



ফার্স্ট সিকিউরিটি ইসলামী ব্যাংক লিঃ
فارسٲ سٲكٲورٲٲى اسلامى بنك لٲمٲٲد FIRST SECURITY ISLAMI BANK LTD.

**AUDITORS' REPORT
&
AUDITED FINANCIAL STATEMENTS
OF
FIRST SECURITY ISLAMI BANK LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2010**

**Auditors' Report
to the shareholders' of
First Security Islami Bank Limited**

We have audited the accompanying financial statements of First Security Islami Bank Limited which comprise the balance sheet as at 31 December 2010, profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements of the Bank in accordance with Bangladesh Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements of the Bank in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements of the Bank.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Bank prepared in accordance with the Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the financial position of the Bank as at 31 December 2010 and the results of its financial performance and its cash flows for the year ended 31 December 2010 and comply with the Bank Companies Act, 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act, 1994, the Securities and Exchange Rules, 1987 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 purposes 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 purposes of our audit have been received from branches not visited by us;
- iii) the balance sheet and profit and loss account of the Bank dealt with by the report are in agreement with the books of account and returns;
- iv) the expenditure incurred was for the purposes of the Bank's business;
- v) the financial position of the Bank as at 31 December 2010 and the profit for the year then ended have been properly reflected in the financial statements, and the financial statements have been prepared in accordance with the generally accepted accounting principles;
- vi) the financial statements have been drawn up in conformity with the Bank Companies Act, 1991 and in accordance with the accounting rules and regulations issued by Bangladesh Bank;
- vii) adequate provisions have been made for investments (loans and advances) which are, in our opinion, doubtful of recovery;
- viii) the financial statements of the Bank conform to the prescribe standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- ix) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- x) the information and explanations required by us have been received and found satisfactory;
- xi) we have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 2,600 person hours for the audit of the books and accounts of the Bank; and
- xii) the capital adequacy ratio (CAR) as required by law, (BASEL-II) has been maintained adequately during the year.



Dhaka, Bangladesh
Date: May 12, 2011

SYFUL SHAMSUL ALAM & CO.
CHARTERED ACCOUNTANTS

FIRST SECURITY ISLAMI BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2010

Particulars	Notes	Amount in Taka	
		31.12.2010	31.12.2009
PROPERTY AND ASSETS			
Cash	3	4,857,542,203	5,033,532,439
In hand (Including foreign currencies)		612,173,146	432,907,731
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currencies)		4,245,369,057	4,600,624,708
Balance with other Banks and Financial Institutions	4	1,036,199,077	731,150,321
In Bangladesh		926,081,336	494,050,218
Outside Bangladesh		110,117,741	237,100,103
Investments in Shares & Securities	5	2,859,354,561	1,852,026,032
Government		2,331,134,100	1,610,674,000
Others		528,220,461	241,352,032
Investments	6	52,123,903,164	38,725,874,774
General Investment (Bai-Murabaha, Bai-Muajjal, HPSM) etc.	6.A	47,640,238,696	35,616,450,493
Bills Purchased and Discounted	6.B	4,483,664,468	3,109,424,281
Fixed Assets Including Premises, Furniture and Fixtures	7	573,610,332	376,477,387
Other Assets	8	2,169,188,462	1,259,491,999
Non Banking Assets		-	-
Total Assets		63,619,797,799	47,978,552,952
LIABILITIES AND CAPITAL			
Liabilities			
Placement from Banks & other Financial Institutions	9	-	-
Deposits and Other Accounts	10	56,344,959,167	42,423,092,722
Al-Wadia Current Accounts and Other Deposit Accounts	10.1	7,043,747,274	3,958,510,256
Bills Payable	10.2	545,866,334	561,376,373
Mudaraba Savings Bank Deposits	10.3	3,987,763,459	2,441,458,467
Mudaraba Term Deposits including other Banks	10.4	33,076,189,284	26,684,564,624
Bearer Certificates of Deposits	10.5	-	-
Mudaraba Deposits under Schemes	10.6	11,691,392,816	8,777,183,002
Other Liabilities	11	3,354,827,146	2,690,049,475
Total Liabilities		59,699,786,313	45,113,142,197
Capital/Shareholders' equity			
Paid-up Capital	12	3,036,000,000	2,300,000,000
Statutory Reserve	13	460,169,845	263,449,699
Other Reserve		24,000,000	24,000,000
Retained Earnings	14	399,841,641	277,961,056
		3,920,011,486	2,865,410,755
Total Liabilities and Shareholders' Equity		63,619,797,799	47,978,552,952

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

Dhaka, Bangladesh
Date: May 10, 2011


Syful Shamsul Alam & Co.
Chartered Accountants

FIRST SECURITY ISLAMI BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2010

Particulars	Notes	Amount in Taka	
		31.12.2010	31.12.2009

OFF- BALANCE SHEET ITEMS

Contingent Liabilities

Acceptances and Endorsements		4,044,833,066	2,677,420,553
Letters of Guarantee	15	1,303,508,613	1,102,699,021
Irrevocable Letters of Credit	16	3,351,761,128	2,021,847,014
Bills for Collection	17	159,565,533	169,706,478
Other Contingent Liabilities		-	-
Total		8,859,668,340	5,971,673,066

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**

8,859,668,340	5,971,673,066
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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

Dhaka, Bangladesh
Date: May 10, 2011


Syful Shamsul Alam & Co.
Chartered Accountants

FIRST SECURITY ISLAMI BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

Particulars	Notes	Amount in Taka	
		31.12.2010	31.12.2009
Investments Income	18	5,547,047,795	4,348,674,553
Profit Paid on Deposits	19	(4,125,826,500)	(3,333,800,367)
Net Investment Income		1,421,221,295	1,014,874,186
Income from Investment in shares and securities	20	264,208,027	53,510,527
Commission, Exchange and Brokerage	21	282,561,956	194,631,419
Other Operating Income	22	117,216,660	64,617,576
		663,986,643	312,759,522
Total Operating Income		2,085,207,938	1,327,633,708
Less: Operating Expenses			
Salary and Allowances	23	418,301,777	255,480,982
Rent, Taxes, Insurances, Electricity etc.	24	107,050,007	74,824,450
Legal Expenses	25	963,915	2,534,474
Postage, Stamps, Telecommunication etc.	26	9,127,540	7,810,243
Stationery, Printings, Advertisements etc.	27	58,551,363	43,387,247
Managing Director's Salary and Fees	28	9,916,130	8,700,000
Auditors' Fees		410,000	400,000
Directors' Fees	29	2,188,870	2,174,709
Shariah Committee's Fees	30	46,000	175,850
Depreciation and Repair of Bank's Assets	31	72,915,674	50,143,692
Zakat Expenses		4,979,720	15,117,438
Other Expenses	32	197,156,211	116,046,874
Total Operating Expenses		881,607,207	576,795,959
Profit before Provision and Tax		1,203,600,731	750,837,749
Provisions for Classified Investments		35,200,000	-
Provisions for Unclassified Investments including off-B/S Items	11.2	150,000,000	100,000,000
Provisions for diminution in value of Investment in Shares		34,800,000	4,000,000
Total Provisions		220,000,000	104,000,000
Total Profit before Taxes		983,600,731	646,837,749
Provision for Taxation	11.1	(435,000,000)	(320,000,000)
Deferred Tax	2.8.4	-	-
		(435,000,000)	(320,000,000)
Net Profit after tax for the year		548,600,731	326,837,749
Retained Earnings Brought Forward from Previous Year		277,961,056	80,490,857
		826,561,787	407,328,606
Appropriations:			
Statutory Reserve		196,720,146	129,367,550
Bonus Share Issued		230,000,000	-
		426,720,146	129,367,550
Retained Earnings Carried Forward		399,841,641	277,961,056
Earning Per Share (EPS)	33	2.33	1.42

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

Dhaka, Bangladesh
Date: May 10, 2011


Syful Shamsul Alam & Co.
Chartered Accountants

FIRST SECURITY ISLAMI BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

Particulars	Notes	Amount in Taka	
		2010	2009
A. Cash Flow from Operating Activities			
Profit received		5,608,998,811	4,402,185,080
Profit paid		(4,125,826,500)	(3,333,800,367)
Commission, exchange & brokerage received		282,561,956	194,631,419
Payment to employees		(416,067,907)	(253,180,982)
Payment to suppliers		(69,079,445)	(51,986,113)
Income tax paid		(239,928,969)	(38,970,747)
Received from other operating activities	34	117,216,660	59,874,314
Paid for other operating activities	35	(316,932,543)	(207,966,600)
Operating Profit before changes in Operating Assets & Liabilities		840,942,063	770,786,004
Increase / Decrease in Operating Assets & Liabilities			
Investments to Customers		(13,398,028,390)	(13,631,216,697)
Other Assets	36	(732,245,493)	(26,753,095)
Deposits from Customers		13,921,866,445	16,568,551,222
Other Liabilities	37	27,372,961	27,653,124
		(181,034,477)	2,938,234,554
Net Cash Inflow from Operating Activities		659,907,586	3,709,020,558
B. Cash Flow from Investing Activities			
Investment in Shares and Securities		(1,006,868,429)	(582,328,430)
Purchase of Property, Plant and Equipment		(259,520,537)	(235,410,819)
Sale of Property, Plant and Equipment		-	6,500,300
Net Cash Inflow from Investing Activities		(1,266,388,966)	(811,238,949)
C. Cash Flow from Financing Activities			
Increase/(Decrease) in Share Capital		736,000,000	-
Increase/(Decrease) in Placement from Banks & FIs		-	(630,000,000)
Net Cash Inflow/(Outflow) from Financing Activities		736,000,000	(630,000,000)
D. Net Increase/Decrease of Cash & Cash Equivalent (A+B+C)		129,518,620	2,267,781,609
Effect of Exchange Rate on Cash & Cash Equivalent		-	-
E. Opening Cash & Cash Equivalent		5,765,356,760	3,497,575,151
F. Closing Cash & Cash Equivalent (D+E)		5,894,875,380	5,765,356,760
Cash in hand (Including Foreign Currencies)		612,173,146	432,907,731
Balance with Bangladesh Bank, other banks & financial institutions		5,281,568,134	5,331,775,029
Prize Bond		1,134,100	674,000
		5,894,875,380	5,765,356,760

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


Managing Director


Director


Director


Chairman

Dhaka, Bangladesh
Date: May 10, 2011

FIRST SECURITY ISLAMI BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

Particulars	Paid-up Capital Taka	Statutory reserve Taka	Other Reserve Taka	Retained Earnings Taka	Total Taka
Balance as on 01 January 2010	2,300,000,000	263,449,699	24,000,000	277,961,056	2,865,410,755
Changes in Accounting Policy	-	-	-	-	-
Restated Balance	2,300,000,000	263,449,699	24,000,000	277,961,056	2,865,410,755
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	-	-	-	548,600,731	548,600,731
Dividends	-	-	-	-	-
Transfer to Statutory Reserve	-	196,720,146	-	(196,720,146)	-
Issue of Share Capital during the year	736,000,000	-	-	(230,000,000)	506,000,000
Balance as on 31 December 2010	3,036,000,000	460,169,845	24,000,000	399,841,641	3,920,011,486
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

Dhaka, Bangladesh
Date: May 10, 2011


Director


Director


Chairman

FIRST SECURITY ISLAMI BANK LIMITED
LIQUIDITY STATEMENT (ASSETS AND LIABILITY MATURITY ANALYSIS)
AS AT 31 DECEMBER 2010

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	4,857,542,203	-	-	-	-	4,857,542,203
Balance with other Banks and Financial Institutions	286,199,077	400,000,000	350,000,000	-	-	1,036,199,077
Investments in Shares and Securities	524,937,861	-	-	2,330,000,000	4,416,700	2,859,354,561
Investments	3,776,850,529	13,121,003,071	11,374,391,790	16,272,067,796	7,579,589,978	52,123,903,164
Fixed Assets including Premises, Furniture and Fixtures	-	-	-	-	573,610,332	573,610,332
Other Assets	715,710,347	123,150,974	-	1,240,035,598	90,291,543	2,169,188,462
Non-banking Assets	-	-	-	-	-	-
Total Assets	10,161,240,017	13,644,154,045	11,724,391,790	19,842,103,394	8,247,908,553	63,619,797,799
Liabilities						
Placement from Banks & Other Financial Institutions	-	-	-	-	-	-
Deposits and other Accounts	5,964,428,775	18,897,707,195	23,567,250,603	5,990,061,318	1,925,511,276	56,344,959,167
Other Liabilities	1,211,119,553	2,047,350	138,637,194	887,810,278	1,115,212,771	3,354,827,146
Total Liabilities	7,175,548,328	18,899,754,545	23,705,887,797	6,877,871,596	3,040,724,047	59,699,786,313
Net Liquidity Gap	2,985,691,689	(5,255,600,500)	(11,981,496,007)	12,964,231,798	5,207,184,506	3,920,011,486


Managing Director


Director


Director


Chairman

Dhaka, Bangladesh
Date: May 10, 2011

FIRST SECURITY ISLAMI BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1.1 Status of the Bank

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). Presently the Bank carries banking activities through its sixty six (66) branches in the country. The Bank had no overseas branches as at December 31, 2010. 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 honorable High Court, Ministry of Finance and Bangladesh Bank.

The registered office of the Bank is located at 23, Dilkusha C/A, Dhaka-1000.

1.1.1 Principal activities

The principal activities of the Bank are to provide all kinds of commercial banking services to its customers through its branches in Bangladesh.

1.1.2 First Security Islami Capital & Investment Ltd.

First Security Islami Capital & Investment Ltd. a private company limited by shares has been formed and registered under the Companies Act, 1994 with the registrar of Joint Stock Companies, Dhaka vide certificate of incorporation no. C-88567/10 dated 02/12/2010. The Securities and Exchange Commission vide its certificate No. MB-65/2011 dated 27/03/2011 has accorded approval to the bank for a full fledged Merchant Banking operation under the Securities and Exchange Commission Act, 1993. First Security Islami Bank Ltd. holds 51% shares and 49% shares are held by other individuals. Financial Statements of First Security Islami Capital & Investment Ltd. has not been drawn up due to operation of the company is yet to start.

1.1.3 First Security Islami Exchange Ltd., Canada

First Security Islami Exchange Ltd. Canada was incorporated under the Canada Business Corporation Act with the corporation number 720625-9 on July 13, 2009. Bangladesh Bank vide their Letter No. BRPD(M)204/17/2009-95 dated 08 September 2009 has accorded approval to the bank for opening a fully owned subsidiary company in the name of First Security Islami Exchange Ltd., Canada

The main activities of the exchange house are to carry on the remittance business and to undertake and participate in transactions, activities and operations commonly carried on or undertaken by remittance and exchange houses. Separate Financial Statements of First Security Islami Exchange Ltd., Canada has not been drawn up as some legal formalities for incorporation as a subsidiary company of the bank is yet to be completed.

1.2 Significant Accounting Policies and Basis of Preparation of the Financial Statement

1.2.1 Basis of Accounting

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.

1.2.2 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.

1.2.3 Use of estimates and Judgments

In the preparation of the financial statements management required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

1.2.4 Foreign Currency Transactions

a) Foreign Currency

Items included in the financial statements of each entity of the bank are measured using the currency of the primary economic environment in which entity operates i.e. functional currency. The financial statements of the bank are presented in Taka which is bank's functional and presentation currency.

b) Foreign Currency Translations

Foreign currency transactions are converted into equivalent Taka currency at the ruling exchange rates on the respective dates of such transactions as per BAS-21. Assets and liabilities in foreign currencies as at 31 December 2010 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.

c) Translation Gains and Losses

The resulting exchange transaction gains and losses 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.

d) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Taka terms at the rates of exchange ruling on the balance sheet date. The outstanding balances for the same as at 31 December 2010 have been shown in the Balance Sheet under Off-Balance Sheet items.

Exchange rates with major foreign currencies as on 31 December 2010 were as:

<u>Currency</u>	<u>Exchange rate</u>
US \$	70.7497
GBP	109.7328
EURO	93.5877
JPY YEN	0.8680
ACU	70.7497
CHF	75.0262
SGD	54.7556
AUD	71.9383
CAD	70.7639

2.1 Revenue Recognition

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

2.1.1 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.

2.1.2. 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.

2.1.3 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.

2.1.4 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.

2.1.5 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.

2.1.6 Dividend Payments

Interim dividend is recognized when they are paid to shareholders. Final dividend is recognized when it is approved by the shareholders.

The proposed dividend for the year 2010 has not been recognized as a liability in the balance sheet in accordance with the BAS-10: Events After the Balance Sheet Date.

Dividend payable to the Bank's shareholders is recognized as a liability and deducted from the shareholders' equity in the period in which the shareholders' right to receive payment is established.

2.2 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 profit rate 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. 2.1 Investments risk

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 analyzed 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. 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. 2.2 Foreign Exchange Risk

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. 2.3 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. 2.4 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. 2.5 Internal Control and Compliance

Operational loss/risk 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. 2.6 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.

2.3 Assets and their basis of valuation

2. 3.1 Cash and Cash Equivalents

As guided in paragraph 7 of BAS 7 Cash Flow Statements 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. 3.2 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 per 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 per instruction of 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%

d) 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.

e) 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. 3.3 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. 3.4 Investments

Value of investments is stated as follows:

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

2.4 Liabilities and provisions

2. 4.1 Retirement benefits of employees

a) 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.

b) 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.46.35 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".

2.4.2 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.

2.4.3 Provision for Taxation

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

2.4.4 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".

As of 31 December 2010 deferred tax assets arrived at Tk.175.87 million. But management has decided not to recognize deferred tax assets for the period ended 31 December 2010. However, management has recognized deferred tax assets upto December 2007 Tk. 80 million

2.5 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.

2.5.1 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.

2.5.1 Exchange Equalization Account

This represents the amount arose from exchange gain upto 30.05.2003 due to de-valuation of Bangladesh taka with foreign currencies and the system has been discontinued from 31.05.2003 on introduction of floating exchange rate. The amount has accounted for as per instruction issued by the Bangladesh Bank from time to time. As per instruction from Bangladesh Bank vide BRPD circular # 15, dated 26 April 2010, this amount transferred to income account named 'Extra Ordinary Gain'.

2.7 Cash Flow Statements

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.

2.8 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following basis.

- i) Balance with other Banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term;
- ii) Investments are on the basis of their respective maturity;
- iii) Investments are on the basis of their repayment schedule.
- iv) Fixed assets are on the basis of their useful lives;
- v) Other assets are on the basis of their realization / amortization;
- vi) Borrowing from other Banks, financial institutions and agents, etc. are as per their maturity / repayment term;
- vii) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors;
- viii) Provisions and other liabilities are on the basis of their payment / adjustments schedule.

2.9 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.

2.10 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.

2.11 Operating Segments

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.

2.12 Earning Per Share

a) Basic 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.

The bonus shares issued during the year 2010 were treated as if they had been in issue in previous year also (declared for 2009 result). Hence in computing the basic earning per share of 2009, the total number of shares including the said bonus shares has been considered as the weighted average number of shares outstanding during the 2009 as per BAS 33 "Earning per Share."

b) Diluted Earning per Share

No diluted earning per share is required to be calculated for the year as there was no scope for dilution during the year under review.

2.13 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	
		31.12.2010	31.12.2009
3 CASH			
3.1 Cash in Hand			
In Local Currency	607,438,083	419,071,005	
In Foreign Currencies	4,735,063	13,836,726	
	612,173,146	432,907,731	
3.2 Balance with Bangladesh Bank and its Agent Bank			
In Local Currency	4,174,559,477	4,587,712,268	
In Foreign Currencies	70,809,580	12,912,440	
	4,245,369,057	4,600,624,708	
	4,857,542,203	5,033,532,439	
3.3 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, Bangladesh Bank Letter # DOS (SR) 1153/120-A/2009-46 dated 22 March 2009, MPD circular # 01 dated 04 May 2010 & MPD circular # 04 & 05 dated 01 December 2010.			
3.3 Cash Reserve Ratio (CRR): 6.00% of Average Demand and Time Liabilities:			
Required Reserve	2,933,100,000	1,782,100,000	
Actual Reserve maintained	4,052,000,000	3,421,600,000	
Surplus/(Short)	1,118,900,000	1,639,500,000	
3.4 Statutory Liquidity Ratio (SLR): 11.50% of Average Demand and Time Liabilities:			
Required Reserve (including CRR)	5,622,000,000	3,564,130,000	
Actual Reserve held (including CRR)	7,108,000,000	7,210,967,000	
Surplus/(Short)	1,486,000,000	3,646,837,000	

		Amount in Taka	
		31.12.2010	31.12.2009
4	BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS		
A. Inside Bangladesh			
Current Accounts			
Dutch-Bangla Bank Ltd.	14,027,036	8,304,514	
Brac Bank Ltd.	1,660,571	-	
	15,687,607	8,304,514	
Others Accounts			
Mudaraba Short Notice Deposits			
National Bank Ltd.	46,981	46,168	
Mercantile Bank Ltd.	132,219	127,389	
Southeast Bank Ltd. (Islamic Branch)	3,511,182	94,358,750	
Social Islami Bank Ltd.	5,367,185	5,199,790	
Dhaka Bank Ltd. (Islamic Branch)	8,319,191	7,990,750	
Bangladesh Commerce Bank Ltd.	5,123	8,076,123	
AB Bank Ltd. (Islamic Branch)	332,967	323,602	
Islami Bank (BD) Ltd.	20,700,776	34,603,271	
	38,415,624	150,725,843	
Fakhrul Islam Securities Ltd.	69,940,468	78,719,861	
Times Securities Ltd.	45,737,637	-	
	115,678,105	78,719,861	
Mudaraba Term Deposits			
Bangladesh Industrial Finance Company Ltd.	-	-	
Bangladesh Finance and Investment Ltd.	-	-	
National Housing Finance and Investment Ltd.	-	-	
Export Import Bank of Bangladesh Limited	250,000,000	-	
Hajj Finance Co. Limited	50,000,000	-	
Reliance Finance Limited	450,000,000	250,000,000	
International Leasing and Financial Services Ltd.	6,300,000	6,300,000	
	756,300,000	256,300,000	
Balance Carried Forward	926,081,336	494,050,218	

				Amount in Tk.		Amount in Tk.	
				31.12.2010		31.12.2009	
Balance Brought Forward-Inside Bangladesh				926,081,336		494,050,218	
B.	Outside Bangladesh	Currency	Amount	Rate		Amount	Rate
Current Account							
Mashreq Bank, London	GBP	734.72	109.7328	80,623	2,302.54	110.0302	253,349
Standered Chartered Bank, Frankfurt,Germany	EURO	10,388.31	93.5877	972,218	43,193.05	99.1206	4,281,321
NIB Bank (NDLC - IFIC Bank Ltd), Pakistan	ACU\$	1,756.75	70.7497	124,290	7,818.75	69.2667	541,579
Commerz Bank AG, Frankfurt, Germany	EURO	7,985.61	93.5877	747,355	15,368.52	99.1206	1,523,337
Bank of Bhutan, Thimpo, Bhutan	ACU\$	2,368.10	70.7497	167,542	2,368.10	69.2667	164,030
Sonali Bank , Kolkata, India	ACU\$	14,944.40	70.7497	1,057,312	14,944.40	69.2667	1,035,149
Mashreq Bank, PSC, London.	EURO	3,056.75	93.5877	286,074	10,240.74	99.1206	1,015,068
Standered Chartered Bank, Tokyo	J.YEN	400,732.00	0.8680	347,835	499,832.00	0.7514	375,574
Union De Banques Arabes Et Feancauses,Tokyo,Japan	J.YEN	3,800.00	0.8680	3,298	3,800.00	0.7514	2,855
AB Bank Ltd, Mumbai, India	ACU\$	48,888.33	70.7497	3,458,835	(19,080.81)	69.2667	(1,321,665)
Standard Charterd Bank (Amex), Newyork	USD	232,317.38	70.7497	16,436,385	30,509.02	69.2667	2,113,259
Standard Charterd Bank (Pakistan Limited),Colombo	ACU\$	45,160.00	70.7497	3,195,056	45,160.00	69.2667	3,128,084
Standard Charterd Bank, Mumbai	ACU\$	9,501.73	70.7497	672,245	33,022.81	69.2667	2,287,381
ICICI bank Ltd,Hongkong	USD	23,627.27	70.7497	1,671,622	97,472.26	69.2667	6,751,582
Mashreq Bank, Newyork	USD	464,661.14	70.7497	32,874,636	302,262.70	69.2667	20,936,740
HSBC, USA	USD	604,499.88	70.7497	42,768,185	2,537,473.07	69.2667	175,762,386
HSBC, Mumbai,India	ACU\$	193.22	70.7497	13,670	566.97	69.2667	39,272
ICICI bank Ltd,Kolkata,India	ACU\$	42,731.87	70.7497	3,023,267	(4,159.24)	69.2667	(288,097)
Mashreq Bank, PSC, London	USD	3,387.98	70.7497	239,699	3,387.98	69.2667	234,674
Habib Bank, Zuric,Switzerland	CHF	1,652.11	75.0262	123,952	15,459.00	66.6410	1,030,203
Wachovia Bank, NY,USA	USD	-	-	-	248,806.71	69.2667	
Habib Metropolitan Bank Limited,Karachi,Pakistar	ACU\$	26,200.00	70.7497	1,853,642	248,806.71	69.2667	17,234,020
				110,117,741			237,100,103
				1,036,199,077			731,150,321

Amount in Taka	
31.12.2010	31.12.2009

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

Payable on Demand	286,199,077	474,850,321
Up to Three Months	400,000,000	-
Three Months to One Year	350,000,000	256,300,000
One Year to Five Years	-	-
Above Five Years	-	-
	1,036,199,077	731,150,321

5 INVESTMENTS IN SHARES AND SECURITIES

Government Securities

Bangladesh Govt. Islamic Bonds	2,330,000,000	1,610,000,000
Prize Bonds	1,134,100	674,000
	2,331,134,100	1,610,674,000
Quoted/Unquoted Shares (Note - 5.1)	528,220,461	241,352,032
Others	-	-
	2,859,354,561	1,852,026,032

Amount in Taka	
31.12.2010	31.12.2009

5.1 Quoted/Unquoted Shares

Name of Companies	Face value per share Taka	No. of Share	Acquisition cost(Taka)	Acquisition cost(Taka)
Quoted:				
Fareast Islami Life Insurance Co.	100	-	-	19,066,518
Islami Bank Bangladesh Ltd.	100	-	-	28,640,688
Social Islami Bank Ltd.	100	-	-	1,089,592
Advanced Chemical Industries Ltd.	10	-	-	22,786,036
Export Import Bank (Bd) Ltd.	10	825000	57,552,000	7,952,520
Square Pharmaceuticals Ltd.	100	-	-	17,496,886
Aims First Mutual Fund	1	-	-	1,897,459
Beximco Ltd.	10	-	-	11,430,312
Fu-Wang Ceramic Ltd.	100	-	-	10,764,540
Summit Power Ltd.	100	-	-	25,797,369
Titas Gas Transmission & Distribution Co. Ltd.	100	-	-	10,094,832
ACI Formulation Ltd.	10	53100	21,645,505	9,888,307
Dhaka Electric Supply Company Ltd.	100	30	77,738	19,242,608
Keya Detergent Ltd.	10	-	-	11,136,014
Uttara Bank Ltd.	100	-	-	4,456,160
Dacca Dyeing Ltd.	10	-	-	8,310,942
Beximco Pharmaceuticals Ltd.	10	-	-	4,789,931
Square Textile Mills Ltd.	10	-	-	8,454,185
Al-Arafa Islami Bank Ltd.	10	400000	28,020,000	-
BSRM Steel	100	24000	53,301,600	-
ICB Islamic Bank Ltd.	10	300000	6,858,000	-
Islami Insurance Bangladesh Ltd.	100	12000	10,923,600	-
Shahjalal Islami Bank Ltd.	10	325000	27,705,232	-
Jamuna Oil Company Ltd.	10	170000	67,844,463	-
Meghna Cement Ltd.	10	85200	34,110,672	-
Navana CNG Ltd.	10	60500	14,060,805	-
National Tubes Ltd.	100	40	69,936	-
Summit Alliance Port Ltd.	2600	160000	36,808,510	-
Square Pharmaceuticals Ltd.	100	28190	107,810,400	-
Bangladesh Lamps Ltd.	100	2905	8,400,692	-
Islamic Finance & Investment Ltd.	100	10000	10,900,595	-
Khulna Power Company Ltd.	100	25000	3,711,372	-
Maxsons Spinning Mills Ltd.	10	100000	9,990,541	-
Lafarge Surma Cement Ltd.	100	35000	24,012,100	5,360,474
Southeast Bank Ltd.	100	0	-	11,696,659
Total			523,803,761	240,352,032
Unquoted:				
Central Depository Bangladesh Ltd.	10	256945	4,416,700	1,000,000
			528,220,461	241,352,032

5.2 Market Value of Quoted Shares

462,230,523	241,461,392
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Amount in Taka	
31.12.2010	31.12.2009

5.3 Maturity Grouping of Investments in Shares and Securities

On Demand	1,134,100	674,000
Within One Month	523,803,761	240,352,032
One Month to three Months	-	-
Three Months to One Year	-	-
One Year to Five Years	2,330,000,000	1,610,000,000
More than Five Years	4,416,700	1,000,000
	2,859,354,561	1,852,026,032

6 INVESTMENTS (All Inside Bangladesh)

General Investments (Bai-Murabaha, Bai - Muajjal, HPSM, etc.)(Note - 6.A)	47,640,238,696	35,616,450,493
Bills Purchased and Discounted (Note - 6.B)	4,483,664,468	3,109,424,281
	52,123,903,164	38,725,874,774

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

Inside Bangladesh

Investment General	8,170,610,788	7,976,946,868
Bai Murabaha (Hypo)	9,426,267,260	4,822,255,090
Bai Murabaha Post Import (TR)	12,833,296,420	9,432,186,558
Bai Murabaha Post Import (Pledge)	59,620,406	60,754,375
Bai Murabaha (Share)	258,392,909	33,276,962
Bai Murabaha Import Bills	3,674,446,383	1,136,263,758
Bai Muajjal (DDIS)	13,527,513	13,109,722
HPSM (House Building)	1,768,526,166	1,113,760,865
Pre-Shipment Investment	184,170,269	133,881,304
HPSM (Transport)	383,298,557	54,018,912
HPSM (Scheme)	2,932,102,236	2,001,668,897
Wajira Bill Okalah Against Cash Incentive	3,337,994	1,671,034
Quard Invesmnet A/C	601,016,156	348,170,079
Bai Murabaha General	3,937,010,637	2,942,572,976
Bai Murabaha against Security	2,596,472,434	4,492,672,184
Bai Murabaha Import	201,307,790	33,307,285
Bai Murabaha Export	94,355,180	74,400,155
SME Investment	124,819,371	24,283,040
Quard agsinst PF (Staff)	2,927,399	1,897,968
Agricultural Investment	111,215,619	13,835,562
Project Investment	231,623,216	880,802,188
Lease Investment/Izarah	394,867	299,560
Bai Salam Export	-	15,154,875
Bai - Muajjal General	1,194,100	-
HPSM Consumer Investment	30,305,026	9,260,276
	47,640,238,696	35,616,450,493
Outside Bangladesh	-	-
	47,640,238,696	35,616,450,493

6.B Bills Purchased and Discounted

Payable in Bangladesh	4,461,510,842	3,076,367,448
Payable outside Bangladesh	22,153,626	33,056,833
	4,483,664,468	3,109,424,281
	52,123,903,164	38,725,874,774

6.1 Maturity Grouping of Investments

	Amount in Taka	
	31.12.2010	31.12.2009
Payable on Demand	3,776,850,529	2,806,041,600
Up to Three Months	13,121,003,071	9,748,355,188
Three Months to One Year	11,374,391,790	8,450,696,233
One Year to Five Years	16,272,067,796	12,089,464,170
Above Five Years	7,579,589,978	5,631,317,583
	52,123,903,164	38,725,874,774

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

Investments to Directors of other Banks	4,243,778,164	3,908,887,000
Investments to Chief Executive and Other high Officials	1,034,775	1,852,982
Investments to Customers Group	42,646,747,225	32,651,966,774
Investments to Industry	5,145,500,000	2,094,500,000
Investment to staff	86,843,000	68,668,018
	52,123,903,164	38,725,874,774

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

Number of Clients	02	03
Amount of Outstanding Investments		
Funded	3,554,600,000	3,862,200,000
Non-funded	-	265,900,000
	3,554,600,000	4,128,100,000

6.4 Economic Sector wise Investments

Agriculture:

Fishing	101,300,000	92,400,000
Tea	-	-
Others	185,800,000	145,700,000

Textile and Readymade Garments:

Garments	490,700,000	356,500,000
Readymade Garments - Export	197,700,000	413,000,000
Textile and Textile Products- Import	1,317,800,000	1,198,600,000
Others -Export	173,800,000	455,000,000
Others -Import	9,250,300,000	2,877,300,000
Medicine - Import	-	83,300,000
Chemical - Import	-	15,500,000
Contractor Finance	5,812,400,000	2,353,200,000
Transport	304,000,000	79,600,000
Bricks	-	10,100,000
Cold Storage	-	69,800,000
Steel and Engineering	45,000,000	55,000,000

Internal Trade Finance:

Whole Sale Trading	4,133,100,164	5,943,300,000
Retail Trading	7,740,103,000	4,886,700,000
Others	4,399,900,000	4,559,000,000

House Building:

Commercial	4,945,800,000	2,925,300,000
Staff	86,800,000	61,100,000

Special Program:

Consumer Finance and Hire Purchase Scheme	56,900,000	67,000,000
Others	12,882,500,000	12,078,474,774

6.5 Geographical Location-wise

Urban

	31.12.2010	31.12.2009
Dhaka	23,025,245,164	16,219,222,153
Chittagong	27,742,031,000	21,350,614,797
Barisal	28,366,000	-
Rajshahi	211,492,000	275,456,828
Khulna	201,573,000	63,399,570
Rangpur	75,010,000	-
Sylhet	422,684,000	447,021,131
	51,706,401,164	38,355,714,479

Rural

Dhaka	73,444,000	212,074,982
Chittagong	267,865,000	83,739,248
Khulna	3,197,000	-
Sylhet	72,996,000	74,346,065
	417,502,000	370,160,295
	52,123,903,164	38,725,874,774

6.6 Investments Classified as per Bangladesh Bank Circular

Unclassified

Standard	50,751,289,209	37,882,785,774
Special Mention Account	10,552,000	12,574,000
	50,761,841,209	37,895,359,774

Classified:

Sub-standard	487,721,955	6,045,000
Doubtful	3,935,000	96,000
Bad & Loss	870,405,000	824,374,000
	1,362,061,955	830,515,000
	52,123,903,164	38,725,874,774

6.7 Particulars of Required Provision for Investments

<u>Classification status</u>	<u>Percentage</u>	<u>Base for provision</u>	<u>Required provisoin</u>	
Unclassified				
Standard	Various*	59,610,287,594	657,021,819	465,695,778
Special Mention Account	5%	10,486,000	524,300	591,650
			657,546,119	466,287,428
Classified:				
Sub- standard	20%	216,127,955	43,225,591	-
Doubtful	50%	881,000	440,500	26,000
Bad and Loss	100%	490,229,000	490,229,000	499,752,000
			533,895,091	499,778,000
			1,191,441,210	966,065,428
Required Provision for Investments			1,191,441,210	966,065,428
Total Provision Maintained			1,205,099,999	1,019,899,999
Provision Excess/(Shortfall)			13,658,789	53,834,571

*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	
		31.12.2010	31.12.2009
6.8 Particulars of Investments			
i)	Investments considered good in respect of which the Bank Company is fully secured	28,287,380,502	21,016,337,774
ii)	Investments considered good for which the bank holds no Security other than the debtors personal security	18,574,074,982	13,799,759,000
iii)	Investment considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors	5,262,447,680	3,909,778,000
iv)	Investments adversely classified; provision not maintained there against	-	-
		52,123,903,164	38,725,874,774
v)	Investments due by directors or executives of the banking company or any of them taken either severally or jointly with any other person.	86,843,000	70,521,000
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	-	-
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	1,361,392,000	830,515,000
a.	Movement of classified Investments		
	Opening balance	830,515,000	750,300,000
	Increase/ (Decrease) during the period	530,877,000	80,215,000
		1,361,392,000	830,515,000
b.	Amount of provision kept against investment classified as 'bad/loss' on the reporting date of Balance Sheet	542,894,000	507,694,000
c.	Profit credited to the profit Suspense Account	131,496,458	166,480,874
xi)	Amount of written off Investment:		
	Cumulative amount	-	-
	Amount written off during the year	-	-

		Amount in Taka	
		31.12.2010	31.12.2009
6.9 Security against Investments including bills purchased & discounted:			
Collateral of movable/immovable assets	18,770,641,927	13,945,800,000	
Local banks & financial institutions guarantee	363,546,758	270,100,000	
Government Guarantee	-	-	
Foreign Banks guarantee	-	-	
Export documents	1,513,544,354	1,124,500,000	
Fixed deposits receipts:			
Own MTDR	5,790,501,706	4,302,100,000	
MTDR of other Banks	534,754,265	397,300,000	
Government Bonds	256,138,274	190,300,000	
Personal guarantee	10,376,763,179	7,709,500,000	
Other security	14,363,226,040	10,671,274,774	
Unsecured	154,786,661	115,000,000	
	52,123,903,164	38,725,874,774	
6.10 Maturity Grouping of Bills Purchased and Discount			
Payable within one month	36,380,348	25,229,796	
Over one month but less than three months	97,126,629	67,357,382	
Over three months but less than six months	1,562,906,695	1,083,876,829	
Six Months and Above	2,787,250,796	1,932,960,274	
	4,483,664,468	3,109,424,281	
7.00 Fixed Assets including premises,Furniture & Fixtures at cost less accumulated depreciation (Annexure-A)			
Building	130,180,975	66,227,032	
Furniture & Fixtures	348,131,433	240,090,047	
Office Equipment	259,299,946	178,410,030	
Vehicles	44,477,222	37,845,372	
Books	82,279	78,837	
	782,171,855	522,651,318	
Less: Accumulated Depreciation	208,561,523	146,173,931	
	573,610,332	376,477,387	
8.00 OTHER ASSETS			
Inter - branch Transaction Account (*)	318,855,911	315,953,626	
Accrued Income (Note - 8.1)	161,895,813	161,491,690	
Advances, Deposits and Prepayment (Note -8.2)	128,205,153	83,537,385	
Advance Income Tax	690,184,509	450,255,540	
Stock of Stationery	14,166,703	10,605,935	
Suspense Account (Note- 8.3)	626,394,455	92,161,514	
Advance Deposits	71,584,144	65,290,757	
Stamps on Hand	399,949	195,552	
Investment in First Security Islami Exchange Ltd. (Note- 1.1.3)	26,501,825	-	
Investment in First Security Islami Capital & Investment Ltd (Note-1.1.2)	51,000,000	-	
Deferred Tax Assets (Note- 8.4)	80,000,000	80,000,000	
	2,169,188,462	1,259,491,999	

8.1 Accrued Income

Amount in Taka		
	31.12.2010	31.12.2009
Bangladesh Govt. Islamic Investment Bonds	71,924,971	34,149,594
Mudarabah Term Deposit	31,784,597	23,246,142
Mudarabah Short Notice Deposit	-	2,173,300
Inland Documentary Bills Purchased	25,166,736	68,268,340
Bai Murabaha Post Import (TR)	11,850,537	12,381,341
Bai Murabaha Post Import Bills	8,470,716	8,456,380
Pre - Shipment Investment	410,617	410,617
HPSM House Building	345,687	355,804
Bai Murabaha General (MSS)	4,682	4,682
Bai Murabaha against Security (MTD)	5,085	17,910
Bai Murabaha General	60,980	60,980
Bai Murabaha (Hypo)	2,683,994	2,683,994
Bai Salam - Export	7,629,060	7,723,086
Quard against PF	82,973	82,973
Lease Investment/Izarah	4,941	4,941
HPSM Agricultural Investment	-	1,369
HPSM (Scheme)	22,713	22,713
HPSM (Transport)	1,447,524	1,447,524
	161,895,813	161,491,690

8.2 Advance, Deposits and Prepayment

Advance against Rent - Office	76,485,814	56,095,778
Advance against Rent - Godown	3,520,000	3,520,000
Excise Duty on Term Deposits	3,129,250	2,797,480
Clearing Adjustment Account	29,544,763	20,658,245
Exchange house Settlement A/C- Canada	15,039,732	
Prepayment	485,594	465,882
	128,205,153	83,537,385

8.3 Suspense Account

Sundry Debtors	620,275,612	63,658,568
Advance against TA/DA	989,950	276,476
Encashment of PSP/BSP	1,016,000	17,511,858
Advance against New Branch	-	-
Profit on PSP/BSP	3,868,500	10,351,219
Advance against Legal Fee	244,393	363,393
	626,394,455	92,161,514

8.4 Deferred Tax Assets

Opening Balance as on 01 January 2010	80,000,000	80,000,000
Add: Addition During the period	-	-
Closing Balance as on 31 December 2010	80,000,000	80,000,000

As of 31 December 2010 deferred tax assets arrived at Tk.175.87 million. But management has decided not to recognize deferred tax assets for the period ended 31 December 2010. However, management has recognized deferred tax assets upto December 2007 Tk. 80 million.

Amount in Taka	
31.12.2010	31.12.2009

9 PLACEMENT FROM BANK & OTHER FINANCIAL INSTITUTION

Inside Bangladesh

Janata Bank Ltd
Rupali Bank Ltd
Bangladesh Commerce Bank Ltd.

-	-
-	-
-	-

Outside Bangladesh

-	-
-	-

A. Security- wise grouping

Secured Placement
Unsecured Placement

-	-
-	-

B. Repayment Nature wise Grouping

Repayable on demand
Others

-	-
-	-

C. Maturity Analysis

Repayable on Demand
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

-	-
-	-
-	-
-	-
-	-
-	-
-	-

10 DEPOSITS AND OTHER ACCOUNTS

A. Deposits Received from Banks (Note A-1)

2,140,000,000	2,340,000,000
---------------	---------------

B. Other than Bank

Payable on Demand (Note B-1)
Other Deposits (Note B-2)

3,180,887,242	1,993,468,880
51,024,071,925	38,089,623,842
54,204,959,167	40,083,092,722
56,344,959,167	42,423,092,722

C. Maturity wise Grouping of Deposit

Repayable within One Month
One Month to Three Months
Three Months to One Year
One Year to Five Years
Repayable over Five Years

5,964,428,775	3,636,319,976
18,897,707,195	16,363,468,768
23,567,250,603	14,541,499,776
5,990,061,318	5,970,472,747
1,925,511,276	1,911,331,455
56,344,959,167	42,423,092,722

Amount in Taka	
31.12.2010	31.12.2009

A-1 Deposits Received from Banks

Pubali Bank Ltd.	-	100,000,000
AB Bank Limited	710,000,000	-
Islami Bank Bangladesh Ltd.	950,000,000	750,000,000
Shahjalal Islami Bank (BD) Ltd.	-	10,000,000
Sonali Bank Ltd.	-	400,000,000
Bangladesh Krishi Bank	-	500,000,000
Rajshahi Krishi Unnayan Bank	-	20,000,000
Bangladesh Development Bank Ltd.	100,000,000	-
Bangladesh Commerce Bank Ltd.	-	50,000,000
Social Islami Bank Ltd.	280,000,000	50,000,000
Basic Bank Ltd.	-	350,000,000
Janata Bank Limited	100,000,000	-
Eastern Bank Ltd.	-	110,000,000
	2,140,000,000	2,340,000,000

Maturity wise Grouping of Inter Bank Deposit

Repayable on Demand	540,000,000	310,000,000
Repayable within One Month	120,000,000	250,000,000
Repayable over One Month but within Six Months	1,380,000,000	1,780,000,000
Repayable over Six Months but within one Year	100,000,000	-
Repayable over One Year but within Five Years	-	-
Repayable over Five Years but within Ten Years	-	-
Unclaimed Deposits for Ten Years and above	-	-
	2,140,000,000	2,340,000,000

B-1 Payable on Demand

Al-wadiah Current Deposits	2,003,583,232	972,622,384
Mudaraba Saving Deposits (9%) (Note-10.3)	358,898,711	219,731,262
Security Deposit Receipt	2,285,438	2,802,482
Sundry Deposits (Note-10.7)	816,119,861	798,312,752
	3,180,887,242	1,993,468,880

B- 2 Other Deposits

Mudaraba Saving Deposits (91%) (Note-10.3)	3,628,864,748	2,221,727,205
Mudaraba Term Deposits	30,936,189,284	24,654,564,624
Mudaraba Short Notice Deposits	4,193,131,957	1,860,511,504
Bills Payable (Note-10.2)	545,866,334	561,376,373
Bearer Certificates of Deposits (Note-10.5)	-	-
Mudaraba Deposit under Schemes (Note-10.6)	11,691,392,816	8,777,183,003
Foreign Currency Deposits	28,626,786	14,261,133
Total	51,024,071,925	38,089,623,842

10.1 Al-Wadiah Current Accounts & Other Deposit Accounts

Al-wadiah Current Deposits	2,003,583,232	972,622,384
Mudaraba Short Notice Deposits	4,193,131,957	2,170,511,504
Sundry Deposits (Note-10.1.1)	816,119,862	798,312,752
Security Deposit Receipt	2,285,438	2,802,483
Foreign Currency Deposits	28,626,785	14,261,133
Total	7,043,747,274	3,958,510,256

10.1.1 Sundry Deposits

	Amount in Taka	
	31.12.2010	31.12.2009
Margin on Letters of Credit	429,697,102	362,189,187
Foreign Bills Awaiting Remittance	63,666,758	84,236,041
Margin on Letter of Guarantee	97,501,764	81,269,729
Readycash card (Reload)	1,200	1,200
Sundry Creditors	48,044,974	111,778,124
Al-wadiah Bai-murabaha	3,435,356	4,867,751
Al-wadiah Bai-murabaha (MTD)	8,390,850	4,084,877
Al-wadiah Bai-murabaha (General)	5,650,903	4,462,779
Income Tax Deduction at Source -Profit on Deposit	86,917,241	86,559,316
Export Bills	5,373,428	11,902,370
Sanchaya Patras	500,000	2,050,000
Fixed Deposits - Export Bills	4,932,228	5,118,324
Risk Fund on Hire Purchase Scheme	2,844,248	2,452,467
Income Tax Deduction at Source (Export Bills)	970,180	507,889
Courier Charges	1,045,445	706,870
Data Max Charges	473,087	1,863,437
Marginal account Export (P)	813,624	
Exporters LA Commission	3,979,623	
Margin on Consumer Finance Scheme	121,322	119,322
Margin on Payment Orders Demand, Draft	1,323,120	1,676,493
Excise Duty on Deposit	31,551,814	21,322,286
VAT Deduction on Letter of Credit - Commission	4,120,919	1,020,268
Income Tax Deduction at Source - Letter of Credit	1,016,661	826,677
VAT on Investment Processing fee	519,862	91,340
VAT on Online Charge	204,875	103,943
VAT on Commission TT/DD/PO/LG	1,892,863	1,292,954
VAT Deduction - Indenting Commission	469	289
VAT on ATM	432	117
VAT on Service Charge and Others	3,096,455	478,117
VAT Deduction Bills Paid	1,664,452	1,224,924
VAT on Rent and Others	998,628	542,942
VAT on Directors Fee	12,000	12,000
Income Tax Deduction at Source - Office rent	232,249	-
ATM Charge Collection	74,531	86,313
Income Tax Deduction at Source - Indenting Commission	64,331	2,489
Income Tax Deduction at Source - Bills	205,840	703,897
Income Tax Deduction at Source - Agent of Foreign Buyer	340,744	285,738
Income Tax Deduction at Source - Professional & Technical Service	80,787	60,006
Income Tax Deduction at Source - Private Security Service	45,697	10,213
Income Tax Deduction at Source - Export Bill (others)	-	37,427
Income Tax Deduction at Source - Cash Incentives	772,640	755,240
Income Tax Deduction at Source - Advertising Bill	80,048	34,512
Excise Duty on Investments	2,162,136	1,740,620
Income Tax Deduction at Source-Employee's	1,294,526	1,828,164
Imprest Fund-Cash Incentive	4,450	6,100
	816,119,862	798,312,752

10.2 Bills Payable

Pay Order Issued	311,119,195	246,390,413
Demand Draft Payable	232,103,142	305,945,890
Pay Slips Issued	2,609,560	9,005,633
Travellers' Cheques Payable	34,437	34,437
	545,866,334	561,376,373

		Amount in Taka	
		31.12.2010	31.12.2009
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	358,898,711	219,731,262	
91% of total Mudaraba Savings Bank Deposits	3,628,864,748	2,221,727,205	
	3,987,763,459	2,441,458,467	
10.4 Mudaraba Term Deposits including other Banks - Maturity wise Grouping			
Payable on Demand	864,240,231	757,213,204	
Up to Three Months	12,135,347,724	12,281,230,264	
From Three Months to Six Months	6,883,746,460	3,509,538,428	
Above Six Months to One Year	13,150,678,250	10,097,267,469	
Above One Year to Two Years	22,668,303	20,881,904	
Above Two Years	19,508,316	18,433,355	
	33,076,189,284	26,684,564,624	
10.5 Bearer Certificate of Deposits			
Repayable on Demand	-	-	
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	-	-	
	-	-	
10.6 Mudaraba Deposit under Schemes			
Mudaraba Monthly Savings Scheme	3,071,128,935	2,124,201,886	
Mudaraba Double Benefit Deposits Scheme	8,185,925,889	6,368,103,214	
Mudaraba Monthly Benefit Scheme	434,337,992	284,877,902	
	11,691,392,816	8,777,183,002	
11 OTHER LIABILITIES			
Inter - branch Transaction Account	-	-	
Provision for Taxation (Note-11.1)	1,106,655,375	671,655,375	
Accumulated Provision against Investments(Note-11.3)	1,205,099,999	1,019,899,999	
Profit Suspense Account (Note -11.4)	131,496,458	166,480,874	
Accrued Profit and Expenses Payable (11.5)	800,262,184	770,803,882	
Provision for Gratuity	46,350,000	34,200,000	
Provisions for diminution in value of Investments	38,800,000	4,000,000	
Provision for Zakat	20,097,158	15,117,438	
Exchange Equalization Fund	-	1,419,078	
Provident Fund	1,016,105	972,245	
Benevolent Fund	4,258,729	1,137,025	
Non-Resident Accounts	174,085	3,852,619	
Compensation Realised	74,991		
Others	542,062	510,940	
Total	3,354,827,146	2,690,049,475	
11.1 Provision for taxation			
Opening balance	671,655,375	351,655,375	
Add - Made during the year	435,000,000	320,000,000	
	1,106,655,375	671,655,375	

Amount in Taka	
31.12.2010	31.12.2009

Assessment for taxation in 2000, 2001, 2003, 2004, 2007 and 2008 is yet to be completed. Assessment for the year 1999, 2002, 2005 & 2006 have been settled. Assessment order of 2000, 2001 and 2003 is pending with High court and of 2004, 2007 with Appellate Tribunal, 2008 with Appeal to Commissioner of Taxes and 2009 assessment not yet completed. Return submission date of 2010 is not yet due.

11.2 Provision for Investments during the period

Specific Provision for Classified Investments	35,200,000	-
General Provision	150,000,000	100,000,000
	185,200,000	100,000,000

11.3 Cumulative Provision for Investments

Specific Provision for Classified Investments (Note - 11.3.1)	542,894,000	507,694,000
General Provision (Note - 11.3.2)	662,205,999	512,205,999
	1,205,099,999	1,019,899,999

11.3.1 Movement in Specific Provision

Provision held at the beginning of the period	507,694,000	597,694,000
Fully Provided Debts written off	-	-
Recoveries of amounts previously written off	-	-
Specific Provision for the year	35,200,000	-
Recoveries and Provisions no longer required	-	(90,000,000)
Net Charge to Profit and Loss Account	-	-
Provision held at the end of the year	542,894,000	507,694,000

11.3.2 General Provision including off-balance sheet exposure

Provision held at the beginning of the year	512,205,999	322,205,999
Addition/transfer during the year	150,000,000	190,000,000
	662,205,999	512,205,999
Provision at the end of the year	1,205,099,999	1,019,899,999

11.4 Profit Suspense Account

Opening Balance	166,480,874	148,476,068
Add: Transferred During the year	-	18,004,806
	166,480,874	166,480,874
Less: Recovered from profit suspense during the year	34,984,416	-
Less: Amount Written off/waived during the year	-	-
Balance at the end of the year	131,496,458	166,480,874

Amount in Taka	
31.12.2010	31.12.2009

11.5 Accrued Profit and Expenses Payable

Profit Payable on MTDR	745,191,599	754,104,842
Profit Payable on Monthly Benefit Savings Scheme	-	-
Profit Payable on Monthly Double Benefit Savings Scheme	1,913,056	571,471
Profit on Monthly Savings Scheme	-	-
Profit Payable on Sort Notice Deposit	1,377,225	2,921,596
Profit Payable on Mudarabah Savings Deposit	178,860	71,401
Profit Payable on Deposits from Banks	207,900	-
Power and Electricity	671,955	603,118
Telephone	245,655	293,197
Office Rent	1,029,058	664,258
Audit Fees	410,000	400,000
Telex, Fax and E-mail	3,110	15,110
Printing and Stationery	94,015	88,457
Rates & Taxes	4,300	4,300
Clearing Adjustment	48,678,329	11,001,810
Others	257,122	64,322
	800,262,184	770,803,882

12 CAPITAL

AUTHORISED CAPITAL

460,000,000 ordinary shares of Taka 10 each.

4,600,000,000	4,600,000,000
----------------------	----------------------

12.1 Issued, Subscribed and Paid-Up Capital

303,600,000 Ordinary Shares of Taka 10 each issued

3,036,000,000	2,300,000,000
3,036,000,000	2,300,000,000

12.2 Category of shareholding as at 31 December 2010

Name of Category	No. of Shareholders	No. of Shares	Percentage(%)
Sponsors/Directors	26	151,819,680	50.00
Financial Institute	513	37,094,380	12.04
Non-Resident Bangladeshi	1,643	1,472,882	0.65
General Public	80,048	113,213,058	37.31
	82,230	303,600,000	100.00

Amount in Taka	
31.12.2010	31.12.2009

12.3 Classification of Shareholders by holding position as at 31 December 2010

Shareholding Range	No. of Shareholders	No. of Shares	Percentage (%)
Less than 500 Shares	35,251	7,570,544	2.49
501 to 5000 Shares	44,215	48,404,950	15.94
5001 to 10,000 Shares	1,489	10,737,024	3.54
10,001 to 20,000 Shares	634	8,735,884	2.88
20,001 to 30,000 Shares	195	4,835,840	1.59
30,001 to 40,000 Shares	82	2,892,220	0.95
40,001 to 50,000 Shares	71	3,238,880	1.07
50,001 to 100,000 Shares	128	8,965,864	2.95
100,001 to 1,000,000 Shares	136	40,069,518	13.20
Over 1,000,000 Shares	29	168,149,276	55.39
	82,230	303,600,000	100.00

12.4 Capital Adequacy Ratio

	Under Basel - II	Under Basel - I
<u>Tier-I (Core Capital)</u>		
Paid up Capital	3,036,000,000	2,300,000,000
Statutory Reserve	460,169,845	263,449,699
General Reserve	24,000,000	24,000,000
Retained Earnings	399,841,641	277,961,056
	3,920,011,486	2,865,410,755
<u>Tier –II (Supplementary Capital)</u>		
1% on General Provision	662,205,999	512,205,999
Exchange Equalization Account	-	1,419,078
	-	513,625,077
<u>Tier –III (eligible for market risk only)</u>		
Short-term subordinated Debt	-	-
	-	-
A. Total Eligible Capital	3,920,011,486	3,379,035,832
B. Total Risk Weighted Assets	50,423,900,000	31,113,430,900
C. Minimum Capital Requirement based on Risk Weighted Assets (9% on B)	4,538,151,000	3,111,343,090
D. Surplus/(Deficiency)....(A - C)	(618,139,514)	267,692,742
Capital Adequacy Ratio (%)	7.77%	10.86%

Capital Requirement	Required	Held	Held
Tier - I	-	7.77%	9.21%
Tier - II	-	0.00%	1.65%
Tier - III	-	-	-
Total	9.00%	7.77%	10.86%

		Amount in Taka	
		31.12.2010	31.12.2009
13 STATUTORY RESERVE			
Opening Balance	263,449,699	134,082,149	
Transferred during the year from Profit & Loss A/C	196,720,146	129,367,550	
Closing Balance	460,169,845	263,449,699	
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	277,961,056	80,490,857	
Add: Post tax profit for the year	548,600,731	326,837,749	
Less: Transfer to Statutory Reserve	196,720,146	129,367,550	
Less: Capitalised during the period	230,000,000	-	
Closing Balance	399,841,641	277,961,056	
15 LETTER OF GUARANTEES			
Money for which the Bank is contingently liable in respect of guarantees are given favoring:			
Letters of Guarantee - Local	1,397,928,377	1,176,516,750	
Letter of Guarantee - Foreign	3,082,000	7,452,000	
	1,401,010,377	1,183,968,750	
Less: Margin Taken on Guarantees	97,501,764	81,269,729	
	1,303,508,613	1,102,699,021	
15.1 Money for Which the Bank is Contingently Liable in respect of Guarantees:			
Directors	-	-	
Government	-	-	
Banks and Other Financial Institutions	-	-	
Others	1,401,010,377	1,183,968,750	
	1,401,010,377	1,183,968,750	
16 IRREVOCABLE LETTERS OF CREDIT			
Letters of Credit - Cash	2,840,286,500	1,810,637,000	
Letter of Credit - Cash Inland	182,283,600	2,163,600	
Back to Back letters of Credit - Local	233,195,028	157,803,224	
Back to Back letters of Credit - Foreign	95,996,000	51,243,190	
	3,351,761,128	2,021,847,014	
17 BILLS FOR COLLECTION ISSUED BY THE BANK			
Foreign Documentary Bills	135,975,000	124,356,000	
Outward Bills	23,590,533	45,350,478	
Inland Documentary Bills	-	-	
	159,565,533	169,706,478	

18 INVESTMENT INCOME

Profit Received from:

	Amount in Taka	
	2010	2009
Deposit with Other Banks	37,466,909	82,798,937
Bai Murabaha - General	411,598,579	299,455,560
Bai Murabaha Hypothecation	935,683,484	476,257,587
Bai Murabaha against MTD	495,659,360	856,529,688
Bai Murabaha Post Import (LTR)	1,363,400,963	1,090,482,333
Bai Murabaha General	880,817,395	582,991,470
Investment General	-	2,477
Inland Documentary Bills Purchased	471,953,391	369,617,651
Bai Muajjal General	12,956,557	175,606,163
Bai Murabaha Post Import (Pledge)	584,616	2,639,088
Bai Murabaha Real Estate	21,817,160	57,914,842
Bai Murabaha Import Bill	304,158,711	167,343,451
Pre-shipment Investment	12,304,645	13,652,586
Bai Murabaha Import	3,831,243	1,143,708
Bai Murabaha Export	2,447,527	752,491
HPSM Transport	8,825,486	4,042,384
Rent on HPSM Scheme	317,878,333	109,969,337
Bai Muajjal (DDIS)	887,184	876,622
Bai Murabaha Pledge	-	725,037
HPSM House Building - Staff	3,406,072	2,950,475
HPSM Lease Investment	84,724	48,415
Quard against Cash Incentives	-	168,283
Foreign Documentary Bill Purchased	141,657	77,128
Agriculture Investment	5,032,951	311,337
Bai Murabaha SME Investment	8,347,930	2,484,142
Quard against PF Investment	359,122	217,499
Quard against Car Lease Scheme	715,837	227,496
Quard against MTDR	939,601	229,300
Bai Salam	2,165,659	278,623
HPSM Real Estate	48,270,664	1,370,418
HPSM Consumer	3,333,023	283,074
HPSM Agriculture	2,680,467	8,703
HPSM SME	2,244,400	127,875
HPSM HBL Commercial	101,067,302	18,689,501
HPSM Industrial	85,204,399	28,257,420
Wajira Bill Okalah	782,444	143,452
	5,547,047,795	4,348,674,553

		Amount in Taka	
		2010	2009
19 PROFIT PAID ON DEPOSITS			
Profit Paid on:			
Mudaraba Term Deposit	2,628,130,268	2,518,417,964	
Mudaraba Double Benefit Deposits Scheme	760,232,173	386,426,128	
Mudaraba Monthly Savings Scheme	283,047,937	194,706,616	
Mudaraba Monthly Benefit Savings Scheme	38,324,231	26,135,293	
Mudaraba Savings Deposits	139,631,102	73,807,832	
Mudaraba Short Notice Deposits	244,404,958	110,863,305	
Placement from Other Banks	-	3,750,416	
Mudaraba Deposit in Foreign Currency	1,009,162	1,665,742	
Mudaraba Deposit from Banks	-	500,000	
Penal Profit Paid to Bangladesh Bank	30,197,450	17,237,663	
Discount	849,219	289,408	
	4,125,826,500	3,333,800,367	
20 INCOME FROM INVESTMENT IN SHARES & SECURITIES			
Bangladesh Govt. Islamic Investment Bond	41,330,833	34,149,594	
Dividend on Shares	1,048,143	250,000	
Extra Ordinary Gain	1,419,078	-	
Profit on Sale of Shares	220,409,973	19,110,933	
	264,208,027	53,510,527	
21 COMMISSION, EXCHANGE AND BROKERAGE			
Commission	205,733,437	122,546,743	
Exchange Gain	76,828,519	72,084,676	
Exchange Earning	77,849,837	74,371,411	
Less: Exchange Loss	1,021,318	2,286,735	
	282,561,956	194,631,419	
22 OTHER OPERATING INCOME			
Rent Recoveries	548,500	294,400	
Charges on Account Closing	922,635	470,801	
Standing Instruction Charges	16,390	3,141	
Gain on sale of fixed assets	-	4,743,261	
Service Charge on HP	4,964,180	3,422,766	
Service charge on Quard	3,508,226	3,191,721	
Other Receipts (Note-22.1)	107,256,729	52,491,486	
	117,216,660	64,617,576	

22.1 Other Receipts

Amount in Taka	
2010	2009
Postage Recoveries - Local	835,849
Tlx/Tel/Tlgr/Fax/E-mail Chg. Recoveries	301,806
Incidental Charge on Al-Wadiah CD A/C	2,158,732
Incidental Charge on Mudaraba SB A/C	3,803,968
Incidental Charge on Mudaraba SND A/C	8,227,444
Income from online	1,833,635
Investment processing fee	482,515
Income from ATM	1,552,528
Additional realised	11,233,172
Miscellaneous Earnings	29,168,467
	29,820
	55,390
	2,862,955
	21,812,976
107,256,729	52,491,486

23 SALARIES & ALLOWANCES

Basic Salary	138,200,192	94,041,342
Bonus	69,298,064	36,520,032
Bank's Contribution to Staff Provident Fund	10,599,311	7,543,477
Gratuity	13,745,208	11,211,500
House Rent	59,842,762	36,430,896
Conveyance Allowance	12,558,653	4,681,207
Leave Fare Allowance	48,277,502	25,046,770
Car Allowance	15,097,455	10,286,395
Entertainment Allowance	4,012,049	2,297,006
Medical Allowance	13,531,812	6,434,474
Utility Services	13,911,405	7,418,108
Washing Allowance	1,579	2,318
House Maintenance Allowance	14,036,496	7,522,334
Furniture Allowances	500,000	-
Other Allowances	3,344,873	1,789,702
Dearness allowance	-	3,554,921
Leave Encashment	1,344,416	700,500
	418,301,777	255,480,982

24 RENT, TAXES, INSURANCE, LIGHTING ETC.

Rent	66,935,028	46,539,962
Insurance	23,669,423	15,174,917
Rates and Taxes	2,557,141	3,610,108
Water Charges	704,873	674,072
Gas Charges	375,507	284,607
Electric Bills	12,808,035	8,540,784
	107,050,007	74,824,450

25 LEGAL EXPENSES

Law Charges	242,764	2,018,042
Stamp	21,851	39,879
Other Professional Charges	699,300	476,553
	963,915	2,534,474

		Amount in Taka	
		2010	2009
26 POSTAGE, STAMP AND TELECOMMUNICATION			
Telephone - Office	5,219,379	4,409,153	
Telegram, Telex, Fax and Email	2,462,826	2,133,819	
Telephone - Residence	85,599	86,839	
Postage	1,359,736	1,180,432	
	9,127,540	7,810,243	
27 STATIONERY, PRINTING AND ADVERTISEMENT			
Publicity and Advertisement	25,339,548	24,888,251	
Printing and Stationery	33,211,815	18,498,996	
	58,551,363	43,387,247	
28 MANAGING DIRECTOR'S SALARY AND FEES			
Basic Pay	4,620,162	4,275,000	
House Rent Allowances	996,129	900,000	
Leave Fare Allowance	1,944,193	1,575,000	
Bonus	795,162	750,000	
House Maintenance Allowance	996,129	900,000	
Other Allowance	564,355	300,000	
	9,916,130	8,700,000	
29 DIRECTORS' FEES			
Fees	882,150	917,600	
Travel	1,306,720	1,257,109	
	2,188,870	2,174,709	
30 SHARIAH COMMITTEE'S FEES			
Fees	46,000	112,000	
Travel	-	63,850	
	46,000	175,850	
31 DEPRECIATION AND REPAIRS OF FIXED ASSETS			
Depreciation on Fixed Assets (Annexure - A)	62,387,592	41,544,826	
Repairs:			
Office equipment	2,576,184	2,065,727	
Renovation and Maintenance of Office Premises	607,720	455,677	
Furnitures and Fixtures	135,828	118,260	
Maintenance and Services of SWIFT	207,484	445,369	
Maintenance of Reuters	1,406,867	1,391,394	
Elect. Fitt. Rep. & Replacement	2,831,147	1,600,375	
Office Maintenance Expenses	2,762,852	2,522,064	
	72,915,674	50,143,692	

Amount in Taka		
	2010	2009
32 OTHER EXPENSES		
Car Expense	19,515,568	19,379,570
Wages	49,019,182	30,207,948
Traveling	6,533,954	7,241,016
Donation and Subscription:		
Donation	42,897,173	7,144,600
Subscription	4,240,350	1,288,500
Newspaper and Periodicals	455,270	324,318
Entertainment	8,112,400	4,388,305
Conveyance	4,659,199	3,431,535
Business Development	2,306,905	1,526,884
Promotional Expense	2,254,253	344,274
Computer Expense	12,203,185	6,979,640
Medical Expense	3,773,474	1,888,720
Plantation	682,125	519,807
Liveries and Uniform	430,131	12,030
Training, Seminar and Workshop	5,275,022	4,532,880
Photocopying	1,487,366	1,102,071
Generator Expenses	7,431,319	3,949,398
Cash Carrying	4,285,409	100,515
Washing and Cleaning	1,048,536	570,965
Cartage and Freight	25,215	60,165
Staff Welfare	7,446,024	7,351,928
Recruitment Expenses	-	418,595
Office Maintenance	2,979,423	3,108,962
ATM Expenses	1,468,121	2,119,366
Meeting Expenses	7,857,607	7,482,676
IPO Expense	-	572,206
Right Issue Expense	769,000	-
	197,156,211	116,046,874
33 EARNINGS PER SHARE		
Net Profit after Tax	548,600,731	326,837,749
Number of Ordinary Shares (weighted average as per BAS-33)	235,888,630	230,000,000
Earning Per Share (EPS)	2.33	1.42
34 RECEIVED FROM OTHER OPERATING ACTIVITIES		
Rent Recoveries	548,500	294,400
Charges on Account Closing	922,635	470,801
Standing Instruction Charges	16,390	3,140
Service Charge on HP	4,964,180	3,422,766
Service Charge on Quard	3,508,226	3,191,721
Other Receipts	107,256,729	52,491,486
	117,216,660	59,874,314

Amount in Taka	
2010	2009

35 PAYMENT FOR OTHER OPERATING ACTIVITIES

Rent, Taxes, Insurances, Electricity etc.	107,050,007	74,824,450
Legal Expenses	963,915	2,534,474
Postage, Stamps, Telecommunications etc.	9,127,540	7,810,243
Auditors' Fee	400,000	400,000
Directors' fees	2,188,870	2,174,709
Shariah Committee's fees	46,000	175,850
Other Expenses	197,156,211	120,046,874
	316,932,543	207,966,600

36 INCREASE /DECREASE OF OTHER ASSETS

Inter - branch Transaction Account	318,855,911	315,953,626
Accrued Income	161,895,813	161,491,690
Advances, Deposits and Prepayment	128,205,153	83,537,385
Stock of Stationery	14,166,703	10,605,935
Suspense Account	626,394,455	92,161,514
Advance Deposits	96,646,714	2,812,758
Stamps on Hand	399,949	195,552
FSI Capital & Investment Ltd.	52,439,255	-
	1,399,003,953	666,758,460
(Increase)/Decrease during the year	(732,245,493)	(26,753,095)

37 INCREASE /DECREASE OF OTHER LIABILITIES

Inter - branch Transaction Account	-	-
Profit Suspense Account	131,496,458	166,480,874
Accrued profit and Expenses Payable	800,262,184	770,803,881
Exchange Equalization Fund	-	1,419,078
Provident Fund	1,016,105	972,245
Provisions for diminution in value of Investment in Shares	38,800,000	4,000,000
Benevolent Fund	4,258,729	1,137,025
Non-Resident Accounts	174,085	3,852,619
Others	542,062	510,940
	976,549,623	949,176,662
Increase /(Decrease) during the year	27,372,961	27,653,124

38 NUMBER OF EMPLOYEES

Executives and Officers	929	775
Members of Staff	-	-
Total	929	775

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>4,640,068</u>
b. M/S Unique Enterprise	Bank Guarantee	Common Director	<u>377,000</u>
c. Reliance Finance Ltd.	MTDR	Common Director	<u>450,000,000</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	Mohammed Saiful Alam	Chairman	<p><u>Chairman/Board of Director</u> First Security Islami Capital & Investment Ltd. Reliance Finance Limited Reliance Brokerage Services Limited Karnaphuli Prakritik Gas Ltd.</p> <p><u>Managing Director</u> S. Alam Steels Ltd. (Unit -1, & 2) S. Alam Steels Ltd. (Unit - 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. Ocean Resort Ltd.</p> <p><u>Sponsor Director</u> Northern General Insurance Co. Ltd.</p> <p><u>Sponsor Shareholder</u> Al-Arafah Islami Bank Ltd. S. Alam Super Adible Oil Ltd. S. Alam Vegetable Oil Ltd.. Shah Amanat Prakritik Gas Company Ltd.</p> <p><u>Proprietor</u> S. Alam & Co. Sonali Overseas Corporation</p>

2	Alhaj Mohammed Abdul Maleque	Vice Chairman	<p><u>Chairman</u> Jesco Capital Management Ltd. ABM Tower Ltd. Bengal Center Ltd. <u>Chairman & Managing Director</u> Jesco Bangladesh Ltd. <u>Managing Director</u> Chittagong Board and Paper Mills Ltd. Kharana Fish & Poultry Ltd. <u>Director</u> Central Hospital Ltd. <u>EX - Chairman & Managing Director</u> Central Insurance Co. Ltd. <u>Ex - Director</u> Chittagong Chamber of Commerce & Industry <u>Proprietor</u> M/S. Bengal Corporation M/S. Bengal Trading M/S. Lucky Electronics</p>
3	Ms. Farzana Parveen	Director	<p><u>Director</u> First Security Islami Capital & Investment Ltd. Reliance Finance Limited S. Alam Power Plant Ltd. S. Alam Vegetable Oil Ltd. Prasad Paradise Resorts Ltd. <u>Shareholder</u> Reliance Brokerage Services Limited <u>Proprietor</u> Fair Trade International</p>
4	Ms. Rahima Khatun	Director	<p><u>Chairman</u> Al-Sharaf Airways Ltd. M/S. Mortoza Assets Ltd.</p>
5	Dr. Muhammad Loqman	Director	<p><u>Chief (Dhaka Campus)</u> International Islamic University Chittagong <u>Treasurer</u> International Islamic University Chittagong</p>
6	Ms. Atiqun Nesa	Director	<p><u>Proprietor</u> Atique Enterprise</p>
7	Md. Sharif Hussain	Director	<p><u>General Secretary</u> Islamic Economic Research Bureau</p>
8	A.K.M. Ali Johar	Director	<p><u>Chairman</u> Marwa Shipping Agency Ltd. <u>Nominee Director</u> Reliance Finance Limited <u>Proprietor</u> M/S. Johar Real Estate M/S. Johar Associates</p>

9	Md. Wahidul Alam Seth	Director	<u>Director</u> Reliance Brokerage Services Limited <u>Proprietor</u> M/S. B. Nowab Real Estate INTRA
10	Shahidul Islam	Director	<u>Managing Director</u> Platinum Shrimp Hatchery Ltd. <u>Proprietor</u> S.S. Corporation
11	Mohammed Oheidul Alam	Director	<u>Vice Chairman</u> C & A Real Estate <u>Managing Director</u> Dream Knitting (BD) Ltd. <u>Proprietor</u> M/S. Land Mark Hotel & Restaurant Car Shop The Travel World <u>Managing Partner</u> Orchid Business Hotel
12	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 Internatinal M/S. Agro Trading
13	Mohammed Kutub Uddowllah	Depositor Director	<u>Director</u> Reliance Finance Limited <u>Director & CEO</u> D.S. Line Limited
14	Md. Abdul Hamid Miah	Independent Director	N/A

41 EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on 10 May 2011 recommended stock dividend @ 12 % for the year 2010 to be approved in the Annual General Meeting.

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 Mohammed Abdul Maleque	Vice Chairman	Convener	B.SC
A.K.M. Ali Johar	Director	Joint Convener	M.Com, ACMA
Md. Sharif Hossain	Director	Member	Masters of Arts (Economics)

b) During the period under review, the Audit Committee of the Board conducted 05 (five) 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

Dhaka, Bangladesh
Date: May 10, 2011

Annexure A

FIRST SECURITY ISLAMI BANK LIMITED
STATEMENT OF FIXED ASSETS
AS AT 31 DECEMBER 2010

Figure in Taka

Particulars	C O S T				D E P R E C I A T I O N				
	Balance as on 1st January'10	Addition during the period	Sales/Transfer during the period	Balance as on 31 December 10	Balance as on 1st January'10	Charge during the period	Adjustment on sale / transfer during the period	Balance as on 31 December 10	Written down value as on 31 December '10
Building	66,227,032	63,953,943	-	130,180,975	376,990	1,646,781	-	2,023,771	128,157,204
Furniture & Fixtures	240,090,047	108,041,386	-	348,131,433	66,587,335	23,233,404	-	89,820,739	258,310,694
Office Equipment	178,410,030	80,889,916	-	259,299,946	65,294,951	29,916,812	-	95,211,763	164,088,183
Vehicles	37,845,372	6,631,850	-	44,477,222	13,843,196	7,586,526	-	21,429,722	23,047,500
Books	78,837	3,442	-	82,279	71,459	4,069	-	75,528	6,751
Total 2010	522,651,318	259,520,537	-	782,171,855	146,173,931	62,387,592	-	208,561,523	573,610,332
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

Annexure B

First Security Islami Bank Limited
Highlights
For the year ended 31 December 2010

Particulars	31.12.2010	31.12.2009
Paid-up Capital	3,036,000,000	2,300,000,000
Total Capital Fund	4,582,217,485	3,379,035,832
Capital Surplus/(deficit)	29,266,485	267,692,742
Total Assets	63,619,797,799	47,978,552,952
Total Deposits	56,344,959,167	42,423,092,722
Total Investments	52,123,903,164	38,725,874,774
Total Contingent Liabilities and Commitments	8,859,668,340	5,971,673,066
Investment Deposit Ratio (in %)	92.51%	91.28%
Percentage of Classified Investments against total Investments(in %)	2.61%	2.14%
Profit before tax & provision	1,203,600,731	750,837,749
Amount of Classified Investments during the year	1,361,392,000	830,515,000
Provision kept against Classified Investments	542,894,000	507,694,000
Provision Surplus/(deficit)	13,658,789	53,834,571
Cost of Fund	8.90%	9.28%
Profit Earning Assets	56,040,956,802	41,371,529,125
Non-profit Earning Assets	7,578,840,997	6,607,023,827
Return on Investment in Shares & securities(ROI)(in %)	9.24%	2.79%
Return on Assets (ROA)(in %)	1.89%	1.56%
Income from Investment in Shares and Securities	264,208,027	53,510,527
Earning Per Share (Tk.)	2.33	1.42
Net Income Per Share (Tk.)	2.33	1.42
Price Earning Ratio (Times)	17.42	15.39