- (iii) the Bank's Balance Sheet and Profit and Loss Account together with the annexed notes 1 to 42 dealt with by the report are in agreement with the books of account and returns;
- (iv) the expenditure incurred was for the purpose of the Bank's business;
- (v) the financial position of the Bank for the year ended 31 December 2009 have been properly reflected in the financial statements, the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles;
- (vi) the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (vii) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements on the basis of statements certified by the Branch manager and considered by us as correct;
- (viii) we have reviewed over 80% of the risk weighted assets of the bank and we spent 2,150 person hours for the audit of books and accounts of the Bank.
- (ix) adequate provisions have been made for investments (advances) and other assets except our observation which is, in our opinion, doubtful of recovery;
- (x) the information and explanations required by us have been received and found satisfactory; and
- (xi) the Capital Adequacy Ratio (CAR), as required by law, has been maintained adequately during the year.

Place: Dhaka
Date: 29 MAY 2010



SYFUL SHAMSUL ALAM & CO.
CHARTERED ACCOUNTANTS

FIRST SECURITY ISLAMI BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2009

Particulars	Notes	Amount in Taka	
		31.12.2009	31.12.2008
PROPERTY AND ASSETS			
Cash	3	5,033,532,439	1,394,671,407
In hand (Including foreign currencies)		432,907,731	224,431,810
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currencies)		4,600,624,708	1,170,239,597
Balance with other Banks and Financial Institutions	4	731,150,321	2,101,436,244
In Bangladesh		494,050,218	2,028,471,883
Outside Bangladesh		237,100,103	72,964,361
Investments in Shares & Securities	5	1,914,504,030	1,332,969,100
Government		1,610,674,000	1,331,969,100
Others		303,830,030	1,000,000
Investments	6	38,725,874,774	25,094,658,077
General Investment (Murabaha, Bai-Muajjal, HPSM) etc.	6.A	35,616,450,493	23,166,010,710
Bills Purchased and Discounted	6.B	3,109,424,281	1,928,647,367
Fixed Assets Including Premises, Furniture and Fixtures	7	376,477,387	184,368,432
Other Assets	8	1,197,014,001	1,131,290,158
Non Banking Assets		-	-
T Total Assets		47,978,552,952	31,239,393,418
LIABILITIES AND CAPITAL			
Liabilities			
Placement from Banks & other Financial Institutions	9	-	630,000,000
Deposits and Other Accounts	10	42,423,092,722	25,854,541,500
Al-Wadia Current Accounts and Other Deposit Accounts	10.1	3,958,510,256	1,444,525,699
Bills Payable	10.2	561,376,373	257,642,553
Mudaraba Savings Bank Deposits	10.3	2,441,458,467	922,379,325
Mudaraba Term Deposits including other Banks	10.4	26,684,564,624	19,319,071,709
Bearer Certificates of Deposits	10.5	-	6,150,000
Mudaraba Deposits under Schemes	10.6	8,777,183,002	3,904,772,214
Other Liabilities	11	2,690,049,475	2,216,278,912
T Total Liabilities		45,113,142,197	28,700,820,412
C Capital/Shareholders' equity			
Paid-up Capital	12	2,300,000,000	2,300,000,000
Statutory Reserve	13	263,449,699	134,082,149
Other Reserve		24,000,000	24,000,000
Retained Earnings	14	277,961,056	80,490,857
Total Shareholders' Equity		2,865,410,755	2,538,573,006
T Total Liabilities and Shareholders' Equity		47,978,552,952	31,239,393,418

These Financial Statements should be read in conjunction with the annexed notes 1 to 42


Managing Director


Director


Director


Chairman

Auditors' Report to the Shareholders see annexed report of date

Place : Dhaka
Date: 29 MAY 2010


Syful Shamsul Alam & Co.
Chartered Accountants

FIRST SECURITY ISLAMI BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2009

Particulars	Notes	Amount in Taka	
		31.12.2009	31.12.2008

OFF- BALANCE SHEET ITEMS

Contingent Liabilities

Acceptances and Endorsements		2,677,420,553	2,425,103,603
Letters of Guarantee	15	1,102,699,021	813,260,128
Irrevocable Letters of Credit	16	2,021,847,014	1,242,384,053
Bills for Collection	17	169,706,478	130,541,793
Other Contingent Liabilities		-	-
Total		5,971,673,066	4,611,289,577

Other Commitments

Documentary credits and short term trade related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-
Claims against the bank not acknowledged as debt	-	-
Total	-	-

**Total Off -Balance Sheet Items Including
Contingent Liabilities**

5,971,673,066	4,611,289,577
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These Financial Statements should be read in conjunction with the annexed notes 1 to 42


Managing Director


Director


Director


Chairman

Auditors' Report to the Shareholders see annexed report of date

Place: Dhaka
Date: 29 MAY 2010


Syful Shamsul Alam & Co.
Chartered Accountants

FIRST SECURITY ISLAMI BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

Particulars	Notes	Amount in Taka	
		2009	2008
Investments Income	18	4,348,674,553	3,141,799,470
Profit Paid on Deposits	19	(3,333,800,367)	(2,939,155,779)
Net Investment Income		1,014,874,186	202,643,691
Income from Investment in shares and securities	20	53,510,527	202,345,834
Commission, Exchange and Brokerage	21	194,631,419	133,384,184
Other Operating Income	22	64,617,576	34,409,250
		312,759,522	370,139,268
Total Operating Income		1,327,633,708	572,782,959
Less: Operating Expenses			
Salary and Allowances	23	254,153,482	186,903,693
Rent, Taxes, Insurances, Electricity etc.	24	74,824,450	46,461,772
Legal Expenses	25	2,534,474	1,277,421
Postage, Stamps, Telecommunication etc.	26	7,810,243	6,394,957
Auditors' Fees		400,000	400,000
Stationery, Printings, Advertisements etc.	27	43,387,247	18,435,828
Managing Director's Salary and Allowances	28	10,027,500	8,310,000
Directors' Fees & Expenses	29	2,174,709	1,212,051
Shariah Committee's Fees & Expenses	30	175,850	-
Depreciation and Repair of Bank's Assets	31	50,143,692	31,478,697
Zakat Expenses		15,117,438	-
Other Expenses	32	116,046,874	82,304,787
Total Operating Expenses		576,795,959	383,179,206
Profit before Provision and Tax		750,837,749	189,603,753
Provisions for Classified Investments		-	-
Provisions for Unclassified Investments including off-B/S items	11.2	100,000,000	-
Provisions for diminution in value of Investment in Shares		4,000,000	-
Total Provisions		104,000,000	-
Total Profit before Taxes		646,837,749	189,603,753
Provision for Taxation	11.1	(320,000,000)	(85,321,689)
Deferred Tax	2.8.4	-	-
		(320,000,000)	(85,321,689)
Net Profit after tax for the year		326,837,749	104,282,064
Retained Earnings Brought Forward from Previous Year		80,490,857	14,129,544
		407,328,606	118,411,608
Appropriations:			
Statutory Reserve		129,367,550	37,920,751
Other Reserve		-	-
		129,367,550	37,920,751
Retained Earnings Carried Forward		277,961,056	80,490,857
Earning Per Share (EPS)	33	14.21	7.35

These Financial Statements should be read in conjunction with the annexed notes 1 to 42


Managing Director


Director


Director


Chairman

Auditors' Report to the Shareholders see annexed report of date

Place: Dhaka
Date: 29 MAY 2010


Syful Shamsul Alam & Co.
Chartered Accountants

FIRST SECURITY ISLAMI BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

Particulars	Notes	Amount in Taka	
		2009	2008
A. Cash Flow from Operating Activities			
Profit received		4,402,185,080	3,344,145,304
Profit paid		(3,333,800,367)	(2,939,155,779)
Commission, exchange & brokerage received		194,631,419	133,384,184
Payment to employees		(253,180,982)	(182,013,693)
Payment to suppliers		(51,986,113)	(23,853,408)
Income tax paid		(38,970,747)	(39,206,522)
Received from other operating activities	34	59,874,314	33,941,750
Paid for other operating activities	35	(207,966,600)	(138,050,988)
Operating Profit before changes in Operating Assets & Liabilities		770,786,004	189,190,848
Increase / Decrease in Operating Assets & Liabilities			
Investments to Customers		(13,631,216,697)	(6,478,432,762)
Other Assets	36	(26,753,095)	501,430,635
Deposits from Customers		16,568,551,222	2,350,496,469
Other Liabilities	37	27,653,124	(178,624,058)
		2,938,234,554	(3,805,129,716)
Net Cash Inflow from Operating Activities		3,709,020,558	(3,615,938,868)
B. Cash Flow from Investing Activities			
Investment in Shares and Securities		(582,328,430)	1,165,498,400
Purchase of Property, Plant and Equipment		(235,410,819)	(76,389,663)
Sale of Property, Plant and Equipment		6,500,300	1,651,000
Net Cash Inflow from Investing Activities		(811,238,949)	1,090,759,737
C. Cash Flow from Financing Activities			
Increase/(Decrease) in Share Capital		-	1,300,000,000
Increase/(Decrease) in Placement from Banks & FIs		(630,000,000)	630,000,000
Net Cash Inflow/(Outflow) from Financing Activities		(630,000,000)	1,930,000,000
D. Net Increase/Decrease of Cash & Cash Equivalent (A+B+C)		2,267,781,609	(595,179,131)
Effect of Exchange Rate on Cash & Cash Equivalent		-	-
E. Opening Cash & Cash Equivalent		3,497,575,151	4,092,754,282
F. Closing Cash & Cash Equivalent (D+E)		5,765,356,760	3,497,575,151
Cash in hand (Including Foreign Currencies)		432,907,731	224,431,810
Balance with Bangladesh Bank, other banks & financial institutions		5,331,775,029	3,271,675,841
Prize Bond		674,000	1,467,500
		5,765,356,760	3,497,575,151

These financial statements should be read in conjunction with the annexed notes 1 to 42


Managing Director


Director


Director


Chairman

Place: Dhaka
Date: 29 MAY 2010

FIRST SECURITY ISLAMI BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

Particulars	Paid-up Capital Taka	Statutory reserve Taka	Other Reserve Taka	Retained Earnings Taka	Total Taka
Balance as on 01 January 2009	2,300,000,000	134,082,149	24,000,000	80,490,857	2,538,573,006
Changes in Accounting Policy	-	-	-	-	-
Restated Balance	2,300,000,000	134,082,149	24,000,000	80,490,857	2,538,573,006
Surplus/Deficit on account of Revaluation of Properties	-	-	-	-	-
Surplus/Deficit on account of Revaluation of Investments	-	-	-	-	-
Currency Translation Differences	-	-	-	-	-
Net Gains and Losses not Recognized in the Income Statement	-	-	-	-	-
Net Profit for the year	-	-	-	326,837,749	326,837,749
Dividends	-	-	-	-	-
Transfer to Statutory Reserve	-	129,367,550	-	(129,367,550)	-
Issue of Share Capital during the year	-	-	-	-	-
Balance as on 31 December 2009	2,300,000,000	263,449,699	24,000,000	277,961,056	2,865,410,755


Managing Director


Director


Director


Chairman

Place: Dhaka

Date: 29 MAY 2010

FIRST SECURITY ISLAMI BANK LIMITED
LIQUIDITY STATEMENT (ASSETS AND LIABILITY MATURITY ANALYSIS)
AS AT 31 DECEMBER 2009

Particulars	Upto 01 Month Taka	01-03 Months Taka	03-12 Months Taka	01-05 Years Taka	More than 05 years Taka	Total Taka
Assets						
Cash in Hand	5,033,532,439	-	-	-	-	5,033,532,439
Balance with other Banks and Financial Institutions	474,850,321	-	256,300,000	-	-	731,150,321
Investments in Shares and Securities	241,026,032	-	-	1,610,000,000	63,477,998	1,914,504,030
Investments	2,806,041,600	9,748,355,188	8,450,696,233	12,089,464,170	5,631,317,583	38,725,874,774
Fixed Assets including Premises, Furniture and Fixtures	-	-	-	-	376,477,387	376,477,387
Other Assets	561,178,254	102,767,449	-	533,068,298	-	1,197,014,001
Non-banking Assets	-	-	-	-	-	-
Total Assets	<u>9,116,628,646</u>	<u>9,851,122,637</u>	<u>8,706,996,233</u>	<u>14,232,532,468</u>	<u>6,071,272,968</u>	<u>47,978,552,952</u>
Liabilities						
Placement from Banks & Other Financial Institutions	-	-	-	-	-	-
Deposits and other Accounts	3,636,319,976	16,363,468,768	14,541,499,776	5,970,472,747	1,911,331,455	42,423,092,722
Other Liabilities	789,960,607	3,852,619	166,480,874	675,655,375	1,054,100,000	2,690,049,475
Total Liabilities	<u>4,426,280,583</u>	<u>16,367,321,387</u>	<u>14,707,980,650</u>	<u>6,646,128,122</u>	<u>2,965,431,455</u>	<u>45,113,142,197</u>
Net Liquidity Gap	<u>4,690,348,063</u>	<u>(6,516,198,750)</u>	<u>(6,000,984,417)</u>	<u>7,586,404,346</u>	<u>3,105,841,513</u>	<u>2,865,410,755</u>


Managing Director


Director


Director


Chairman

Place: Dhaka
Date: 29 MAY 2010

FIRST SECURITY ISLAMI BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1.0 Legal Status and Nature of the Company

First Security Islami Bank Limited (FSIBL) was incorporated in Bangladesh on 29 August 1999 as a banking company under Companies Act 1994 to carry on banking business. It obtained permission from Bangladesh Bank on 22 September 1999 to commence its business. The Bank went for public issue on 20 July 2008 and its shares are listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). The Bank carries banking activities through its fifty two (52) branches in the country. The Bank converted its banking operation into Islamic Banking based on Islamic Shariah from traditional banking operation on 01 January 2009 after obtaining approval from High Court, Finance Ministry and Bangladesh Bank. The commercial banking activities of the bank encompass a wide range of services including mobilizing deposits, providing investment facilities, discounting bills, conducting money transfer and foreign exchange transactions, and performing other related services such as safe keeping, collections and issuing guarantees, acceptances and letter of credit.

2.0 Significant Accounting Policies

2.1 Basis of Preparation of the Financial Statements

The financial statements, namely, Balance Sheet, Profit and Loss Statement, Cash Flow Statement, Statement of Changes in Equity, Statement of Liquidity Analysis and relevant notes and disclosures thereto, of FSIBL are prepared on a going concern basis under historical cost convention, and in accordance with First Schedule (Section-38) of Banking Companies Act 1991, BRPD Circular no. 14 dated 25 June, 2003, BRPD Circular no. 15, dated 09 November 2009 and other Bangladesh Bank (central bank of Bangladesh) circulars, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), including those that have been so far adopted by the Institute of Chartered Accountants of Bangladesh, Companies Act 1994, the listing regulations of the stock exchanges, the Securities and Exchange Rules 1987 and other laws and rules applicable in Bangladesh. Wherever appropriate, such principles are explained in succeeding notes.

2.2 Consolidation of Branches

The Financial Statements of FSIBL represent consolidated Statement of Affairs and Statement of Profit and Loss of all branches. All significant inter-branches transactions are eliminated on consolidation.

2.3 Revenue Recognition

The revenues during the year are recognized following all conditions of revenue recognition as provided in BAS 18 "Revenue".

2.3.1 Income from Investments

(i) Income from investments has been accounted for on accrual basis except investment under Musharaka, Mudaraba and Bai-Salam. Income in case of Musharaka is accounted for on realization basis. The bank does not charge any rent during the gestation/interim period of investment under hire purchase, but it fixes the sale price of the assets at a higher price in such a way to cover its expected rate of return. Such income is recognized on realization basis.

(ii) Income was calculated on daily product basis and charged yearly.

2.3.2. Investment in shares and securities

(i) Investment in shares and securities are stated at cost. Provisions have been made against probable losses on the basis of year end reviewed by the management and in compliance with Bangladesh Bank circulars.

(ii) Dividend income on shares of joint stock companies is accounted for when it is received.

(iii) Gain on sale of shares transferred to other income on realization basis.

(iv) Profit on investment in Bangladesh Govt. Islamic Investment Bond is recognized on accrual basis.

2.3.3 Commission Income

Commission and discount on Bills Purchased and Discounted are recognized at the time of realization. Commission charged to customers on letter of credit and guarantees are credited to income at the time of effecting the transactions.

2.3.4 Profit/Rent/Compensation/Suspense account and irregular income

Profit/rent/compensation accrued on classified investments are suspended and accounted for as per circulars issued by the Bangladesh Bank. Moreover, income which are irregular (doubtful) as per Shariah are not included in the distributable income of the Bank.

Compensation on unclassified overdue Bai-Murabaha investments is charged. As per Islamic Shariah such compensation is not shown as income of the Bank.

Profit received from the balances held with foreign banks and foreign currency charging account with Bangladesh Bank are also not credited to regular income since it is not permissible as per Shariah.

2.4 Profit paid and other expenses

In terms of the provision of BAS 1 Presentation of Financial Statements, profit paid on deposits and other expenses are recognized on accrual basis.

2.5 Foreign Currency Translations

Foreign currency transactions are converted into equivalent Taka currency at the ruling exchange rates on the respective dates of such transactions.

Assets and liabilities in foreign currencies as at 31 December 2009 have been converted into Taka currency at the average of the prevailing buying and selling rates of the concerned foreign currencies at that date except "balances with other banks and financial institutions" which have been converted as per directives of Bangladesh Bank vide its circular no BRPD(R) 717/2004-959 dated 21 November 2004.

Differences arising through foreign currency buying and selling transactions effected on different dates of the year have been adjusted by debiting /crediting exchange gain or loss account.

Forward contracts, if any, outstanding as at 31 December 2009 have been shown in the Balance Sheet under Off-Balance Sheet items.

Exchange rates with major foreign currencies as on 31 December 2009 were as:

<u>Currency</u>	<u>Exchange rate</u>
US \$	69.2667
GBP	110.0302
EURO	99.1206
JPY YEN	0.7514
ACU	69.2667
CHF	66.6410
SGD	49.2266
AUD	61.7513
CAD	66.1573

2.6 Risk Management

In the ordinary course of business, the bank is exposed to a variety of risks the most important of which are investments risk, liquidity risk, market risk, operational risk, legal risk, and solvency risk. These risks should be identified, measured and monitored through various control mechanisms across the bank in order to price its products and services on a risk-adjusted basis and to prevent undesirable concentrations. The policies and procedures for managing these risks are outlined in the notes below. The Bank has designed and implemented a framework of controls to identify, monitor and manage these risks, which are as follows:

2.6.1 Investments risk management

Investments risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of investments risk arises when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. To manage investments risk, the bank applies credit limits to its customers and obtains adequate collaterals. Investments risk in the First Security Islami Bank's portfolio is monitored, reviewed and analysed by the Investments Risk Management (IRM).

IRM determines the quality of the investments portfolio and assists in minimizing potential losses. To achieve this objective, IRM formulates appropriate investments policies and procedures for the bank to ensure building and maintaining quality investments and an efficient investments process.

First Security Islami Bank Ltd. has established Asset-Liability Management Committee (ALCO) to screen out the banks/financial institutions and determine the maximum risk exposure on each of them. ALCO also assesses recommends and controls cross border/country risk.

To manage the Non-Performing Investments (NPI), First Security Islami Bank Ltd. has in place comprehensive remedial management policy, which includes a framework of controls to identify weak investments and monitoring of these accounts.

2.6.2 Foreign Exchange Risk Management

Since Foreign Exchange Risk involves purchase and sale of any national currency against other national currency, thus Foreign Exchange Risk is the chance of loss due to unexpected movement of market price of the currencies of different countries or the price of the assets denominated by foreign currencies. The Foreign Exchange Risk of the bank is minimal as all the transactions are carried out on behalf of the customers against underlying Foreign Exchange transactions.

Treasury Division independently conducts the transactions and the Back Office of treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Mark-to-Market rate as determined by Bangladesh Bank at the month end. All Nostro accounts are reconciled on daily basis and outstanding entries beyond 30 days are reviewed by the Management for their settlement.

2.6.3 Asset Liability Management

Asset Liability Management is the key success of any financial intermediary especially for Banks. Asset Liability Committee (ALCO) of the Bank monitors Balance Sheet Risk and liquidity risks of the bank. The Balance Sheet Risk encompasses most part of the Asset Liability risk and deal with change in earnings due to change in rate of profit, foreign exchange rates which are not of trading nature on the other hand, liquidity risk can be defined as the risk or chance of failure to meet up any withdrawal /disbursement request by a counterparty/customer. Asset Liability Committee (ALCO) reviews Liquidity requirement of the bank, the maturity of assets and liabilities, deposits and investments pricing strategy and the Liquidity contingency plan. The primary objective of the Asset Liability Committee (ALCO) is to monitor and avert significant volatility in Net Investments Income (NII), investment value and exchange earnings for the purpose of taking future action plan for better interest of the organization.

2.6.4 Prevention of Money Laundering

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risk the bank has designated Chief Compliance Officer at Head Office and Compliance Officer at branches, who independently review the transactions of the accounts to verify suspicious transactions. Manuals for Prevention of Money Laundering, KYC and Transaction profile have been introduced. Training has been imparted to Executives, Officers and staff for developing awareness and skill for identifying suspicious transactions and other Money Laundering related activities.

2.6.5 Internal Control and Compliance

Operational loss may arise from errors and fraud due to lack of Internal Control and Compliance. Inspection and Audit Division controls operational procedure of the bank and undertakes periodical and special audit of the branches and departments at Head Office for review of the operation and compliance of the statutory requirement. The Audit Committee of the board subsequently reviews the report of the Audit and Inspection Division as well as other related division, as and when required.

2.6.6 Guideline on Information & Communication Technology:

The Information Technology (IT) Guideline is a systematic approach to policies required to be formulated for IT and also to ensure security of information and information systems. This guideline covers all information that is electronically generated, received, stored, printed, scanned and typed. The provisions of this guideline apply to:

- First Security Islami Bank Ltd. for all of its IT system.
- All activities and operations required ensuring data security including facility design, physical security, network security, disaster recovery and business continuity planning, use of hardware and software, data disposal and protection of copy rights and other intellectual property rights.

The implementation of Management Information System (MIS) will be linked from the branches to the central database. In future the information will be easily accessible by senior management and is expected to be important source of information of strategic decision-making process based on a comprehensive database. It is to be declared that the bank is fully compliant according to the guideline of Central Bank's IT policy.

2.7 Assets and their basis of valuation

2.7.1 Cash and Cash Equivalents

As guided in paragraph 7 of BAS 7 Cash Flow Statements and paragraph 53 of BAS 30 Disclosure in Financial Statement of Banks and Similar Financial Institutions for the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with central banks, treasury bills, and other eligible bills, amounts due from other banks and dealing securities other than those which are not available to finance the FSIBL day to day operations.

2.7.2 Investments

a) Investments are stated in the balance Sheet net off unearned income and profit receivable.

b) Income on investment calculated on daily product basis and charged yearly.

c) Provision for Investments Impairment:

As guided in paragraph 43 of BAS 30 Disclosure in the Financial Statements of Banks and Similar Financial Institutions and instructions contained in Bangladesh Bank BCD circular no 34, dated November 16 1989, BCD circular no 20, dated 27 December 1994, BCD circular no 12, dated September 4, 1995, BRPD circular no 16, dated December 6, 1998, BRPD circular no 09, dated May 2001 and BRPD circular no 5, dated June 5, 2006, specific provisions are made against non performing investments at the following rate:

Provision on Substandard Investments	20%
Provision on Doubtful Investments	50%
Provision on Bad & Loss Investments	100%

As guided in paragraph 44 of BAS 30 Disclosure in the Financial Statements of Banks and Similar Financial Institutions and BRPD circular no 16, 09, 08 and 05 dated December 6, 1998, May 14, 2001, October 2005 and June 5, 2006 respectively an amount has been set aside up of the total unclassified investments as on the balance sheet date at the following rates:

General Provision on:

- Unclassified (Standard) Investments
(other than Loans under Small Enterprise and Consumer Financing and Special Mention Account.) 1%
- Small Enterprise Financing 2%
- Consumer Finance Scheme (CFS) Investments
(other than Housing Finance and Investment for Professionals to set up business under Consumer Financing Scheme.) 5%
- Housing Finance and Investment for Professionals
to set up business under Consumer Financing Scheme 2%
- Special Mention Account (SMA) Investments 5%
- Off-Balance Sheet Exposure 1%

As guided in paragraph 48 of BAS 30 Disclosure in the Financial Statements of Banks and Similar Financial Institutions, when an investment is deemed to be uncollectible, it is written off against the related provision for impairments. Subsequent recoveries of such loans are credited to the income statement.

d) Investments are written off to the extent that there is no realistic prospect of recovery and against which legal cases are pending for more than 5 years as per guidelines of Bangladesh Bank. However, the write off will not reduce the claim against the borrower. Detailed memorandum records of such write off accounts are maintained.

2.7.3 Fixed Assets

All property and equipment are classified and grouped on the basis of their nature as required in paragraph 75 (a) of BAS 1 Presentation of Financial Statements.

The major categories of property and equipment held by the bank are furniture and fixtures, office equipments, motor vehicles and books.

As guided in paragraph 30 of BAS 16 Property Plant and Equipment: all property and equipment are stated at historical cost less accumulated depreciation. The opening and closing carrying amounts of all property and equipment are presented including the amount of additions, disposals and depreciation charged during the year as required by paragraph 73 (a-e) of BAS 16. Maintenance expenses that does not increase the value of assets is charged to profit & loss account.

Depreciation on Fixed Assets

As required in paragraph 43 of BAS 16 Property Plant and Equipment depreciation has been charged on property and equipment at the following rates using reducing balance method, except on office equipment, motor vehicles and building on which straight-line method is applied.

Nature of Assets	Rate of Depreciation	Method of Depreciation
Building	2.5%	Straight Line Method
Furniture and Fixtures	10%	Reducing Balance Method
Office Equipments	20%	Straight Line Method except Computer Equipment where used Reducing Balance Method.
Vehicles	20%	Straight Line Method
Books	20%	Reducing Balance Method

Depreciation on addition to fixed assets is charged in the year of acquisition, while no depreciation is charged in the year of disposal as per policy of FSIBL.

2.7.4 Investment

Value of investment is stated as follows:

Bangladesh Government Islamic Investment Bonds	Cost price
Prize bonds	Cost price
Shares	Cost price

2.8 Liabilities and provisions

2.8.1 Retirement benefits of employees

Provident Fund

Provident fund benefits are given to staffs of FSIBL in accordance with the locally registered Provident Fund Rules. The employees' provident fund is administered by a Board of Trustees and is funded by contributions by employees and by the Bank at predetermined rates in equal proportion. These contributions are invested separately from the assets of FSIBL and the profit on such contributions credited to the members' account. The Fund recognized by the National Board of Revenue.

Gratuity Scheme

The Company operates an unfunded gratuity scheme for its permanent employees, under which an employee is entitled to the benefits if his length of service is eight (08) years. FSIBL has made provision Tk.34.20 million as per gratuity rules of the Bank. Actual valuation of gratuity scheme had been made to assess the adequacy of the liabilities provided for the scheme as per BAS-19 "Employee Benefits".

2.8.2 Social Security Benevolent Fund

The Bank operates a social security benevolent fund by all employees' contribution for the sake of death and disability of employees.

2.8.3 Provision for Taxation

Provision for corporate income tax has been made on taxable profit at the rate applicable (42.50%) for the Bank.

2.8.4 Deferred Tax

Deferred tax asset are the amounts of income taxes recoverable in future periods in respect of taxable temporary differences. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences arising between the carrying values of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax is provided using the liability method for all temporary difference arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes. The tax rate (42.50%) prevailing at the balance sheet date is used to determine deferred tax. The impact on the account of charges in the deferred tax assets and liabilities has also been recognized in the profit & loss account as per BAS-12 "Income Taxes".

In the year 2009 deferred tax assets arrived at Tk. 248 million. But management has decided not to recognize deferred tax assets in the year 2009. However, management has recognized deferred tax assets upto 2007 Tk. 80 million.

2.9 Sharing of Investment Income

In case of investments, Mudaraba fund gets preference over cost free fund. The investment income earned through deployment of Mudaraba fund is shared by the bank and the Mudaraba depositors at the pre-determined ratio fixed by the bank.

2.10 Zakat

Zakat is paid by the bank at the rate of 2.58% (instead of 2.50% as the bank maintains its account following Gregorian year) on the closing balances of statutory reserve, general reserve and exchange equalization account. Payment of zakat on paid up capital and deposits is the responsibility of the shareholders and depositor's respectively.

2.11 Exchange Equalization Account

This represents the amount arose from exchange gain upto 30.05.2003 due to devaluation of Bangladesh taka with foreign currencies and the system has been discontinued from 31.05.2003 on introduction of floating exchange rate. The amount is accounted for as per instruction issued by the Bangladesh Bank from time to time.

2.12 Cash Flow Statement

Paragraph 102 of BAS 1 presentation of Financial Statements requires that a cash flow statement is to be prepared as it provides information about cash flows of the enterprise which is useful in providing users of financial statements with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash flows. Cash flow statement has been prepared under the direct method for the period, classified by operating, investing and financing activities as prescribed in paragraph 10 and 18 (a) of BAS 7 Cash Flow Statements.

2.13 Contingent Liabilities, Commitments and Other off-balance sheet items

Provisions, Contingent Liabilities and Contingent Assets and Commitments are presented in the financial statements in line with paragraph 86 of BAS 37: Provisions, Contingent Liabilities and Contingent Assets.

2.14 Comparative Information

As guided in paragraph 36 and 38 of BAS 1 Presentation of Financial Statements, comparative information in respect of the previous year have been presented in all numerical information in the financial statements and the narrative and descriptive information where, it is relevant for understanding of the current year's financial statements.

2.15 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. As on reporting date FSBIL has no reportable segments.

2.16 Earning Per Share

Earning per share has been calculated in accordance with BAS 33 Earning Per Share (EPS) which has been shown on the face of profit and loss account. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

2.17 General

- (i) Wherever considered necessary, previous year's figures have been rearranged for the purpose of comparison;
- (ii) Figures appearing in these Financial Statements have been rounded off to the nearest Taka.

		Amount in Taka	
		31.12.2009	31.12.2008
3 CASH			
A. Cash in Hand			
In Local Currency	419,071,005	210,802,271	
In Foreign Currencies	13,836,726	13,629,539	
	432,907,731	224,431,810	
B. Balance with Bangladesh Bank and its Agent Bank			
In Local Currency	4,587,712,268	1,167,382,680	
In Foreign Currencies	12,912,440	2,856,917	
	4,600,624,708	1,170,239,597	
	5,033,532,439	1,394,671,407	

B.1 Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)

Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with the Section 25 & 33 of the Bank Companies Act. 1991 and subsequent BCD Circular No. 13 dated May 24, 1992; BRPD Circular No. 12 dated September 06, 1998, BRPD Circular No.12, dated September 20, 1999, BRPD Circular No. 22 dated November 06, 2003, BRPD Circular No. 03 dated 17 February, 2005 and BRPD Circular No. 11 & 12 dated 25 August 2005 & as per Bangladesh Bank Letter # DOS (SR) 1153/120-A/2009-46 dated 22 March 2009.

B1.1 Cash Reserve Ratio (CRR): 5% of Average Demand and Time Liabilities:

Required Reserve	1,782,100,000	1,145,957,200
Actual Reserve maintained	3,421,600,000	1,166,022,880
Surplus/(Short)	1,639,500,000	20,065,680

B1.2 Statutory Liquidity Ratio (SLR): 10% of Average Demand and Time Liabilities:

Required Reserve	3,564,130,000	4,125,446,000
Actual Reserve held	7,210,967,000	2,765,238,000
Surplus/(Short)	3,646,837,000	(1,360,208,000)
Total Surplus/(Short) (B1.1+B1.2)	5,286,337,000	(1,340,142,320)

Amount in Taka	
31.12.2009	31.12.2008

4 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

A. Inside Bangladesh

Current Accounts

- -

Others Accounts

Mudaraba Short Notice Deposits

National Bank Ltd.	46,168	44,449
Mercantile Bank Ltd.	127,389	172,487
Southeast Bank Ltd.	94,358,750	-
Social Islami Bank Ltd.	5,199,790	-
Dhaka Bank Ltd.	7,990,750	-
Bangladesh Commerce Bank Ltd.	8,076,123	-
Dutch-Bangla Bank Ltd.	8,304,514	1,097,118
AB Bank Ltd.	323,602	-
Islami Bank (BD) Ltd.	34,603,271	857,829
	159,030,357	2,171,883

Fakhrul Islam Securities Ltd.

78,719,861 -

Mudaraba Term Deposits

Bangladesh Industrial Finance Company Ltd.	-	250,000,000
Bangladesh Finance and Investment Ltd.	-	450,000,000
National Housing Finance and Investment Ltd.	-	1,270,000,000
Industrial and Infrastructure Development Finance Company Ltd.	-	50,000,000
Oman Bangladesh Leasing & Finance Ltd.	250,000,000	-
International Leasing and Financial Services Ltd.	6,300,000	6,300,000
	256,300,000	2,026,300,000
Balance Carried Forward	494,050,218	2,028,471,883

Amount in Tk.
31.12.2009

Amount in Tk.
31.12.2008

Balance Brought Forward-Inside Bangladesh

494,050,218

2,028,471,883

B. Outside Bangladesh

Current Account

	<u>Currency</u>	<u>Amount</u>	<u>Rate</u>		<u>Amount</u>	<u>Rate</u>	
Mashreq Bank, London	GBP	2,302.54	110.0302	253,349	920.80	99.8582	91,949
Standered Chartered Bank, Frankfurt,Germany	EURO	43,193.05	99.1206	4,281,321	7,259.86	97.1290	705,143
NIB Bank (NDLC - IFIC Bank Ltd), Pakistan	ACU\$	7,818.75	69.2667	541,579	8,423.15	68.9200	580,523
Commerz Bank AG, Frankfurt, Germany	EURO	15,368.52	99.1206	1,523,337	23,956.54	97.1290	2,326,875
Bank of Bhutan, Thimpo, Bhutan	ACU\$	2,368.10	69.2667	164,030	2,368.10	68.9200	163,209
Sonali Bank , Kolkata, India	ACU\$	14,944.40	69.2667	1,035,149	14,944.40	68.9200	1,029,968
Mashreq Bank, PSC, London.	EURO	10,240.74	99.1206	1,015,068	16,449.04	97.1290	1,597,679
Standered Chartered Bank, Tokyo	J.YEN	499,832.00	0.7514	375,574	383,882.00	0.7632	292,979
Union De Banques Arabes Et Feancauses,Tokyo,Japan	J.YEN	3,800.00	0.7514	2,855	3,800.00	0.7632	2,900
AB Bank Ltd, Mumbai, India	ACU\$	(19,080.81)	69.2667	(1,321,665)	8,721.84	68.9200	601,109
Standard Charterd Bank (Amex), Newyork	USD	30,509.02	69.2667	2,113,259	100,931.20	68.9200	6,956,178
Standard Charterd Bank (Pakistan Limited),Colombo	ACU\$	45,160.00	69.2667	3,128,084	45,160.00	68.9200	3,112,427
Standard Charterd Bank, Mumbai	ACU\$	33,022.81	69.2667	2,287,381	8,011.67	68.9200	552,164
ICICI bank Ltd,Hongkong	USD	97,472.26	69.2667	6,751,582	-	-	-
Mashreq Bank, Newyork	USD	302,262.70	69.2667	20,936,740	349,947.94	68.9200	24,118,412
HSBC, USA	USD	2,537,473.07	69.2667	175,762,386	367,355.57	68.9200	25,318,146
HSBC, Mumbai,India	ACU\$	566.97	69.2667	39,272	5,238.57	68.9200	361,042
ICICI bank Ltd,Kolkata,India	ACU\$	(4,159.24)	69.2667	(288,097)	7,125.63	68.9200	491,098
Mashreq Bank, PSC, London.	USD	3,387.98	69.2667	234,674	3,387.98	68.9200	233,500
Habib Bank, Zurich,Switzerland	CHF	15,459.00	66.6410	1,030,203	1,460.00	65.4014	95,486
Wachovia Bank, NY,USA	USD	248,806.71	69.2667	17,234,020	62,878.29	68.9200	4,333,572
				237,100,103			72,964,361
				731,150,321			2,101,436,244

Amount in Taka	
31.12.2009	31.12.2008

C. Maturity-wise Grouping (Inside and Outside Bangladesh)

Payable on Demand	474,850,321	75,136,244
Up to Three Months	-	1,300,000,000
Three Months to One Year	256,300,000	726,300,000
One Year to Five Years	-	-
Above Five Years	-	-
	731,150,321	2,101,436,244

5 INVESTMENTS IN SHARES AND SECURITIES

Government Securities

Treasury Bills	-	735,501,600
Bangladesh Govt. Islamic Bonds	1,610,000,000	-
Bangladesh Govt. Treasury Bonds	-	595,000,000
Prize Bonds	674,000	1,467,500
	1,610,674,000	1,331,969,100

Quoted/Unquoted Shares (Note - 5.1)

Others (*)	241,352,032	1,000,000
	62,477,998	-
	1,914,504,030	1,332,969,100

(*) Security kept to open Exchange House in Italy.

5.1 Quoted/Unquoted Shares

2009

Name of Companies	Face value per share Taka	No. of Share	Acquisition cost(Taka)	Acquisition cost(Taka)
Quoted:				
Fareast Islami Life Insurance Co.	100	7700	19,066,518	-
Islami Bank Bangladesh Ltd.	100	53460	28,640,688	-
Social Islami Bank Ltd.	100	5000	1,089,592	-
Advanced Chemical Industries Ltd.	10	50700	22,786,036	-
Export Import Bank (Bd) Ltd.	100	25000	7,952,520	-
Square Pharmaceuticals Ltd.	100	6815	17,496,886	-
Aims First Mutual Fund	1	105000	1,897,459	-
Beximco Ltd.	10	40000	11,430,312	-
Fu-Wang Ceramic Ltd.	100	26800	10,764,540	-
Summit Power	100	20000	25,797,369	-
Titas Gas Transmission & Distribution Co. Ltd.	100	15000	10,094,832	-
ACI Formulation Ltd.	10	53200	9,888,307	-
Dhaka Electric Supply Co.	100	10900	19,242,608	-
Keya Detergent Ltd.	10	192000	11,136,014	-
Uttara Bank Ltd.	100	3300	4,456,160	-
Dacca Dyeing Ltd.	10	142000	8,310,942	-
Beximco Pharmaceuticals Ltd.	10	28450	4,789,931	-
Square Textile Mills Ltd.	10	75000	8,454,185	-
Lafarge Surma Cement Ltd.	100	10000	5,360,474	-
Southeast Bank Ltd.	100	34150	11,696,659	-
Total			240,352,032	-
Unquoted:				
Central Depository Bangladesh Ltd.	1,000,000	1	1,000,000	1,000,000
			241,352,032	1,000,000

Amount in Taka	
31.12.2009	31.12.2008

5.2 Maturity Grouping of Investments in Shares and Securities

On Demand	674,000	1,467,500
Within One Month	240,352,032	-
One Month to three Months	-	735,501,600
Three Months to One Year	-	-
One Year to Five Years	1,610,000,000	595,000,000
More than Five Years	63,477,998	1,000,000
	1,914,504,030	1,332,969,100

5.3 Investment -Government Securities (T.bill)

91 days Treasury Bills	-	735,501,600
182 days Treasury Bills	-	-
1 year Treasury Bills	-	-
2 years Treasury Bills	-	-
5 years Treasury Bills	-	-
	-	735,501,600

6 INVESTMENTS (All Inside Bangladesh)

General Investments	35,616,450,493	23,166,010,710
Bills Purchased and Discounted (Note - 6.B)	3,109,424,281	1,928,647,367
	38,725,874,774	25,094,658,077

Amount in Taka	
31.12.2009	31.12.2008

6.A General Investment (Murabaha, Bai - Muajjal, HPSM) etc.

Inside Bangladesh

Investment General	7,976,946,868	6,974,879,302
Bai Murabaha (Hypo)	4,822,255,090	2,125,018,350
Bai Murabaha Post Import (TR)	9,432,186,558	3,797,324,498
Bai Murabaha Post Import (Pledge)	60,754,375	121,517,736
Bai Murabaha (Share)	33,276,962	-
Bai Murabaha Import Bills	1,136,263,758	430,844,697
Bai Muajjal (DDIS)	13,109,722	13,709,866
HPSM (House Building)	1,113,760,865	392,622,955
Pre-Shipment Investment	133,881,304	126,045,012
HPSM (Transport)	54,018,912	50,359,301
HPSM (Scheme)	2,001,668,897	40,765,448
Wajira Bill Okalah Against Cash Incentive	1,671,034	-
Quard Invesmnet A/C	348,170,079	10,745,867
Bai Murabaha General	2,942,572,976	2,863,883,773
Bai Murabaha against Security	4,492,672,184	5,931,299,938
Bai Murabaha Import	33,307,285	33,750,141
Bai Murabaha Export	74,400,155	247,995,297
SME Investment	24,283,040	3,632,612
Quard aginst PF (Staff)	1,897,968	1,013,220
Agricultural Investment	13,835,562	602,697
Project Investment	880,802,188	-
Lease Investment/Izarah	299,560	-
Bai Salam Export	15,154,875	-
HPSM Consumer Investment	9,260,276	-
	35,616,450,493	23,166,010,710

Outside Bangladesh

	-	-
	35,616,450,493	23,166,010,710

6.B Bills Purchased and Discounted

Payable in Bangladesh	3,076,367,448	1,909,947,570
Payable outside Bangladesh	33,056,833	18,699,797
	3,109,424,281	1,928,647,367
	38,725,874,774	25,094,658,077

6.1 Maturity Grouping of Investments

Payable on Demand	2,806,041,600	1,818,336,059
Up to Three Months	9,748,355,188	6,317,007,471
Three Months to One Year	8,450,696,233	5,476,114,709
One Year to Five Years	12,089,464,170	7,834,063,697
Above Five Years	5,631,317,583	3,649,136,141
	38,725,874,774	25,094,658,077

Amount in Taka	
31.12.2009	31.12.2008

6.2 Analysis to disclose the following Significant Concentration including Bills Purchased & Discounted

Investments to Directors of other Banks	3,908,887,000	-
Investments to Chief Executive and Other high Officials	1,852,982	2,944,688
Investments to Customers Group	32,651,966,774	23,743,780,077
Investments to Industry	2,094,500,000	1,287,100,000
Investment to staff	68,668,018	60,833,312
	38,725,874,774	25,094,658,077

6.3 Investments to Customers for more than 15% of FSIBL's total Capital

	03	06
Number of Clients		
Amount of Outstanding Investments		
Funded	3,862,200,000	4,681,000,000
Non-funded	265,900,000	96,900,000
	4,128,100,000	4,777,900,000

The Bank extended different investment facilities to Mr. Nurun Nabi and his related Enterprise of Agrabad branch, Chittagong of Tk. 4,400.30 million (Balance as of 31/12/09) for which the honorable High Court has given injunction vide writ petition no. 4874/07 against classification by the Bank. The Bank has obtained security value of which is Tk. 4,652.22 million against these investments and also rescheduled the investments accounts.

6.4 Economic Sector wise Investments

Agriculture:

Fishing	92,400,000	90,453,000
Tea	-	-
Others	145,700,000	72,825,000

Textile and Readymade Garments:

Garments	356,500,000	223,124,000
Readymade Garments - Export	413,000,000	379,514,000
Textile and Textile Products- Import	1,198,600,000	345,914,000
Others -Export	455,000,000	348,426,000
Others -Import	2,877,300,000	1,227,259,000
Medicine - Import	83,300,000	56,874,000
Chemical - Import	15,500,000	10,431,000
Contractor Finance	2,353,200,000	2,057,744,000
Transport	79,600,000	31,394,000
Bricks	10,100,000	16,890,000
Cold Storage	69,800,000	43,473,000
Steel and Engineering	55,000,000	50,748,000

Internal Trade Finance:

Whole Sale Trading	5,943,300,000	4,581,529,000
Retail Trading	4,886,700,000	1,367,004,000
Others	4,559,000,000	4,723,643,000

House Building:

Commercial	2,925,300,000	387,069,000
Staff	61,100,000	53,025,000

Special Program:

Consumer Finance and Hire Purchase Scheme	67,000,000	54,475,000
	38,725,874,774	25,094,658,077

Amount in Taka	
31.12.2009	31.12.2008

6.5 Geographical Location-wise

Urban

Dhaka	16,219,222,153	10,724,189,017
Chittagong	21,350,614,797	13,849,295,382
Rajshahi	275,456,828	59,199,955
Khulna	63,399,570	11,372,153
Sylhet	447,021,131	266,612,715
	38,355,714,479	24,910,669,222

Rural

Dhaka	212,074,982	49,026,575
Chittagong	83,739,248	64,651,509
Sylhet	74,346,065	70,310,771
	370,160,295	183,988,855
	38,725,874,774	25,094,658,077

6.6 Investments Classified as per Bangladesh Bank Circular

Unclassified

Standard	37,882,785,774	24,038,385,372
Special Mention Account	12,574,000	2,860,000
	37,895,359,774	24,041,245,372

Classified:

Sub-standard	6,045,000	-
Doubtful	96,000	3,146,000
Bad & Loss	824,374,000	1,050,266,705
	830,515,000	1,053,412,705
	38,725,874,774	25,094,658,077

6.7 Particulars of Required Provision for Investments

<u>Classification status</u>	<u>Percentage</u>	<u>Base for provision</u>	<u>Required provision</u>
------------------------------	-------------------	---------------------------	---------------------------

Unclassified

Standard	Various	43,935,728,795	465,695,778	290,765,573
Special Mention Account	5%	11,833,000	591,650	141,300
			466,287,428	290,906,873

Classified:

Sub- standard	20%	-	-	-
Doubtful	50%	52,000	26,000	558,000
Bad and Loss	100%	499,752,000	499,752,000	596,616,720
			499,778,000	597,174,720
			966,065,428	888,081,593

Required Provision for Investments	966,065,428	888,081,593
Total Provision Maintained	1,019,899,999	919,899,999
Provision Excess/(Shortfall)	53,834,571	31,818,406

*General Provision is kept @ 1% on general investments, 2% on small enterprise financing, 5% on consumer finance scheme (other than Housing finance and investments for professionals to set up business), 1% on Off-Balance Sheet exposure and 2% on Housing finance and investments for professionals to set up business.

		Amount in Taka	
		31.12.2009	31.12.2008
6.8 Particulars of Investments			
i)	Investments considered good in respect of which the Bank Company is fully secured	21,016,337,774	20,045,013,511
ii)	Investments considered good for which the bank holds no Security other than the debtors personal security	13,799,759,000	4,969,439,566
iii)	Investment considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors	3,909,778,000	80,205,000
iv)	Investments adversely classified; provision not maintained there against	-	-
		38,725,874,774	25,094,658,077
v)	Investments due by directors or executives of the banking company or any of them taken either severally or jointly with any other person.	70,521,000	56,617,000
vi)	Investments due by companies or firms in which the directors of the bank company are interested as directors partners or managing agents or in case of private companies, as members.	-	-
vii)	Maximum total amount of investments, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either separately or jointly with any other person	-	7,161,000
viii)	Maximum total amount of investments, including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in the case of private companies, as members	-	-
ix)	Due from other banking companies	-	-
x)	Total amount of classified Investments on which profit is not credited to income	830,515,000	1,053,412,705
a.	Movement of classified Investments		
	Opening balance	750,300,000	1,210,643,000
	Increase/ (Decrease) during the period	80,215,000	(157,230,295)
		830,515,000	1,053,412,705
b.	Amount of provision kept against investment classified as 'bad/loss' on the reporting date of Balance Sheet	507,694,000	597,694,000
c.	Profit credited to the profit Suspense Account	166,480,874	148,476,068
xi)	Amount of written off Investment:		
	Cumulative amount	-	-
	Amount written off during the year	-	-

Amount in Taka	
31.12.2009	31.12.2008

6.9 Security against Investments including bills purchased & discounted:

Collateral of movable/immovable assets	13,945,800,000	8,491,640,000
Local banks & financial institutions guarantee	270,100,000	196,600,000
Government Guarantee	-	-
Foreign Banks guarantee	-	-
Export documents	1,124,500,000	244,393,000
Fixed deposits receipts:		
Own MTDR	4,302,100,000	5,433,727,000
MTDR of other Banks	397,300,000	22,304,000
Government Bonds	190,300,000	190,265,000
Personal guarantee	7,709,500,000	2,152,560,000
Other security	10,671,274,774	8,362,019,077
Unsecured	115,000,000	1,150,000
	38,725,874,774	25,094,658,077

6.10 Maturity Grouping of Bills Purchased and Discount

Payable within one month	25,229,796	15,649,000
Over one month but less than three months	67,357,382	41,779,000
Over three months but less than six months	1,083,876,829	672,284,000
Six Months and Above	1,932,960,274	1,198,935,367
	3,109,424,281	1,928,647,367

7.00 Fixed Assets including premises, Furniture & Fixtures at cost less accumulated depreciation (Annexure-A)

Building	66,227,032	-
Furniture & Fixtures	240,090,047	159,830,990
Office Equipment	178,410,030	98,857,710
Vehicles	37,845,372	38,610,047
Books	78,837	76,251
	522,651,318	297,374,998
Less: Accumulated Depreciation	146,173,931	113,006,566
	376,477,387	184,368,432

8.00 OTHER ASSETS

Inter - branch Transaction Account (*)	315,953,626	49,984,823
Accrued Income (Note - 8.1)	161,491,690	503,208,964
Advances, Deposits and Prepayment (Note -8.2)	83,537,385	47,761,066
Advance Income Tax	450,255,540	411,284,793
Stock of Stationery	10,605,935	7,065,966
Suspense Account (Note- 8.3)	92,161,514	29,404,134
Advance Deposits	2,812,759	2,391,330
Stamps on Hand	195,552	189,082
Deferred Tax Assets (Note- 8.4)	80,000,000	80,000,000
	1,197,014,001	1,131,290,158

(*) Inter-branch transaction account represents outstanding Inter-branch and Head Office transaction(net) originated but yet to be responded at the balance sheet date. However, the status of unrespondent entries of 31.12.09 have been reconciled on 28.02.10 is nil.

Amount in Taka	
31.12.2009	31.12.2008

8.1 Accrued Income

Treasury Bills	-	10,899,876
Treasury Bonds	-	16,524,913
Bangladesh Govt. Islamic Investment Bonds	34,149,594	-
Mudarabah Term Deposit	23,246,142	184,263,547
Mudarabah Short Notice Deposit	2,173,300	-
Inland Documentary Bills Purchased	68,268,340	233,107,897
Bai Murabaha Post Import (TR)	12,381,341	12,381,341
Bai Murabaha Post Import Bills	8,456,380	20,791,334
Call Loans	-	16,357,850
Pre - Shipment Investment	410,617	410,617
HPSM House Building	355,804	355,804
Bai Murabaha General (MSS)	4,682	4,682
Bai Murabaha against Security (MTD)	17,910	12,124
Bai Murabaha General	60,980	60,980
Bai Murabaha (Hypo)	2,683,994	2,665,404
Bai Salam - Export	7,723,086	5,284,681
Quard against PF	82,973	82,973
Lease Investment/Izarah	4,941	4,941
HPSM Agricultural Investment	1,369	-
HPSM (Scheme)	22,713	-
HPSM (Transport)	1,447,524	-
	161,491,690	503,208,964

8.2 Advance, Deposits and Prepayment

Advance against Rent - Office	56,095,778	25,407,889
Advance against Rent - Godown	3,520,000	3,520,000
Excise Duty on Term Deposits	2,797,480	1,396,270
Clearing Adjustment Account	20,658,245	16,824,155
Prepayment	465,882	612,752
	83,537,385	47,761,066

8.3 Suspense Account

Sundry Debtors	63,658,568	13,387,712
Advance against TA/DA	276,476	1,131,350
Encashment of PSP/BSP	17,511,858	1,012,927
Advance against New Branch	-	11,911,100
Profit on PSP/BSP	10,351,219	1,765,965
Advance against Legal Fee	363,393	195,080
	92,161,514	29,404,134

8.4 Deferred Tax Assets

Opening Balance as on 01 January 2009	80,000,000	80,000,000
Add: Addition During the year	-	-
Closing Balance as on 31 December 2009	80,000,000	80,000,000

Amount in Taka	
31.12.2009	31.12.2008

9 PLACEMENT FROM BANK & OTHER FINANCIAL INSTITUTION

Inside Bangladesh

Janata Bank Ltd	-	500,000,000
Rupali Bank Ltd	-	50,000,000
Bangladesh Commerce Bank Ltd.	-	80,000,000
	-	630,000,000

Outside Bangladesh

	-	-
	-	630,000,000

A. Security- wise grouping

Secured Placement	-	-
Unsecured Placement	-	630,000,000
	-	630,000,000

B. Repayment Nature wise Grouping

Repayable on demand	-	630,000,000
Others	-	-
	-	630,000,000

C. Maturity Analysis

Repayable on Demand	-	630,000,000
Repayable within One Month	-	-
One Month to Six Months	-	-
Six Month to One Year	-	-
One Year to Five Years	-	-
Five Years to Ten Years	-	-
Unclaimed Deposits Ten Years and Over	-	-
	-	630,000,000

10 DEPOSITS AND OTHER ACCOUNTS

A. Deposits Received from Banks (Note A-1) 2,340,000,000 940,000,000

B. Other than Bank

Payable on Demand (Note B-1)	1,993,468,880	1,153,779,011
Other Deposits (Note B-2)	38,089,623,842	23,760,762,489
	40,083,092,722	24,914,541,500
	42,423,092,722	25,854,541,500

C. Maturity wise Grouping of Deposit

Repayable within One Month	3,636,319,976	1,619,711,745
One Month to Three Months	16,363,468,768	8,892,866,265
Three Months to One Year	14,541,499,776	11,401,251,893
One Year to Five Years	5,970,472,747	2,705,650,311
Repayable over Five Years	1,911,331,455	1,235,061,286
	42,423,092,722	25,854,541,500

Amount in Taka	
31.12.2009	31.12.2008

A-1 Deposits Received from Banks

IFIC Bank Ltd.	-	110,000,000
Pubali Bank Ltd.	100,000,000	-
Islami Bank Bangladesh Ltd.	750,000,000	-
Shahjalal Islami Bank (BD) Ltd.	10,000,000	-
Rupali Bank Ltd.	-	200,000,000
Sonali Bank Ltd.	400,000,000	-
Bangladesh Krishi Bank	500,000,000	-
Rajshahi Krishi Unnayan Bank	20,000,000	-
Bangladesh Shilpa Rin Sangtha	-	20,000,000
Bangladesh Commerce Bank Ltd.	50,000,000	80,000,000
Social Islami Bank Ltd.	50,000,000	300,000,000
Basic Bank Ltd.	350,000,000	150,000,000
Eastern Bank Ltd.	110,000,000	80,000,000
	2,340,000,000	940,000,000

Maturity wise Grouping of Inter Bank Deposit

Repayable on Demand	310,000,000	-
Repayable within One Month	250,000,000	250,000,000
Repayable over One Month but within Six Months	1,780,000,000	690,000,000
Repayable over Six Months but within one Year	-	-
Repayable over One Year but within Five Years	-	-
Repayable over Five Years but within Ten Years	-	-
Unclaimed Deposits for Ten Years and above	-	-
	2,340,000,000	940,000,000

B-1 Payable on Demand

Al-wadiah Current Deposits	972,622,384	530,339,247
Mudaraba Saving Deposits (9%) (Note-10.3)	219,731,262	92,237,932
Security Deposit Receipt	2,802,482	3,562,545
Sundry Deposits (Note-10.7)	798,312,752	527,639,287
	1,993,468,880	1,153,779,011

B- 2 Other Deposits

Mudaraba Saving Deposits (91%) (Note-10.3)	2,221,727,205	830,141,393
Mudaraba Term Deposits	24,654,564,624	18,379,071,709
Mudaraba Short Notice Deposits	1,860,511,504	362,627,725
Bills Payable (Note-10.2)	561,376,373	257,642,553
Bearer Certificates of Deposits (Note-10.5)	-	6,150,000
Mudaraba Deposit under Schemes (Note-10.6)	8,777,183,003	3,904,772,214
Foreign Currency Deposits	14,261,133	20,356,895
Total	38,089,623,842	23,760,762,489

	Amount in Taka	
	31.12.2009	31.12.2008
10.1 Al-Wadiah Current Accounts & Other Deposit Accounts		
Al-wadiah Current Deposits	972,622,384	530,339,247
Mudaraba Short Notice Deposits	2,170,511,504	362,627,725
Sundry Deposits (Note-10.1.1)	798,312,752	527,639,287
Security Deposit Receipt	2,802,483	3,562,545
Foreign Currency Deposits	14,261,133	20,356,895
Total	3,958,510,256	1,444,525,699
10.1.1 Sundry Deposits		
Margin on Letters of Credit	362,189,187	261,447,787
Foreign Bills Awaiting Remittance	84,236,041	83,950,271
Margin on Letter of Guarantee	81,269,729	58,210,446
Readycash card (Reload)	1,200	1,200
Sundry Creditors	111,778,124	46,853,105
Al-wadiah Bai-murabaha	4,867,751	-
Al-wadiah Bai-murabaha (MTD)	4,084,877	-
Al-wadiah Bai-murabaha (General)	4,462,779	-
Income Tax Deduction at Source -Profit on Deposit	86,559,316	37,422,552
Export Bills	11,902,370	11,944,452
Sanchaya Patras	2,050,000	1,100,000
Fixed Deposits - Export Bills	5,118,324	5,333,441
Risk Fund on Hire Purchase Scheme	2,452,467	1,864,549
Income Tax Deduction at Source (Export Bills)	507,889	2,280,370
Courier Charges	706,870	668,700
Data Max Charges	1,863,437	863,149
Margin on Consumer Finance Scheme	119,322	118,822
Margin on Payment Orders Demand, Draft	1,676,493	1,783,263
Excise Duty on Deposit	21,322,286	9,400,572
VAT Deduction on Letter of Credit - Commission	1,020,268	523,341
Income Tax Deduction at Source - Letter of Credit	826,677	312,443
VAT on Investment Processing fee	91,340	9,810
VAT on Online Charge	103,943	31,273
VAT on Commission TT/DD/PO/LG	1,292,954	485,074
VAT Deduction - Indenting Commission	289	27,460
VAT on ATM	117	-
VAT on Service Charge and Others	478,117	-
VAT Deduction Bills Paid	1,224,924	390,938
VAT on Rent and Others	542,942	-
VAT on Directors Fee	12,000	9,000
Income Tax Deduction at Source - Office rent	-	165,590
ATM Charge Collection	86,313	-
Income Tax Deduction at Source - Indenting Commission	2,489	7,383
Income Tax Deduction at Source - Bills	703,897	94,001
Income Tax Deduction at Source - Agent of Foreign Buyer	285,738	347,733
Income Tax Deduction at Source - Professional & Technical Service	60,006	5,273
Income Tax Deduction at Source - Private Security Service	10,213	24,338
Income Tax Deduction at Source - Export Bill (others)	37,427	33,211
Income Tax Deduction at Source - Cash Incentives	755,240	431,050
Income Tax Deduction at Source - Advertising Bill	34,512	19,549
Excise Duty on Investments	1,740,620	967,680
Income Tax Deduction at Source-Employee's	1,828,164	499,414
Imprest Fund-Cash Incentive	6,100	12,047
	798,312,752	527,639,287

	Amount in Taka	
	31.12.2009	31.12.2008
10.2 Bills Payable		
Pay Order Issued	246,390,413	180,158,155
Demand Draft Payable	305,945,890	70,987,141
Pay Slips Issued	9,005,633	6,452,143
Travellers' Cheques Payable	34,437	45,114
	561,376,373	257,642,553
10.3 Mudaraba Savings Bank Deposits		
As per BRPD Circular No. 06, dated 24 June 2007, total saving bank deposits amount is bifurcated into:		
9 % of total Mudaraba Savings Bank Deposits	219,731,262	92,237,932
91% of total Mudaraba Savings Bank Deposits	2,221,727,205	830,141,393
	2,441,458,467	922,379,325
10.4 Mudaraba Term Deposits including other Banks - Maturity wise Grouping		
Payable on Demand	757,213,204	374,828,603
Up to Three Months	12,281,230,264	7,507,051,837
From Three Months to Six Months	3,509,538,428	2,760,615,016
Above Six Months to One Year	10,097,267,469	8,640,636,877
Above One Year to Two Years	20,881,904	19,809,820
Above Two Years	18,433,355	16,129,556
	26,684,564,624	19,319,071,709
10.5 Bearer Certificate of Deposits		
Repayable on Demand	-	6,150,000
Repayable within One Month	-	-
Over One Month but within Six Months	-	-
Over Six Months but within One Year	-	-
Over One Year but within Five Years	-	-
Over Five Years but within Ten Years	-	-
Unclaimed Deposits for Ten Years and above	-	-
	-	6,150,000
10.6 Mudaraba Deposit under Schemes		
Mudaraba Monthly Savings Scheme	2,124,201,886	1,492,993,108
Mudaraba Double Benefit Deposits Scheme	6,368,103,214	2,195,616,054
Mudaraba Monthly Benefit Scheme	284,877,902	216,163,052
	8,777,183,002	3,904,772,214
11 OTHER LIABILITIES		
Inter - branch Transaction Account	-	-
Provision for Taxation (Note-11.1)	671,655,375	351,655,375
Accumulated Provision against Investments(Note-11.3)	1,019,899,999	919,899,999
Profit Suspense Account (Note -11.4)	166,480,874	148,476,068
Accured Profit and Expenses Payable (11.5)	770,803,882	764,047,922
Provision for Gratuity	34,200,000	23,200,000
Provisions for diminution in value of Investments	4,000,000	-
Provision for Zakat	15,117,438	-
Exchange Equalization Fund	1,419,078	1,419,078
Provident Fund	972,245	70,084
Benevolent Fund	1,137,025	1,238,111
Non-Resident Accounts	3,852,619	5,916,482
Others	510,940	355,793
Total	2,690,049,475	2,216,278,912

Amount in Taka	
31.12.2009	31.12.2008

11.1 Provision for taxation

Opening balance	351,655,375	273,397,303
Add - Reversal for rectification	-	20,894,573
Add - Made during the Year	320,000,000	85,321,689
	671,655,375	379,613,565
Less - Adjustment for final settlement	-	27,958,190
	671,655,375	351,655,375

11.1.1 Provision for tax made during the year

Profit before Tax	750,837,748	189,603,753
Provision for Tax during the year @ 42.50%	320,000,000	85,321,689
	320,000,000	85,321,689

Assessment for taxation in 2000, 2001, 2003, 2004, 2006, 2007 and 2008 is yet to be completed. Assessment for the year 1999, 2002 & 2005 have been settled. Assessment order of 2000, 2001 and 2003 is pending with High court and of 2004, 2007 and 2008 with Appellate Tribunal. Return submission date of 2009 is not yet due.

11.2 Provision for Investments during the year

Specific Provision for Classified Investments	-	-
General Provision	100,000,000	-
	100,000,000	-

11.3 Cumulative Provision for Investments

Specific Provision for Classified Investments (Note - 11.3.1)	507,694,000	597,694,000
General Provision (Note - 11.3.2)	512,205,999	322,205,999
	1,019,899,999	919,899,999

11.3.1 Movement in Specific Provision

Provision held at the beginning of the year	597,694,000	707,694,000
Fully Provided Debts written off	-	-
Recoveries of amounts previously written off	-	-
Specific Provision for the year	-	-
Recoveries and Provisions no longer required	(90,000,000)	(110,000,000)
Net Charge to Profit and Loss Account	-	-
Provision held at the end of the year	507,694,000	597,694,000

11.3.2 General Provision including off-balance sheet exposure

Provision held at the beginning of the year	322,205,999	212,205,999
Addition/transfer during the year	190,000,000	110,000,000
	512,205,999	322,205,999
Provision at the end of the year	1,019,899,999	919,899,999

Amount in Taka	
31.12.2009	31.12.2008

11.4 Profit Suspense Account

Opening Balance	148,476,068	344,259,164
Add: Transferred During the year	18,004,806	-
	166,480,874	344,259,164
Less: Recovered from profit suspense during the year	-	195,783,096
Less: Amount Written off/waived during the year	-	-
Balance at the end of the year	166,480,874	148,476,068

11.5 Accrued Profit and Expenses Payable

Profit Payable on MTDR	754,104,842	755,445,749
Profit Payable on Monthly Benefit Savings Scheme	-	1,432
Profit Payable on Monthly Double Benefit Savings Scheme	571,471	561,818
Profit on Monthly Savings Scheme	-	252,394
Profit Payable on Sort Notice Deposit	2,921,596	216
Profit Payable on Mudarabah Savings Deposit	71,401	91,793
Profit Payable on Deposits from Banks	-	731,667
Power and Electricity	603,118	385,418
Telephone	293,197	327,676
Office Rent	664,258	664,258
Audit Fees	400,000	400,000
Telex, Fax and E-mail	15,110	3,110
Printing and Stationery	88,457	-
Rates & Taxes	4,300	10,500
Clearing Adjustment	11,001,810	5,117,815
Others	64,322	54,076
	770,803,882	764,047,922

Amount in Taka	
31.12.2009	31.12.2008

12 CAPITAL

AUTHORISED CAPITAL

46,000,000 ordinary shares of Taka 100 each.

4,600,000,000

4,600,000,000

12.1 Issued, Subscribed and Paid-Up Capital

23,000,000 Ordinary Shares of Taka 100 each issued for cash

2,300,000,000

2,300,000,000

2,300,000,000

2,300,000,000

12.2 Category of shareholding as at 31.12.2009

<u>Name of Category</u>	<u>No. of Shareholders</u>	<u>No. of Shares</u>	<u>Percentage(%)</u>
Sponsors/Directors	26	11,500,000	50.00
Financial Institute	437	3,825,450	16.63
Non-Resident Bangladeshi	3,241	238,905	1.04
General Public	50,696	7,435,645	32.33
	54,400	23,000,000	100.00

12.3 Classification of Shareholders by holding position as at 31 December 2009

<u>Shareholding Range</u>	<u>No. of Shareholders</u>	<u>No. of Shares</u>	<u>Percentage (%)</u>
Less than 500 Shares	52,560	3,762,820	16.36
501 to 5000 Shares	1,582	2,279,205	9.91
5001 to 10,000 Shares	115	844,275	3.67
10,001 to 20,000 Shares	69	1,008,900	4.39
20,001 to 30,000 Shares	14	335,900	1.46
30,001 to 40,000 Shares	11	388,850	1.69
40,001 to 50,000 Shares	6	263,850	1.15
50,001 to 100,000 Shares	18	1,363,007	5.93
100,001 to 1,000,000 Shares	21	8,516,073	37.03
Over 1,000,000 Shares	4	4,237,120	18.42
	54,400	23,000,000	100.00

Amount in Taka	
31.12.2009	31.12.2008

12.4 Capital Adequacy Ratio

Tier-I (Core Capital)

Paid up Capital	2,300,000,000	2,300,000,000
Statutory Reserve	263,449,699	134,082,149
General Reserve	24,000,000	24,000,000
Retained Earnings	277,961,056	80,490,857
	<u>2,865,410,755</u>	<u>2,538,573,006</u>

Tier –II (Supplementary Capital)

1% on General Provision	512,205,999	322,205,999
Exchange Equalization Account	1,419,078	1,419,078
	<u>513,625,077</u>	<u>323,625,077</u>

A. Total Capital

	<u>3,379,035,832</u>	<u>2,862,198,083</u>
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B. Total Risk Weighted Assets

	31,113,430,900	17,356,549,350
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C. Required Capital based on Risk Weighted Assets (10%on B)

	3,111,343,090	1,735,654,935
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D. Surplus/(Deficiency)....(A - C)

	<u>267,692,742</u>	<u>1,126,543,148</u>
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Capital Adequacy Ratio (%)

	<u>10.91</u>	<u>16.49</u>
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Capital Requirement

	Required	Held	Held
Tier - I	5.00%	9.23	14.63
Tier - II		1.68	1.86
Total	<u>10.00%</u>	<u>10.91</u>	<u>16.49</u>

13 STATUTORY RESERVE

Opening Balance	134,082,149	96,161,398
Transferred during the year from Profit & Loss A/C	129,367,550	37,920,751
Closing Balance	<u>263,449,699</u>	<u>134,082,149</u>

This has been done according to Sec. 24 of Bank Companies Act, 1991 and shall be maintained until it equals to Paid-up Capital.

14 RETAINED EARNINGS

Opening Balance	80,490,857	14,129,544
Add: Post tax profit for the year	326,837,749	104,282,064
Less: Transfer to Statutory Reserve	129,367,550	37,920,751
Closing Balance	<u>277,961,056</u>	<u>80,490,857</u>

15 LETTER OF GUARANTEES

Money for which the Bank is contingently liable in respect of guarantees are given favoring:

Letters of Guarantee - Local	1,176,516,750	871,011,574
Letter of Guarantee - Foreign	7,452,000	459,000
	<u>1,183,968,750</u>	<u>871,470,574</u>
Less: Margin Taken on Guarantees	81,269,729	58,210,446
	<u>1,102,699,021</u>	<u>813,260,128</u>

Amount in Taka	
31.12.2009	31.12.2008

15.1 Money for Which the Bank is Contingently Liabie in respect of Guarantees:

Directors	-	-
Government	-	-
Banks and Other Financial Institutions	-	-
Others	1,183,968,750	871,470,574
	1,183,968,750	871,470,574

16 IRREVOCABLE LETTERS OF CREDIT

Letters of Credit - Cash	1,810,637,000	570,636,654
Letter of Credit - Cash Inland	2,163,600	401,302,900
Back to Back letters of Credit - Local	157,803,224	177,561,736
Back to Back letters of Credit - Foreign	51,243,190	92,882,763
	2,021,847,014	1,242,384,053

17 BILLS FOR COLLECTION ISSUED BY THE BANK

Foreign Documentary Bills	124,356,000	118,731,000
Outward Bills	45,350,478	8,945,936
Inland Documentary Bills	-	2,864,857
	169,706,478	130,541,793

18 INVESTMENT INCOME

	Amount in Taka	
	2009	2008
Profit Received from:		
Deposit with Other Banks	82,798,937	285,778,608
Call Loans	-	12,527,104
Bai Murabaha - General	299,455,560	218,718,413
Bai Murabaha Hypothecation	476,257,587	278,158,703
Bai Murabaha against MTD	856,529,688	529,953,290
Bai Murabaha Post Impport (LTR)	1,090,482,333	525,460,735
Bai Murabaha General	582,991,470	743,981,309
Investment General	2,477	73,766,134
Inland Documentary Bills Purchased	369,617,651	296,284,862
Bai Muajjal General	175,606,163	-
Bai Murabaha Post Import (Pledge)	2,639,088	11,856,058
Bai Murabaha Real Estate	57,914,842	34,324,344
Bai Murabaha Import Bill	167,343,451	64,482,943
Pre-shipment Investment	13,652,586	18,500,666
Bai Murabaha Import	1,143,708	15,399,497
Bai Murabaha Export	752,491	21,373,496
HPSM Transport	4,042,384	4,061,684
Rent on HPSM Scheme	109,969,337	1,749,183
Bai Muajjal (DDIS)	876,622	1,672,512
Bai Murabaha Pleadge	725,037	-
HPSM House Building - Staff	2,950,475	2,952,578
HPSM Lease Investment	48,415	-
Quard against Cash Incentives	168,283	339,250
Foreign Documentary Bill Purchased	77,128	20,420
Agriculture Investment	311,337	121,512
Bai Murabaha SME Investment	2,484,142	126,036
Quard against PF Investment	217,499	94,123
Quard against Car Lease Scheme	227,496	96,010
Quard against MTDR	229,300	-
Bai Salam	278,623	-
HPSM Real Estate	1,370,418	-
HPSM Consumer	283,074	-
HPSM Agriculture	8,703	-
HPSM SME	127,875	-
HPSM HBL Commercial	18,689,501	-
HPSM Industrial	28,257,420	-
Wajira Bill Okalah	143,452	-
	<u>4,348,674,553</u>	<u>3,141,799,470</u>

	Amount in Taka	
	2009	2008
19 PROFIT PAID ON DEPOSITS		
Profit Paid on:		
Mudaraba Term Deposit	2,518,417,964	2,359,494,296
Mudaraba Double Benefit Deposits Scheme	386,426,128	227,239,784
Mudaraba Monthly Savings Scheme	194,706,616	141,294,996
Mudaraba Monthly Benefit Savings Scheme	26,135,293	25,008,691
Mudaraba Savings Deposits	73,807,832	31,933,513
Mudaraba Short Notice Deposits	110,863,305	54,148,711
Placement from Other Banks	3,750,416	100,028,981
Mudaraba Deposit in Foreign Currency	1,665,742	-
Mudaraba Deposit from Banks	500,000	-
Penal Profit Paid to Bangladesh Bank	17,237,663	-
Discount	289,408	6,807
	<u>3,333,800,367</u>	<u>2,939,155,779</u>
20 INCOME FROM INVESTMENT IN SHARES & SECURITIES		
Profit on Treasury Bills	-	147,459,968
Bangladesh Govt. Islamic Investment Bond	34,149,594	-
Profit on Bonds	-	33,730,165
Dividend on Shares	250,000	100,000
Profit on Reverse Repo	-	21,055,701
Profit on Sale of Shares	19,110,933	-
	<u>53,510,527</u>	<u>202,345,834</u>
21 COMMISSION, EXCHANGE AND BROKERAGE		
Commission	122,546,743	81,809,515
Exchange Gain	72,084,676	51,574,669
Exchange Earning	74,371,411	70,988,647
Less: Exchange Loss	2,286,735	19,413,978
	<u>194,631,419</u>	<u>133,384,184</u>
22 OTHER OPERATING INCOME		
Rent Recoveries	294,400	204,000
Charges on Account Closing	470,801	367,797
Standing Instruction Charges	3,141	920
Gain on Sale of Fixed Assets	4,743,261	467,500
Service Charge on HP	3,422,766	43,000
Service charge on Quard	3,191,721	-
Income on investment in share	-	62,110
Other Receipts (Note-22.1)	52,491,486	33,263,923
	<u>64,617,576</u>	<u>34,409,250</u>

	Amount in Taka	
	2009	2008
22.1 Other Receipts		
Postage Recoveries - Local	301,806	136,795
Tlx/Tel/Tlgr/Fax/E-mail Chg. Recoveries	2,158,732	1,901,150
Incidental Charge on Al-Wadiah CD A/C	3,803,968	2,775,939
Incidental Charge on Mudaraba SB A/C	8,227,444	8,474,866
Incidental Charge on Mudaraba SND A/C	482,515	340,130
Income from online	1,552,528	438,218
Investment processing fee	11,233,172	189,800
Income from ATM	55,390	-
Additional realised	2,862,955	-
Miscellaneous Earnings	21,812,976	19,007,025
	<u>52,491,486</u>	<u>33,263,923</u>
23 SALARIES & ALLOWANCES		
Basic Salary	94,191,342	63,808,843
Bonus	35,470,032	23,309,775
Bank's Contribution to Staff Provident Fund	7,115,977	5,314,566
Gratuity	11,211,500	13,200,000
House Rent	36,430,896	29,772,665
Conveyance Allowance	4,681,207	3,889,464
Leave Fare Allowance	25,046,770	10,728,881
Car Allowance	10,286,395	8,180,640
Entertainment Allowance	2,297,006	1,904,086
Medical Allowance	6,434,474	5,298,319
Utility Services	7,418,108	6,175,229
Washing Allowance	2,318	3,069
House Maintenance Allowance	7,522,334	6,367,351
Other Allowances	1,789,702	1,988,699
Dearness allowance	3,554,921	6,828,606
Leave Encashment	700,500	133,500
	<u>254,153,482</u>	<u>186,903,693</u>
24 RENT, TAXES, INSURANCE, LIGHTING ETC.		
Rent	46,539,962	27,053,299
Insurance	15,174,917	10,629,374
Rates and Taxes	3,610,108	2,649,494
Water Charges	674,072	542,671
Gas Charges	284,607	207,111
Electric Bills	8,540,784	5,379,823
	<u>74,824,450</u>	<u>46,461,772</u>
25 LEGAL EXPENSES		
Law Charges	2,018,042	753,743
Stamp	39,879	37,819
Other Professional Charges	476,553	485,859
	<u>2,534,474</u>	<u>1,277,421</u>

	Amount in Taka	
	2009	2008
26 POSTAGE, STAMP AND TELECOMMUNICATION		
Telephone - Office	4,409,153	4,272,621
Telegram, Telex, Fax and Email	2,133,819	1,344,832
Telephone - Residence	86,839	156,781
Postage	1,180,432	620,723
	<u>7,810,243</u>	<u>6,394,957</u>
27 STATIONERY, PRINTING AND ADVERTISEMENT		
Publicity and Advertisement	24,888,251	10,535,779
Printing and Stationery	18,498,996	7,900,049
	<u>43,387,247</u>	<u>18,435,828</u>
28 MANAGING DIRECTOR'S SALARY AND ALLOWANCES		
Basic Pay	4,275,000	3,600,000
House Rent Allowances	900,000	900,000
Leave Fare Allowance	1,575,000	900,000
Bonus	1,650,000	1,350,000
Provident Fund Contribution	427,500	360,000
House Maintenance Allowance	900,000	900,000
Other Allowance	300,000	300,000
	<u>10,027,500</u>	<u>8,310,000</u>
29 DIRECTORS' FEES & EXPENSES		
Fees	917,600	579,960
Refreshment	-	-
Travel	1,257,109	632,091
	<u>2,174,709</u>	<u>1,212,051</u>
30 SHARIAH COMMITTEE'S FEES & EXPENSES		
Fees	112,000	-
Refreshment	-	-
Travel	63,850	-
	<u>175,850</u>	<u>-</u>
31 DEPRECIATION AND REPAIRS OF FIXED ASSETS		
Depreciation on Fixed Assets (Annexure - A)	41,544,826	26,061,117
Repairs:		
Office equipment	2,065,727	1,279,052
Renovation and Maintenance of Office Premises	455,677	571,673
Furnitures and Fixtures	118,260	120,921
Maintenance and Services of SWIFT	445,369	310,741
Maintenance of Reuters	1,391,394	751,201
Elect. Fitt. Rep. & Replacement	1,600,375	857,435
Office Maintenance Expenses	2,522,064	1,526,557
	<u>50,143,692</u>	<u>31,478,697</u>

Amount in Taka	
2009	2008

32 OTHER EXPENSES

Car Expense	19,379,570	8,113,828
Wages	30,207,948	17,250,416
Traveling	7,241,016	2,536,775
Donation and Subscription:		
Donation	7,144,600	1,052,100
Subscription	1,288,500	2,895,705
Newspaper and Periodicals	324,318	185,266
Entertainment	4,388,305	2,914,687
Conveyance	3,431,535	2,608,710
Business Development	1,526,884	272,524
Computer Expense	6,979,640	4,541,221
Medical Expense	1,888,720	2,339,546
Plantation	519,807	413,525
Liveries and Uniform	12,030	245,310
Training, Seminar and Workshop	4,532,880	2,156,359
Photocopying	1,102,071	846,262
Generator Expenses	3,949,398	2,377,498
Cash Carrying	100,515	3,205
Washing and Cleaning	570,965	428,846
Cartage and Freight	60,165	18,056
Staff Welfare	7,351,928	5,858,203
Recruitment Expenses	418,595	794,945
Office Maintenance	3,108,962	1,205,786
Promotional Expense	344,274	
ATM Expenses	2,119,366	907,145
Meeting Expenses	7,482,676	1,184,739
IPO Expense	572,206	21,154,130
	116,046,874	82,304,787

33 EARNINGS PER SHARE

Net Profit after Tax	326,837,749	104,264,600
Number of Ordinary Shares (weighted average as per BAS-33)	23,000,000	14,187,500
Earning Per Share (EPS)	14.21	7.35

34 RECEIVED FROM OTHER OPERATING ACTIVITIES

Rent Recoveries	294,400	204,000
Charges on Account Closing	470,801	367,797
Standing Instruction Charges	3,140	920
Service Charge on HP	3,422,766	43,000
Service Charge on Quard	3,191,721	-
Investment in Share	-	62,110
Other Receipts	52,491,486	33,263,923
	59,874,314	33,941,750

Amount in Taka	
2009	2008

35 PAYMENT FOR OTHER OPERATING ACTIVITIES

Rent, Taxes, Insurances, Electricity etc.	74,824,450	46,461,772
Legal Expenses	2,534,474	1,277,421
Postage, Stamps, Telecommunications etc.	7,810,243	6,394,957
Auditors' Fee	400,000	400,000
Directors' fees	2,174,709	1,212,051
Shariah Committee's fees	175,850	
Other Expenses	120,046,874	82,304,787
	207,966,600	138,050,988

36 INCREASE /DECREASE OF OTHER ASSETS

Inter - branch Transaction Account	315,953,626	49,984,823
Accrued Income	161,491,690	503,208,964
Advances, Deposits and Prepayment	83,537,385	47,761,066
Stock of Stationery	10,605,935	7,065,966
Suspense Account	92,161,514	29,404,134
Advance Deposits	2,812,758	2,391,330
Stamps on Hand	195,552	189,082
	666,758,460	640,005,365
(Increase)/Decrease during the year	(26,753,095)	501,430,635

37 INCREASE /DECREASE OF OTHER LIABILITIES

Inter - branch Transaction Account	-	-
Unearned profit on Investment	-	-
Profit Suspense Account	166,480,874	148,476,068
Accrued profit and Expenses Payable	770,803,881	764,047,922
Exchange Equalization Fund	1,419,078	1,419,078
Provident Fund	972,245	70,084
Provisions for diminution in value of Investment is Shares	4,000,000	-
Benevolent Fund	1,137,025	1,238,111
Non-Resident Accounts	3,852,619	5,916,482
Others	510,940	355,793
	949,176,662	921,523,538
Increase /(Decrease) during the year	27,653,124	(178,624,058)

38 NUMBER OF EMPLOYEES

Executives and Officers	775	483
Members of Staff	-	-
Total	775	483

39 RELATED PARTY TRANSACTIONS

During the year, the Bank carried out some transaction with related party in the normal course of business and on an arm's length basis. The name of this related party, nature of this transaction and total value has been set out in accordance with provisions of Bangladesh Accounting Standard 24 (BAS: 24) Related Party disclosure and as defined in the BRPD Circular no. 14 issued by the Bangladesh Bank on June 25, 2003. The significant related party transactions during the year were as follows:

i) Significant Contracts where Bank is a Party and wherein Directors have Interest

<u>Name of the Party</u>	<u>Nature of Transaction</u>	<u>Nature of Relationship</u>	<u>Total Value (in Tk.)</u>
a. Northern General Insurance Company Ltd.	Insurance Premium	Common Director	<u>3,563,878</u>
b. M/S Unique Enterprise	Bank Guarantee	Common Director	<u>377,000</u>
c. Oman Bangladesh Leasing & Finance Ltd.	MTDR	Common Director	<u>250,000,000</u>
ii) Related Party Transactions			Nil
iii) Shares issued to Directors and Executives without consideration or exercisable at discount			Nil
iv) Lending to Related Parties is effected as per requirements of Section 27 (1) of the Bank Companies Act, 1991.			Nil
v) Business other than banking business with any related concern of the Directors as per Section 18(2) of the Bank Companies Act, 1991			Nil
vi) Investment in the Securities of Directors and their related concern			Nil

40 **DIRECTORS' INTEREST IN DIFFERENT BUSINESSES OR ENTITIES:**

Sl. No	Name of the Directors	Status with the Bank	Names of firms/companies in which interested as proprietor, partner, director, managing agent, guarantor, employee, etc.
1	Alhaj Md. Saiful Alam	Chairman	<p><u>Chairman</u> Oman Bangladesh Leasing & Finance Ltd.</p> <p><u>Managing Director</u> S. Alam Steels Ltd. (Unit 1,2 & 3) S. Alam Cement Ltd. S. Alam Brothers Ltd S. Alam Hatchery Ltd. S. Alam Trading Company (Pvt.) Ltd. S. Alam Bag Manufacturing Mills Ltd. S. Alam Soyaseed Extraction Plant Ltd. S. Alam Refined Sugar Industries Ltd. S. Alam Cold Rolled Steels Ltd. S. Alam Luxury Chair Coach Services Ltd. S. Alam Power Generation Ltd. S. Alam Tank Terminal Ltd. S. Alam Properties Ltd. Sonali Cargo Logistics (Pvt) Ltd. Fatehabad Farm Ltd. Portman Cements Ltd.</p> <p><u>Sponsor Director</u> Northern General Insurance Co. Ltd.</p> <p><u>Director</u> Karnaphuli Prakritik Gas Ltd.</p> <p><u>Shareholder</u> Al-Arafah Islami Bank Ltd.</p> <p><u>Proprietor</u> S. Alam & Co. Sonali Overseas Corporation</p>
2	Alhaj Md. Abdul Maleque	Vice Chairman	<p><u>Chairman</u> Jesco Capital Management Ltd.</p> <p><u>Managing Director</u> ABM Tower Ltd. Kharana Fish & Poultry Ltd. Chittagong Board and Paper Mills Ltd. Bengal Center Ltd.</p> <p><u>Director</u> Central Hospital Ltd.</p> <p><u>Shareholder</u> Central Insurance Co. Ltd.</p> <p><u>Proprietor</u> M/S. Bengal Corporation M/S. Bengal Trading M/S. Lucky Electronics</p>

3	Ms. Farzana Parveen	Director	<u>Director</u> Oman Bangladesh Leasing & Finance Ltd. S. Alam Power Plant Ltd. S. Alam Vegetable oil Ltd.. Prasad Paradise Resorts Ltd.
4	Mr. Hamidul Haq	Director	<u>Chairman</u> Paradise Corporation (PVT) Ltd. <u>Director</u> Northern General Insurance Co. Ltd. Oman Bangladesh Leasing Eden Multi Care Hospital Ltd.
5	Mr. Md. Sharif Hussain	Director	<u>General Secretary</u> Islamic Economic Research Bureau
6	Ms. Atiqun Nesa	Director	<u>Proprietor</u> Atique Enterprise
7	Mr. A.K.M. Ali Johar	Director	<u>Chairman</u> Marwa Shipping Agency Ltd. <u>Nominee Director</u> Oman Bangladesh Leasing & Finance Ltd. <u>Proprietor</u> M/S. Johar Real Estate M/S. Johar Associates
8	Mr. Md. Wahidul Alam Seth	Director	<u>Proprietor</u> M/S. B. Nowaz Real Estate INTRA
9	Ms. Rahima Khatun	Director	<u>Chairman</u> Al-Sharaf Airways Ltd. M/S. Mortoza Assets Ltd.
10	Mr. Shahidul Islam	Director	<u>Managing Director</u> Platinum Shrimp Hatchery Ltd. <u>Proprietor</u> S.S. Corporation
11	Mr. Mohammed Oheidul Alam	Director	<u>Managing Director</u> Dream Knitting (BD) Ltd. <u>Director</u> United Financial Trading Co. Ltd. <u>Proprietor</u> M/S. Land Mark Hotel & Restaurant Car Shop The Travel World <u>Managing Partner</u> Orchid Business Hotel

- | | | | |
|----|------------------------------|------------------------------------|---|
| 12 | Dr. Muhammad Loqman | Director | <u>Chief (Dhaka Campus)</u>
International Islamic University Chittagong
<u>Treasurer</u>
International Islamic University Chittagong |
| 13 | Ms. Shamshad Jahan | Director | <u>Chairman</u>
Ocean Sea Foods Limited
<u>Director</u>
DINS Chemical Industries Ltd.
Rainbow Sea Foods Limited
The Treatment Tower
<u>Proprietor</u>
M/S. Unique Enterprise
M/S. Irada International
M/S. Agro Trading |
| 14 | Mr. Mohammed Kutub Uddowllah | Depositor's & independent Director | <u>Director</u>
Oman Bangladesh Leasing & Finance Ltd.
<u>Director & CEO</u>
D.S. Line Limited |

41 EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on 29 May 2010 recommended stock dividend @ 10% for the year 2009 to be approved in the AGM. The Board also recommended for raising the paid up capital by issuing right share i,e 1R:5 at par which is subject to approve by the EGM and Regulatory Authority.

42 AUDIT COMMITTEE

a) Constitution

The Bank has constituted an Audit Committee of the Board of Directors pursuant to the BRPD circular no. 12 dated 23 December 2002 with a view to act as a bridge among the Board of Directors, Executive Authority, Depositors, Shareholders etc so that the Committee can make an effective role in establishing an efficient, strong and secured banking system. Our Audit Committee has been formed comprising three members of the Board of Directors as follows :

Name	Status with the Bank	Status with the Committee	Educational Qualification
Alhaj Md. Abdul Maleque	Vice Chairman	Convener	B.SC
Mr. Md. Sharif Hossain	Director	Member	Masters of Arts (Economics)
Mr. A.K.M. Ali Johar	Director	Member	ACMA

b) During the period under review, the Audit Committee of the Board conducted 04 (four) meetings.

c) The following steps have been taken for implementation of an effective Internal Control Procedure of the Bank:

A strong powerful division formed for internal audit and inspection as well as compliance thereof.

The division is divided into three separate units i.e. Audit & Inspection , compliance and Monitoring to implement effective internal control and compliances headed by highly experienced bankers.

Audit and Inspection unit is established with a view to carrying out comprehensive internal audit in the branch level and ensure the transparency and accountability in the banking operations in light of the guidelines of the regulatory authorities and policies set by the bank with regular intervals.

Monitoring Unit is established with a view to implementing proper banking practices in the branches. Day to day operations is the focusing area to implement the rules and procedures of the regulatory bodies, bank's policies and other prudential guidelines.

Compliance unit is established to take effective measures for collection and timely submission of compliances of internal, external and Bangladesh Bank Inspection Reports.

The committee is placing its report regularly to the Board of Directors of the bank mentioning its review and recommendations on internal system, compliance of rules and regulations and establishment of good governance within the organization.

The board has given the responsibility to implement internal control system in the bank as per requirement of core risk management and framework provided by the Bangladesh Bank.



Managing Director



Director



Director



Chairman

Annexure A

FIRST SECURITY ISLAMI BANK LIMITED
STATEMENT OF FIXED ASSETS
AS AT 31 DECEMBER 2009

Figure in Taka

Particulars	C O S T				D E P R E C I A T I O N			Balance as on 31 December '09	Written down value as on 31 December '09
	Balance as on 1st January'09	Addition during the year	Sales/Transfer during the year	Balance as on 31 December '09	Balance as on 1st January'09	Charge during the year	Adjustment on sale / transfer during the year		
Building	-	66,227,032	-	66,227,032	-	376,990	-	376,990	65,850,042
Furniture & Fixtures	159,830,990	80,259,057	-	240,090,047	50,084,912	16,502,423	-	66,587,335	173,502,712
Office Equipment	98,857,710	79,552,320	-	178,410,030	47,260,386	18,034,565	-	65,294,951	113,115,079
Vehicles	38,610,047	9,369,825	10,134,500	37,845,372	15,593,795	6,626,862	8,377,461	13,843,196	24,002,176
Books	76,251	2,586	-	78,837	67,473	3,986	-	71,459	7,378
Total 2009	297,374,998	235,410,820	10,134,500	522,651,318	113,006,566	41,544,826	8,377,461	146,173,931	376,477,387
Total 2008	223,775,335	76,389,663	2,790,000	297,374,998	88,551,949	26,061,117	1,606,500	113,006,566	135,223,386

Annexure B

First Security Islami Bank Limited
Highlights
For the year ended 31 December 2009

Particulars	31.12.2009	31.12.2008
Paid-up Capital	2,300,000,000	2,300,000,000
Total Capital Fund	3,379,035,832	2,862,198,083
Capital Surplus/(deficit)	267,692,742	1,126,543,146
Total Assets	47,978,552,952	31,239,393,418
Total Deposits	42,423,092,722	25,854,541,500
Total Investments	38,725,874,774	25,094,658,077
Total Contingent Liabilities and Commitments	5,971,673,066	4,611,289,577
Investment Deposit Ratio (in %)	91.28%	96.39%
Percentage of Classified Investments against total Investments(in %)	2.14%	4.20%
Profit before tax & provision	750,837,749	189,603,753
Amount of Classified Investments during the year	830,515,000	1,053,412,705
Provision kept against Classified Investments	507,694,000	597,694,000
Provision Surplus/(deficit)	53,834,571	31,818,406
Cost of Fund	9.28%	11.37%
Profit Earning Assets	41,371,529,125	28,529,063,421
Non-profit Earning Assets	6,607,023,827	2,710,329,997
Return on Investment in Shares & securities(ROI)(in %)	2.79%	15.18%
Return on Assets (ROA)(in %)	1.56%	0.61%
Income from Investment in Shares and Securities	53,510,527	202,345,834
Earning Per Share (Tk.)	14.21	7.35
Net Income Per Share (Tk.)	14.21	7.35
Price Earning Ratio (Times)	15.39	23.74