RIGHTS SHARE OFFER DOCUMENT (ROD)

of

FIRST SECURITY ISLAMI BANK LIMITED

for

Rights offer of 20,57,19,360 ordinary shares of Tk. 10 each at par totaling Tk. 205,71,93,600 offered on the basis of 1 (one) rights share for 2 (two) existing shares held on the record date.

Date of ROD	:	.....
Record date for entitlement of Rights	:	20 November 2014
Subscription opening date	:	7 December 2014
Subscription closing date	:	28 December 2014

CREDIT RATING STATUS

Long term: **A+** Short term: **ECRL-2**

Date of rating: 23 April 2014 Validity of rating till: 22 April 2015

Rating Agency: Emerging Credit Rating Limited

ISSUE MANAGER

Prime Finance Capital Management Limited

PFI Tower (6th Floor), 56-57, Dilkusha C/A, Dhaka-1000.
Tel: 88-02-9584876, Fax: 88-02-9584877, Email: info@primefincap.com
Web: www.primefincap.com

CO-ISSUE MANAGERS

Southeast Bank Capital Services Limited

Eunoos Trade Center (Level- 9),
52-53, Dilkusha C/A, Dhaka-1000.
Tel: 88-02-9574171; Fax: 88-02-9574169
Email: mbw@southeastbank.com.bd
Web: www.southeastbank.com.bd

Royal Green Capital Market Limited

Diganta Tower (1st Floor),
12/1, R.K. Mission Road, Dhaka-1203.
Tel: 88-02-7116954; Fax: 88-02-7116908
Email: info.rgcml@gmail.com
Web: www.rgcml.com

UNDERWRITERS

BD Finance Capital Holdings Limited 64, Motijheel C/A, 2nd Floor, Dhaka-1000	**Grameen Capital Management Limited** Grameen Bank 1st Building, Mirpur-2, Dhaka-1216	**Rupali Investment Limited** 37/A Dilkusha C/A, Dhaka-1000
BLI Capital Limited 5 Rajuk Avenue, Motijheel C/A, Dhaka-1000	**Green Delta Capital Limited** 51-52 Mohakhali C/A, Dhaka-1212	**SBL Capital Management Limited** 2 D.I.T Avenue (Extension), Motijheel C/A, Dhaka-1000
CAPM Advisory Limited 16 Kemal Ataturk Avenue, Banani C/A, Dhaka-1214	**GSP Finance Company (Bangladesh) Limited** 1 Paribagh, Mymensingh Road, Dhaka-1000	**Sonali Investment Limited** 11/A, Toyenbee Circular Road, Motijheel C/A, Dhaka-1000
Citizen Securities & Investment Limited 166-167 Shaheed Syed Nazrul Islam Sarani, Purana Paltan, Dhaka-1000	**MTB Capital Limited** WW Tower (5th Floor), 68 Motijheel C/A, Dhaka-1000	**Sonar Bangla Capital Management Limited** 65/2/1 Box Culvert Toad, Purana Paltan, Dhaka-1000
FAS Capital Management Limited 1147/A Gulshan Avenue, Gulshan, Dhaka-1212	**PLFS Investments Limited** 65/2/1 Box Culvert Road, Purana Paltan, Dhaka-1000	**Southeast Bank Capital Services Limited** Eunoos Center (Level-9), 52-53 Dilkusha C/A, Dhaka-1000
First Security Services Limited 166-167 Bijoy Nagar, Purana Paltan, Dhaka-1000	**Prime Finance Capital Management Limited** PFI Tower (6th Floor), 56-57, Dilkusha C/A, Dhaka-1000	**Swadesh Investment Management Limited** 8 Panthapath, Karwan Bazar, Dhaka-1212

BANKER TO THE ISSUE

First Security Islami Bank Limited

DISCLOSURE IN RESPECT OF ISSUANCE OF RIGHTS SHARES IN DEMAT FORM

As per provision of the Depository Act, 1999 and regulations made thereunder, rights shares shall only be issued in dematerialized condition. An applicant must apply for allotment of rights shares mentioning his/her Beneficiary Owner (BO) Account number in the application form.

ফার্স্ট সিকিউরিটি ইসলামী ব্যাংক লিঃ

فارست سيكيوريتى اسلامى بنك ليميتد FIRST SECURITY ISLAMI BANK LTD.

Registered Address: 23, Dilkusha C/A, Dhaka-1000, Bangladesh. Tel: 88-02-9560229, 9550334; Fax: 88-02-9578578;
Head Office: House # SW(I) 1/A, Road # 8, Gulshan-1, Dhaka-1212, Bangladesh. Tel: 88-02-9888446; Fax: 88-02-9891915;
Email: info@fsiblbd.com **Web:** www.fsiblbd.com

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DEFINITION AND ELEBORATION OF THE ABBREVIATED WORDS AND TECHNICAL TERMS USED IN THE RIGHTS SHARE OFFER DOCUMENT

Allotment	Allotment of shares
BB	Bangladesh Bank
BSEC/Commission	Bangladesh Securities and Exchange Commission
FSIB/FSIBL/Issuer	First Security Islami Bank Limited
DSE	Dhaka Stock Exchange Limited
CSE	Chittagong Stock Exchange Limited
EPS	Earnings Per Share
NAV	Net Asset Value
RJSC	Registrar of Joint Stock Companies & Firms
BO Account	Beneficiary Owner Account
AGM	Annual General Meeting

ফার্স্ট সিকিউরিটি ইসলামী ব্যাংক লিঃ
فارست سیکیوریتی اسلامی بنك لیمیتد FIRST SECURITY ISLAMI BANK LTD.

OFFER TO THE SHAREHOLDERS
for
RIGHTS ISSUE OF SHARES

Date: .....

Dear Shareholder(s)

We are pleased to inform you that the shareholders of company in its 15th Annual General Meeting (AGM) held on 25 April 2014 decided to issue 20,57,19,360 ordinary shares as rights shares of Tk. 10.00 each issuing at Tk. 12.00 each, including a premium of Tk. 2.00 per share totaling Tk. 246,86,32,320.00 offered on the basis of 1 (one) rights share for 2 (two) existing shares held on the record date at 1R:2 ratio. Later the Board of Directors in its 144th Board Meeting held on 10 June 2014 recommended to revise the issue price to Tk. 10.00 each at par totaling Tk. 205,71,93,600 at the ratio of 1R:2, i.e. 1 (one) rights share for every 2 (two) existing shares held on the record date which has been approved in the 8th Extra Ordinary General Meeting (EGM) held on 19 July 2014 The purpose of issuance of rights shares is to strengthen capital base of the Company.

To maintain further growth and increase the capital base of your company, we hope you would come forward with your full support and assistance to make the offer a success.

A self-explanatory Rights Share Offer Document prepared in the light of the Securities and Exchange Commission (Rights Issue) Rules, 2006 is enclosed herewith for your information and evaluation.

On behalf of the Board of Directors,

Sd/-
A. A. M. Zakaria
Managing Director

CORPORATE DIRECTORY

Registered Office:
23, Dilkusha C/A,
Dhaka-1000,
Bangladesh.
Tel: 88-02-9560229, 9550334.
Fax: 88-02-9578578.

Head Office:
House # SW(I) 1/A, Road # 8,
Gulshan-1, Dhaka-1212,
Bangladesh.
Tel: 88-02-9888446.
Fax: 88-02-9891915.

Branches: Total 121 Branches

Dhaka:	43 branches
Chittagong:	38 branches
Rajshahi:	5 branches
Khulna:	20 branches
Sylhet:	7 branches
Barishal:	6 branches
Rangpur:	2 branches

Email: info@fsiblbd.com Web: www.fsiblbd.com

Auditors:

Hoda Vasi Chowdhury & Co.
Chartered Accountants
BTMC Bhaban (8th Floor),
7-9, Karwan Bazar C/A, Dhaka-1215.

Legal Advisor:
The Law Counsel
Barrister & Advocates
City Heart (7th Floor)
Suit No. 8/8, 67, Naya Paltan, Dhaka-1000.

Tax Consultant:
K.M. Hasan & Co.
Chartered Accountants
Home Tower Apartment,
87, New Eskaton Road, Dhaka-1000.

Issue Manager:

Prime Finance Capital Management Limited
PFI Tower (6th Floor), 56-57, Dilkusha C/A, Dhaka-1000.
Tel: 88-02-9584876; Fax: 88-02-9584877
Email: info@primefincap.com
Web: www.primefincap.com

Co-Issue Manager:

Southeast Bank Capital Services Limited
Eunoos Trade Center (Level- 9),
52-53, Dilkusha C/A, Dhaka-1000.
Tel: 88-02-9574171; Fax: 88-02-9574169
Email: mbw@southeastbank.com.bd
Web: www.southeastbank.com.bd

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12/1, R.K. Mission Road, Dhaka-1203.
Tel: 88-02-7116954; Fax: 88-02-7116908
Email: info.rgcml@gmail.com
Web: www.rgcml.com

Underwriters:

BD Finance Capital Holdings Limited	Grameen Capital Management Limited	Rupali Investment Limited
BLI Capital Limited	Green Delta Capital Limited	SBL Capital Management Limited
CAPM Advisory Limited	GSP Finance Company (Bangladesh) Limited	Sonali Investment Limited
Citizen Securities & Investment Limited	MTB Capital Limited	Sonar Bangla Capital Management Limited
FAS Capital Management Limited	PLFS Investments Limited	Southeast Bank Capital Services Limited
First Security Services Limited	Prime Finance Capital Management Limited	Swadesh Investment Management Limited

Lead Banker & Bankers to the Issue:

First Security Islami Bank Limited

DESCRIPTION OF BUSINESS

The Company:

First Security Islami Bank Limited (FSIBL) was incorporated in Bangladesh on 29 August 1999 as a banking company under Companies Act 1994 to carry on banking business. It obtained permission from Bangladesh Bank on 22 September 1999 to commence its business. The Bank carries banking activities through its 117 branches in the country as on 31 December 2013. The commercial banking activities of the bank encompass a wide range of services including accepting deposits, making Investments/loans, discounting bills, conducting money transfer and foreign exchange transactions and performing other related services such as safe keeping, collecting and issuing guarantees, acceptances and letter of credit.

Highlights of the Company:

Name of the Company	First Security Islami Bank Limited
Chairman	Mohammed Saiful Alam
Vice Chairman	Alhaj Mohammed Abdul Maleque
Managing Director	A.A.M. Zakaria
Company Secretary	S. M. Nazrul Islam
Legal Status	Public Limited Company
Date of Incorporation	29 August1999
Date of Commencement of Business	29 August 1999
Date of Permission from Bangladesh Bank	22 September 1999
Date of Opening of First Branch	25 October 1999
Registered Office	23, Dilkusha Commercial Area, Dhaka-1000, Bangladesh
Line of Business	Banking
Date of consent of IPO	04 June 2008
Listing with Dhaka Stock Exchange Ltd.	September 22, 2008
Listing with Chittagong Stock Exchange Ltd.	September 22, 2008
Commencement of trading with DSE & CSE	September 22, 2008

Products & Services:

Products

FSIBL has the following two types of products:

a. Deposit Product

b. Investment Product

a. Deposit Product

Mudaraba Education Deposit Scheme (আলো)
Mudaraba Marriage Deposit Scheme (বন্ধন)
Mudaraba Health Care Deposit Scheme (নিরাময়)
Mudaraba Pension Deposit Scheme (অবসর)
Al-Wadeeah Current Plus Account (মর্যাদা)
Al-Wadeeah Premium Account (প্রিমিয়াম)
Mudaraba Student (School Banking) Savings Account (অংকুর)
Mudaraba Senior Citizen Savings Account (প্রবীণ)
Mudaraba Salary Account (প্রাপ্তি)
Mudaraba Monthly Deposit Scheme (MMDS)
Mudaraba Monthly Profit Scheme (MMPS)
Mudaraba Deposit Double Scheme (MDDS)
Mudaraba Hajj Saving Account
Zakat Fund
Mudaraba Millionaire Deposit Scheme (অগ্রসর)
Mudaraba Crorepoti Deposit Scheme (উন্নতি)
Mudaraba Deposit Triple Scheme (ট্রিপল বেনিফিট)
Mudaraba Deposit Four Times Scheme (আরবা)
Mudaraba Non Resident Bangladeshi Deposit Scheme (স্বদেশ)
Mudaraba Money Plant Deposit Scheme (প্রয়াস)
Mudaraba Housewife Deposit Scheme (ঘরনী)
Mudaraba Gift Cheque (শুভেচ্ছা)
Mudaraba New Generation Savings Account (প্রজন্ম)
Mudaraba New Generation Deposit Scheme (উদ্দীপণ)
Mudaraba Cash Waqfa Deposit Scheme
First Pay Sure Cash (Mobile Banking)
Mudaraba Savings Account
Al-Wadeeah Current Account
Mudaraba Specoal Notice Deposit
Mudaraba Term Deposit

b. Investment Product

- Corporate Finance
- Lease Finance
- Real Estate Finance
- Commercial Finance
- Syndicate Finance
- Small and Medium Enterprise
- Industrial Finance
- Hire Purchase Finance

Services

First Security Islami Bank Ltd. offers the following services to its customers:

a. Online any Branch Banking
b. SMS Banking
c. Locker Service
d. Collection of Utility Bills
e. ATM Banking
f. Education Remittance Service
g. Mobile Banking

Capital Structure of the Company:

Authorized share capital		
1,000,000,000 ordinary shares of Tk. 10 each	Tk.	10,000,000,000
Capital Structure of the Company before Rights Issue		
Paid up capital as on 31 December 2013		
411,438,720 ordinary shares of Tk. 10 each	Tk.	4,114,387,200
Proposed Rights Issue		
Rights Issue at face value		
205,719,360 rights shares @ Tk. 10 each on the basis of 1R:2	Tk.	2,057,193,600
Capital Structure of the Company After Rights Issue		
Total paid up capital after Rights Issue	**Tk.**	**6,171,580,800**

Length of Time During the Issuer has Carried on Business:

First Security Islami Bank Limited is incorporated as a Public Limited Company under the Companies Act, 1994 and commenced its business on 29th August, 1999. Since then the company is continuing its business operation.

Summary of AGMs held after IPO:

Financial Year	Date of Annual General Meeting (AGM)	Venue of AGM	Time of AGM
2008	26 September 2009	Hotel Agrabad, Chittagong	11:00 AM
2009	31 July 2010	Hotel Agrabad, Chittagong	11:00 AM
2010	30 July 2011	Hotel Agrabad, Chittagong	11:00 AM
2011	14 July 2012	Hotel Agrabad, Chittagong	11:00 AM
2012	20 April 2013	Hotel Agrabad, Chittagong	11:00 AM
2013	25 April 2014	Hotel Agrabad, Chittagong	10:00 AM

Board of Directors:

The following persons comprise the Board of Directors of the Company

Sl.	Name	Position
1	Mohammed Saiful Alam	Chairman
2	Alhaj Mohammed Abdul Maleque	Vice Chairman
3	Ms. Farzana Parveen	Director
4	Ms. Rahima Khatun	Director
5	Ms. Atiqur Nesa	Director
6	Md. Wahidul Alam Seth	Director
7	Shahidul Islam	Director
8	Mohammed Oheidul Alam	Director
9	Mohammed Kutub Uddowllah	Independent Director
10	Md. Sharif Hussain	Independent Director
11	Mohammad Ishaque	Independent Director
12	Ms. Khurshid Jahan	Depositor Director
13	A. A. M. Zakaria	Managing Director

Committees and Council:

Executive Committee

Name	*Position*
Mohammed Saiful Alam	Chairman
Alhaj Mohammed Abdul Maleque	Member
Farzana Parveen	Member
Md. Sharif Hussain	Member
Md. Wahidul Alam Seth	Member

Audit Committee

Name	*Position*
Mohammed Kutub Uddowllah	Chairman
Mohammad Ishaque	Member
Shahidul Islam	Member

Risk Management Committee

Name	*Position*
Alhaj Mohammed Abdul Maleque	Chairman
Mohammed Kutub Uddowllah	Member
Md. Wahidul Alam Seth	Member

Shari'ah Council

Name	*Position*
Sheikh (Moulana) Mohammad Qutubuddin	Chairman
Mufti Sayeed Ahmed	Vice Chairman
Moulana Abdus Shaheed Naseem	Member
Mohammad Azharul Islam	Member
Moulana Md. Shamaun Ali	Member Secretary

Quantity of shares held by each Director and shareholders having 5% or more shares on the date of Rights Share Offer Document:

Directors

Sl.	Name	Position	Shareholding	% holding
1	Mohammed Saiful Alam	Chairman	9,510,968	2.3116%
2	Alhaj Mohammed Abdul Maleque	Vice Chairman	8,228,774	2.0000%
3	Ms. Farzana Parveen	Director	20,021,284	4.8662%
4	Ms. Rahima Khatun	Director	8,228,774	2.0000%
5	Ms. Atiqur Nesa	Director	18,814,668	4.5729%
6	Md. Wahidul Alam Seth	Director	19,947,182	4.8482%
7	Shahidul Islam	Director	8,228,774	2.0000%
8	Mohammed Oheidul Alam	Director	8,228,774	2.0000%
9	Md. Sharif Hussain	Independent Director	1,490	0.0004%
10	Mohammed Kutub Uddowllah	Independent Director	-	-
11	Mohammad Ishaque	Independent Director	-	-
12	Ms. Khurshid Jahan	Depositor Director	-	-
13	A. A. M. Zakaria	Managing Director	-	-
	Total		**101,210,688**	**24.5993%**

No shareholder of the company holds 5% or more shares of First Security Islami Bank Limited.

Composition of shareholding as on October 20, 2014

Sl.	Category	No. of shareholder	No. of shares held up	Percentage holding
1	Directors	09	101,210,688	24.5993%
3	Sponsors	16	101,535,058	24.6780%
4	Foreign Investor	3	5,019,856	1.2201%
5	Government	Nil	Nil	Nil
6	Institute	444	56,721,659	13.7862%
3	NRB	1,507	1,356,939	0.3298%
7	General Public	83,806	145,594,520	35.3866%
	Total	**85,785**	**411,438,720**	**100%**

Names, Addresses, Description and Occupation of Directors and Managing Director

SL No	Name	Description			Occupation	Address
		Status in the Company	Age	Educational Qualification		
1	Mohammed Saiful Alam	Chairman	53	B.Sc	Business	23, Dilkusha C.A, Dhaka-1000
2	Alhaj Mohammed Abdul Maleque	Vice Chairman	60	B.Sc	Business	23, Dilkusha C.A, Dhaka-1000
3	Ms. Farzana Parveen	Director	42	B.A	Business	23, Dilkusha C.A, Dhaka-1000
4	Ms. Rahima Khatun	Director	41	Fazil	Business	23, Dilkusha C.A, Dhaka-1000
5	Ms. Atiqur Nesa	Director	41	B.A	Business	23, Dilkusha C.A, Dhaka-1000
6	Md. Wahidul Alam Seth	Director	43	B.Com	Business	23, Dilkusha C.A, Dhaka-1000
7	Shahidul Islam	Director	60	B.A	Business	23, Dilkusha C.A, Dhaka-1000
8	Mohammed Oheidul Alam	Director	44	B.A	Business	23, Dilkusha C.A, Dhaka-1000
9	Mohammed Kutub Uddowllah	Independent Director	63	B.Sc	Business	23, Dilkusha C.A, Dhaka-1000
10	Md. Sharif Hussain	Independent Director	67	M.A (Eco)	Business	23, Dilkusha C.A, Dhaka-1000
11	Mohammad Ishaque	Independent Director	60	M.A (Socio)	Business	23, Dilkusha C.A, Dhaka-1000
12	Ms. Khurshid Jahan	Depositor Director	40	BSS(Hons),MSS	Business	23, Dilkusha C.A, Dhaka-1000
13	A. A. M. Zakaria	Managing Director	64	M.A (Eco)	Service	23, Dilkusha C.A, Dhaka-1000

Names, Addresses, Description and Occupation of Managers and Company Secretary:

SL	Name	Description			Occupation	Present Place of Posting
		Status in the Company	Age on 27/04/0214	Educational Qualification		
1	Mr. Syed Waseque Md. Ali	DMD	52 Y 2 M 17 D	B. Com (Pass)	Service	Head Office
2	Mr. Quazi Osman Ali	DMD	57 Y 4 M 12 D	M.Com (Management) B.Com (Hon's)	Service	Head Office
3	Mr. Syed Habib Hasnat	DMD	52 Y 3 M 10 D	B.Com (Pass)	Service	Head Office
4	Mr. Yusuf Haroon Abedi	Principal & Head	63 Y 3 M 26 D	M.A. (Economics) B.A. (Hon's)	Service	Training Institute

5	Mr. Md. Mustafa Khair	SEVP & Manager	50 Y 7 M 13 D	M.Com (Finance) B.Com (Hon's)	Service	Gulshan Branch
6	Mr. Abdul Aziz	SEVP & Manager	55 Y 11 M 1 D	M.Sc (Botany) B.Sc (Hon's)	Service	Dhanmondi Branch
7	Mr. Md. Saifur Rahman Patwary	SEVP & Manager	57 Y 2 M 25 D	M.Com (Marketing) B.Com (Hon's)	Service	Dilkusha Branch
8	Mr. Nasir Uddin Ahmed	EVP & Manager	58 Y 3 M 26 D	MSS (Sociology) BSS (Hon's)	Service	Malibagh Branch
9	Mr. Ekram Ullah	EVP & Head	60 Y 3 M 15 D	M.Sc (Geography) B.A (Hon's)	Service	I A D
10	Mr. Md. Masudur Rahman Shah	EVP & Manager	53 Y 5 M 1 D	M.Com (Finance & Banking) M.Com (Acc) B.Com (Hon's)	Service	Senanibash Branch
11	Mr. Kazi Md. Amanullah	SVP & Head	64 Y 6 M 29 D	M.Com (Management) B.Com (Pass)	Service	G S D
12	Mr. Mohsen Uddin Ahmed	SVP & Head	63 Y 3 M 14 D	M.A. (Is. His.& Cul.) B.Sc (Pass)	Service	I M R D
13	Mr. Md. Raisuddin Ansary	SVP & Head	61 Y 11 M 22 D	M.Com (Management) B.Com (Pass)	Service	Zonal Office (Sylhet)
14	Mr. Foiz Ahmed	SVP & Head	56 Y 8 M 26 D	M.A. (Is. His. & Culture) B.A. (Pass)	Service	I D
15	Mr. Md. Zahurul Haque	SVP & Head	59 Y 6 M 6 D	B.Com (Hon's)	Service	Investment Division
16	Mr. Md. Shamsul Hoque	SVP & Manager	56 Y 3 M 26 D	MSS (Sociology) BSS (Hon's)	Service	Mirpur Branch
17	Mr. Md. Mizanur Rahman	SVP & Head	60 Y 6 M 26 D	M.A. (Economics) B.A. (Hon's)	Service	H R D
18	Mr. Kazi Motaher Hossain	SVP & Manager	54 Y 3 M 28 D	M.Com (Management) B.Com (Pass)	Service	Sylhet Branch
19	Mr. Kazi Md. Rezaul Karim	SVP & Manager	45 Y 2 M 16 D	M.A. (History) B.A. (Pass)	Service	Banani Branch
20	Mr. Shah Md. Shoayb Ali	SVP	60 Y 9 M 26 D	M.Com (Management) B.Com (Pass)	Service	Dilkusha Branch
21	Mr. Taher Ahmed Chowdhury	SVP & Head	52 Y 5 M 24 D	MBA (Finance & Banking) B.A (Pass)	Service	ICT Division
22	Mr. Md. Wahidur Rahman	SVP & Head	60 Y 11 M 3 D	M.Com (Marketing) B.Com (Management)	Service	Zonal Office (Chittagong)
23	Mr. Sk. Abul Wadud	VP & Head	64 Y 6 M 29 D	M.Sc (Physics) B.Sc (Pass)	Service	Zonal Office (Khulna)

24	Mr. Md. Zahirul Haque Munshi	VP & Head	62 Y 11 M 26 D	M.Com (Management)B.Com (Pass)	Service	Treasury Division
25	Mr. Nurul Alam	VP & Head	61 Y 11 M 26 D	M.Com (Management) B.Com (Pass)	Service	I C & C D
26	Mr. Quazi Latiful Islam	VP & Manager	63 Y 10 M 8 D	M.A (Social Science) B.A (Pass)	Service	Khatungonj Branch
27	Mr. Muhammad Mahiuddin	VP & Manager	53 Y 3 M 26 D	M.A. (History) B.A. (Hon's)	Service	Topkhana Road Branch
28	Mr. Md. Mahmudur Rahman	VP & Manager	51 Y 10 M 12 D	M.A. (Pol. Sc.) B.A. (Hon's)	Service	Islampur Branch
29	Mr. Md. Delwar Hosssain Talukder	VP & Manager	60 Y 4 M 14 D	MSS (Economics) BSS (Hon's)	Service	Motijheel Branch
30	Ms. Nazneen Sultana	VP & Head	58 Y 3 M 10 D	M.A (Economics) B.A (Hon's)	Service	Women Entrepreneurship Desk (Investment Division)
31	Mr. Md. Bhuiyan Mahiuddin	VP & Manager	60 Y 5 M 30 D	B. Com (Pass)	Service	Faridpur Branch
32	Mr. Abu Reza Nasirullah	VP	60 Y 3 M 26 D	M.A (Economics)	Service	RnD Division
33	Mr. Abul Kalam Azad	VP & Head	56 Y 0 M 11 D	M.Com (Accounting) B.Com (Hon's)	Service	RMD
34	Mr. A.K.M. Abu Sagir Chowdhury	VP & Head	59 Y 3 M 26 D	M.Com (Management) B.Com (Hon's)	Service	M I S
35	Mr. S. M. Nazrul Islam	VP & Head	57 Y 5 M 27 D	MBM B.A (Pass)	Service	B & C S
36	Mr. Md. Abdur Rashid	VP & Manager	49 Y 2 M 7 D	M.Sc (Mathematics) B.Sc (Hon's)	Service	Jessore Branch
37	Mr. Md. Tahurul Haque	VP & Manager	45 Y 11 M 17 D	MBA (Finance & Banking) MSS (Sociology) B.A (Pass)	Service	Uttara Branch
38	Mr. Mohammad Jahangir Alam	VP & Head	41 Y 1 M 26 D	MBA (Finance) M.A (Arabic & Is. History) B.A (Hon's)	Service	Zonal Office (Rajshahi)
39	Mr. Md. Jahangir Mollah	VP	57 Y 5 M 18 D	M.Com (Accounting) B.Com (Pass)	Service	Investment Division
40	Mr. Md. Abul Kashem	VP & Manager	56 Y 3 M 26 D	M.A. (History) B.A. (Hon's)	Service	Mohakhali Branch
41	Mr. Md. Ashraful Haque	FVP & Head	41 Y 5 M 27 D	M.Com (Accounting) B.Com (Pass)	Service	F A D
42	Mr. Md. Idris	FVP & Head	60 Y 5 M 11 D	B.A (Pass)	Service	ICC Chittagong Unit
43	Mr. Nazmul Hoque Chowdhury	FVP & Manager	58 Y 10 M 7 D	M.Com (Management) B.Com (Hon's)	Service	Bahaddhar Hat Branch

44	Mr. M. Alauddin	FVP & Manager	54 Y 3 M 26 D	MBM MBA (Finance & Banking) B.A. (Pass)	Service	Agrabad Branch
45	Mr. Azam Khan	FVP & Head	49 Y 1 M 26 D	MSS (Social Science)BSS (Hon's)	Service	Mkt. D
46	Mr. Saiful Hasan Chowdhury	FVP & Manager	54 Y 1 M 1 D	M.SC (Statistics) B.Sc (Hon's)	Service	Biswa Road Branch
47	Mr. Mohammad Yamin	FVP & Manager	49 Y 2 M 6 D	M.Com (Accounting) B.Com (Hon's)	Service	Bangshal Branch
48	Mr. Muhammad Abu Taher	FVP & Manager Operation	48 Y 3 M 22 D	M.Com (Finance) B.Com (Hon's)	Service	Dilkusha Branch
49	Mr. Md. Nurul Amin Miah	FVP & Manager	57 Y 3 M 27 D	M.Com (Management) B.Com (Hon's)	Service	Comilla Branch
50	Ms. Asma Begum	FVP	58 Y 5 M 13 D	M.A (Jurisprudence) B.A (Hon's)	Service	Investment Division
51	Mr. Md.Abdur Rouf	SAVP & Manager	61 Y 9 M 6 D	B.Com (Pass)	Service	Muksudpur Branch
52	Mr. Md. Shahabuddin Molla	SAVP	61 Y 1 M 24 D	M.A (Eco.) B.A (Hon's)	Service	Investment Division
53	Mr. Mohd Shafiqul Alam	SAVP & Manager	41 Y 5 M 20 D	MSS (Economics) BSS (Hon's)	Service	Kushtia Branch
54	Mr. Mohammed Mostafa	SAVP & Manager Operation	43 Y 6 M 4 D	MBA (Accounting) BBA (Accounting)	Service	Motijheel Branch
55	Mr. Md. Mohituz Zaman Khan	SAVP & Manager	56 Y 3 M 26 D	M.Sc (Geography) B.Sc (Hon's)	Service	Manikganj Branch
56	Mr. Mosharraf Hossain Chowdhury	SAVP	40 Y 3 M 26 D	MBA (Finance) M.Sc (Chemistry) B.Sc (Hon's)	Service	I D
57	Mr. Md. Alamgir Hossain	SAVP & Manager	50 Y 3 M 26 D	LLM LLB (Hon's)	Service	Jubilee Road Branch
58	Mr. Md. Faridul Alam	SAVP & Manager	53 Y 2 M 7 D	M.Com (Mgt.) B.Com (Pass)	Service	Cox'S Bazar Branch
59	Mr. Mohammad Jamil Akhter	SAVP & Manager	42 Y 0 M 14 D	MBA (Finance & Accounting) B.Sc (Statistics)	Service	Karwan Bazar Branch
60	Mr. Mr. Md. Shafiqul Islam	SAVP & Manager	42 Y 9 M 12 D	MSS (Economics) BSS (Hon's)	Service	Taltola Branch
61	Mr. Md. Ridwanul Hasan	SAVP & Manager	48 Y 2 M 12 D	M.Com (Accounting) B.Com (Hon's)	Service	Bogra Branch
62	Mr. Mohammad Farhad	SAVP & Manager	53 Y 2 M 7 D	B.Com (Pass)	Service	Probortak Mor Branch
63	Mr. Syed Anisur Rahman	SAVP & Manager Operation	52 Y 0 M 13 D	M.Sc (Mathematics) B.Sc (Hon's)	Service	Gulshan Branch

64	Mr. Md. Jahir Uddin Sikder	SAVP & Manager	55 Y 3 M 0 D	M.A (Is.His. & Culture) B.S (Hon's)	Service	Pahartoli Branch
65	Mr. Abdul Mannan	SAVP & Head	48 Y 3 M 7 D	MBA (HRM) M.Sc (Statistics) B.Sc (Hon's)	Service	A M L D
66	Mr. Mohammad Ismail Khan	SAVP & Manager	53 Y 2 M 23 D	B.Com (Pass)	Service	Mohra Branch
67	Mr. Ashraful Alam	SAVP & Manager	50 Y 3 M 17 D	M.Sc (Chamestry) B.Sc (Hon's)	Service	Court Bazar Branch
68	Mr. Md. Muzammel Alam Chowdhury	SAVP & Manager	51 Y 5 M 8 D	M.A (Islamic Studies) B.A (Pass)	Service	Halishahar Branch
69	Mr. Mohammad Abdul Basit	AVP	45 Y 3 M 19 D	MSS (Eco. BSS (Hon's)	Service	Zonal Office (Khulna)
70	Mr. Md. Masum Kabir Prodhan	AVP	58 Y 3 M 26 D	M.Sc (Social Science)B.Sc (Hon's)	Service	Zonal Office (Rajshahi)
71	Mr. Kazi Delwar-A- Mustafa	AVP	49 Y 8 M 8 D	MSS (Eco. BSS (Hon's)	Service	Zonal Office (Sylhet)
72	Mr. Mohammad Nasim Gawhar	AVP	46 Y 7 M 26 D	M.Com (Management) B.Com (Pass)	Service	Investment Division
73	Mr. Syed Mahmodul Hasan Saleh	AVP & Manager	54 Y 11 M 26 D	M.Com (Finance) B.Com (Pass)	Service	Mymensing Branch
74	Mr. Md. Ferdous Ahmed	AVP & Manager	57 Y 3 M 3 D	M.A. (Is. His. & Culture) B.A. (Hon's)	Service	Lohagara Branch
75	Mr. Syed Shajahan Ali	AVP & Manager	43 Y 3 M 5 D	MBA (HRM) B.Com (Pass)	Service	Lohagara (Norail) Branch
76	Mr. Abdullah Al Noman	AVP & Manager	41 Y 1 M 26 D	MBM MBA (Finance) B.A. (Pass)	Service	Kadamtoli Branch
77	Mr. A.K. Mohammad Jawadul Haque	AVP & Manager	39 Y 3 M 26 D	MBA (Marketing) MBA (Marketing) B.A (Pass)	Service	Bashundhara Branch
78	Mr. Md. Shafiqul Islam	AVP & Manager	58 Y 4 M 20 D	M.A (History) B.A (Pass)	Service	Barishal Branch
79	Mr. Md. Sakhawat Hossain Biswas	AVP & Manager	57 Y 8 M 16 D	M.Sc (Zoology) B.Sc (Hon's)	Service	Magura Branch
80	Mr. Md. Monirul Islam Khan	AVP	62 Y 1 M 26 D	B.Sc (Pass)	Service	H R D
81	Mr. Md. Rezaul Islam	AVP	42 Y 9 M 26 D	M.Com (Management) B.Com (Pass)	Service	Dilkusha Branch
82	Mr. Muhammad Kamruzzaman	AVP	29 Y 4 M 26 D	MBA (AIS) BBA (AIS)	Service	F A D
83	Mr. Md. Harun-Or-Rashid	AVP & Manager	48 Y 3 M 27 D	MSS (Political Science), BSS (Hon's)	Service	Tongibari Branch

84	Mr. Md. Modasser Hossain	AVP & Manager Operation	51 Y 3 M 26 D	MBA (HRM) M.Com (Marketing) B.Com (Hon's)	Service	Banani Branch
85	Mr. Md. Aminul Islam	AVP	45 Y 3 M 25 D	MBA (Finance) B.A (Pass)	Service	Dhanmondi Branch
86	Mr. Abdur Rahim Khan	AVP & Manager	58 Y 2 M 27 D	M.Com (Accounting) B.Com (Hon's)	Service	College Gate Branch
87	Mr. Abdul Halim	AVP & Manager	49 Y 6 M 17 D	M.Sc (Geography) B.Sc (Hon's)	Service	Mohammadpur Branch
88	Mr. Muhammed Helal Uddin	AVP & Manager	50 Y 8 M 27 D	MBM M.A (Islamic History) B.A (Hon's)	Service	Anderkillah Branch
89	Mr. Mohammad Imtiaz Hassan	AVP & Manager Operation	43 Y 10 M 20 D	MBA (Finance) M.Com (Management) B.Com (Pass)	Service	Senanibash Branch
90	Mr. Hasanuzzaman Malek	AVP	46 Y 1 M 26 D	M.Com (Finance) B.Com (Hon's)	Service	Md'S Sectt.
91	Mr. Md. Anowar Hossain Shah	AVP & Manager	52 Y 3 M 9 D	B.A (Pass)	Service	Rangpur Branch
92	Mr. Muhammad Abdul Awal Akond	AVP & Manager	52 Y 2 M 26 D	M.A (History) B.A (Hon's)	Service	Rajshahi Branch
93	Mr. Md. Abdur Rouf	AVP & Manager	46 Y 5 M 14 D	M.Com (Accounting) B.Com (Hon's)	Service	Khulna Branch
94	Mr. Md. Sohrab Uddin Molla	AVP & Manager	57 Y 5 M 17 D	M.Com (Management) B.Com (Hon's)	Service	Ambarkhana Branch
95	Mr. Md. Salim Uddin	AVP & Manager	49 Y 9 M 12 D	M.Com (Accounting) B.Com (Hon's)	Service	Noria Branch
96	Mr. Md. Monirul Hoque	AVP & Manager	49 Y 10 M 28 D	M.Com (Management) B.Com (Hon's)	Service	Konapara Branch
97	Mr. Md. Masud Hossain	AVP & Manager Operation	48 Y 3 M 19 D	MSS (Political Science) BSS (Hon's)	Service	Mohakhali Branch

Name of Public Listed Companies Under Common Management:

First Security Islami Bank Limited has no public listed company under its common management except as stated below.

Sl.	*Management of FSIBL*		*Management of other listed company*	
	Name	***Position***	***Name***	***Position***
1	Mohammed Saiful Alam	Chairman	S. Alam Cold Rolled Steels Limited	Managing Director
			Al-Arafah Islami Bank Limited	Sponsor Shareholder
			Northern General Insurance Company Limited	Sponsor Shareholder
2	Mohammad Ishaque	Independent Director	S. Alam Cold Rolled Steels Limited	Independent Director

THE RIGHTS OFFER

Highlights of the Rights Issue:

The Board of Directors of First Security Islami Bank Limited in its 141st meeting held on Wednesday, 12 March 2014 recommended to issue rights share @1R:2 (i.e. one rights share for every two shares) basis subject to approval of the Shareholders in the 15th AGM and also by the regulatory authorities. Subsequently, in the 15th AGM of the Company held on 25 April 2014 the shareholders of the Company has approved issuance of rights share of the company @1R:2 basis (i.e. one rights share for every two shares) subject to approval of regulatory authority.

Later the Board of Directors in its 144th Board Meeting held on 10 June 2014 recommended to revise the issue price to Tk. 10.00 each at par at the ratio of 1R:2, i.e. 1 (one) rights share for every 2 (two) existing shares held on the record date which has been approved in the 8th Extra Ordinary General Meeting (EGM) held on 19 July 2014.

So the proposal for issuance of Rights Share is Tk. 205,71,93,600 (taka two hundred five crore seventy one lac ninety three thousand six hundred) by way of issuing 20,57,19,360 ordinary shares @ Tk 10 each at par at a ratio of 1R:2 (one rights share for existing two share) basis to the shareholders holding shares on record date after approval of rights issue by the regulatory authorities.

Issue Price:

The issue price per share has been approved by the shareholders in the 8th Extra Ordinary General Meeting (EGM) held on 19 July 2014 at Tk. 10/- each at par on the basis of 1(one) rights share for 2 (two) shares held on the record date.

Date and Time of Opening and Closing of Subscription:

Opens on: 7 December 2014
Closes on: 28 December 2014
Extension of subscription period, if any, will be notified through national dailies

Purpose of the Rights Issue:

To raise Tier-I capital for strengthening capital base of the company, the Board of Directors and the Shareholders of the bank have decided to raise its paid-up capital by Tk. 205,71,93,600 by issuance of 20,57,19,360 ordinary shares of Tk. 10/- each at par at a ratio of 1R:2 i.e. one rights share for two existing shares held. This will facilitate the long term business of the bank through expansion in credit portfolio resulting in profitability growth of the bank. Noteworthy here, the rights share is not issued to fulfill any special purpose rather than the proceeds will be utilized in the regular business activities of the bank for investment purpose as follows:

Purpose	Amount to be used Taka
General Investment (Bai-Murabaha, Bai-Muajjal, HPSM) etc. and Bill Purchase & Negotiation	205,71,93,600

Implementation Schedule:

Net proceeds from the rights issue will be used for investing in different profitable sectors from where return on investment will be high and to expand existing business operation. Although no specific implementation schedule has been sketched by the bank in this respect, management of the FSIBL is planning to utilize the fund **within 6 (six) months** after receiving total fund of the Rights Offer for the following purpose:

Purpose	Amount to be used Taka	Expected time of utilization
General Investment (Bai-Murabaha, Bai-Muajjal, HPSM) etc. and Bill Purchase & Negotiation	205,71,93,600	within 6 (six) months after receiving total fund of the Rights Offer

JUSTIFICATION OF THE ISSUE PRICE:

The issue price at Tk. 10 each at par is justified as detailed below:

(i) Net Asset Value Per Share

Calculation of NAV	*31.12.2013*
	BDT
PROPERTY AND ASSETS	
Cash	**11,549,383,178**
In hand (Including foreign currencies)	1,294,882,672
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currencies)	10,254,500,506
Balance with other Banks and Financial Institutions	**14,379,093,084**
In Bangladesh	14,206,467,884
Outside Bangladesh	172,625,200
Investments in Shares & Securities	**7,268,269,377**
Government	6,030,358,600
Others	1,237,910,777
Investments	**114,328,753,035**
General Investment (Bai-Murabaha, Bai-Muajjal, HPSM) etc.	113,663,053,929
Bills Purchased and Negotiated	665,699,106
Fixed Assets Including Premises, Furniture & Fixtures	**2,517,375,111**
Other Assets	**11,990,346,998**
Total Assets	**162,033,220,783**
LIABILITIES	
Placement from Banks & other Financial Institutions	**4,129,788,842**
Deposits and Other Accounts	**139,503,926,734**
Al-Wadia Current Accounts and Other Deposit Accounts	7,502,109,758
Bills Payable	1,176,111,458
Mudaraba Savings Deposits	6,433,026,364
Mudaraba Term Deposits including other Banks	99,476,837,371
Mudaraba Deposits under Schemes	24,915,841,783
Mudaraba Subordinated Bond	**2,500,000,000**
Other Liabilities	**9,286,426,380**
Total Liabilities	**155,420,141,956**
Non-controlling interest	**175,409,839**
Net Asset Value (with revaluation reserve)	**6,437,668,988**
Revaluation reserve	392,381,876
Net Asset Value (without revaluation reserve)	**6,045,287,112**
Number of shares outstanding	411,438,720
NAV per share (with revaluation reserve)	**15.647**
NAV per share (without revaluation reserve)	**14.693**

(ii) Earning Based Value per share

Year	*No. of shares*	*Weight*	*NPAT*	*Weighted NPAT*
2013	411,438,720	24.80%	776,476,241	192,556,959
2012	374,035,200	22.54%	762,709,068	171,948,057
2011	340,032,000	20.49%	579,939,082	118,857,900
2010	303,600,000	18.30%	548,600,731	100,388,516
2009	230,000,000	13.86%	326,837,749	45,309,152
Total	1,659,105,920	100%	2,994,562,871	**629,060,584**
Number of Shares outstanding before issue				411,438,720
EPS based on weighted average NPAT of last five years				**1.53**
Market P/E of DSE [average of January to March 2014 P/E i.e. (16.74+16.91+15.89)/3] (as per DSE monthly review)				16.51
Earnings-Based-Value per share			**= Tk.**	**25.25**

Average sectoral P/E of DSE for Banking sector during January to March 2014 is (11.00+10.52+8.96)/3 = 10.16. Considering average sectoral P/E of Banking sector, Earnings-Based-Value per share becomes (10.16 X 1.53) = Tk. 15.54.

(iii) Average Market Price Per Share

Date	*Cl. Price*	*Date*	*Cl. Price*	*Date*	*Cl. Price*	*Date*	*Cl. Price*
10-12-13	16.00	29-01-14	15.80	13-03-14	14.10	30-04-14	12.20
11-12-13	15.70	30-01-14	15.80	16-03-14	14.00	04-05-14	11.90
12-12-13	15.50	02-02-14	16.00	18-03-14	14.20	04-05-14	11.90
15-12-13	15.20	03-02-14	16.50	19-03-14	14.30	05-05-14	11.80
17-12-13	15.10	04-02-14	16.60	20-03-14	14.40	06-05-14	11.90
18-12-13	15.00	05-02-14	16.50	23-03-14	14.10	07-05-14	11.90
19-12-13	15.20	06-02-14	16.40	24-03-14	14.30	08-05-14	11.80
22-12-13	15.30	09-02-14	16.10	25-03-14	14.30	11-05-14	11.70
23-12-13	15.20	10-02-14	16.10	27-03-14	12.90	12-05-14	11.80
24-12-13	15.00	11-02-14	15.90	30-03-14	12.50	14-05-14	11.90
26-12-13	14.90	12-02-14	15.40	31-03-14	12.50	15-05-14	11.90
29-12-13	14.90	13-02-14	15.40	01-04-14	12.50	18-05-14	11.80
30-12-13	15.10	16-02-14	15.20	02-04-14	12.80	19-05-14	11.60
01-01-14	15.20	17-02-14	15.20	03-04-14	12.70	20-05-14	11.50
02-01-14	15.10	18-02-14	15.20	06-04-14	12.60	21-05-14	11.60
06-01-14	14.80	19-02-14	15.60	07-04-14	12.30	22-05-14	11.60
07-01-14	14.70	20-02-14	15.50	08-04-14	11.80	25-05-14	11.50
08-01-14	14.90	23-02-14	15.30	09-04-14	12.50	26-05-14	11.50
09-01-14	14.80	24-02-14	15.10	10-04-14	12.50	27-05-14	11.70
12-01-14	14.80	25-02-14	14.90	13-04-14	12.10	28-05-14	11.70
13-01-14	15.30	26-02-14	14.90	15-04-14	12.40	29-05-14	11.50
15-01-14	15.30	27-02-14	14.70	16-04-14	12.20	01-06-14	11.50
16-01-14	15.50	02-03-14	14.20	17-04-14	12.00	02-06-14	11.20
19-01-14	15.60	03-03-14	14.10	20-04-14	12.10	03-06-14	11.30
20-01-14	15.20	04-03-14	14.40	21-04-14	12.60	04-06-14	11.20
21-01-14	15.20	05-03-14	14.30	22-04-14	12.90	05-06-14	11.10
22-01-14	15.50	06-03-14	14.20	23-04-14	12.90	08-06-14	11.00
23-01-14	15.50	09-03-14	13.70	24-04-14	13.00	09-06-14	11.00
26-01-14	16.30	10-03-14	13.70	27-04-14	12.50		
27-01-14	16.30	11-03-14	14.20	28-04-14	12.50		
28-01-14	15.90	12-03-14	14.10	29-04-14	12.30		

Average market price = **Tk. 13.81/-**

Utilization of Fund Raised by Initial Public Offering and Previous Rights Issue:

First Security Islami Bank Limited went for Public Offering in the year 2008 and Rights Issue in the year 2010 to raise fund for enhancing the capital base of the bank and thus the ability to augment business expansion. The fund raised through the public offering and rights issue was fully utilized for meeting the said purpose. The statement of fund utilization with brief issue status is given below:

IPO in the year 2008:

First Security Islami Bank Limited went for IPO in the year 2008 for issuance of 11,500,000 Ordinary Shares of Tk. 100/- each at par totaling Tk. 1,150,000,000/-.

Break-up of utilization of IPO fund

Sl.	Particulars	Amount in Taka
Receipt of fund		
1	From IPO	1,150,000,000
Utilization of fund		
1	For Investment	1,150,000,000

Previous Rights Issue in the year 2010:

First Security Islami Bank Limited issued rights shares at a ratio of 1R:5 (i.e. one rights shares for every 5 shares held) in the year 2010. At that time the bank issued 50,600,000 Ordinary Shares of Tk. 10/- each at par totaling Tk. 506,000,000/-.

Break-up of utilization of fund from previous Rights Issue

Sl.	Particulars	Amount in Taka
Receipt of fund		
1	From rights issue	506,000,000
Utilization of fund		
1	For Investment	506,000,000

Bankers to the Issue:

DHAKA DIVISION

01 Dilkusha Branch
02 Mohakhali Branch
03 Bangshal Branch
04 Dhanmondi Branch
05 Gulshan Branch
06 Mirpur Branch
07 Banani Branch
08 Shafipur Branch
09 Topkhana Branch
10 Biswaroad Branch
11 Donia Branch
12 College Gate Branch
13 Senanibash Branch
14 Muksudpur Branch
15 Motijheel Branch
16 Ring Road Branch
17 Banasree Branch
18 Azampur Branch
19 Sreepur Branch
20 Zirabo Branch
21 Savar Branch
22 Madhabdi Sme/Krishi Branch
23 Islampur Branch
24 Uttara Branch
25 Mymensingh Branch
26 Faridpur Branch
27 Bhaluka Branch
28 Narayanganj Branch
29 Malibag Branch
30 Karwan Bazar Branch
31 Bashundhara Branch
32 City University Branch
33 Damodya Branch
34 Noria Branch
35 Jamirdia Masterbari Branch
36 Mohammadpur Branch
37 Konapara Branch
38 Tongi Bari Branch
39 Bhuapur Branch
40 Manikganj Branch
41 Keranigonj Branch
42 Pacchor Branch
43 Gazipur Chowrasta Branch

RAJSHAHI DIVISION

44 Bogra Branch
45 Rajshahi Branch
46 Pabna Branch
47 Naogaon Branch
48 Dhupoil Bazar Branch

SYLHET DIVISION

49 Biswanath Branch
50 Sylhet Branch
51 Moulvibazar Branch
52 Ambarkhana Branch
53 Gobindagonj Branch
54 Taltola Branch
55 Beani Bazar Branch

CHITTAGONG DIVISION

56 Khatungonj Branch
57 Agrabad Branch
58 Jubilee Road Branch
59 Keranihat Branch
60 Nazu Meah Hat Branch
61 Chakaria Branch
62 Bahaddarhat Branch
63 Dovashi Bazar Branch
64 Patiya Branch
65 Court Bazar Branch
66 Hathazari Branch
67 Nazir Hat Branch
68 Cox's Bazar Branch
69 Pather Hat Branch
70 Bandartila Branch
71 Comilla Branch
72 Eid Gaon Branch
73 Ranir Hat Branch
74 Pahartoli Branch
75 Mohra Branch
76 Feni Branch
77 Chawk Bazar Branch
78 Mohila Branch
79 Patiya Mohila Branch
80 Halishahar Branch
81 Banskhali Branch
82 Pekua Branch
83 Kumira Branch
84 Pahartoli Raozan Branch
85 Ramu Branch
86 Katirhat Branch
87 Kadamtali Branch
88 Anderkillah Branch
89 Probortak Mor Branch
90 Lohagara Branch
91 Ramgonj Branch

KHULNA DIVISION

92 Khulna Branch
93 Satkhira Branch
94 Bagerhat Branch
95 Kushtia Branch
96 Chuadanga Branch
97 Jhenaidaha Branch
98 Narail Branch
99 Kapilmuni Branch
100 Jessore Branch
101 Narail Lohagara Branch
102 Magura Branch
103 Keshabpur Branch
104 Navaron Branch
105 Shyamnagar Branch
106 Barobazar Branch
107 Fakirhat Branch
108 Bagachra Branch
109 Morrelgonj Branch

BARISAL DIVISION

110 Barisal Branch
111 Swarupkati Branch
112 Uzirpur Branch
113 Patuakhali Branch
114 Barguna Branch
115 Galachipa Branch

RANGPUR DIVISION

116 Rangpur Branch
117 Dinajpur Branch

RISK FACTORS AND MANAGEMENT'S PERCEPTION ABOUT THE RISK

As with all investments, investors should be aware that there are risks associated with an investment in the Bank's securities. These risks could result in loss of income or capital investment. Investors are encouraged to seek independent financial advice relating to risk factors of the bank.

Investment / Credit Risk:

Credit risk is stated as a bank borrower may fail to meet its obligations in accordance with agreed terms which will ultimately leads to reduce bank's profitability and share holders return. There are three components in credit risk which are: What is the likelihood that the counterparty will default on its obligation either over the life of the obligation or over some specified horizon, such as a year? In the event of a default, how large will the outstanding obligation be when the default occurs? In the event of a default, what fraction of the exposure may be recovered through bankruptcy proceedings or some other form of settlement?

Bank has established different level of approval authority for each Investment (loan) application, depending on the size of business and length of credit line. Bank approves each Investment (loan) considering purpose of Investment (loan) application, the repayment ability of the applicant, business feasibility, management capacity and collateral. Its credit risk management system is designed to identify and analyze risks at early stage and to set and monitor prudent limits, to learn and evolve continuously to face a rapidly changing risk environment.

Profit (interest) Risk:

Profit (interest) income is the difference between the Profit (interest) received from Investments (loans) and investments and the Profit (interest) paid on deposit liabilities and borrowings. The extent of Profitability of the bank depends largely on net Profit (interest) income. Changes in Profit (interest) rates may adversely affect bank's profitability by narrowing or eliminating spread. Profit (interest) rates are sensitive to many factors. Including general economic conditions and the policies of government and regulatory authorities.

Although bank can not avoid all adverse impacts of changes in Profit (interest) rate that arises due to change in economic conditions or government regulation, but the bank takes all available measures to insulate its profitability. Bank has an Asset and Liability Committee (ALCO) for monitoring and maintaining Profit (interest) rate at a minimum level with minimum fluctuation through Profit (interest) rate sensitivity analysis.

Liquidity Risk:

In banking industry Liquidity is very significant. Liquidity is the risk that the bank may not be able to meet cash flow obligation within a stipulated time. The bank may lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution.

The bank has a liquidity risk management system, dedicated to maintain suitable and sufficient funds to meet present and future liquidity obligations whilst utilizing the funds appropriately to take advantage to market opportunities as they arise. Bank manages its liquidity mainly through domestic money and capital markets including repurchase markets. The Bank seeks to minimize its liquidity costs in line with the market situation by closely managing the liquidity position on a daily basis and restricting the

holding of cash held above an appropriate level at any given time. As part of liquidity management, the Bank adheres to its funding plan, and exercises due care in using medium-term borrowings.

Foreign Exchange Rate Risk:

Bank's involvement in foreign currency transactions generates foreign exchange rate risk which may result in deficits or surpluses in the Bank's foreign currency position. These transactions include, for instance, foreign currency exchange, investments, loans, borrowings and contractual commitments, etc. They may incur gains or losses on exchanges as a result of movements in exchange rates and thus profitability of the bank may be reduced.

In general, the Bank's policy is to match foreign currency assets and liabilities following strictly and overnight limit of open position issued by the central bank. The Treasure Division manages and controls day-to-day trading activities under the supervision of ALCO which in turn ensures that the level of assumed risks, as per the various designated measures, is maintained within the approved level.

Capital adequacy risk:

Capital adequacy risk is a risk where the Bank does not have sufficient capital reserves to do business or to absorb unexpected losses arising form credit, market and operational risks.

FSIBL's capital management policy is crafted to ensure that the Bank maintains an adequate level of capital to support growth strategies and meets regulatory requirement and market expectations. Commercial banks in Bangladesh will be required to comply with the bank for international settlement Basell II, which will result in changes to capital adequacy requirements. The Basel II Accord will effect the risk weightings of different types to assets including provisioning for market and operation risks. This in turn will have a direct effect on the bank's capital adequacy ratio. Bangladesh Bank is in the process of establishing detailed methodologies and procedures to suit the domestic market.

Operational Risk:

Operational risk is the risk of potential losses from a breakdown in internal process and system, deficiencies in people and management or operational failure arising from external events.

The Bank has an operational risk management framework to ensure that the bank has in place appropriate polices, work process and procedures. This requires gathering information pertaining to operational risks so as to avoid operational failures and minimize relevant losses; while enabling the bank to quickly respond to and pursue new business opportunities with appropriate risk controls and monitoring. The Bank's operational risk management policy embraces the concepts of risk identification, risk assessment, risk monitoring, and risk mitigation and control. The primary responsibility for managing this risk rests with each operating unit, through the adoption of proper internal control measures in the operating environment.

Industry risk

The Bank is operating in a highly competitive market. Some of the competitors have more resources than those of the First Security Islami Bank Limited. It is difficult to predict in advance the move of the competitors in the coming years.

The Bank is always cautious in offering its products and services at competitive terms and conditions which in turn minimizes its industry risk exposure.

Market and technology related risk
In the wide market of 21st century, advanced technology obsoletes the old service/product strategy. So the existing technology may not be sufficient to cope with the future business technology.

Unless the regulatory authorities adopt any adverse policies which may materially affect the industry as a whole, the business of the Bank will not be affected that much since the Bank is always particular in complying with rules and regulations of the authorities.

Potential changes in global or national policies
The Bank operates in the domestic commercial banking industry of Bangladesh. Any potential changes in either global or national policies might adversely affect the banking industry and thus the businesses of the Bank in future.

The management of the Bank is always concerned about the prevailing and upcoming changes in the global and national policy and shall take any corrective actions as may be required in future.

Underwriters

Sl.	Name & address of underwriters	No. of shares underwritten	Taka underwritten	Underwriting %
1	**BD Finance Capital Holdings Limited** 64, Motijheel C/A, 2nd Floor, Dhaka-1000	12,500,000	125,000,000	6.08%
2	**BLI Capital Limited** Printers Building (7th Floor), 5 Rajuk Avenue, Motijheel C/A, Dhaka-1000	4,166,000	41,660,000	2.03%
3	**CAPM Advisory Limited** Tower Hamlet (9th Floor), 16 Kemal Ataturk Avenue, Banani C/A, Dhaka-1214	8,333,250	83,332,500	4.05%
4	**Citizen Securities & Investment Limited** Al-Razi Complex, Suite # G-802 (8th Floor), 166-167 Shaheed Syed Nazrul Islam Sarani, Purana Paltan, Dhaka-1000	1,666,666	16,666,660	0.81%
5	**FAS Capital Management Limited** Suvastu Imam Square (4th Floor), 1147/A Gulshan Avenue, Gulshan, Dhaka-1212	30,000,000	300,000,000	14.58%
6	**First Security Services Limited** Al-Razi Complex, Suite # 702, 703, 166-167 Bijoy Nagar, Purana Paltan, Dhaka-1000	8,333,333	83,333,330	4.05%
7	**Grameen Capital Management Limited** Grameen Bank 1st Building (2nd Floor), Mirpur-2, Dhaka-1216	33,333,250	333,332,500	16.20%
8	**Green Delta Capital Limited** 51-52 Mohakhali C/A, Dhaka-1212	25,000,000	250,000,000	12.15%
9	**GSP Finance Company (Bangladesh) Limited** 1 Paribagh, Mymensingh Road, Dhaka-1000	8,333,250	83,332,500	4.05%
10	**MTB Capital Limited** WW Tower (5th Floor), 68 Motijheel C/A, Dhaka-1000	8,333,000	83,330,000	4.05%
11	**PLFS Investments Limited** Paramount Heights (13th Floor), 65/2/1 Box Culvert Road, Purana Paltan, Dhaka-1000	8,333,250	83,332,500	4.05%
12	**Prime Finance Capital Management Limited** PFI Tower (6th Floor), 56-57, Dilkusha C/A, Dhaka-1000	4,888,030	48,880,300	2.38%
13	**Rupali Investment Limited** Shadharan Bima Tower (7th Floor), 37/A Dilkusha C/A, Dhaka-1000	8,333,333	83,333,330	4.05%
14	**SBL Capital Management Limited** 2 D.I.T Avenue (Extension), 3rd Floor, Motijheel C/A, Dhaka-1000	8,333,333	83,333,330	4.05%
15	**Sonali Investment Limited** 11/A, Toyenbee Circular Road, SARA TOWER (11th Floor), Motijheel C/A, Dhaka-1000	4,166,666	41,666,660	2.03%
16	**Sonar Bangla Capital Management Limited** Paramount Heights (8th Floor), 65/2/1 Box Culvert Toad, Purana Paltan, Dhaka-1000	4,166,000	41,660,000	2.03%
17	**Southeast Bank Capital Services Limited** Eunoos Center (Level-9), 52-53 Dilkusha C/A, Dhaka-1000	6,666,749	66,667,490	3.24%
18	**Swadesh Investment Management Limited** Suite 1, Level 11, Unique Trade Center, 8 Panthapath, Karwan Bazar, Dhaka-1212	20,833,250	208,332,500	10.13%
	Total	**205,719,360**	**2,057,193,600**	**100%**

Directors' Take-up in the Rights Offer

Directors are expected to exercise in full their portion of Rights Offer.

Sl.	Name	Status	No. of shares held	No. of entitled rights shares	No. of rights shares to be subscribed	No. of shares to be renounced	Signature
1	Mohammed Saiful Alam	Chairman	9,510,968	4,755,484	4,755,484	Nil	Sd/-
2	Alhaj Mohammed Abdul Maleque	Vice Chairman	8,228,774	4,114,387	4,114,387	Nil	Sd/-
3	Ms. Farzana Parveen	Director	20,021,284	10,010,642	10,010,642	Nil	Sd/-
4	Ms. Rahima Khatun	Director	8,228,774	4,114,387	4,114,387	Nil	Sd/-
5	Ms. Atiqur Nesa	Director	18,814,668	9,407,334	9,407,334	Nil	Sd/-
6	Md. Wahidul Alam Seth	Director	19,947,182	9,973,591	9,973,591	Nil	Sd/-
7	Shahidul Islam	Director	8,228,774	4,114,387	4,114,387	Nil	Sd/-
8	Mohammed Oheidul Alam	Director	8,228,774	4,114,387	4,114,387	Nil	Sd/-
9	Md. Sharif Hussain	Independent Director	1,490	745	745	Nil	Sd/-
10	Mohammed Kutub Uddowllah	Independent Director	-	-	-	Nil	Sd/-
11	Mohammad Ishaque	Independent Director	-	-	-	Nil	Sd/-
12	Ms. Khurshid Jahan	Depositor Director	-	-	-	Nil	Sd/-
13	A. A. M. Zakaria	Managing Director	-	-	-	Nil	Sd/-

Lock-In on Rights Shares

The rights share of directors and other shareholders holding 5% or more shares shall be subject to lock-in for a period of three years from the date of closure of the rights share subscription. In the event of renunciation of rights share by aforesaid persons, the renounced shares shall also be subject to lock-in for the same period.

Material Contracts

Bankers to the Issue:

First Security Islami Bank Limited is the bankers to the issue who will collect the subscription money of the rights offer. As the bank itself is acting as banker to the issue for collecting subscription money of its own rights offer, no commission will be imposed on First Security Islami Bank Limited in this regard. The rights issue subscription money collected from the shareholders by the bankers to the issue will be remitted to the bank's **SND Account no. 101.131.00009333** in the name of **FSIBL Rights Issue 2014** with First Security Islami Bank Limited, Dilkusha Branch.

Underwriters:

As per the Securities and Exchange Commission (Rights Issue), Rules 2006, the Rights Issue of First Security Islami Bank Limited has been fully underwritten by the underwriters. Each underwriter will be paid an underwriting commission @ 0.20% of the nominal value of shares underwritten by them. Simultaneously, the underwriter shall be liable for making payment for the unsubscribed portion of the rights issue within fifteen days from receiving letter from the issuer for such payment. The issuer will not pay any additional commission to the underwriters for subscription of the undersubscribed shares. The liability of the underwriters shall be in proportion to but not exceeding the shares agreed to be underwritten. Company shall within 10 (ten) days of the closure of subscription call upon the underwriter to take-up the unsubscribed shares. Underwriter should pay for in cash in full for such unsubscribed shares within 15 (fifteen) days after being called upon to do so.

Managers to the Issue:

Prime Finance Capital Management Limited is appointed as Issue Manager and Southeast Bank Capital Services Limited and Royal Green Capital Market Limited are appointed as Co-Issue Managers to the Issue of the rights shares of the Company. Accordingly, an agreement was made between the Issue Manager, the Co-Issue Managers and the Company. The Company will pay issue management fee of Tk. 9 lac plus VAT. Out of the total issue management fee the Issue Manager will get Tk. 5 lac and the remaining amount shall be equally distributed to the Co-Issue Managers.

Vendor's Agreement:

First Security Islami Bank Limited has not entered into any Vendors' Agreement.

Acquisition of Property:

1. Agreement with Rangs Properties Limited: To purchase commercial spaces measuring approximately 60,000 Sft (1st floor and 3rd to 8th floor) at a estimated price of Tk. 2,448,200,000/- (more or less) with a down payment of Tk. 600,000,000/- has been entered by the Bank with Rangs Properties Limited on 12 December 2012. The remaining amount will be paid by the bank in 30 equal monthly installment out of which 13 installments have already been paid by April 2014.

2. Land and building purchase: A piece of land measuring approximately 15 khata with a 6 storied residential cum commercial building situated at Hali Shahar Housing Estate, Block-A, D.C.H. Road, Chittagong has been purchased on 27 November 2013 at a total cost of Tk. 300,336,000/-. Possession of the property has already been acquired by the bank and mutation is under process.

TERMS AND CONDITIONS OF THE RIGHTS OFFER

Basis of the offer

The Company records its share register of members on 20/11/2014 for determining the shareholders who are eligible to receive this offer of shares on rights basis. The ordinary shares are now being offered on a rights basis to the shareholders holding shares on the record date at Tk. 10/- per share at par in the ratio 1(R):2 i.e. 1 (one) rights share for 2 (two) existing shares held on the record date.

Condition of subscription

1 (one) rights share of Tk. 10 each at par is offered against 2 (two) ordinary shares held by the existing shareholder(s) whose name appeared in the shareholders' register at the close of business on 20/11/2014.

Entitlement

As a shareholder of the company on the record date 20/11/2014, the shareholders are entitled to this Rights Offer. Only the holders of a minimum of two fully paid ordinary shares is entitled to receive the Rights Offer.

Acceptance of rights shares

For acceptance of right share, the Application Form-A annexed hereto shall be duly completed and the share price of Tk. 10 per share to be deposited. Rights can be exercised against all or part of the share(s) held by the applicant.

Renunciation

A shareholder may renounce all or part of the share(s) he/she is entitled to in favour of any other person(s) other than an infant or person of unsound mind. He/she can renounce his/her rights/entitlement of shares by signing Renunciation Form-B. Renouncee(s) shall fill in Renunciation Form-C appropriately.

Underwriter Obligation

If and to the extent that the shares offered to the existing shareholders by a Rights Share Offer Document authorised hereunder shall not have been subscribed and paid for in cash in full by the Closing Date, the Company shall within **10 (Ten)** days of the closure of subscription call upon the underwriters in writing with a copy of the said writing to the Bangladesh Securities and Exchange Commission, to subscribe the shares not subscribed by the closing date and to pay for in cash in full, inclusive of any premium if applicable, for such unsubscribe shares within **15 (Fifteen)** days after being called upon to do so. If payment is made by Cheque /Bank Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards his underwriting commitment under this Agreement, until such time as the Cheque/Bank Draft has been encashed and the Bank's account credited.

In any case within **7 (seven)** days after the expiry of the aforesaid 15(fifteen) days, the Bank shall send proof of subscription and payment by the underwriters to the Commission.

General

All applications should be made on the printed application form provided by the company in this Rights Share offer documents only and should be completed in all respect. Applications which are not completed in all respects or are made otherwise than as herein provided or are not accompanied by the proper application amount of deposit are liable to be rejected and the application money received in respect thereof shall be refunded.

All communication in connection with the application for the Rights Issue should be addressed to the Company quoting the registered folio number /BO ID number in the form.

Payment of share price

Payment for the value of shares applied shall be deposited with any of the designated branches of the bankers to the issue by cash or by way of pay order /demand draft/cheque payable to "**FSIBL Rights Issue 2014**" and crossed "A/C Payee Only". The pay order/demand draft/cheque for payment of share price must be drawn on a bank in the same town where the branch of bankers to the issue to which the application form has been submitted is situated.

Period of Subscription

Subscription open: 07/12/2014
Subscription Close: 28/12/2014

Others

The application not properly filled in shall be treated as cancelled and money deposited will be refunded. No profit/compensation will be paid on the refund amount in any circumstances.

Rectification

If the Bangladesh Securities and Exchange Commission raises any objection in any point/matter of the rights share offer document or require any paper/document, the same shall be rectified/made/provided by the issuer as per directives of the BSEC prior to opening of subscription of the rights issue.

Issue of Rights Share in dematerialize form

As per provision of the Depository Act, 1999 and regulation made thereunder, rights share shall only be issued in dematerialized condition. An applicant must apply for allotment of rights shares mentioning his/her Beneficiary Owner (BO) Account number in the application form.

Lock-in on rights shares of Directors' and other shareholders holding 5% or more shares

The rights share of directors and other shareholders holding 5% or more shares shall be subject to lock-in for a period of three years from the date of closure of the rights share subscription. In the event of renunciation of rights share by aforesaid persons, the renounced shares shall also be subject to lock-in for the same period.

Statement of lock-in shares

As per Bangladesh Securities Exchange Commission (Rights Issue) Rules, 2006, right shares, which will be entitled by the Directors, shall be subject to a lock-in as under:

Sl. No.	Name of the Directors	Position in the Board	Existing Shareholding	Entitlement as per offer	Lock-in period
01.	Mr. Mohammed Saiful Alam	Chairman	9,510,968	4,755,484	3 Years from the date of closure of the rights share subscription
02.	Alhaj Mohammed Abdul Maleque	Vice Chairman	8,228,774	4,114,387	=DO=
03.	Ms. Farzana Parveen	Director	20,021,284	10,010,642	=DO=
04.	Ms. Rahima Khatun	Director	8,228,774	4,114,387	=DO=
05.	Ms. Atiqur Nesa	Director	18,814,668	9,407,334	=DO=
06.	Mr. Md. Wahidul Alam Seth	Director	19,947,182	9,973,591	=DO=
07.	Mr. Shahidul Islam	Director	8,228,774	4,114,387	=DO=
08.	Mr. Mohammed Oheidul Alam	Director	8,228,774	4,114,387	=DO=
09.	Mr. Md. Sharif Hussain	Independent Director	1,490	745	=DO=
10.	Mr. Mohammed Kutub Uddowllah	Independent Director	-	-	-
11.	Mr. Mohammed Ishaque	Independent Director	-	-	-
12.	Ms. Khurshid Jahan	Depositor Director	-	-	-
13.	Mr. A. A. M. Zakaria	Managing Director	-	-	-
	Total		**101,210,688**	**50,605,344**	

As per the Rules, other shareholders holding 5% or more shares shall also be subject to lock-in for a period of three years from the date of closure of the rights share subscription.

As on May 31, 2014, no shareholder is holding 5% or more shares of the paid up shares of the bank.

DECLARATIONS AND DUE DILIGENCE CERTIFICATES

FORM-A

[(see rule 5 and 8(t)]

Declaration (due diligence certificate) about responsibility of the issue manager in respect of the rights share offer document

This rights share offer document has been reviewed by us and we confirm after due examination that the rights share offer document constitutes full and fair disclosures about the rights issue and issuer and complies with the requirements of the Securities and Exchange Commission (Rights Issue) Rules, 2006; and that the issue price is justified under the provisions of the Securities and Exchange Commission (Rights Issue) Rules, 2006.

Sd/-	Sd/-	Sd/-
M. Mosharraf Hossain PhD, FCA	**Muhammad Shahjahan**	**Md. Shah Alam**
Managing Director & CEO	Managing Director (C.C)	Managing Director
Prime Finance Capital Management Limited	Southeast Bank Capital Services Limited	Royal Green Capital Market Limited
Place: Dhaka	Place: Dhaka	Place: Dhaka
Date: 28 April 2014	Date: 28 April 2014	Date: 28 April 2014

FORM-B

[(See rule 6 and rule 8(t)]

Declaration (due diligence certificate) about responsibility of the underwriter(s) in respect of the rights share offer document

This rights share offer document has been reviewed by us and we confirm after due examination that the issue price is justified under the provisions of the Securities and Exchange Commission (Rights Issue) Rules, 2006, and also that we shall subscribe for or procure subscription for any under-subscribed rights shares within fifteen days of calling thereof by the issuer. The issuer shall call upon us for such subscription within ten days of closure of the subscription lists for the rights issue.

Sd/- **Mohammed Ahsan Ullah** Managing Director & CEO BD Finance Capital Holdings Limited	Sd/- **Md. Lutfur Rahman** Managing Director BLI Capital Limited	Sd/- **Adel Ahmed** Managing Director & CEO CAPM Advisory Limited
Sd/- **Tahid Ahmed Chowdhury,** ACCA Managing Director & CEO Citizen Securities & Investment Limited	Sd/- **Nasim Ali Khan** Chief Executive Officer FAS Capital Management Limited	Sd/- **Reza Humayun Morshed Hayat,** ACA, ACMA Chief Executive Officer First Security Services Limited
Sd/- **Md. Anwar Hossain** Managing Director Grameen Capital Management Limited	Sd/- **Syed Moinuddin Ahmed** Managing Director Green Delta Capital Limited	Sd/- **Kaiser Tamiz Amin** Managing Director & CEO GSP Finance Company (Bangladesh) Limited
Sd/- **Khairul Bashar Abu Taher Mohammed** Chief Executive Officer & SVP MTB Capital Limited	Sd/- **Nripendra Chandra Pandit** Chief Executive Officer (C.C.) PLFS Investments Limited	Sd/- **M. Mosharraf Hossain** PhD, FCA Managing Director & CEO Prime Finance Capital Management Limited
Sd/- **G.M Salehuddin Ahmed** Chief Executive Officer Rupali Investment Limited	Sd/- **Abu Nayem Md. Ibrahim** In-Charge SBL Capital Management Limited	Sd/- **S.M. Shamsul Haque** Chief Executive Officer (Additional Charge) Sonali Investment Limited
Sd/- **Emam Hossain** Managing Director & CEO (C.C) Sonar Bangla Capital Management Limited	Sd/- **Muhammad Shahjahan** Managing Director (C.C) Southeast Bank Capital Services Limited	Sd/- **Mamun Ahmed** Managing Director Swadesh Investment Management Limited

FORM-C

[As per rule 8(h), 8(i) and 8(t) of the Securities and Exchange Commission (Rights Issue) Rules, 2006]

Auditors' report to the shareholders

We have audited the accompanying consolidated financial statements of First Security Islami Bank Limited (the "Issuer Company") and its subsidiary First Security Islami Capital and Investment Limited (together referred to as the "Group") as well as separate financial statements of the Issuer Company for the year ended 31 December 2013 in accordance with the International Standards of Auditing, as applicable in Bangladesh and we state that we have obtained all the information and explanations which we have required and after due verification thereof, we report that, in our opinion:

(a) These financial statements have been drawn up in accordance with the requirements of the Securities and Exchange Rules, 1987, as amended, the Companies Act, 1994 and other relevant laws where applicable and the International Accounting Standards, as applicable in Bangladesh;

(b) These financial Statements which are in agreement with the books of account of the Issuer Company give a true and fair view of the state of its affairs as at 31 December 2013 and of the result of its operations and cash flows for the year then ended;

(c) Proper Books of Account have been kept by the issuer company as required by the relevant laws; and

(d) The expenditure incurred was for the purposes of the Issuer Company's business.

We also certify that the above issuer company has declared the following dividend for each of the following five years immediately preceding the issue of rights share offer document under the Securities and Exchange Commission (Rights Issue) Rules, 2006, and that the issuer company has duly paid off the following amounts of the declared dividend mentioned against respective year:

Financial Year	Date of Dividend Declaration	Declared Dividend			
		Rate (%)		Total Amount (TK.)	Total Paid (Tk.)
		Cash	Stock		
2009	29 May 2010		10%	230,000,000	230,000,000
2010	10 May 2011		12%	364,320,000	364,320,000
2011	15 May 2012		10%	340,032,000	340,032,000
2012	15 March 2013		10%	374,035,200	374,035,200
2013*	12 March 2014	10%		200,464,200	-

* 10% cash dividend only for shareholders except sponsors/directors has been approved by the shareholders in the AGM held on 25 April 2014.

Place: Dhaka
Dated: 28 April 2014

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

FORM-D

[see rule 8(t)]

Due diligence certificate by the directors about their personal responsibility in respect of the rights share offer document

This rights share offer document has been prepared, seen, reviewed and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given in the rights share offer document relevant documents and financial statements submitted to the Commission and others concerned under the Securities and Exchange Commission (Rights Issue) Rules, 2006. We confirm, after making all reasonable enquiries, that all conditions concerning this rights issue and rights share offer document have been met. We further confirm that we have not concealed any information or statement which might have any bearing on the information already made. In case of any default or failure on our part, civil, criminal or administrative action may be taken against us.

Sd/- **Mohammed Saiful Alam** Chairman	Sd/- **Alhaj Mohammed Abdul Maleque** Vice Chairman	Sd/- **Ms. Farzana Parveen** Director
Sd/- **Ms. Rahima Khatun** Director	Sd/- **Ms. Atiqur Nesa** Director	Sd/- **Md. Wahidul Alam Seth** Director
Sd/- **Shahidul Islam** Director	Sd/- **Mohammed Oheidul Alam** Director	Sd/- **Mohammed Kutub Uddowllah** Independent Director
Sd/- **Md. Sharif Hussain** Independent Director	Sd/- **Mohammad Ishaque** Independent Director	Sd/- **Ms. Khurshid Jahan** Depositor Director
Sd/- **A. A. M. Zakaria** Managing Director		

Place : Dhaka
Dated : 16 October 2014
First Security Islami Bank Limited

Financial Statements

of

First Security Islami Bank Limited

for the year ended 31 December 2013

Independent Auditors' Report
to the Shareholders of First Security Islami Bank Limited

We have audited the accompanying consolidated financial statements of First Security Islami Bank Limited (FSIBL) and its subsidiary (together referred to as the "Group") as well as the separate financial statements of First Security Islami Bank Limited (the "Bank") which comprise the consolidated and separate Balance Sheets as at 31 December 2013, consolidated and separate profit and loss accounts, statements of changes in equity and cash flow statements 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 these consolidated financial statements of the Group and also separate financial statements of the Bank that give a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in Note 2 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements of the Group and also separate financial statements of the Bank that are free from material misstatement, whether due to fraud or error. The Bank Companies Act, 1991 and the local central bank (Bangladesh Bank) Regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Bank. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements of the Group and separate financial statements of the Bank. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and the separate 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 of consolidated financial statements of the Group and separate financial statements of the Bank that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. 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 consolidated financial statements of the Group and the separate 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 consolidated financial statements of the Group and also separate financial statements of the Bank give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Bank as at 31 December 2013, and of its consolidated and separate financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in Note 2.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, Securities and Exchange Rules 1987, the Bank Companies Act 1991 and the rules and regulations issued by Bangladesh Bank, we also report that:

(i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;

(ii) to the extent noted during the course of our audit work performed on the basis stated under the Auditors' Responsibility section in forming the above opinion on the consolidated financial statements of the Group and the separate financial statements of the Bank and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Control:

  (a) internal audit, internal control and risk management arrangements of the Group and the Bank as disclosed in Note 2 to the financial statements appeared to be materially adequate;

  (b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities;

(iii) financial statements of subsidiary of the Bank have been audited by us and have been properly reflected in the consolidated financial statements;

(iv) in our opinion, proper books of account as required by law have been kept by the Group and the Bank so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us;

(v) the consolidated balance sheet and consolidated profit and loss account of the Group and the separate balance sheet and separate profit and loss account of the Bank together with the annexed notes dealt with by the report are in agreement with the books of account and returns;

(vi) the expenditures incurred were for the purpose of the Bank's business;

(vii) the consolidated financial statements of the Group and the separate financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;

(viii) adequate provisions have been made for advances and other assets which are in our opinion, doubtful of recovery;

(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 2,885 person hours during the audit; and

(xii) Capital Adequacy Ratio (CAR) as required by the Bangladesh Bank has been maintained adequately during the year.

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka, 12 March 2014

FIRST SECURITY ISLAMI BANK LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

	Notes	31.12.2013 BDT	31.12.2012 BDT
PROPERTY AND ASSETS			
Cash	3 (a)	**11,549,383,178**	**10,528,152,443**
In hand (Including foreign currencies)		1,294,882,672	1,183,469,300
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currencies)		10,254,500,506	9,344,683,143
Balance with other Banks and Financial Institutions	4(a)	**14,379,093,084**	**10,797,824,691**
In Bangladesh		14,206,467,884	10,327,491,621
Outside Bangladesh		172,625,200	470,333,070
Investments in Shares & Securities	5(a)	**7,268,269,377**	**5,128,479,126**
Government		6,030,358,600	4,060,654,300
Others		1,237,910,777	1,067,824,826
Investments		**114,328,753,035**	**96,304,228,588**
General Investment (Bai-Murabaha, Bai-Muajjal, HPSM) etc.	6.A(a)	113,663,053,929	95,493,421,519
Bills Purchased and Negotiated	6.B	665,699,106	810,807,069
Fixed Assets Including Premises, Furniture & Fixtures	7(a)	**2,517,375,111**	**2,032,852,899**
Other Assets	8(a)	**11,990,346,998**	**5,146,267,814**
Total Assets		**162,033,220,783**	**129,937,805,561**
LIABILITIES AND CAPITAL			
Liabilities			
Placement from Banks & other Financial Institutions	9	**4,129,788,842**	**4,598,574,967**
Deposits and Other Accounts		**139,503,926,734**	**109,905,568,871**
Al-Wadia Current Accounts and Other Deposit Accounts	10.1(a)	7,502,109,758	7,119,359,753
Bills Payable	10.2	1,176,111,458	1,824,475,966
Mudaraba Savings Deposits	10.3	6,433,026,364	5,462,576,972
Mudaraba Term Deposits including other Banks	10.4	99,476,837,371	79,263,696,843
Mudaraba Deposits under Schemes	10.5	24,915,841,783	16,235,459,337
Mudaraba Subordinated Bond	11	**2,500,000,000**	**2,220,000,000**
Other Liabilities	12(a)	**9,286,426,380**	**7,499,559,137**
Total Liabilities		**155,420,141,956**	**124,223,702,975**
Capital/Shareholders' equity			
Paid-up Capital	13	4,114,387,200	3,740,352,000
Statutory Reserve	14	1,310,398,870	1,004,574,914
Other Reserve	15	114,061,074	84,000,000
Asset Revaluation Reserve	15(a)	392,381,876	402,442,950
Retained Earnings	16(a)	506,439,968	433,427,548
Non-controlling Interest		175,409,839	49,305,174
Total Shareholders' Equity		**6,613,078,827**	**5,714,102,586**
Total Liabilities and Shareholders' Equity		**162,033,220,783**	**129,937,805,561**

FIRST SECURITY ISLAMI BANK LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

	Notes	31.12.2013 BDT	31.12.2012 BDT
OFF- BALANCE SHEET ITEMS			
Contingent Liabilities			
Acceptances and Endorsements		2,378,051,173	5,348,635,526
Letters of Guarantee	17	4,547,711,472	2,202,296,850
Irrevocable Letters of Credit	18	3,740,407,481	1,557,792,404
Bills for Collection	19	1,199,385,180	139,511,159
Other Contingent Liabilities		-	-
Total		**11,865,555,306**	**9,248,235,939**
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		**11,865,555,306**	**9,248,235,939**

The annexed notes form an integral part of these financial statements

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director	**Director**	**Director**	**Chairman**

Signed as per annexed report of even date

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dhaka, 12 March 2014

FIRST SECURITY ISLAMI BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	31.12.2013 BDT	31.12.2012 BDT
Investments Income	20(a)	18,317,000,257	13,356,455,206
Profit Paid on Deposits	21	(14,597,553,390)	(10,309,755,493)
Net Investment Income		**3,719,446,867**	**3,046,699,713**
Income from Investment in shares and securities	22(a)	250,913,903	126,293,026
Commission, Exchange and Brokerage	23(a)	338,707,552	408,472,196
Other Operating Income	24(a)	168,885,696	202,375,344
		758,507,151	**737,140,566**
Total Operating Income		**4,477,954,018**	**3,783,840,279**
Less: Operating Expenses			
Salary and Allowances	25(a)	1,173,364,470	855,931,110
Rent, Taxes, Insurances, Electricity etc.	26(a)	315,789,909	270,101,200
Legal Expenses	27	2,585,433	5,099,135
Postage, Stamps, Telecommunication etc.	28(a)	16,513,484	15,572,806
Stationery, Printings, Advertisements etc.	29	104,350,252	83,807,741
Managing Director's Salary and Fees	30	15,350,304	13,593,405
Auditors' Fees	31	855,250	700,000
Directors' Fees	32(a)	1,880,454	2,091,060
Shariah Committee's Fees & Expenses	33	115,000	132,250
Depreciation and Repair & Maintenance of Fixed Assets	34(a)	259,885,107	180,660,460
Zakat Expenses		28,085,234	18,800,000
Other Expenses	35(a)	515,363,548	385,392,202
Total Operating Expenses		**2,434,138,445**	**1,831,881,369**
Profit before Provision and Tax		**2,043,815,573**	**1,951,958,910**
Provisions for Classified Investments		215,100,000	185,724,098
Provisions for Unclassified Investments including off-B/S items		220,000,000	203,018,403
Provisions for diminution in value of Investment in Shares		65,453,410	60,000,000
Total Provisions		**500,553,410**	**448,742,501**
Total Profit before Taxes		**1,543,262,163**	**1,503,216,409**
Provision for Taxation		(766,785,922)	(740,507,341)
Deferred Tax Income	2.8.1.2	-	-
		(766,785,922)	**(740,507,341)**
Net Profit after tax for the period		**776,476,241**	**762,709,068**
Retained Earnings Brought Forward from Previous Year		433,427,548	371,537,509
		1,209,903,789	**1,134,246,577**
Appropriations:			
Statutory Reserve		305,823,956	300,372,700
Other Reserve		20,000,000	60,000,000
Bonus Share Issued		374,035,200	340,032,000
Non-controlling Interest		3,604,665	414,329
		703,463,821	**700,819,029**
Retained Earnings Carried Forward		**506,439,968**	**433,427,548**
Earnings Per Share (EPS)	36(a)	**1.89**	**1.85**

The annexed notes form an integral part of these financial statements

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director	**Director**	**Director**	**Chairman**

Signed as per annexed report of even date

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dhaka, 12 March 2014

FIRST SECURITY ISLAMI BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	31.12.2013 BDT	31.12.2012 BDT
A. Cash Flow from Operating Activities			
Profit received		18,340,159,624	12,732,666,148
Profit paid		(13,592,616,259)	(9,603,755,782)
Commission, exchange & brokerage received		338,707,552	404,240,245
Payment to employees		(1,188,714,774)	(869,524,515)
Payment to suppliers		(142,692,824)	(155,346,279)
Income tax paid		(561,102,413)	(710,802,087)
Received from other operating activities	37 (a)	168,885,696	202,375,344
Payment for other operating activities	38 (a)	(852,372,827)	(683,941,232)
Operating Profit before changes in Operating Assets & Liabilities		**2,510,253,776**	**1,315,911,842**
Increase / Decrease in Operating Assets & Liabilities			
Investments to Customers		(17,796,769,912)	(26,836,900,304)
Other Assets	39 (a)	(6,077,250,504)	(979,525,632)
Deposits from Customers		27,940,961,671	31,760,523,863
Other Liabilities	40 (a)	1,059,945,220	1,574,455,345
		5,126,886,475	**5,518,553,272**
Net Cash Inflow from Operating Activities		**7,637,140,251**	**6,834,465,114**
B. Cash Flow from Investing Activities			
Investment in Shares and Securities		(2,140,085,951)	(1,264,531,149)
Purchase of Property, Plant and Equipment		(706,064,747)	(800,259,857)
Sale of Property, Plant and Equipment		-	78,812
Net Cash Inflow from Investing Activities		**(2,846,150,698)**	**(2,064,712,194)**
C. Cash Flow from Financing Activities			
Increase/(Decrease) in Share Capital			
Receipt from issuance of Mudaraba Subordinated Bond		280,000,000	2,220,000,000
Increase/(Decrease) in Placement from Banks & Fl		(468,786,125)	1,489,960,967
Net Cash Inflow/(Outflow) from Financing Activities		**(188,786,125)**	**3,709,960,967**
D. Net Increase/Decrease of Cash & Cash Equivalent (A+B+C)		**4,602,203,428**	**8,479,713,887**
Effect of Exchange Rate on Cash & Cash Equivalent		-	-
E. Opening Cash & Cash Equivalent		**21,326,631,434**	**12,846,917,547**
F. Closing Cash & Cash Equivalent (D+E)		**25,928,834,862**	**21,326,631,434**
The above closing Cash and Cash Equivalents include:			
Cash in hand (Including Foreign Currencies)		1,294,882,672	1,183,469,300
Balance with Bangladesh Bank, other banks & FI		24,633,593,590	20,142,507,834
Prize Bond		358,600	654,300
		25,928,834,862	**21,326,631,434**

The annexed notes form an integral part of these financial statements

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director	**Director**	**Director**	**Chairman**

Dhaka, 12 March 2014

FIRST SECURITY ISLAMI BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

Particulars	Paid-up Capital	Statutory Reserve	Other Reserve	Assets Reval. Reserve	Retained Earnings	Non-controlling Interest	Total
	BDT	BDT	BDT	BDT	BDT	BDT	BDT
Balance as on 01 January 2013	**3,740,352,000**	**1,004,574,914**	**84,000,000**	**402,442,950**	**433,427,548**	**49,305,174**	**5,714,102,586**
Changes in Accounting Policy	-	-	-	-	-	-	-
Restated Balance	**3,740,352,000**	**1,004,574,914**	**84,000,000**	**402,442,950**	**433,427,548**	**49,305,174**	**5,714,102,586**
Surplus/Deficit on account of Revaluation of Properties	-	-	-		-	-	-
Surplus/Deficit on account of Revaluation of Investments	-	-	-		-	-	-
Net Gains and Losses not Recognized in the Income Statement	-	-	-		-	-	-
Net Profit for the period	-	-	-		776,476,241	-	776,476,241
Dividends	-	-	-		-	-	-
Transfer to Statutory Reserve	-	305,823,956	-		(305,823,956)	-	-
Transfer to Other Reserve			20,000,000		(20,000,000)		
Transfer from Assets Revaluation reserve to Other Reserve			10,061,074	(10,061,074)			-
Issue of Bonus Share during the year	374,035,200	-	-		(374,035,200)	-	-
Capital Increase in Subsidiary						122,500,000	122,500,000
Non-controlling Interest	-	-	-		(3,604,665)	3,604,665	-
Balance as on 31 December 2013	**4,114,387,200**	**1,310,398,870**	**114,061,074**	**392,381,876**	**506,439,968**	**175,409,839**	**6,613,078,827**
Balance as on 31 December 2012	**3,740,352,000**	**1,004,574,914**	**84,000,000**	**402,442,950**	**433,427,548**	**49,305,174**	**5,714,102,586**

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chairman

Dhaka, 12 March 2014

FIRST SECURITY ISLAMI BANK LIMITED

CONSOLIDATED LIQUIDITY STATEMENT (ASSETS AND LIABILITY MATURITY ANALYSIS)

AS AT 31 DECEMBER 2013

Particulars	Up to 01 Month	01-03 Months	03-12 Months	01-05 Years	More than 05 years	Total
	BDT	BDT	BDT	BDT	BDT	BDT
Assets						
Cash in Hand	3,660,393,095	-	-	-	7,888,990,083	11,549,383,178
Balance with other Banks and FI	1,035,716,061	1,872,541,971	6,895,235,051	2,739,800,000	1,835,800,000	14,379,093,084
Investments in Shares and Securities	1,237,910,777	-	-	6,030,358,600		7,268,269,377
Investments	13,531,629,727	21,316,633,690	37,258,833,376	23,966,310,661	18,255,345,581	114,328,753,035
Fixed Assets including Premises, Furniture and Fixtures	-	864,460,500	191,242,692	851,428,870	610,243,049	2,517,375,111
Other Assets	6,137,744,010	5,526,139,500	241,034,989	85,428,499	-	11,990,346,998
Non-banking Assets	-	-	-	-	-	-
Total Assets	**25,603,393,670**	**29,579,775,661**	**44,586,346,108**	**33,673,326,630**	**28,590,378,713**	**162,033,220,783**
Liabilities						
Placement from Banks & Other Financial Institutions	-	-	4,129,788,842	-	-	4,129,788,842
Deposits and other Accounts	21,662,954,617	29,011,774,423	35,669,287,557	24,257,900,690	28,902,009,446	139,503,926,734
Mudaraba Subordinated Bond	-	-	-	2,500,000,000	-	2,500,000,000
Other Liabilities		-	2,270,044,010	3,227,793,722	3,788,588,648	9,286,426,380
Total Liabilities	**21,662,954,617**	**29,011,774,423**	**42,069,120,409**	**29,985,694,412**	**32,690,598,094**	**155,420,141,956**
Net Liquidity Gap	**3,940,439,053**	**568,001,238**	**2,517,225,700**	**3,687,632,218**	**(4,100,219,381)**	**6,613,078,827**

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chairman

Dhaka, 12 March 2014

FIRST SECURITY ISLAMI BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2013

	Notes	31.12.2013 BDT	31.12.2012 BDT
PROPERTY AND ASSETS			
Cash	3	**11,549,381,969**	**10,528,144,967**
In hand (Including foreign currencies)		1,294,881,463	1,183,461,824
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currencies)		10,254,500,506	9,344,683,143
Balance with other Banks and Financial Institutions	4	**14,379,093,084**	**10,785,716,061**
In Bangladesh		14,206,467,884	10,315,382,991
Outside Bangladesh		172,625,200	470,333,070
Investments in Shares & Securities	5	**6,995,202,236**	**4,913,392,720**
Government		6,030,358,600	4,060,654,300
Others		964,843,636	852,738,420
Investments	6	**114,601,798,177**	**96,304,228,588**
General Investment (Bai-Murabaha, Bai-Muajjal, HPSM) etc.	6.A	113,936,099,071	95,493,421,519
Bills Purchased and Negotiated	6.B	665,699,106	810,807,069
Fixed Assets Including Premises, Furniture & Fixtures	7	**2,476,432,062**	**1,997,716,214**
Other Assets	8	**11,821,069,317**	**5,203,974,538**
Total Assets		**161,822,976,845**	**129,733,173,088**
LIABILITIES AND CAPITAL			
Liabilities			
Placement from Banks & other Financial Institutions	9	**4,129,788,842**	**4,598,574,967**
Deposits and Other Accounts	10	**139,520,955,783**	**109,905,568,871**
Al-Wadia Current Accounts and Other Deposit Accounts	10.1	7,519,138,807	7,119,359,753
Bills Payable	10.2	1,176,111,458	1,824,475,966
Mudaraba Savings Bank Deposits	10.3	6,433,026,364	5,462,576,972
Mudaraba Term Deposits including other Banks	10.4	99,476,837,371	79,263,696,843
Mudaraba Deposits under Schemes	10.5	24,915,841,783	16,235,459,337
Mudaraba Subordinated Bond	11	**2,500,000,000**	**2,220,000,000**
Other Liabilities	12	**9,238,632,656**	**7,344,549,468**
Total Liabilities		**155,389,377,281**	**124,068,693,306**
Capital/Shareholders' equity			
Paid-up Capital	13	4,114,387,200	3,740,352,000
Statutory Reserve	14	1,310,398,870	1,004,574,914
Other Reserve	15	114,061,074	84,000,000
Assets Revaluation Reserve	15(a)	392,381,876	402,442,950
Retained Earnings	16	502,370,544	433,109,918
Total Shareholders' Equity		**6,433,599,564**	**5,664,479,782**
Total Liabilities and Shareholders' Equity		**161,822,976,845**	**129,733,173,088**

FIRST SECURITY ISLAMI BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2013

	Notes	31.12.2013 BDT	31.12.2012 BDT
OFF- BALANCE SHEET ITEMS			
Contingent Liabilities			
Acceptances and Endorsements		2,378,051,173	5,348,635,526
Letters of Guarantee	17	4,547,711,472	2,202,296,850
Irrevocable Letters of Credit	18	3,740,407,481	1,557,792,404
Bills for Collection	19	1,199,385,180	139,511,159
Other Contingent Liabilities		-	-
Total		**11,865,555,306**	**9,248,235,939**
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		**11,865,555,306**	**9,248,235,939**

The annexed notes form an integral part of these financial statements

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director	**Director**	**Director**	**Chairman**

Signed as per annexed report of even date

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dhaka, 12 March 2014

FIRST SECURITY ISLAMI BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	31.12.2013 BDT	31.12.2012 BDT
Investments Income	20	18,277,686,531	13,339,668,730
Profit Paid on Deposits	21	(14,597,553,390)	(10,309,755,493)
Net Investment Income		**3,680,133,141**	**3,029,913,237**
Income from Investment in shares and securities	22	235,670,968	98,997,129
Commission, Exchange and Brokerage	23	326,776,987	404,240,245
Other Operating Income	24	167,015,629	201,533,344
		729,463,584	**704,770,718**
Total Operating Income		**4,409,596,725**	**3,734,683,955**
Less: Operating Expenses			
Salary and Allowances	25	1,163,686,638	847,429,497
Rent, Taxes, Insurances, Electricity etc.	26	311,789,001	266,100,292
Legal Expenses	27	2,585,433	5,099,135
Postage, Stamps, Telecommunication etc.	28	16,390,307	15,379,156
Stationery, Printings, Advertisements etc.	29	104,350,252	83,807,741
Managing Director's Salary and Fees	30	15,350,304	13,593,405
Auditors' Fees		730,250	575,000
Directors' Fees	32	1,753,954	1,918,560
Shariah Committee's Fees & Expenses	33	115,000	132,250
Depreciation and Repair of Bank's Assets	34	250,409,783	175,807,881
Zakat Expenses		28,085,234	18,800,000
Other Expenses	35	488,630,787	364,082,435
Total Operating Expenses		**2,383,876,943**	**1,792,725,352**
Profit before Provision and Tax		**2,025,719,782**	**1,941,958,603**
Provisions for Classified Investments		215,100,000	177,076,701
Provisions for Unclassified Investments including off-B/S items		220,000,000	203,018,403
Provisions for diminution in value of Investment in Shares		61,500,000	60,000,000
Total Provisions		**496,600,000**	**440,095,104**
Total Profit before Taxes		**1,529,119,782**	**1,501,863,499**
Provision for Taxation		(760,000,000)	(740,000,000)
Deferred Tax Income	2.8.1.2	-	-
		(760,000,000)	**(740,000,000)**
Net Profit after tax for the period		**769,119,782**	**761,863,499**
Retained Earnings Brought Forward from Previous Year		433,109,918	371,651,119
		1,202,229,700	**1,133,514,618**
Appropriations:			
Statutory Reserve		305,823,956	300,372,700
Other Reserve		20,000,000	60,000,000
Bonus Share Issued		374,035,200	340,032,000
		699,859,156	**700,404,700**
Retained Earnings Carried Forward		**502,370,544**	**433,109,918**
Earnings Per Share (EPS)	36	**1.87**	**1.85**

The annexed notes form an integral part of these financial statements

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director	**Director**	**Director**	**Chairman**

Signed as per annexed report of even date

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dhaka, 12 March 2014

FIRST SECURITY ISLAMI BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	31.12.2013 BDT	31.12.2012 BDT
A. Cash Flow from Operating Activities			
Profit received		18,285,602,963	12,732,666,148
Profit paid		(13,592,616,259)	(9,603,755,782)
Commission, exchange & brokerage received		326,776,987	404,240,245
Payment to employees		(1,179,036,942)	(861,022,902)
Payment to suppliers		(142,692,824)	(155,346,279)
Income tax paid		(561,102,413)	(710,802,087)
Received from other operating activities	37	167,015,629	201,533,344
Payment for other operating activities	38	(821,264,482)	(653,286,828)
Operating Profit before changes in Operating Assets & Liabilities		**2,482,682,660**	**1,354,225,859**
Increase / Decrease in Operating Assets & Liabilities			
Investments to Customers		(18,069,815,054)	(26,836,900,304)
Other Assets	39	(5,885,349,535)	(982,259,562)
Deposits from Customers		27,993,074,157	31,760,523,863
Other Liabilities	40	1,055,400,498	1,502,738,936
		5,093,310,066	**5,444,102,933**
Net Cash Inflow from Operating Activities		**7,575,992,726**	**6,798,328,792**
B. Cash Flow from Investing Activities			
Investment in Shares and Securities		(2,082,105,216)	(1,117,031,781)
Purchase of Property, Plant and Equipment		(690,783,060)	(769,739,231)
Sale of Property, Plant and Equipment		-	-
Net Cash Inflow from Investing Activities		**(2,772,888,276)**	**(1,886,771,012)**
C. Cash Flow from Financing Activities			
Increase/(Decrease) in Share Capital		-	-
Receipt from issuance of Mudaraba Subordinated Bond		280,000,000	2,220,000,000
Increase/(Decrease) in Placement from Banks & Fl		(468,786,125)	1,367,460,967
Net Cash Inflow/(Outflow) from Financing Activities		**(188,786,125)**	**3,587,460,967**
D. Net Increase/Decrease of Cash & Cash Equivalent (A+B+C)		**4,614,318,325**	**8,499,018,747**
Effect of Exchange Rate on Cash & Cash Equivalent		-	-
E. Opening Cash & Cash Equivalent		21,314,515,328	12,815,496,581
F. Closing Cash & Cash Equivalent (D+E)		**25,928,833,653**	**21,314,515,328**
The above closing Cash and Cash Equivalents include:			
Cash in hand (Including Foreign Currencies)		1,294,881,463	1,183,461,824
Balance with Bangladesh Bank, other banks & FI		24,633,593,590	20,130,399,204
Prize Bond		358,600	654,300
		25,928,833,653	**21,314,515,328**

The annexed notes form an integral part of these financial statements

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director	**Director**	**Director**	**Chairman**

Dhaka, 12 March 2014

FIRST SECURITY ISLAMI BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

Particulars	Paid-up Capital	Statutory Reserve	Other Reserve	Assets Reval. Reserve	Retained Earnings	Total
	BDT	BDT	BDT	BDT	BDT	BDT
Balance as on 01 January 2013	**3,740,352,000**	**1,004,574,914**	**84,000,000**	**402,442,950**	**433,109,918**	**5,664,479,782**
Changes in Accounting Policy	-	-	-	-	-	-
Restated Balance	**3,740,352,000**	**1,004,574,914**	**84,000,000**	**402,442,950**	**433,109,918**	**5,664,479,782**
Surplus/Deficit on account of Revaluation of Properties	-	-	-	-	-	-
Surplus/Deficit on account of Revaluation of Investments	-	-	-	-	-	-
Net Gains and Losses not Recognized in the Income Statement	-	-	-	-	-	-
Net Profit for the period	-	-	-	-	769,119,782	769,119,782
Dividends	-	-	-	-	-	-
Transfer to Statutory Reserve	-	305,823,956		-	(305,823,956)	-
Transfer to Other Reserve			20,000,000		(20,000,000)	
Transfer from Assets-Revaluation reserve to Other Reserve			10,061,074	(10,061,074)		
Issue of Bonus Share during the year	374,035,200	-	-	-	(374,035,200)	-
Balance as on 31 December 2013	**4,114,387,200**	**1,310,398,870**	**114,061,074**	**392,381,876**	**502,370,544**	**6,433,599,564**
Balance as on 31 December 2012	**3,740,352,000**	**1,004,574,914**	**84,000,000**	**402,442,950**	**433,109,918**	**5,664,479,782**

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chairman

Dhaka, 12 March 2014

FIRST SECURITY ISLAMI BANK LIMITED

LIQUIDITY STATEMENT (ASSETS AND LIABILITY MATURITY ANALYSIS)

AS AT 31 DECEMBER 2013

Particulars	Up to 01 Month	01-03 Months	03-12 Months	01-05 Years	More than 05 years	Total
	BDT	BDT	BDT	BDT	BDT	BDT
Assets						
Cash in Hand	3,660,391,886	-	-	-	7,888,990,083	11,549,381,969
Balance with other Banks and FI	1,035,716,061	1,872,541,971	6,895,235,051	2,739,800,000	1,835,800,000	14,379,093,084
Investments in Shares and Securities	964,843,636	-	-	6,030,358,600		6,995,202,236
Investments	13,531,629,727	21,316,633,690	37,491,624,030	24,006,565,149	18,255,345,581	114,601,798,177
Fixed Assets including Premises, Furniture and Fixtures	-	864,460,500	191,242,692	851,428,870	569,300,000	2,476,432,062
Other Assets	6,137,744,010	5,526,139,500	71,757,308	85,428,499	-	11,821,069,317
Non-banking Assets	-	-	-	-	-	-
Total Assets	**25,330,325,320**	**29,579,775,661**	**44,649,859,082**	**33,713,581,118**	**28,549,435,664**	**161,822,976,845**
Liabilities						
Placement from Banks & Other Financial Institutions	-	-	4,129,788,842	-	-	4,129,788,842
Deposits and other Accounts	21,679,983,667	29,011,774,423	35,669,287,557	24,257,900,690	28,902,009,446	139,520,955,783
Mudaraba Subordinated Bond	-	-	-	2,500,000,000	-	2,500,000,000
Other Liabilities		-	2,250,044,010	3,230,000,000	3,758,588,646	9,238,632,656
Total Liabilities	**21,679,983,667**	**29,011,774,423**	**42,049,120,409**	**29,987,900,690**	**32,660,598,092**	**155,389,377,281**
Net Liquidity Gap	**3,650,341,653**	**568,001,238**	**2,600,738,673**	**3,725,680,428**	**(4,111,162,428)**	**6,433,599,564**

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

Sd/-
Chairman

Dhaka, 12 March 2014

Notes to the Financial Statements
For the year ended 31 December 2013

1. The Bank and its activities:

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) Ltd. and Chittagong Stock Exchange (CSE) Ltd. Presently the Bank carries banking activities through its one hundred & seventeen (117) branches in the country. The Bank had no overseas branches as at December 31, 2013. The Bank converted its banking operation into Islamic Banking based on Islamic Shari'ah 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.

1.2 Principal Activities

1.2.1 Commercial banking services

All kinds of commercial banking services are provided by the Bank to the customers following the principles of Islamic Shari'ah, the provisions of the Bank Company Act 1991 and Bangladesh Bank's directives.

The bank renders commercial banking services to all types of customers. The range of services offered by the bank includes accepting deposit, making investment, purchasing bills, conducting domestic and international money transfer, carrying out foreign exchange transactions in addition to international money transfers and offering other customer services such as safe keeping, collections and issuing guarantees, acceptances and letters of credit. Core business of the bank includes deposit mobilization and investing activities comprising short-term, long-term, import and export financing. Investment activities are extended to different sectors of the economy that could be grouped into several sectors including Rural & agriculture, Garments & Textiles, Jute, Cement & Bricks, Tannery, Steel & Engineering, Food & Beverage, Chemical & Pharmaceuticals, Printing & Packaging, Glass & Ceramics and Miscellaneous.

At a glance, the principal activities of the bank are:

(a) To facilitate and handle all kinds of commercial banking services to its customers authorized by Bangladesh Bank.

(b) To handle the export and import trade of Bangladesh

(c) To take part in international banking etc.

1.2.2 Mobile financial services-" First Pay Sure Cash"

FSIBL has launched mobile banking services in the beginning of January 2013 as per Bangladesh Bank approval (reference no. DCMPS/PSD/37(N)/2011-776 dated 22/11/2011) under the name of **"**First Pay Sure Cash". First Security Islami Bank Ltd. offers different services through the mobile banking services that include free and quick opening of customer account, deposit and withdrawal of cash money, fund transfer from one account to another, receiving remittance from abroad, knowing account balance and mini-statement, giving and receiving salary, mobile recharge and payment of utility bill, school banking and merchant bill payment etc.

1.3 First Security Islami Capital & Investment Limited

First Security Islami Capital & Investment Limited, 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 December 2010.The Securities and Exchange Commission vide its certificate No. MB-65/2011 dated 27 March 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. The company's reporting period is January to December.

1.4 First Security Islami Exchange Limited, 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. Some legal formalities for incorporation as a subsidiary company of the First Security Islami Exchange Ltd. Canada are yet to be completed. Meanwhile the Board of Directors of the bank has decided to close the business and the process is going on.

1.5 First Security Islami Exchange Italy S.R.L

First Security Islami Exchange Italy S.R.L has been formed as per approval of Bangladesh Bank vide their Letter No. BRPD (M) 204/17/2009-95 dated 08 September 2009 for opening a fully owned subsidiary company. 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.

2. Significant Accounting Policies and basis for Preparation of Financial Statements

2.1 Basis of Accounting

Statements of Compliance

The financial statements of the Group and the Bank are made up to December 31, 2013 and are prepared under the historical cost convention on a going concern basis and in accordance with the " First Schedule Section 38(4) of the Bank Companies Act, 1991, BRPD Circular # 14 dated 25 June 2003, BRPD Circular # 15 dated 09 November 2009, Other Bangladesh bank Circulars, Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards, The Companies Act 1994, The Security and Exchange Rules 1987, Dhaka & Chittagong Stock Exchanges listing regulations, Income Tax Ordinance 1984 and other laws and rules applicable in Bangladesh.

2.2 Basis of Consolidation

The consolidated Financial Statements include the financial statements of First Security Islami Bank Limited and its subsidiary company First Security Islami Capital & Investment Limited made up to the end of the December 31, 2013. The consolidated financial statements have been prepared in accordance with Bangladesh Accounting Standards 27-"Consolidated & Separate Financial Statements". The Consolidated Financial Statements are prepared for the common financial year ended 31 December 2013.

All intra-group transactions, balances, income and expenses are eliminated at the time of consolidation. Profit and loss resulting from transactions is also eliminated from consolidated financial statements.

2.3 Use of estimates and Judgments

In the preparation of the financial statements management is 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.

2.4 Accruals & Deferrals

Accruals and deferrals have been made as per the guidance of IAS # 1: Presentation of Financial Statements. In order to meet their objectives, financial statements except for Statement of Cash Flow and related information are prepared on accrual basis of accounting. Under this basis, the effects of transactions and other events are recognized when they occur (and not when cash or its equivalent is received or paid) and they are recorded in accounts and reported in the financial statements of the periods to which they relate.

2.5 Revenue Recognition

The revenues during the period are recognized on an accrual basis, which comply with the conditions of revenue recognition as provided in IAS # 18: Revenue.

2.5.1 Income from Investments

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.

2.5.2 Income from Investments in Securities

- Investment in shares and securities are stated at cost. Provisions have been made against probable losses on the basis of period end reviewed by the management and in compliance with Bangladesh Bank circulars & directives.
- Dividend income on shares of joint stock companies is accounted for when it is received.
- Gain on sale of shares transferred to other income on realization basis.
- Profit on investment in Bangladesh Govt. Islamic Investment Bond is recognized on accrual basis.

2.5.3 Commission Income

Commission and discount on Bills Purchased and Negotiated 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.

2.5.4 Profit/Rent/Compensation Suspense Account

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 Sharia'h are not included in the distributable income of the Bank.

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

Interest 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 Sharia'h.

2.5.5 Profit paid and other expenses

In terms of the provision of IAS # 1: Presentation of Financial Statements, Profit paid and other expenses are recognized on accrual basis.

2.5.6 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 ended December 31 2013 has not been recognized as a liability in the balance sheet in accordance with the IAS-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.

2.6 Foreign Currency Transactions

2.6.1 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.

2.6.2 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 IAS-21. Assets and liabilities in foreign currencies as at 31 December 2013 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.

2.6.3 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 2013 have been shown in the Balance Sheet under Off-Balance Sheet items.
Exchange rates with major foreign currencies as on 31 December 2013 were as:

Currency Name	Exchange Rate (TK)
US $	77.7500
EURO	106.8363
YEN	0.7384
ACU	77.7500
GBP	128.0854
CHF	87.0953
SGD	61.3509
AUD	69.2480
CAD	72.5754

2.6.4 Translation gains and losses

As per provision of IAS # 21: The Effects of Changes in Foreign Exchange Rates, foreign currency transactions are translated into Taka at rates prevailing (contracting) on the dates of such transactions. 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.

2.7 Assets and their basis of valuation

2.7.1 Cash and Cash Equivalents

As per provision of IAS # 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.

2.7.2 Investments

a) Investments are stated in the balance Sheet at the net amount excluding unearned income.

b) 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, BRPD circular no 5, dated June 5, 2006, BRPD circular no 14, dated September 23, 2012, BRPD circular no 19, dated December 27, 2012 and BRPD circular no. 05, dated May 29, 2013 respectively specific provisions are made against non performing investments are at the following rates:

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, 05, 14, 19 and 05 dated December 6, 1998, May 14, 2001, October 2005, June 5, 2006, September 23, 2012 , December 27, 2012 and May 29, 2013 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:

- All Unclassified Investments and SMA of Small and Medium Enterprise (SME) 0.25%
- All Unclassified Investments and SMA (Other than investments under consumer Financing, Investment to Brokerage House, Merchant Banks, Stock Dealers etc., Special Mention Account as well as SME Financing) 1%
- Unclassified Consumer Financing and SMA (Other than Housing Finance and Investment for Professionals to set up business) 5%
- Unclassified Consumer Financing and SMA (For Investments to Housing Finance and Investment for Professionals to set up business under Consumer Financing Scheme.) 2%
- Unclassified Investment and SMA to Brokerage House, Merchant Banks, Stock dealers, etc Housing Finance and Investment for Professionals to set up business under Consumer Financing Scheme 2%
- Off-Balance Sheet Exposure 1%

Provision for Short-term agricultural and Micro-Credits:

- All credits except "Bad/Loss" 5%
- Bad/Loss 100%

c) When an investment is deemed to be uncollectible, it is written off against the related provision for impairments. Subsequent recoveries of such investments are credited to the income statement.

d) Investment are normally written off, when there is no chance of recovery of these amounts in accordance with BRPD Circular no. 2, Dated 13 January 2003, BRPD Circular no. 15, Dated 23 September 2012 and BRPD circular no. 13 dated November 07, 2013. A separate Investment Monitoring and Recovery Division (IMRD) have been set up at the Head Office, which monitors investment written off and legal action through the Money Court. The process of write-offs does not undermine or affect the amount claimed against the borrower by the bank. Investments have not been classified against which order staying classification has been issued by the Hon'ble High Court.

2.7.3 Valuation Method

Considerable value of Investments have been considered as follows:

Particulars	Valuation Method
Bangladesh Government Islamic Investment Bonds	Cost Price
Prize bonds	Cost Price
Shares	Cost Price

2.7.4. Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.7.5 Property, Plant and Equipment

All property and equipment are classified and grouped on the basis of their nature as required in as par provision of IAS # 16: Property, Plant and Equipment. 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 IAS 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 period as required by paragraph 73 (a-e)of IAS 16. Maintenance expenses that does not increase the value of assets is charged to profit & loss account.

Depreciation on Property, Plant and Equipment

As required in paragraph 43 of IAS 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%	Reducing Balance Method except Computer Equipment where Straight Line Method is used.
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.

2.8 Liabilities and Provision

2.8.1 Taxation
Tax expenses represent the sum of the tax which are payable during the current period.

2.8.1.1 Current Tax

Provision for corporate current income tax has been made @ 42.50% as prescribed in the Finance Act 2013 of the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per income tax laws incompliance with BAS-12: Income Taxes.

2.8.1.2 Deferred Tax

As per IAS#12 Deferred tax asset are the amounts of income taxes recoverable in future periods in respect of deductible 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.

2.8.2 Retirement Benefits of Employees

Required in IAS # 19: Employee Benefit, provident fund and gratuity benefits are given to eligible staff of the bank in accordance with the locally registered rules and the entity shall disclose the amount recognized as an expense for defined contribution plan.

2.8.2.1 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 of employees and 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.

2.8.2.2 Gratuity

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. Actual valuation of gratuity scheme had been made to assess the adequacy of the liabilities provided for the scheme as per IAS-19 "Employee Benefits".

2.8.2.3 Social Security Benevolent Fund

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

2.8.3 Deposits and Other Accounts

Deposit includes Al-wadiah Current (non-profit bearing) Deposits, Mudaraba Saving Deposits, Mudaraba Term Deposits etc. They are brought to account at the gross value of the outstanding balance. Profit paid is charged to the Income Statement.

2.8.4 Contingent Liabilities, Commitments and Other Off-Balance Sheet items

As required in IAS # 37, Contingent Liabilities, commitments and other off-Balance Sheet items are presented in details in the financial statements.

2.8.5 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.

2.8.6 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 depositors respectively.

2.9 Others

2.9.1 Statement of Cash Flow

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 IAS 7.

2.9.2 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.

- Balance with other Banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term;

- Investments are on the basis of their respective maturity;
- Investments are on the basis of their repayment schedule.
- Fixed assets are on the basis of their useful lives;
- Other assets are on the basis of their realization / amortization;
- Borrowing from other Banks, financial institutions and agents, etc. are as per their maturity / repayment term;
- Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors;
- Provisions and other liabilities are on the basis of their payment / adjustments schedule.

2.9.3 Comparative Information

As guided in paragraph 36 and 38 of IAS 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 period's financial statements.

2.9.4 Earnings Per Share (EPS)

2.9.4.1 Basic Earnings per Share

Earnings per share have been calculated in accordance with IAS 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 period.

2.9.4.2 Diluted Earnings per Share

No diluted earnings per share is required to calculate for the period as there was no scope for dilution during the period under review.

2.9.5 Functional and presentation currency

The financial statements are presented in Bangladesh Taka (BDT). All values are rounded to the nearest Taka.

2.10 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:

2.10.1 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 investment 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).

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.

2.10.2 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.

2.10.3 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.

2.10.4 Prevention of Money Laundering

Money Laundering is the criminal practice of filtering ill-gotten gains or dirty money through a series of transaction so as to give the money a clean look that it appears to have originated from legal activities. It is a process of filtering money obtained through predicate offence such as corruption, fraud, drug trafficking etc. through the financial system. Money Laundering now a days is one of the greatest challenges that the Governments, Banks and Financial Institutions face in the globalize financial system.

First Security Islami Bank Limited identified the money laundering as one of its core risk areas and has been making all out efforts to prevent money laundering. For mitigating the risk, the bank has a designated Chief Anti-Money Laundering Compliance Officer (CAMLCO) at Central Compliance Unit under Anti-Money Laundering Division, Head Office, who has sufficient authority to implement and enforce corporate wide AML policy, procedure & measure and who is reporting directly to the Senior Management and the Board of Directors. Moreover, every branch of our bank has a designated Branch Anti-Money Laundering Compliance Officer (BAMLCO) under Branch Anti-Money Laundering Compliance Unit, who independently review the

transaction of accounts, with verification of Know Your Customer (KYC) and Suspicious Transaction Report (STR). They are also sending Cash Transaction Report (CTR) to the Central Compliance Unit, Head Office on monthly basis by using FIU Reporting System Software provided by Bangladesh Bank and finally we send the same to Anti-Money Laundering Department of Bangladesh Bank. The Central Compliance Unit has also arranged Training/Workshop for developing awareness and skill regarding AML activities of Executives and Officers of the bank and conducting inspection regarding AML activities of our branch. Bank has established a Manual for Prevention of Money Laundering and issues circulars time to time giving specific guidelines in accordance with Bangladesh Bank guidelines, regulations, Anti-Money Laundering Act, 2009 & Anti Terrorism Act, 2009. All the guidelines and circulars issued by Bangladesh Bank from time to time are being strictly complied with by Central Compliance Unit and branches of the Bank.

2.10.5 Internal Control and Compliance

Internal Control & Compliance is considered as an eye of an organization. It is a mirror of operations and keeps record of the same. The primary objectives of internal control system are to help the bank to perform in a better height through the use of its resources & under the guidance of Internal Control system; bank identifies its weakness and takes appropriate measures to overcome the same. The main objectives of Internal Control are to ascertain the efficiency and effectiveness of activities, reliability, completeness and timeliness of financial and management information, compliance with applicable laws and regulations.

Operational loss arises for the cause of errors and fraud due to lack of internal control and compliance. Internal Control & Compliance Division undertakes periodical and special audit & inspection of its branches and departments/divisions of Head Office for reviewing its operation and compliance of the statutory requirement. The Audit Committee of the Board of Directors plays a vital role in providing a bridge between the Board and Management. The committee reviews the Financial Reporting process, Audit process and the Bank's process for compliance with laws, regulations and code of conduct.

2.10.6 Guideline on Information & Communication Technology:

Banks are increasingly using sophisticated digital technology for banking activities with a view to achieve more customer satisfaction with less cost. In addition, it increases the efficiency of the banking and payment system, benefiting consumers and merchants leading to bringing additional risks. These risks must be balanced against benefits i.e. must be controlled. Under this advanced and highly technical ICT environment banks must ensure that critical systems are not threatened by the risk exposures the banks take. For this purpose, a risk management process consisting of assessing risks, controlling risk exposure, and monitoring risks should be in place.

Information assets are critical to the services provided by the Bank to its customers. Protection and maintenance of these assets are vital to its sustainability. In order to ensure protection of critical IT assets from unauthorized access, modification, disclosure and destruction the Bank has already taken initiatives, which safeguard the interest of customers.

In this context bank is implementing a core banking software (Bank Ultimus) ensuring adequate security. To protect sensitive information of core banking software and other software in the event of any disaster, the bank has implemented a disaster recovery site. The Bank has already developed its own ICT policies for various operation and services which are closely in line with the ICT guidelines of Bangladesh Bank.

The Bank has developed fault tolerance plan of human resources with detail job description for each IT personnel, segregation of duties of IT tasks and system support in respect of severity. Training is a key component of ICT Risk Management. The Bank has been continuously

conducting training sessions on sensitive IT tasks (i.e. operational procedure, Business Continuity Planning, Disaster Recovery Planning etc.) for relevant employees. The Bank management has been putting continuous efforts to improve IT Operation Management, Problem Management, Change Management, Asset Management and Request Management to maintain maximum uptime of automated banking business. The Bank has been maintaining adequate physical security inside its workplace to properly protect ICT resources. The Bank is strictly following the Information Security Standard of Bangladesh Bank covering Password Control, User ID Maintenance, Input Control, Network Security, Data Encryption, Virus Protection and Access Control to Internet and Emailing. The bank is regularly conducting internal ICT audit to all its' branches and Head Office divisions to ensure proper implementation of the ICT policies.

2.11 Risk Based Capital (Basel-II)

To comply with the international best practice and to make the bank's capital more risk sensitive as well as to build the banking industry more shock absorbent and stable, Bangladesh Bank is aimed to implement Basel-II reporting from 2010. As per the directive of Bangladesh Bank, all schedule banks in Bangladesh are now required to report risk based capital adequacy for banks under Basel-II along with the existing capital adequacy rules and reporting under Basel-II during the parallel run i , e. 2009. All scheduled banks are also required to disclose capital adequacy in both quantitative terms. The first disclosure as per guidelines has been made as on the effective date viz. 31st March 2010.

2.12 Stress Testing

Stress testing is one of the sophisticated risk management techniques that have been used to determine the reactions of different financial institution under a set of exceptional, but plausible assumptions through a series of test. At institutional level, stress testing techniques provide a way to quantity the impact of change in a number of risk factors on the assets and liabilities portfolio of the institution. Presently stress testing is being done by considering five different risk factors namely interest rate, sale value of collateral, non-performing loans, stock price and foreign exchange rate.

FSIBL supplements their analysis of risk with stress testing. They perform stress tests because value-at-risk calculations are based on relatively recent historical data and only purport to estimate risk up to a defined confidence level. Therefore, they only reflect possible losses under relatively normal market conditions.

2.13 General

- Wherever considered necessary, previous year's figures have been rearranged for the purpose of comparison;

		31.12.2013	31.12.2012
		BDT	BDT
3	**CASH**		
3.1	**Cash in Hand**		
	In Local Currency	1,281,029,139	1,172,213,290
	In Foreign Currencies	13,852,324	11,248,534
		1,294,881,463	**1,183,461,824**
3.2	**Balance with Bangladesh Bank and its Agent Bank**		
	In Local Currency	10,192,645,445	9,064,653,022
	In Foreign Currencies	61,855,061	280,030,121
		10,254,500,506	**9,344,683,143**
		11,549,381,969	**10,528,144,967**

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 and DOS Circular#1 dated 19/01/2014.

3.4 Cash Reserve Ratio (CRR): 6.00% of Average Demand and Time Liabilities:

Required Reserve	7,689,788,470	5,420,570,000
Actual Reserve maintained	10,133,200,000	8,871,134,000
Surplus/(Short)	**2,443,411,530**	**3,450,564,000**

3.5 Statutory Liquidity Ratio (SLR): 11.50% of Average Demand and Time Liabilities:

Required Reserve (including CRR)	14,738,761,240	10,389,426,000
Actual Reserve held (including CRR)	17,519,987,000	14,333,893,000
Surplus/(Short)	**2,781,225,760**	**3,944,467,000**

3 (a)	**CASH**		
3.1(a)	**Cash in Hand**		
	First Security Islami Bank Limited (Note-3.1)	1,294,881,463	1,183,461,824
	First Security Islami Capital & Investment Limited	1,209	7,476
		1,294,882,672	**1,183,469,300**
3.2(b)	**Balance with Bangladesh Bank and its Agent Bank**		
	First Security Islami Bank Limited (Note-3.2)	10,254,500,506	9,344,683,143
	First Security Islami Capital & Investment Limited	-	-
		10,254,500,506	**9,344,683,143**
		11,549,383,178	**10,528,152,443**

		31.12.2013	31.12.2012
		BDT	BDT
4	**BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS**		
A.	**Inside Bangladesh**		
	Al-Wadiah Current Accounts		
	Pubali Bank Ltd.(Current Account)	1,973,827	10,088,678
	Agrani Bank Limited(Current Account)	17,306,515	11,581,467
	Brac Bank Ltd.(Current Account)	27,002,915	190,301
		46,283,257	**21,860,446**
	Others Accounts		
	Mudaraba Short Notice Deposits		
	Southeast Bank Ltd. (Islamic Branch)	11,485,181	4,817,667
	Social Islami Bank Ltd.	5,801,089	5,707,548
	Dhaka Bank Ltd. (Islamic Branch)	292,647	241,867
	AB Bank Ltd. (Islamic Branch)	557,708	543,907
	Islami Bank Bangladesh Ltd.	38,048,002	74,711,556
		56,184,627	**86,022,545**
	Mudaraba Term Deposits		
	AB Bank Ltd. (Islamic Branch)	200,000,000	400,000,000
	Premier Bank Ltd.(Islamic Branch)	850,000,000	850,000,000
	Social Islami Bank Ltd.	1,000,000,000	1,200,000,000
	EXIM Bank Ltd.	1,500,000,000	1,500,000,000
	Jamuna Bank Ltd.(Islamic Branch)	400,000,000	400,000,000
	Hajj Finance Co. Limited (Islamic Leasing)	50,000,000	50,000,000
	Reliance Finance Limited	10,104,000,000	5,807,500,000
		14,104,000,000	**10,207,500,000**
	Balance Carried Forward(Inside)	**14,206,467,884**	**10,315,382,991**
C.	**Maturity-wise Grouping (Inside and Outside Bangladesh)**		
	Payable on Demand	275,093,084	578,216,061
	Up to Three Months	-	5,193,500,000
	Three Months to One Year	14,104,000,000	5,014,000,000
	One Year to Five Years	-	-
	Above Five Years	-	-
		14,379,093,084	**10,785,716,061**

4(a)	**BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS**		
	In Bangladesh:		
	First Security Islami Bank Limited (Note-4)	14,206,467,884	10,315,382,991
	First Security Islami Capital & Investment Limited	17,029,049	12,108,630
	Inter-company Transaction	(17,029,049)	-
		14,206,467,884	**10,327,491,621**
	Outside Bangladesh:		
	First Security Islami Bank Limited (Note-4)	172,625,200	470,333,070
	First Security Islami Capital & Investment Limited	-	-
		172,625,200	**470,333,070**
		14,379,093,084	**10,797,824,691**

					Amount in BDT 31.12.2013	Amount in BDT 31.12.2012
A.	**Balance Brought Forward-Inside Bangladesh**				**14,206,467,884**	**10,315,382,991**
B.	**Outside Bangladesh**	**Currency**	**Amount**	**Rate**		
	Current Account					
1	Mashreq Bank, PSC, London	GBP	61,924.87	128.0854	7,931,672	560,808
2	Standard Chartered Bank, Frankfurt, Germany	EURO	-	0.0000	-	1,542,422
3	NIB Bank Ltd. Karachi, Pakistan	ACU$	18,808.00	77.75	1,462,322	140,233
4	Commerz Bank AG, Frankfurt, Germany	EURO	310,864.89	106.8363	33,211,655	12,243,223
5	Bank of Bhutan, Thimpo, Bhutan	ACU$	2,368.10	77.7500	184,120	189,034
6	Sonali Bank , Kolkata, India	ACU$	14,944.40	77.7500	1,161,927	1,192,937
7	Mashreq Bank, PSC, London.	EURO	11,351.71	106.8363	1,212,775	2,293,413
8	Standard Chartered Bank, Tokyo, Japan	J.YEN	-	0.0000	-	1,376,992
9	Union De Banques Arabes Et Feancauses,Tokyo,Japan	J.YEN	1,223,196.00	0.7384	903,208	5,195
10	AB Bank Ltd, Mumbai, India	ACU$	86,414.32	77.7500	6,718,713	81,408
11	Standard Chartered Bank, Newyork	USD	-	-	-	111,630,728
12	Standard Chartered Bank, Colombo	ACU$	45,160.00	77.7500	3,511,190	3,604,897
13	Standard Chartered Bank, Mumbai	ACU$	-	-	-	758,476
14	ICICI bank Ltd, Hongkong	USD	161,062.19	77.7500	12,522,585	12,677,887
15	Mashreq Bank, PSC, Newyork	USD	974,000.07	77.7500	75,728,505	120,782,602
16	HSBC, USA	USD	-	-	-	198,368,936
17	HSBC, Mumbai, India	ACU$	-	-	-	31,338
18	ICICI bank Ltd,Kolkata, India	ACU$	72,821.89	77.7500	5,661,902	(683,699)
19	Mashreq Bank, PSC, London	USD	2,914.33	77.7500	226,589	232,636
20	Habib Bank, Zurich, Switzerland	CHF	42,644.32	87.0953	3,714,120	3,167,768
21	Habib Metropolitan Bank Limited, Karachi, Pakistan	ACU$	69,200.65	77.7500	5,380,351	135,839
22	Habib American Bank, N,Y	USD	168,406.00	77.7500	13,093,567	-
					172,625,200	**470,333,070**
	Total (A+B)				**14,379,093,084**	**10,785,716,061**

		31.12.2013	31.12.2012
		BDT	BDT
5	**INVESTMENTS IN SHARES AND SECURITIES**		
	Government Securities		
	Bangladesh Govt. Islamic Bonds	6,030,000,000	4,060,000,000
	Prize Bonds	358,600	654,300
		6,030,358,600	**4,060,654,300**
	Others		
	Quoted/Unquoted Shares (Note - 5.1)	**964,843,636**	**852,738,420**
		6,995,202,236	**4,913,392,720**

5.1 Quoted/Unquoted Shares

Name of Companies	Acquisition cost (Taka)	Acquisition cost (Taka)
Quoted:		
Fareast Islami Life Insurance Co. Ltd.	29,828,874	25,369,400
Islami Bank Bangladesh Ltd.	2,120	2,639,255
Social Islami Bank Ltd.	11,901,863	11,901,863
Export Import Bank (BD) Ltd.	62,672,997	62,668,930
Beximco Ltd.	80,321,076	59,019,305
Titas Gas Transmission & Distribution Co. Ltd.	14,789,375	4,975,562
ACI Limited	25,366,394	25,366,323
Dhaka Electric Supply Company Ltd.	76,591,397	44,962,840
Power Grid Company of BD Ltd	15,373,057	9,630,698
Al-Arafa Islami Bank Ltd.	55,191,894	55,191,894
BSRM Steel Ltd.	101,112,339	70,618,008
ICB Islamic Bank Ltd.	-	10,864,000
Islami Insurance Bangladesh Ltd.	12,410,680	12,411,216
Shahjalal Islami Bank Ltd.	63,370,509	63,374,412
Jamuna Oil Company Ltd.	-	5,330,200
Meghna Cement Ltd.	49,273,726	48,243,600
Navana CNG Ltd.	6,968,902	40,719,823
National Tubes Ltd.	287,601	802,585
Summit Alliance Port Ltd.	48,638,086	48,638,086
Square Pharmaceuticals Ltd.	1,953,172	110,863,946
Bangladesh Lamps Ltd.	7,885,401	9,995,998
Islamic Finance & Investment Ltd.	25,975,930	25,976,951
Khulna Power Company Ltd.	14,105	8,323,200
Maxsons Spinning Mills Ltd.	20,584,085	19,057,710
PHP First Mutual Fund	20,000,000	20,000,000
Beximco Pharmaceuticals Ltd.	5,072,856	3,154,861
MJL Bangladesh Ltd.	2,916,507	2,916,600
Lafarge Surma Cement Ltd.	2,780,654	9,865,290
Aftab Automobiles Ltd.	-	2,167,550
Aramit Cement Ltd.	10,958	3,988,293
Confidence Cement Ltd.	-	477,960
CVO Petrochemical Refinery Limited	101,622,188	3,313,706
Delta Brac Housing Finance Corp. Ltd	141,188	140,156
Grameenphone Ltd.	-	4,680,384
Saiham Cotton Mills Ltd.	621,853	621,895
Salvo Chemical Industry Ltd.	6,681	316,470
Bangladesh Shipping Corporation	2,914,578	-
Bangladesh Submarine Cables Co. Ltd	19,021,198	-
Delta Spinners Ltd.	8,434	-
Fuwang Ceramics Industy Ltd.	445,776	-
GQ Ball Pen Indutries Ltd.	1,698,562	-
The IBN SINA Pharmacuticals Industry Ltd.	2,419,286	

		31.12.2013	31.12.2012
		BDT	BDT
	JMI Syringes Medical Devices Ltd.	5,055,542	-
	Malek Spinning Mills Ltd.	1,746,006	-
	Mithun Knitting and Dying Ltd.	189,980	-
	Meghna Petrolium Ltd.	12,974,840	-
	Orion Pharma Ltd.	27,777,115	-
	Padma Oil Company Ltd.	14,960,604	-
	Singer Bangladesh Ltd.	10,086,701	-
	Unique Hotel & Resort Limited	14,032,382	-
	Usmania Glass Sheet Factory Ltd.	187,686	-
	Agricultural Marketing Company Ltd (PRAN)	3,132,184	-
	Delta Life Insurance Ltd.	1,339,989	-
	Estern Housing Ltd	269,072	-
	Rahima Food Corporation Ltd.	1,196,316	-
	Tallu Spimming Mills Ltd.	131,467	-
	NLI First Mutual Fund	-	9,580,000
	Total	**963,274,186**	**838,168,970**
	Unquoted:		
	Central Depository Bangladesh Ltd.	1,569,450	4,569,450
	Orion Pharmaceuticals Ltd	-	10,000,000
		964,843,636	**852,738,420**
5.2	**Market Value of Quoted Shares**	**655,646,605**	**506,809,917**
5.3	**Maturity Grouping of Investments in Shares and Securities**		
	On Demand	358,600	654,300
	Within One Month	1,313,274,186	1,586,568,970
	One Month to three Months	120,000,000	600,000,000
	Three Months to One Year	1,290,000,000	1,000,000,000
	One Year to Five Years	4,270,000,000	1,711,600,000
	More than Five Years	1,569,450	14,569,450
		6,995,202,236	**4,913,392,720**
5(a)	**INVESTMENTS IN SHARES AND SECURITIES**		
	Government Securities		
	First Security Islami Bank Limited (Note-5)	6,030,358,600	4,060,654,300
	First Security Islami Capital & Investment Limited	-	-
		6,030,358,600	**4,060,654,300**
	Others		
	First Security Islami Bank Limited (Note-5)	964,843,636	852,738,420
	First Security Islami Capital & Investment Limited	273,067,141	215,086,406
		1,237,910,777	**1,067,824,826**
		7,268,269,377	**5,128,479,126**
6	**INVESTMENTS (All Inside Bangladesh)**		
	General Investments (Bai-Murabaha, Bai - Muajjal, HPSM, etc.)(Note - 6.A)	113,936,099,071	95,493,421,519
	Bills Purchased and Negotiated (Note - 6.B)	665,699,106	810,807,069
		114,601,798,177	**96,304,228,588**

		31.12.2013	31.12.2012
		BDT	BDT
6.A	**General Investment (Bai-Murabaha, Bai - Muajjal, HPSM) etc.**		
	Inside Bangladesh		
	Investment General	14,731,634,911	19,113,785,750
	Bai Murabaha (Hypo)	52,751,154,053	36,863,735,301
	Bai Murabaha Post Import (TR)	10,656,312,641	5,807,138,026
	Bai Murabaha Post Import (Pledge)	37,908,158	42,468,531
	Bai Murabaha (Share)	724,072,598	673,141,958
	Bai Murabaha Import Bills	2,113,085,494	3,918,278,389
	Bai Muajjal (DDIS)	9,824,891	12,144,868
	HPSM (House Building)	8,662,043,920	7,221,175,042
	Pre-Shipment Investment	184,471,975	160,952,147
	HPSM (Transport)	1,064,893,915	902,374,201
	HPSM (Scheme)	4,092,326,722	5,007,375,438
	Wajira Bill Okalah Against Cash Incentive	18,006,503	12,008,120
	Quard Investment A/C	611,669,587	1,012,285,985
	Bai Murabaha General	7,685,908,831	6,177,037,847
	Bai Murabaha against Security	4,832,223,172	5,031,352,049
	Bai Murabaha Import	1,190,764,420	886,320,035
	Bai Murabaha Export	212,283,716	255,160,911
	SME Investment	862,223,451	874,489,984
	Quard against PF (Staff)	9,323,753	5,717,972
	Agricultural Investment	1,600,683,613	1,013,682,175
	Project Investment	1,360,940,651	341,114,386
	Bai Salam Export	45,028,353	2,707,931
	Bai - Muajjal General	1,516,059	1,308,644
	HPSM Consumer Investment	237,657,540	157,665,829
	Mudaraba Investment	240,140,144	-
		113,936,099,071	**95,493,421,519**
	Outside Bangladesh	**-**	**-**
		113,936,099,071	**95,493,421,519**
6.B	**Bills Purchased and Negotiated**		
	Payable in Bangladesh	574,388,723	793,827,096
	Payable outside Bangladesh	91,310,384	16,979,973
		665,699,106	**810,807,069**
		114,601,798,177	**96,304,228,588**
6.1	**Maturity Grouping of Investments**		
	Payable on Demand	8,303,941,035	6,978,115,949
	Up to Three Months	28,848,384,387	24,242,389,287
	Three Months to One Year	25,008,212,007	21,015,347,089
	One Year to Five Years	35,776,446,669	30,064,302,244
	Above Five Years	16,664,814,079	14,004,074,019
		114,601,798,177	**96,304,228,588**
6.2	**Analysis to disclose the following Significant Concentration including Bills Purchased & Negotiated**		
	Investments to Directors of other Banks	15,067,713,000	9,479,110,000
	Investments to Chief Executive and Other high Officials	490,000	869,000
	Investments to Customers Group	93,613,053,554	81,671,948,552
	Investments to Industry	5,727,200,000	5,028,100,000
	Investment to staff	193,341,623	124,201,036
		114,601,798,177	**96,304,228,588**

		31.12.2013	31.12.2012
		BDT	BDT
6.3	**Investments to Customers for more than 15% of FSIBL's Total Eligible Capital**		
	Number of Clients	**01**	**01**
	Amount of Outstanding Investments		
	Funded	3,875,100,000	3,254,800,000
	Non-funded	-	-
		3,875,100,000	**3,254,800,000**
6.4	**Economic Sector wise Investments**		
	Agriculture:		
	Fishing	180,500,000	169,000,000
	Tea	-	-
	Others	1,627,500,000	941,000,000
	Textile and Readymade Garments:		
	Garments	-	553,200,000
	Readymade Garments - Export	1,670,200,000	960,800,000
	Textile and Textile Products- Import	6,692,200,000	5,261,000,000
	Others -Export	1,643,300,000	1,704,300,000
	Others -Import	14,659,900,000	18,170,200,000
	Contractor Finance	3,509,200,000	3,343,300,000
	Transport	1,047,500,000	579,400,000
	Steel and Engineering	639,000,000	82,400,000
	Internal Trade Finance:		
	Whole Sale Trading	29,822,000,000	20,211,500,000
	Retail Trading	9,423,300,000	9,230,900,000
	Others	14,659,900,000	15,997,300,000
	House Building:		
	Commercial	12,108,000,000	8,636,000,000
	Staff	193,300,000	124,200,000
	Special Program:		
	Consumer Finance and Hire Purchase Scheme	235,800,000	168,200,000
	Others	16,490,198,177	10,171,528,588
		114,601,798,177	**96,304,228,588**
6.5	**Geographical Location-wise**		
	Urban		
	Dhaka	49,621,248,607	39,358,579,582
	Chittagong	61,666,755,960	53,597,812,284
	Barisal	62,109,032	101,430,865
	Rajshahi	383,697,826	317,078,290
	Khulna	440,665,255	447,274,496
	Rangpur	88,988,784	87,648,966
	Sylhet	852,188,497	882,734,451
		113,115,653,961	**94,792,558,934**
	Rural		
	Dhaka	252,510,571	279,705,387
	Chittagong	1,118,163,912	1,045,949,155
	Khulna	55,370,768	8,758,159
	Barisal	7,112,882	6,869,628
	Sylhet	52,986,084	170,387,325
		1,486,144,217	**1,511,669,654**
		114,601,798,177	**96,304,228,588**

		31.12.2013	31.12.2012
		BDT	BDT
6.6	**Classification of Investments as per Bangladesh Bank Circular**		
	Unclassified		
	Standard	112,088,273,595	94,488,582,785
	Special Mention Account	29,707,686	30,293,568
		112,117,981,281	**94,518,876,353**
	Classified:		
	Sub-standard	850,877,378	292,501,070
	Doubtful	241,199,713	282,655,179
	Bad & Loss	1,391,739,805	1,210,195,986
		2,483,816,896	**1,785,352,235**
		114,601,798,177	**96,304,228,588**
6.7	**Particulars of Required Provision for Investments**		
	Classification status	**Required provision**	
	Unclassified		
	Standard	1,297,485,605	1,102,400,000
	Special Mention Account	314,395	1,300,000
		1,297,800,000	**1,103,700,000**
	Classified:		
	Sub - Standard	97,179,973	43,200,000
	Doubtful	34,749,977	58,700,000
	Bad and Loss	870,141,756	677,500,000
		1,002,071,706	**779,400,000**
		2,299,871,706	**1,883,100,000**
	Required Provision for Investments	2,299,871,706	1,883,100,000
	Total Provision Maintained	2,328,495,103	1,893,395,103
	Provision Excess/ (Shortfall)	**28,623,397**	**10,295,103**
	*** Details of provision may kindly be in note 2.7.2**		
6.8	**Particulars of Investments**		
i)	Investments considered good in respect of which the Bank Company is fully secured	62,193,820,387	52,263,821,254
ii)	Investments considered good for which the bank holds no Security other than the debtors personal security	40,837,739,789	34,317,498,418
		-	
iii)	Investment considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors	11,570,238,001	9,722,908,916
iv)	Investments adversely classified; provision not maintained there against	-	-
		114,601,798,177	**96,304,228,588**
v)	Investments due by directors or executives of the banking company or any of them taken either seperately or jointly with any other person.	**193,341,623**	**124,201,036**

		31.12.2013	31.12.2012
		BDT	BDT
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)	Investment due from other banking companies	-	-
x)	Total amount of classified Investments on which profit is not credited to income	**2,483,816,896**	**1,785,352,235**
a.	Movement of classified Investments		
	Opening balance	1,785,352,236	1,345,729,000
	Increase/ (Decrease) during the year	698,464,660	439,623,236
		2,483,816,896	**1,785,352,236**
b.	Amount of provision kept against classified investment as on the reporting date of Balance Sheet	**1,005,100,000**	**790,000,000**
c.	Profit credited to the profit/Rent/Compensation Suspense Account	95,053,648	106,466,799
xi)	Amount of written off Investment:		
a.	Cumulative amount	-	-
b.	Amount written off during the period	-	-
c.	Total amount of written off (a+b)	-	-
d.	Amount recovered against such written- off up to this year	-	-
e.	Amount of investment written- off against which suit has been filled to recover the same.	-	-

		31.12.2013	31.12.2012
		BDT	BDT
6.9	**Security against Investments including bills purchased & negotiated:**		
	Collateral of movable/immovable assets	41,269,920,076	34,680,675,871
	Local banks & financial institutions guarantee	799,309,138	671,689,722
	Export documents	3,327,742,061	2,796,427,606
	Own MTDR	12,731,239,746	10,698,542,625
	MTDR of other Banks	1,175,733,149	988,013,066
	Government Bonds	563,156,342	473,241,589
	Personal guarantee	22,814,786,449	19,172,128,573
	Other security	31,579,590,779	26,537,525,392
	Unsecured	340,320,437	285,984,144
		114,601,798,177	**96,304,228,588**
6.10	**Maturity Grouping of Bills Purchased and Negotiated**		
	Payable within one month	5,401,467	6,578,870
	Over one month but less than three months	14,420,595	17,563,972
	Over three months but less than six months	232,048,049	282,629,489
	Six Months and Above	413,828,995	504,034,738
		665,699,106	**810,807,069**
6A(a)	**GENERAL INVESTMENTS (All Inside Bangladesh)**		
	First Security Islami Bank Limited (Note-6.A)	113,936,099,071	95,493,421,519
	First Security Islami Capital & Investment Limited	-	-
	Less: Inter-company transaction (Long-term Investment in Subsidiary)	(273,045,142)	-
		113,663,053,929	**95,493,421,519**
7	**Fixed Assets including premises, Furniture & Fixtures at cost less accumulated depreciation (Annexure-A)**		
	Building	1,022,651,774	919,187,076
	Furniture & Fixtures	1,257,965,821	930,987,348
	Office Equipment	754,393,487	517,989,527
	Vehicles	86,276,903	62,458,054
	Books	588,828	471,748
		3,121,876,813	**2,431,093,753**
	Less: Accumulated Depreciation	(645,444,751)	(433,377,539)
		2,476,432,062	**1,997,716,214**
7(a)	**Fixed Assets including premises,Furniture & Fixtures at cost less accumulated depreciation**		
	First Security Islami Bank Limited (Note-7)	2,476,432,062	1,997,716,214
	First Security Islami Capital & Investment Limited	40,943,049	35,136,685
		2,517,375,111	**2,032,852,899**

		31.12.2013	31.12.2012
		BDT	BDT
8	**OTHER ASSETS**		
	Inter - branch Transaction Account (*)	5,726,545,164	1,256,819,424
	Accrued Income (Note - 8.1)	871,305,133	689,306,589
	Advances, Deposits and Prepayment (Note -8.2)	2,001,455,006	369,716,371
	Advance Income Tax	2,552,582,146	1,991,479,733
	Stock of Stationery	20,142,925	14,131,023
	Suspense Account (Note- 8.3)	125,776,808	92,736,494
	Advance Deposits	131,370,760	569,012,410
	Stamps on Hand	1,406,661	930,611
	Investment in First Security Islami Exchange Ltd.,canada (Note-1.1.4)	28,344,655	26,501,825
	Investment in First Security Islami Capital & Investment Ltd.(Note-1.1.3)	178,500,000	51,000,000
	Investment in First Security Islami Exchange Italy S.R.L (Note-1.1.5)	103,640,059	62,340,058
	Deferred Tax Assets (Note- 8.4)	80,000,000	80,000,000
		11,821,069,317	**5,203,974,538**

(*) Inter-branch transaction account represents outstanding Inter-branch and Head Office transaction(net) originated but yet to be responded at the balance sheet date. However, the status of non-respondent entries on 31.12.2013 have been reconciled on 27.02.2014.

8.1 Accrued Income

Bangladesh Govt. Islamic Investment Bonds	183,071,074	191,443,644
Mudarabah Term Deposit	663,784,375	469,741,463
Inland Documentary Bills Purchased (Foreign currency bills)	13,682,585	13,735,175
Bai Murabaha Post Import Bills	-	172,761
Pre - Shipment Investment	-	410,617
HPSM House Building	231,909	232,269
Bai Murabaha against Security (MTD)	-	5,085
Bai Murabaha General	1,644	1,913
Bai Murabaha (Hypo)	3,940,169	5,549,211
Bai Salam - Export	5,120,073	7,186,334
Quard against PF	88,058	82,973
HPSM-Real Estate Material	-	722,053
HPSM (Scheme)	15,383	23,091
Accured Income on MSND	1,369,863	-
	871,305,133	**689,306,589**

8.2 Advance, Deposits and Prepayment

Advance against Rent - Office	260,646,939	275,694,755
Advance against Rent - Godown	3,712,000	3,520,000
Excise Duty on Term Deposits	850,950	2,329,560
Clearing Adjustment Account	16,841,804	4,776,954
Settlement Account (SuperX-10, Moneygram, Placid etc.)	231,792,047	80,363,269
Demand draft paid without advice	2,476,906	2,726,303
Prepayment	1,471,742,152	305,530
Prepaid Insurance	452,071	-
Advance Against Security Deposit	12,659,126	-
Mobile Banking Receivable A/C	281,011	-
	2,001,455,006	**369,716,371**

		31.12.2013	31.12.2012
		BDT	BDT
8.3	**Suspense Account**		
	Sundry Debtors	120,504,940	72,797,682
	Advance against TA/DA	493,000	2,214,000
	Encashment of PSP/BSP	46,000	7,216,000
	Advance against New Branch	4,445,764	7,857,372
	Profit on PSP/BSP	287,104	2,651,440
		125,776,808	**92,736,494**
8.4	**Deferred Tax Assets**		
	Opening Balance as on 01 January 2013	80,000,000	80,000,000
	Add: Addition During the period	-	-
	Balance as on 31 December 2013	**80,000,000**	**80,000,000**

As of 31 December 2013 deferred tax assets arrived at Tk.228.10 million. But management's decision is not to recognize the additional amount of deferred tax assets for the year ended 31 December 2013. However, management recognized deferred tax assets up to December 2007 Tk. 80 million.

8(a) OTHER ASSETS

First Security Islami Bank Limited (Note-8)	11,821,069,317	5,203,974,538
Less: Inter-company transaction(Investment in Subsidiary)	178,500,000	86,083,437
	11,642,569,317	**5,117,891,101**
First Security Islami Capital & Investment Limited	347,777,681	28,376,713
	11,990,346,998	**5,146,267,814**

9 PLACEMENT FROM BANK & OTHER FINANCIAL INSTITUTION

Inside Bangladesh		
Bangladesh Bank (Islami Money Market Wings)	4,129,788,842	4,598,574,967
	-	-
	4,129,788,842	**4,598,574,967**
Outside Bangladesh	-	-
	4,129,788,842	**4,598,574,967**
A. Security- wise grouping		
Secured Placement	3,950,000,000	4,400,000,000
Unsecured Placement	179,788,842	198,574,967
	4,129,788,842	**4,598,574,967**
B. Repayment Nature wise Grouping		
Repayable on demand	-	-
Others	4,129,788,842	4,598,574,967
	4,129,788,842	**4,598,574,967**
C. Maturity Analysis		
Repayable on Demand	-	-
Repayable within One Month	-	-
One Month to Six Months	3,950,000,000	4,400,000,000
Six Month to One Year		-
One Year to Five Years	179,788,842	198,574,967
Five Years to Ten Years	-	-
Unclaimed Deposits Ten Years and Over	-	-
	4,129,788,842	**4,598,574,967**

		31.12.2013	31.12.2012
		BDT	BDT
10	**DEPOSITS AND OTHER ACCOUNTS**		
A.	Deposits Received from Banks (Note A-1)	**8,353,200,000**	**13,844,180,000**
B.	Other than Bank		
	Payable on Demand (Note B-1)	4,102,912,194	4,404,936,396
	Other Deposits (Note B-2)	127,064,843,589	91,656,452,475
		131,167,755,783	**96,061,388,871**
		139,520,955,783	**109,905,568,871**
C.	**Maturity wise Grouping of Deposits and Other Accounts**		
	Repayable within One Month	13,689,480,187	10,783,743,755
	One Month to Three Months	54,841,534,866	43,200,582,385
	Three Months to One Year	52,822,111,525	41,609,812,458
	One Year to Five Years	13,748,394,023	10,830,087,635
	Repayable over Five Years	4,419,435,182	3,481,342,638
		139,520,955,783	**109,905,568,871**
A-1	**Deposits Received from Banks**		
	AB Bank Limited	200,000,000	450,000,000
	Islami Bank Bangladesh Ltd.	2,500,000,000	2,450,000,000
	Premier Bank Ltd	850,000,000	850,000,000
	Rupali Bank Ltd	1,352,900,000	3,914,180,000
	Bangladesh Development Bank Ltd.	250,000,000	400,000,000
	Social Islami Bank Ltd.	1,000,000,000	1,200,000,000
	Exim Bank Ltd.	1,516,200,000	2,310,000,000
	Janata Bank Limited	-	750,000,000
	Al-Arafah Islami Bank Ltd.	-	500,000,000
	Brac Bank Ltd.	-	300,000,000
	National Bank Ltd.	-	120,000,000
	Shahjalal Islami Bank Ltd.	-	200,000,000
	Jamuna Bank Ltd.	400,000,000	400,000,000
	Union Bank Ltd.	220,500,000	-
	NRB Global Bank Ltd.	63,600,000	-
		8,353,200,000	**13,844,180,000**
	Maturity wise Grouping of Deposits Received from Banks		
	Repayable on Demand	300,300,000	160,000,000
	Repayable within One Month	250,000,000	1,600,000,000
	Repayable over One Month but within Six Months	4,950,000,000	7,810,000,000
	Repayable over Six Months but within one Year	2,852,900,000	4,274,180,000
	Repayable over One Year but within Five Years	-	-
	Repayable over Five Years but within Ten Years	-	-
	Unclaimed Deposits for Ten Years and above	-	-
		8,353,200,000	**13,844,180,000**
B-1	**Payable on Demand**		
	Al-wadiah Current Deposits	2,187,137,827	2,482,902,297
	Mudaraba Saving Deposits (9%) (Note-10.3)	578,972,373	546,257,697
	Security Deposit Receipt	16,239,412	7,805,316
	Sundry Deposits (Note-10.1.1)	1,320,562,582	1,367,971,086
		4,102,912,194	**4,404,936,396**

		31.12.2013	31.12.2012
		BDT	BDT
B- 2	**Other Deposits**		
	Mudaraba Saving Deposits (91%) (Note-10.3)	5,854,053,991	4,916,319,275
	Mudaraba Term Deposits	91,423,937,371	65,419,516,843
	Mudaraba Short Notice Deposits	3,657,840,691	3,213,255,809
	Bills Payable (Note-10.2)	1,176,111,458	1,824,475,966
	Bearer Certificates of Deposits	-	-
	Mudaraba Deposit under Schemes (Note-10.5)	24,915,841,783	16,235,459,337
	Foreign Currency Deposits	37,058,295	47,425,245
		127,064,843,589	**91,656,452,475**
10.1	**Al-Wadiah Current Accounts & Other Deposit Accounts**		
	Al-wadiah Current Deposits	2,487,437,827	2,482,902,297
	Mudaraba Short Notice Deposits	3,657,840,691	3,213,255,809
	Sundry Deposits (Note-10.1.1)	1,320,562,582	1,367,971,086
	Security Deposit Receipt	16,239,412	7,805,316
	Foreign Currency Deposits	37,058,295	47,425,245
		7,519,138,807	**7,119,359,753**
10.1(a)	**Al-Wadiah Current Accounts & Other Deposit Accounts**		
	First Security Islami Bank Limited (Note-10.1)	7,519,138,807	7,119,359,753
	First Security Islami Capital & Investment Limited	-	
	Less: Inter-company transaction(Long-term Investment in Subsidiary)	(17,029,049)	
		7,502,109,758	**7,119,359,753**
10.1.1	**Sundry Deposits**		
	Margin on Letters of Credit	210,945,319	621,778,610
	Foreign Bills Awaiting Remittance	63,631,204	54,107,287
	Margin on Letter of Guarantee	233,278,134	158,353,896
	Readycash card (Reload)	1,238	1,345
	Sundry Creditors	148,134,409	138,615,812
	Outward Clearing Charge	1,045,194	-
	ATM Charge collection Account (ITCL)	629,836	-
	Unreconciled ATM Cash Balance	75,500	-
	Al-wadiah Bai-murabaha	-	3,801,517
	Al-wadiah Bai-murabaha (MTD)	-	314,867
	Al-wadiah Bai-murabaha (General)	-	1,168
	Export Bills	838,002	327,254
	Fixed Deposits - Export Bills	3,387,551	2,969,916
	Risk Fund on Hire Purchase Scheme	2,659,937	2,663,692
	Courier Charges	1,000,110	620,786
	Margin account-Export	75,000	610,638
	Exporters L A Commission	1,763,663	2,167,704
	Margin on Consumer Finance Scheme	64,327	64,327
	Margin on Payment Orders Demand, Draft	1,323,120	1,323,120
	Excise Duty on Deposit	65,953,853	56,216,575
	Excise Duty on Investments A/C	481,785	2,074,120
	VAT Deduction on Letter of Credit - Commission	1,275,095	1,886,655
	VAT on Investment Processing fee	321,068	740,739
	VAT on Online Charge	113,722	295,305
	VAT on Commission TT/DD/PO/LG	2,163,041	2,458,647
	VAT Deduction - Indenting Commission	20,210	6,599
	VAT on ATM	563,485	393,480
	VAT on Service Charge and Others	4,863,224	5,071,248
	VAT Deduction Bills Paid	6,599,878	3,819,694

	31.12.2013	31.12.2012
	BDT	BDT
VAT on Rent and Others	856,498	1,558,759
Income Tax Deduction at Source - Letter of Credit	325,623	511,270
Income Tax Deduction at Source - Office rent	433,655	433,969
Income Tax Deduction at Source - Indenting Commission	47,758	7,608
Income Tax Deduction at Source - Bills	1,840,341	701,238
Income Tax Deduction at Source - Agent of Foreign Buyer	398,034	284,713
Income Tax Deduction at Source - Prof. & Tech. Service	804,433	1,209,857
Income Tax Deduction at Source - Private Security Service	131,339	226,067
Income Tax Deduction at Source - Cash Incentives	993,840	945,960
Income Tax Deduction at Source - Advertising Bill	146,670	87,838
Income Tax Deduction at Source -Profit on Deposit	554,817,707	297,679,919
Income Tax Deduction at Source (Export Bills)	3,194,689	2,082,987
Income Tax Deduction at Source - Import Bill	1,277,748	113,724
Income Tax Deduction at Source-Employee's	983,634	1,437,726
Income Tax Payble on MSB	3,073,533	-
Income Tax International Phone Call	24,725	-
Imprest Fund-Cash Incentive	4,450	4,450
	1,320,562,582	**1,367,971,086**

10.2 Bills Payable

Pay Order Issued	596,985,418	987,090,324
Demand Draft Payable	577,214,718	834,340,387
Pay Slips Issued	1,911,322	3,045,255
	1,176,111,458	**1,824,475,966**

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	578,972,373	546,257,697
91% of total Mudaraba Savings Bank Deposits	5,854,053,991	4,916,319,275
	6,433,026,364	**5,462,576,972**

10.4 Mudaraba Term Deposits including other Banks - Maturity wise Grouping

Payable on Demand	2,680,027,940	10,577,898,899
Up to Three Months	48,193,464,556	31,382,033,005
From Three Months to Six Months	10,950,370,114	10,251,607,601
Above Six Months to One Year	37,575,306,699	26,979,676,892
Above One Year to Two Years	35,120,438	32,388,918
Above Two Years	42,547,624	40,091,528
	99,476,837,371	**79,263,696,843**

10.5 Mudaraba Deposit under Schemes

Mudaraba Monthly Savings Scheme	6,800,318,604	5,689,809,958
Mudaraba Double Benefit Deposits Scheme	11,562,365,832	8,660,912,064
Mudaraba Monthly Benefit Scheme	4,802,062,351	1,452,423,461
Mudaraba Hajj Scheme	16,585,173	7,082,698
Mudaraba Marriage Scheme	97,666,261	36,401,569
Mudaraba Health Care Scheme	551,683,946	145,209,586
Mudaraba Education Deposit Scheme	115,128,021	38,957,152
Mudaraba Pension Deposit Scheme	113,290,252	38,461,699
Mudaraba Millionaire Deposit Scheme	120,656,072	27,004,784

	31.12.2013	31.12.2012
	BDT	BDT
Mudaraba Kroropoti Deposit Scheme	98,052,821	25,260,212
Mudaraba Triple Times Deposit Scheme	193,435,946	35,528,906
Mudaraba Four Times Deposit Scheme	387,412,325	64,436,898
Mudaraba Probashi Deposit Scheme	29,165,381	5,526,985
Mudaraba Money Plant Deposit Scheme	785,724	527,723
Mudaraba Gift Cheque	3,527,909	2,113,853
Mudaraba Griheni Deposit Scheme	21,981,728	5,801,789
Mudaraba New Generation Deposit Scheme	1,723,437	-
	24,915,841,783	**16,235,459,337**

11 MUDARABA SUBORDINATED BOND

	2,500,000,000	**2,220,000,000**

The Bank issued Redeemable non-convertible FSIBL Mudaraba Subordinated Bond to the tune of Taka 2,500,000,000.oo as Supplementary Capital (Tier-2) of the Bank for a term of 6 years to strengthen the capital base of the Bank under Basel-II on the consent of SEC vide their letter no.SEC/CI/CPLC-44/2003-1516 dated 05.09.2012 as well as on the approval of Bangladesh Bank Vide their letter no. BRPD(BIC)661/14B(P)/2012-241 dated 09.10.2012. We have received as fully paid up to the amount of Tk. 2,220,000,000.00 out of Tk. 2,500,000,000.00 up to 31.12.2012. Noted that the rest amount of Tk. 280,000,000.00 has been received on 02.01.2013.

12 OTHER LIABILITIES

Provision for Taxation (Note-12.1)	2,938,893,852	2,486,655,375
Accumulated Provision against Investments(Note-12.3)	2,328,495,103	1,893,395,103
Profit/Rent/Compensation Suspense Account (Note -12.4)	95,053,648	106,466,799
Accrued Profit and Expenses Payable (12.5)	3,514,419,152	2,542,702,307
Provision for Gratuity	5,439,658	32,073,951
Provisions for diminution in value of Investments	221,500,000	160,000,000
Provision for Zakat	28,085,233	51,397,158
Provident Fund	4,609,222	804,842
Benevolent Fund	1,201,528	855,027
Non-Resident Accounts	12,915,579	4,646,143
Compensation Realised	23,826,516	3,830,509
Others	64,193,165	61,722,254
Total	**9,238,632,656**	**7,344,549,468**

12.1 Provision for Taxation during the year

Opening balance	2,486,655,375	1,746,655,375
Less: Adj. as Final settlement of tax liability for the year 2009	(307,761,523)	-
Add : Provision Made during the year	760,000,000	740,000,000
	2,938,893,852	**2,486,655,375**

Assessment for the year 1999, 2002, 2005, 2006 and 2009 have been settled. Assessment order of 2000, 2001 and 2003 are pending with High Court and of 2004, 2007 with Appellate Tribunal, 2008 and 2010 with Appeal to Commissioner of Taxes, 2011 & 2012 assessment not yet completed and 2013 not yet due.

12.2 Provision for Investments during the year

Specific Provision for Classified Investments	215,100,000	177,076,701
General Provision including off-B/S exposure	220,000,000	203,018,403
	435,100,000	**380,095,104**

		31.12.2013	31.12.2012
		BDT	BDT
12.3	**Accumulated Provision for Investments**		
	Specific Provision for Classified Investments (Note -12.3.1)	1,005,100,000	790,000,000
	General Provision including off-B/S exposure (Note -12.3.2)	1,323,395,103	1,103,395,103
		2,328,495,103	**1,893,395,103**
12.3.1	**Movement in Specific Provision for Classified Investments**		
	Provision held at the beginning of the year	790,000,000	612,923,299
	Fully Provided Debts written off	-	-
	Recoveries of amounts previously written off	-	-
	Specific Provision for the year	215,100,000	177,076,701
	Recoveries and Provisions no longer required	-	-
	Net Charge to Profit and Loss Account	-	-
	Provision held at the end of the year	**1,005,100,000**	**790,000,000**
12.3.2	**General Provision including off-balance sheet exposure**		
	Provision held at the beginning of the year	1,103,395,103	900,376,700
	Addition/transfer during the year	220,000,000	203,018,403
		1,323,395,103	**1,103,395,103**
12.4	**Profit/Rent/Compensation Suspense Account**		
	A) Profit Suspense (Old)		
	Opening Balance	43,935,010	65,764,014
	Add: Transferred during the year	-	-
		43,935,010	**65,764,014**
	Less: Recovered during the year	(1,414,001)	(21,829,004)
	Less: Amount Written off/waived during the year	-	-
	Balance at the end of the year	**42,521,009**	**43,935,010**
	B) Compensation Suspense Account		
	Opening Balance	62,531,789	40,463,369
	Add: Addition during the year	9,996,857	25,275,248
		72,528,646	**65,738,617**
	Less: Realized during the year	(19,996,007)	(3,206,828)
	Less: Amount Written off/waived during the year	-	-
	Balance at the end of the year	**52,532,639**	**62,531,789**
	Total (A+B)	**95,053,648**	**106,466,799**
12.5	**Accrued Profit and Expenses Payable**		
	Profit Payable on MTDR	3,154,881,547	2,145,678,221
	Profit Payable on Monthly Benefit Savings Scheme	216,551	190,512
	Profit Payable on Double Benefit Savings Scheme	-	1,407,023
	Profit Payable on Short Notice Deposit	-	1,006,625
	Profit Payable on Mudaraba Savings Deposit	-	98,720
	Mudaraba Hajj deposit Scheme	-	111,783
	Mudaraba Health Care Scheme	-	257
	Mudaraba Pension deposit Scheme	-	1,489,439
	Profit Payable on Money Plant Deposit	4,514	3,364
	Profit Payable on Griheni Deposit	-	179,537
	Power and Electricity	1,170,620	1,610,342
	Telephone	207,325	237,172
	Office Rent	1,995,811	2,407,579

		31.12.2013	31.12.2012
		BDT	BDT
	Wages	260,000	123,503
	Insurance	1,495,903	747,440
	Audit Fees	805,250	500,000
	Telex, Fax and E-mail	3,110	3,110
	Printing and Stationery	242,387	8,000
	Rates & Taxes	6,450	6,450
	Clearing Adjustment	1,402,335	274,847,859
	Online Clearing Parking Charges	53,092	-
	Profit Payable on Mudaraba Subordinated Bond	167,318,571	-
	Others	184,355,686	112,045,371
		3,514,419,152	**2,542,702,307**
12(a)	**OTHER LIABILITIES**		
	First Security Islami Bank Limited (Note-12)	9,238,632,656	7,344,549,468
	First Security Islami Capital & Investment Limited	47,793,724	155,009,669
	Less: Intra transaction	-	-
		47,793,724	155,009,669
		9,286,426,380	**7,499,559,137**
13	**CAPITAL**		
	AUTHORISED CAPITAL		
	1,000,000,000 Ordinary shares of Taka 10 each.	**10,000,000,000**	**10,000,000,000**
13.1	**Issued, Subscribed and Paid-Up Capital**		
	411,438,720 Ordinary Shares of Taka 10 each issued	4,114,387,200	3,740,352,000
		4,114,387,200	**3,740,352,000**
13.2	**Category of shareholding as at 31 December 2013**		
	Name of Category	**Percentage(%)**	**Percentage(%)**
	Sponsors/Directors	51.28	51.28
	Financial Institute	13.16	13.08
	Non-Resident Bangladeshi	1.07	0.76
	General Public	34.49	34.88
		100.00	**100.00**
13.3	**Classification of Shareholders by holding position as at 31 December 2013**		
	Shareholding Range	**No. of Shares**	**No. of Shares**
	Up to 500 Shares	6,141,895	6,593,057
	501 to 5000 Shares	55,987,451	55,081,851
	5001 to 10,000 Shares	16,114,977	13,951,171
	10,001 to 20,000 Shares	14,758,549	12,965,274
	20,001 to 30,000 Shares	6,880,963	5,830,437
	30,001 to 40,000 Shares	3,787,800	4,071,054
	40,001 to 50,000 Shares	3,950,729	3,196,668
	50,001 to 100,000 Shares	10,148,861	8,902,721
	100,001 to 1,000,000 Shares	39,699,181	44,853,449
	Over 1,000,001 Shares	253,968,314	218,589,518
		411,438,720	**374,035,200**
13.4	**Capital Adequacy Ratio Under Basel-II (Solo Basis)**		
	Tier-I (Core Capital)		
	Paid up Capital	4,114,387,200	3,740,400,000
	Statutory Reserve	1,310,398,870	1,004,574,914
	Other Reserve	114,061,074	84,000,000
	Retained Earnings	502,370,544	433,109,918
	Deduction: Shortfall provisions against investment in Share	(86,100,000)	-
		5,955,117,688	**5,262,084,832**

	31.12.2013	31.12.2012
	BDT	BDT
Tier –II (Supplementary Capital)		
General Provision	1,323,395,103	1,103,395,103
Assets Revaluation Reserves	196,190,938	201,221,475
Subordinated Debt	1,786,535,307	1,578,625,450
	3,306,121,348	**2,883,242,028**
Tier –III (eligible for market risk only)		
Short-term subordinated Debt	-	-
	-	**-**
A. Total Eligible Capital	**9,261,239,036**	**8,145,326,860**
B. Total Risk Weighted Assets	91,434,100,000	79,817,200,000
C. Minimum Capital Requirement based on Risk Weighted	9,143,410,000	7,981,720,000
D. Surplus/(Deficiency)(A - C)	**117,829,036**	**163,606,860**
Capital Adequacy Ratio (%)	**10.13%**	**10.20%**
Capital Requirement	**Held**	**Held**
Tier - I	6.51%	6.59%
Tier - II	3.62%	3.61%
Tier - III	-	-
Total	**10.13%**	**10.20%**

13.4(a) Group Capital Adequacy Ratio Under Basel-II (Consolidated Basis)

Tier-I (Core Capital)		
Paid up Capital	4,114,387,200	3,740,352,000
Statutory Reserve	1,310,398,870	1,004,574,914
Other Reserve	114,061,074	84,000,000
Retained Earnings	506,439,968	433,427,548
Non-controlling Interest	175,409,839	49,305,174
Deduction: Shortfall of provisions against investment in Share	(86,100,000)	-
	6,134,596,952	**5,311,659,636**
Tier –II (Supplementary Capital)		
General Provision	1,323,395,103	1,103,395,103
Assets Revaluation Reserves	196,190,938	201,221,475
Subordinated Debt	1,840,379,086	1,593,497,891
	3,359,965,127	**2,898,114,469**
Tier –III (eligible for market risk only)		
Short-term subordinated Debt	-	-
	-	**-**
A. Total Eligible Capital	**9,494,562,079**	**8,209,774,105**
B. Total Risk Weighted Assets	91,915,200,000	80,409,900,000
C. Minimum Capital Requirement based on Risk Weighted	9,191,520,000	8,040,990,000
D. Surplus/(Deficiency)….(A - C)	**303,042,079**	**168,784,105**
Capital Adequacy Ratio (%)	**10.33%**	**10.21%**
Capital Requirement	**Held**	**Held**
Tier - I	6.67%	6.61%
Tier - II	3.66%	3.60%
Tier - III	-	-
Total	**10.33%**	**10.21%**

		31.12.2013	31.12.2012
		BDT	BDT
14	**STATUTORY RESERVE**		
	Opening Balance	1,004,574,914	704,202,214
	Add: Addition during the year	305,823,956	300,372,700
	Closing Balance	**1,310,398,870**	**1,004,574,914**

This has been done at least @ 20% or more of the net profit before tax according to Sec. 24 of Bank Companies Act, 1991 and shall be maintained until & unless it equals to Paid-up Capital.

15	**OTHER RESERVE**		
	Opening Balance	84,000,000	60,000,000
	Add: Addition during the year	20,000,000	24,000,000
	Add: Transferred from Asset Revaluation Reserve	10,061,074	-
	Closing Balance	**114,061,074**	**84,000,000**
15(a)	**ASSETS REVALUATION RESERVE**		
	Opening Balance	402,442,950	402,442,950
	Less: Transfer to Other Reserve	(10,061,074)	-
		392,381,876	**402,442,950**

The Bank revalued the entire land and building during the year 2012 by an independent valuation firm according to paragraph 36 of BAS-16 as per approval of the meeting of 129th Board of Directors of the Bank. As per BAS-16, Revaluation reserve is transferred to Other Reserve in each year during the lifetime of those assets.

16	**RETAINED EARNINGS**		
	Opening Balance	433,109,918	371,651,119
	Add: Post tax profit for the period	769,119,782	761,863,499
	Less: Transfer to Statutory Reserve	(305,823,956)	300,372,700
	Less: Transfer to Other Reserve	(20,000,000)	60,000,000
	Less: Capitalised during the period	(374,035,200)	340,032,000
	Closing Balance	**502,370,544**	**433,109,918**
16(a)	**RETAINED EARNINGS**		
	First Security Islami Bank Limited (Note-16)	502,370,544	433,109,918
	First Security Islami Capital & Investment Limited	4,069,424	317,630
		506,439,968	**433,427,548**

17 LETTER OF GUARANTEES

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

Letters of Guarantee - Local	4,547,711,472	2,360,650,746
Letter of Guarantee - Foreign	-	-
	4,547,711,472	**2,360,650,746**
Less: Margin Taken on Guarantees	-	158,353,896
	4,547,711,472	**2,202,296,850**

Note: Margin Taken on Guarantees has been shown in the sundry deposit account in 2013 rather than net off from letter of guarantee as per BRPD Circular -14 dated September 23, 2012.

		31.12.2013	31.12.2012
		BDT	BDT
17.1	**Money for Which the Bank is Contingently Liable in respect of Guarantees:**		
	Directors	-	-
	Government	-	-
	Banks and Other Financial Institutions	-	-
	Others	4,547,711,472	2,360,650,746
		4,547,711,472	**2,360,650,746**
18	**IRREVOCABLE LETTERS OF CREDIT**		
	Letters of Credit - Cash	2,831,183,307	1,225,536,904
	Letter of Credit - Cash Inland	-	-
	Back to Back letters of Credit - Local	814,338,262	260,511,500
	Back to Back letters of Credit - Foreign	94,885,912	71,744,000
		3,740,407,481	**1,557,792,404**
19	**BILLS FOR COLLECTION ISSUED BY THE BANK**		
	Foreign Documentary Bills	265,753,695	137,866,000
	Outward Bills	521,534	1,645,159
	Inland Documentary Bills	933,109,952	-
		1,199,385,180	**139,511,159**

		31.12.2013	31.12.2012
		BDT	BDT
20	**INVESTMENT INCOME**		
	Profit Received from:		
	Deposit with Other Banks	1,984,465,527	758,397,522
	Bai Murabaha - General	879,890,936	678,458,608
	Bai Murabaha Hypothecation	7,110,642,463	2,980,118,018
	Bai Murabaha against MTD	710,898,521	544,214,164
	Bai Murabaha Post Import (LTR)	1,287,933,312	2,446,663,843
	Bai Murabaha General	2,466,796,787	2,211,811,471
	Inland Documentary Bills Purchased (Foreign Currency Bills)	91,641,525	503,952,280
	Bai Muajjal General	218,834,675	110,412,443
	Bai Murabaha Post Import (Pledge)	232,249	3,750,994
	Bai Murabaha Real Estate	5,856,510	6,866,196
	Bai Murabaha Import Bill	721,374,094	1,066,893,559
	Pre-shipment Investment	16,827,163	11,226,192
	Bai Murabaha Import	171,585,973	2,026,728
	Bai Murabaha Export	29,793,151	5,227,403
	HPSM Transport	167,395,989	160,458,426
	Rent on HPSM Scheme	698,860,763	779,460,994
	Bai Muajjal (DDIS)	880,249	3,035,452
	HPSM House Building - Staff	4,558,786	3,570,452
	Foreign Documentary Bill Purchased	-	62,445
	Agriculture Investment	185,086,060	40,652,276
	Bai Murabaha SME Investment	96,333,629	101,248,882
	Quard against PF Investment	1,006,810	638,921
	Quard against Car Lease Scheme	2,743,986	2,056,770
	Quard against MTDR	29,282,823	554,369
	Bai Salam	2,413,945	15,392,731
	HPSM Real Estate	496,096,996	260,403,968
	HPSM Consumer	30,387,556	24,802,712
	HPSM Agriculture	5,663,548	9,905,354
	HPSM SME	46,201,251	50,832,687
	HPSM HBL Commercial	701,140,580	546,381,518
	HPSM Industrial	109,866,955	8,889,249
	Wajira Bill Okalah	1,907,476	1,302,103
	Bai-Murabaha (EMI) Investment	1,086,242	-
		18,277,686,531	**13,339,668,730**

20(a)	**INVESTMENT INCOME**		
	First Security Islami Bank Limited (Note-20)	18,277,686,531	13,339,668,730
	First Security Islami Capital & Investment Limited	39,313,726	16,786,476
		18,317,000,257	**13,356,455,206**

		31.12.2013	31.12.2012
		BDT	BDT
21	**PROFIT PAID ON DEPOSITS**		
	Profit Paid on:		
	Mudaraba Term Deposit	11,315,781,274	8,095,124,548
	Mudaraba Double Benefit Deposits Scheme	1,157,038,436	875,098,141
	Mudaraba Monthly Savings Scheme	652,593,091	545,230,931
	Mudaraba Monthly Benefit Savings Scheme	367,474,323	97,262,580
	Mudaraba Savings Deposits	173,012,349	186,131,514
	Mudaraba Short Notice Deposits	241,971,300	242,456,615
	Placement from Other Banks	574,763,832	245,852,872
	Mudaraba Deposit in Foreign Currency	-	9,773
	Mudaraba Hajj Deposit Scheme	1,268,172	549,497
	Mudaraba Student SB AC	1,621,457	479,527
	Mudaraba Salary A/C (Staff A/c)	621,764	265,634
	Mudaraba Senior Citizen AC	437,311	118,582
	Mudaraba Marriage Scheme	7,107,502	2,211,253
	Mudaraba Health Care Scheme	36,095,584	7,782,936
	Mudaraba Education Deposit Scheme	8,142,186	2,308,918
	Mudaraba Pension Deposit Scheme	7,999,023	2,228,688
	Mudaraba Millionaire Deposit Scheme	7,833,066	1,092,064
	Mudaraba Kroropoti Deposit Scheme	6,575,253	1,037,603
	Mudaraba Triple Times Deposit Scheme	13,424,344	1,529,498
	Mudaraba Four Times Deposit Scheme	20,188,733	2,442,272
	Mudaraba Probashi Deposit Scheme	1,895,882	211,347
	Mudaraba Money Plant Deposit Scheme	55,650	61,509
	Mudaraba Griheni Deposit Scheme	1,481,452	244,817
	Mudaraba Gift Cheque	60,117	24,374
	Agent Savings A/C-Mobile Bank	508	-
	Mudaraba New Generation Savings Scheme	73,577	-
	Mudaraba New Generation Deposit Scheme	37,205	-
		14,597,553,390	**10,309,755,493**
22	**INCOME FROM INVESTMENT IN SHARES & SECURITIES**		
	Bangladesh Govt. Islamic Investment Bond	205,940,189	90,068,370
	Dividend on Shares	5,777,168	5,268,436
	Profit on Sale of Shares	23,953,611	3,660,323
		235,670,968	**98,997,129**
22(a)	**INCOME FROM INVESTMENT IN SHARES & SECURITIES**		
	First Security Islami Bank Limited (Note-22)	235,670,968	98,997,129
	First Security Islami Capital & Investment Limited	15,242,935	27,295,897
		250,913,903	**126,293,026**

		31.12.2013	31.12.2012
		BDT	BDT
23	**COMMISSION, EXCHANGE AND BROKERAGE**		
	Commission	188,865,406	237,630,411
	Exchange Gain	**137,911,580**	**166,609,834**
	Exchange Earning	155,977,140	197,906,826
	Less: Exchange Loss	18,065,560	31,296,992
		326,776,987	**404,240,245**
23(a)	**COMMISSION, EXCHANGE AND BROKERAGE**		
	First Security Islami Bank Limited (Note-23)	326,776,987	404,240,245
	First Security Islami Capital & Investment Limited	11,930,565	4,231,951
		338,707,552	**408,472,196**
24	**OTHER OPERATING INCOME**		
	Rent Recoveries	-	1,438,500
	Charges on Account Closing	4,095,169	1,450,053
	Standing Instruction Charges	23,900	31,180
	Gain on sale of fixed assets	219,910	-
	Service Charge on HP	2,032,596	2,082,022
	Service charge on Quard	9,535,972	6,543,053
	Other Receipts (Note-24.1)	151,108,081	189,988,536
		167,015,629	**201,533,344**
24.1	**Other Receipts**		
	Postage Recoveries - Local	947,473	863,087
	Tlx/Tel/Tlgr/Fax/E-mail Chg. Recoveries	5,671,631	1,698,591
	Incidental Charge on Al-Wadiah CD A/C	19,819,920	17,658,413
	Incidental Charge on Mudaraba SB A/C	26,976,321	17,992,672
	Incidental Charge on Mudaraba SND A/C	5,070,977	3,568,119
	Income from online	5,922,898	4,231,542
	Investment processing fee	22,024,446	31,982,192
	Income from ATM	9,464,322	833,843
	Miscellaneous Earnings	55,210,093	111,160,077
		151,108,081	**189,988,536**
24(a)	**OTHER OPERATING INCOME**		
	First Security Islami Bank Limited (Note-24)	167,015,629	201,533,344
	First Security Islami Capital & Investment Limited	1,870,067	842,000
		168,885,696	**202,375,344**
25	**SALARIES & ALLOWANCES**		
	Basic Salary	428,212,700	271,937,166
	Bonus	141,495,907	124,982,683
	Bank's Contribution to Staff Provident Fund	31,470,217	20,999,548
	Gratuity	26,460,444	29,731,720
	House Rent	190,397,261	128,119,099
	Conveyance Allowance	51,476,399	33,736,924
	Leave Fare Allowance	126,062,138	89,776,476
	Entertainment Allowance	13,270,494	9,835,977

		31.12.2013	31.12.2012
		BDT	BDT
	Medical Allowance	49,531,859	33,377,584
	Utility Services	48,349,027	32,777,141
	House Maintenance Allowance	49,263,021	33,344,212
	Other Allowances	6,018,853	38,100,474
	Personal Pay	18,898	74,088
	Leave Encashment	1,659,420	636,405
		1,163,686,638	**847,429,497**
25(a)	**SALARIES & ALLOWANCES**		
	First Security Islami Bank Limited (Note-25)	1,163,686,638	847,429,497
	First Security Islami Capital & Investment Limited	9,677,832	8,501,613
		1,173,364,470	**855,931,110**
26	**RENT, TAXES, INSURANCE, LIGHTING ETC.**		
	Rent	188,379,230	177,061,459
	Insurance	74,601,263	52,337,646
	Rates and Taxes	4,715,811	3,960,272
	Water Charges	1,995,954	1,496,202
	Gas Charges	1,078,826	921,140
	Electric Bills	41,017,917	30,323,573
		311,789,001	**266,100,292**
26(a)	**RENT, TAXES, INSURANCE, LIGHTING ETC.**		
	First Security Islami Bank Limited (Note-26)	311,789,001	266,100,292
	First Security Islami Capital & Investment Limited	4,000,908	4,000,908
		315,789,909	**270,101,200**
27	**LEGAL EXPENSES**		
	Law Charges	423,700	2,673,910
	Stamp	103,258	141,865
	Other Professional Charges	2,058,475	2,283,360
		2,585,433	**5,099,135**
28	**POSTAGE, STAMP AND TELECOMMUNICATION**		
	Telephone - Office	9,454,655	7,692,431
	Telegram, Telex, Fax and Email	1,443,270	2,842,701
	Telephone - Residence	46,529	17,721
	Postage	5,445,853	4,826,303
		16,390,307	**15,379,156**
28 (a)	**POSTAGE, STAMP AND TELECOMMUNICATION**		
	First Security Islami Bank Limited (Note-28)	16,390,307	15,379,156
	First Security Islami Capital & Investment Limited	123,177	193,650
		16,513,484	**15,572,806**

		31.12.2013	31.12.2012
		BDT	BDT
29	**STATIONERY, PRINTING AND ADVERTISEMENT**		
	Publicity and Advertisement	55,163,859	41,009,998
	Printing and Stationery	49,186,394	42,797,743
		104,350,252	**83,807,741**
30	**MANAGING DIRECTOR'S SALARY AND FEES**		
	Basic Pay	6,846,193	5,491,484
	House Rent Allowances	1,307,543	1,304,228
	Leave Fare Allowance.	2,528,045	2,471,168
	Bonus	2,184,000	1,924,000
	House Maintenance Allowance	1,307,543	1,304,228
	Other Allowance	1,176,980	1,098,297
		15,350,304	**13,593,405**
31	**AUDITORS' FEES**		
	First Security Islami Bank Limited	730,250	575,000
	First Security Islami Capital & Investment Limited	125,000	125,000
		855,250	**700,000**
32	**DIRECTORS' FEES**		
	Fees	753,250	770,500
	Travel	1,000,704	1,148,060
		1,753,954	**1,918,560**
32 (a)	**DIRECTORS' FEES**		
	First Security Islami Bank Limited (Note-32)	1,753,954	1,918,560
	First Security Islami Capital & Investment Limited	126,500	172,500
		1,880,454	**2,091,060**
33	**SHARIAH COMMITTEE'S FEES**		
	Fees	115,000	132,250
		115,000	**132,250**
34	**DEPRECIATION AND REPAIRS & MAINTENANCE OF FIXED ASSETS**		
	Depreciation on Fixed Assets (Annexure - A)	**212,067,212**	**144,269,343**
	Repairs:	**38,342,571**	**31,538,538**
	Office equipment	9,646,786	6,733,543
	Renovation and Maintenance of Office Premises	9,381,666	9,417,444
	Furniture and Fixtures	440,135	407,636
	Maintenance and Services of SWIFT	135,471	10,727
	Maintenance of Routers	1,777,082	1,738,464
	Elect. Fitt. Rep. & Replacement	6,049,436	4,113,084
	Office Maintenance Expenses	8,219,455	9,117,640
	Maintenance of Software	2,692,540	-
		250,409,783	**175,807,881**

	31.12.2013	31.12.2012
	BDT	BDT

34 (a) DEPRECIATION AND REPAIRS OF FIXED ASSETS

First Security Islami Bank Limited (Note-34)	250,409,783	175,807,881
First Security Islami Capital & Investment Limited	9,475,324	4,852,579
	259,885,107	**180,660,460**

35 OTHER EXPENSES

Wages	149,389,021	97,305,232
Traveling	24,647,860	14,652,763
Donation	59,186,419	37,694,150
Subscription	7,494,489	34,434,004
Newspaper and Periodicals	634,823	416,296
Entertainment	41,599,350	30,802,449
Conveyance	10,862,402	10,532,709
Business Development	19,066,140	26,440,804
Computer Expense	49,857,300	30,741,402
Plantation	1,212,681	1,249,935
Liveries and Uniform	1,539,636	1,485,124
Training, Seminar and Workshop	5,705,114	3,434,391
Photocopying	4,647,878	3,099,127
Generator Expenses	13,745,556	15,383,935
Car Expense	65,412,708	25,564,847
Cash Carrying	9,085,631	6,486,298
Washing and Cleaning	3,186,338	2,436,476
Cartage and Freight	45,341	34,070
Staff Welfare	261,367	500,000
Office Maintenance	112,744	533,332
ATM Expenses	5,837,319	3,971,380
Meeting Expenses	11,452,512	12,758,961
Bond Issue Expense	1,872,000	4,124,750
Recruitment Expenses	1,776,158	-
	488,630,787	**364,082,435**

35 (a) OTHER EXPENSES

First Security Islami Bank Limited (Note-35)	488,630,787	364,082,435
First Security Islami Capital & Investment Limited	26,732,761	21,309,767
	515,363,548	**385,392,202**

36 EARNINGS PER SHARE

Net Profit after Tax	769,119,782	761,863,499
Number of Ordinary Shares (weighted average as per BAS-33)	411,438,720	411,438,720
Earnings Per Share (EPS)	**1.87**	**1.85**

Earnings per share has been calculated as per BAS-33: "Earnings Per Share". Previous year's EPS have been adjusted for the issue of bonus share(for 2012) during the year.

		31.12.2013	31.12.2012
		BDT	BDT
36(a)	**EARNINGS PER SHARE**		
	Net Profit after Tax	776,476,241	761,863,499
	Number of Ordinary Shares (weighted average as per BAS-33)	411,438,720	411,438,720
	Earnings Per Share (EPS)	**1.89**	**1.85**
37	**RECEIVED FROM OTHER OPERATING ACTIVITIES**		
	Rent Recoveries	-	1,438,500
	Charges on Account Closing	4,095,170	1,450,053
	Standing Instruction Charges	23,900	31,180
	Gain on sale of fixed assets	219,910	-
	Service Charge on HP	2,032,596	2,082,022
	Service Charge on Quard	9,535,972	6,543,053
	Other Receipts(24.1)	151,108,081	189,988,536
		167,015,629	**201,533,344**
37 (a)	**RECEIVED FROM OTHER OPERATING ACTIVITIES**		
	First Security Islami Bank Limited (Note-37)	167,015,629	201,533,344
	First Security Islami Capital & Investment Limited	1,870,067	842,000
		168,885,696	**202,375,344**
38	**PAYMENT FOR OTHER OPERATING ACTIVITIES**		
	Rent, Taxes, Insurances, Electricity etc.	311,789,001	266,100,292
	Legal Expenses	2,585,433	5,099,135
	Postage, Stamps, Telecommunications etc.	16,390,307	15,379,156
	Auditors' Fee	-	974,750
	Directors' fees	1,753,954	1,918,560
	Shariah Committee's fees	115,000	132,250
	Other Expenses	488,630,787	363,682,685
		821,264,482	**653,286,828**
38 (a)	**PAYMENT FOR OTHER OPERATING ACTIVITIES**		
	First Security Islami Bank Limited (Note-38)	821,264,482	653,286,828
	First Security Islami Capital & Investment Limited	31,108,345	30,654,404
		852,372,827	**683,941,232**
39	**INCREASE /DECREASE OF OTHER ASSETS**		
	Inter - branch Transaction Account	5,726,545,164	1,256,819,424
	Accrued Income	871,305,133	689,306,589
	Advances, Deposits and Prepayment	2,001,455,006	369,716,371
	Stock of Stationery	20,142,925	14,131,023
	Suspense Account	125,776,808	92,736,494
	Advance Deposits	131,370,760	569,012,410
	Stamps on Hand	1,406,661	930,611
	FSI Capital & Investment Ltd.	-	-
		8,878,002,457	**2,992,652,922**

	31.12.2013	31.12.2012
	BDT	BDT
(Increase)/Decrease during the period	**(5,885,349,535)**	**(982,259,562)**

39 (a) INCREASE /DECREASE OF OTHER ASSETS

First Security Islami Bank Limited (Note-39)	(5,885,349,535)	(982,259,562)
First Security Islami Capital & Investment Limited	(191,900,969)	2,733,930
	(6,077,250,504)	**(979,525,632)**

40 INCREASE /DECREASE OF OTHER LIABILITIES

Profit/Rent/Compensation Suspense Account	95,053,648	106,466,799
Accrued profit and Expenses Payable	3,514,419,152	2,482,492,737
Provident Fund	4,609,222	804,842
Benevolent Fund	1,201,528	855,027
Non-Resident Accounts	12,915,579	4,646,143
Compensation Realised	23,826,516	3,830,509
Others	64,193,164	61,722,254
	3,716,218,809	**2,660,818,311**
Increase /(Decrease) during the period	**1,055,400,498**	**1,502,738,936**

40 (a) INCREASE /DECREASE OF OTHER LIABILITIES

First Security Islami Bank Limited (Note-40)	1,055,400,498	1,502,738,936
First Security Islami Capital & Investment Limited	4,544,722	71,716,409
	1,059,945,220	**1,574,455,345**

41 NUMBER OF EMPLOYEES

Executives and Officers	1,915	1,714
Members of Staff (Contractual)	452	376
	2,367	**2,090**

42 RELATED PARTY TRANSACTIONS

During the year, the Bank carried out some transactions 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

Name of the Party	Nature of Transaction	Nature of Relationship	Total Value (in Tk.)
Northern General Insurance Company Ltd.	Insurance Premium	Common Director	9,160,274
Northern General Insurance Company Ltd.	Investment	Common Director	75,350,000
Northern General Insurance Company Ltd.	Deposit	Common Director	65,733,630
Reliance Finance Ltd.	Deposit	Common Director	4,362,574
Reliance Finance Ltd.	Balance with NBFI(MTDR)	Common Director	10,104,000,000
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

43 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	**Chairman/Board of Director** First Security Islami Capital & Investment Ltd. Reliance Finance Limited Reliance Brokerage Services Limited Karnaphuli Prakritik Gas Ltd. **Managing Director** 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. **Sponsor Shareholder** Al-Arafah Islami Bank Ltd. Northern General Insurance Co. Ltd. S. Alam Super Edible Oil Ltd. S. Alam Vegetable Oil Ltd.. Shah Amanat Prakritik Gas Company Ltd. **Proprietor** S. Alam & Co. Sonali Overseas Corporation

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.
2	**Alhaj Mohammed Abdul Maleque**	Vice Chairman	**Chairman** Jesco Capital Management Ltd. ABM Tower Ltd. Bengal Center Ltd. **Chairman & Managing Director** Jesco Bangladesh Ltd. **Managing Director** Chittagong Board and Paper Mills Ltd. Kharana Fish & Poultry Ltd. **Director** Central Hospital Ltd. **EX - Chairman & Sponsor Shareholder** Central Insurance Co. Ltd. **Ex - Director** Chittagong Chamber of Commerce & Industry **Proprietor** M/S. Bengal Corporation M/S. Bengal Trading M/S. Lucky Electronics
3	**Ms. Farzana Parveen**	Director	**Director** First Security Islami Capital & Investment Ltd. Reliance Finance Limited Reliance Brokerage Services Limited S.Alam Power Plant Ltd. S. Alam Vegetable Oil Ltd.. Prasad Paradise Resort Ltd. S.Alam Properties Ltd. Sonali Cargo Logistics (Pvt) Ltd. **Shareholder** S. Alam Steels Ltd. S. Alam Cold Rolled Steels Ltd. Union Bank Ltd. **Proprietor** Fairy Trade International Parveen Trading House
4	**Ms. Rahima Khatun**	Director	**Chairman** Marsa Aviation Ltd. M/S. Mortoza Assets Ltd. **Managing Director** Marsa Fishing Ltd. **Proprietor** R.M. Trading
5	**Ms. Atiqur Nesa**	Director	**Proprietor** Atique Enterprise **Shareholder** Reliance Finance Limited

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.
6	**Md. Wahidul Alam Seth**	Director	**Director** Reliance Brokerage Services Limited **Proprietor** M/S. B. Nowab Real Estate INTRA
7	**Shahidul Islam**	Director	**Managing Director** Platinum Shrimp Hatchery Ltd. **Director** Treatment Hospital Limited **Proprietor** S.S. Corporation
8	**Mohammed Oheidul Alam**	Director	**Vice Chairman** C & A Real Estate **Managing Director** Dream Knitting (BD) Ltd. **Proprietor** M/S. Land Mark Hotel & Restaurant Car Shop The Travel World **Managing Partner** Orchid Business Hotel
9	**Ahsanul Alam**	Director	**Managing Director** Genesis Textile Accessories & Apparels Ltd. C& A Accessories Ltd. C& A Fabrics Ltd. Western Designers Ltd. **Proprietor** Genesis Enterprise
10	**Mohammed Kutub Uddowllah**	Independent	**Director** **Director & CEO** D.S. Line Limited
11	**Md. Sharif Hussain**	Independent	**General Secretary** Islamic Economic Research Bureau
12	**Mohammad Ishaque**	Independent	**A retired Bureaucrat.** **Independent Director** S. Alam Cold Rolled Steels Ltd.
13	**Ms. Khurshid Jahan**	Depositor	**Director** MD. Brothers (Pvt.) Ltd.

44 EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its 141st meeting held on 12 March 2014 recommended 10% cash dividend only for shareholders except Sponsors/Directors for the year 2013 to be approved in the Annual General Meeting.

45 AUDIT COMMITTEE

a) Constitution

The Bank has constituted an Audit Committee of the Board of Directors pursuant to the BRPD circular no. 11 dated 27 October 2013 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
Mohammed Kutub Uddowllah	Independent Director	Chairman	Bachelor of Science
Md. Wahidul Alam Seth	Director	Member	Bachelor of Commerce
Ahsanul Alam	Director	Member	O Level

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.

Sd/-	Sd/-	Sd/-	Sd/-
Managing Director	**Director**	**Director**	**Chairman**

Dhaka, 12 March 2014

Annexure A

FIRST SECURITY ISLAMI BANK LIMITED
STATEMENT OF FIXED ASSETS
AS AT 31 DECEMBER 2013

Figure in Taka

Particulars	COST				DEPRECIATION				Written down value on 31 Dec 2013
	Balance as on 01 January '13	Addition during the year	Sales/Trans-fer during the year	Balance as on 31 Dec '13	Balance as on 01 January '13	Charge during the year	Adjustment on sale/transfer during the year	Balance as on 31 Dec '13	
Building	919,187,076	103,464,698	-	1,022,651,774	14,378,681	23,280,907	-	37,659,588	984,992,186
Furniture & Fixtures	930,987,348	326,978,473	-	1,257,965,821	188,364,294	89,392,010	-	277,756,304	980,209,517
Office Equipment	517,989,527	236,403,960	-	754,393,487	198,176,833	88,898,047	-	287,074,880	467,318,607
Vehicles	62,458,054	23,818,849	-	86,276,903	32,342,363	10,385,545	-	42,727,908	43,548,995
Books	471,748	117,080	-	588,828	115,368	110,703	-	226,071	362,757
Total Dec' 2013	**2,431,093,753**	**690,783,060**	**-**	**3,121,876,813**	**433,377,539**	**212,067,212**	**-**	**645,444,751**	**2,476,432,062**
Total Dec' 2012	**1,258,911,572**	**1,172,182,181**	**-**	**2,431,093,753**	**289,108,196**	**144,269,343**	**-**	**433,377,539**	**1,997,716,214**

Annexure B

First Security Islami Bank Limited
Financial Highlights
For the year ended 31 December 2013

SL #	Particulars	31.12.2013	31.12.2012
1	Paid-up Capital	4,114,387,200	3,740,352,000
2	Total Capital Fund	9,261,239,036	8,145,326,860
3	Capital Surplus/(deficit)	117,829,036	163,606,860
4	Total Assets	161,822,976,845	129,733,173,088
5	Total Deposits	139,520,955,783	109,905,568,871
6	Total Investments	114,601,798,177	96,304,228,588
7	Total Contingent Liabilities and Commitments	11,865,555,306	9,248,235,939
8	Investment Deposit Ratio (in %)	82.14%	87.62%
9	Percentage of Classified Investments against total Investments(in %)	2.17%	1.85%
10	Profit after tax & provision	769,119,782	761,863,499
11	Amount of Classified Investments during the year	2,483,816,897	1,785,352,235
12	Provision kept against Classified Investments	1,005,100,000	790,000,000
13	Provision Surplus/(deficit)	28,623,397	10,295,103
14	Cost of Fund	11.64%	11.00%
15	Profit Earning Assets	135,976,093,497	112,003,367,369
16	Non-profit Earning Assets	25,846,883,348	17,729,805,719
17	Return on Investment in Shares & securities(ROI)(in %)	3.37%	2.01%
18	Return on Assets (ROA)(in %)	0.53%	0.69%
19	Income from Investment in Shares and Securities	235,670,968	98,997,129
20	Earnings Per Share (Tk.)	1.87	1.85
21	Net Income Per Share (Tk.)	1.87	1.85
22	Price Earnings Ratio (Times)	8.08	9.99

Auditors' Report in pursuance of section 135(1) under paragraph 24(1) of part -II of the Third Schedule of the Companies Act, 1994

[As per Rule-8(i) of Securities and Exchange Commission (Right Issue) Rules, 2006]

As required under section 135(1), Para 24(1) of Part-II of Schedule III of the Companies Act, 1994 and as per Rule-8(i) of Securities and Exchange Commission (Right Issue) Rules, 2006, First Security Islami Bank Limited prepared the following statements of its assets and liabilities, operating results and cash flows as at and for the year ended on 31 December 2013, 2012, 2011, 2010 and 2009 and submitted those to us for our working and for issuance of our confirmation thereon. The financial statements for the year 2010 and 2009 were audited by M/S Syful Shamsul Alam & Co.

We accordingly, have reviewed the relevant audited financial statement and hereby confirm that the following information has been correctly extracted from those audited consolidated financial statements of First Security Islami Bank Limited (the "Issuer Company") and its subsidiary First Security Islami Capital and Investment Limited (together referred to as the "Group") as well as separate financial statements of the Issuer Company.

A. Consolidated Balance Sheet (no consolidation was required in the year 2010 & 2009 as the Subsidiary was incorporated on 02 December 2010)

	31.12.2013 BDT	31.12.2012 BDT	31.12.2011 BDT	31.12.2010 BDT	31.12.2009 BDT
PROPERTY AND ASSETS					
Cash	**11,549,383,178**	**10,528,152,443**	**7,145,564,652**	**4,857,542,203**	**5,033,532,439**
In hand (Including foreign currencies)	1,294,882,672	1,183,469,300	751,982,286	612,173,146	432,907,731
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currencies)	10,254,500,506	9,344,683,143	6,393,582,366	4,245,369,057	4,600,624,708
Balance with other Banks and Financial Institutions	**14,379,093,084**	**10,797,824,691**	**5,699,804,595**	**1,036,199,077**	**731,150,321**
In Bangladesh	14,206,467,884	10,327,491,621	5,487,178,408	926,081,336	494,050,218
Outside Bangladesh	172,625,200	470,333,070	212,626,187	110,117,741	237,100,103
Investments in Shares & Securities	**7,268,269,377**	**5,128,479,126**	**4,044,588,542**	**2,859,354,561**	**1,914,504,030**
Government	6,030,358,600	4,060,654,300	3,121,548,300	2,331,134,100	1,610,674,000
Others	1,237,910,777	1,067,824,826	923,040,242	528,220,461	303,830,030
Investments	**114,328,753,035**	**96,304,228,588**	**69,467,328,284**	**52,123,903,164**	**38,725,874,774**
General Investment (Bai-Murabaha, Bai-Muajjal, HPSM) etc.	113,663,053,929	95,493,421,519	64,451,579,004	47,640,238,696	35,616,450,493
Bills Purchased and Negotiated	665,699,106	810,807,069	5,015,749,280	4,483,664,468	3,109,424,281
Fixed Assets Including Premises, Furniture & Fixtures	**2,517,375,111**	**2,032,852,899**	**979,350,827**	**573,610,332**	**376,477,387**
Other Assets	**11,990,346,998**	**5,146,267,814**	**3,676,262,189**	**2,169,188,462**	**1,197,014,001**
Total Assets	**162,033,220,783**	**129,937,805,561**	**91,012,899,089**	**63,619,797,799**	**47,978,552,952**
LIABILITIES AND CAPITAL					
Liabilities					

Placement from Banks & other Financial Institutions	**4,129,788,842**	**4,598,574,967**	**3,231,114,000**	**-**	**-**
Deposits and Other Accounts	**139,503,926,734**	**109,905,568,871**	**78,145,045,008**	**56,344,959,167**	**42,423,092,722**
Al-Wadia Current Accounts and Other Deposit Accounts	7,502,109,758	7,119,359,753	7,050,818,872	7,043,747,274	3,958,510,256
Bills Payable	1,176,111,458	1,824,475,966	889,647,881	545,866,334	561,376,373
Mudaraba Savings Deposits	6,433,026,364	5,462,576,972	4,579,934,181	3,987,763,459	2,441,458,467
Mudaraba Term Deposits including other Banks	99,476,837,371	79,263,696,843	53,914,817,281	33,076,189,284	26,684,564,624
Mudaraba Deposits under Schemes	24,915,841,783	16,235,459,337	11,709,826,793	11,691,392,816	8,777,183,002
Mudaraba Subordinated Bond	**2,500,000,000**	**2,220,000,000**	**-**	**-**	**-**
Other Liabilities	**9,286,426,380**	**7,499,559,137**	**5,087,789,513**	**3,354,827,146**	**2,690,049,475**
Total Liabilities	**155,420,141,956**	**124,223,702,975**	**86,463,948,521**	**59,699,786,313**	**45,113,142,197**
Capital/Shareholders' equity					
Paid-up Capital	4,114,387,200	3,740,352,000	3,400,320,000	3,036,000,000	2,300,000,000
Statutory Reserve	1,310,398,870	1,004,574,914	704,202,214	460,169,845	263,449,699
Other Reserve	114,061,074	84,000,000	24,000,000	24,000,000	24,000,000
Asset Revaluation Reserve	392,381,876	402,442,950	-	-	-
Retained Earnings	506,439,968	433,427,548	371,537,509	399,841,641	277,961,056
Non-controlling Interest	175,409,839	49,305,174	48,890,845	-	-
Total Shareholders' Equity	**6,613,078,827**	**5,714,102,586**	**4,548,950,568**	**3,920,011,486**	**2,865,410,755**
Total Liabilities and Shareholders' Equity	**162,033,220,783**	**129,937,805,561**	**91,012,899,089**	**63,619,797,799**	**47,978,552,952**
OFF- BALANCE SHEET ITEMS					
Contingent Liabilities					
Acceptances and Endorsements	2,378,051,173	5,348,635,526	6,219,829,879	4,044,833,066	2,677,420,553
Letters of Guarantee	4,547,711,472	2,202,296,850	1,212,159,912	1,303,508,613	1,102,699,021
Irrevocable Letters of Credit	3,740,407,481	1,557,792,404	3,766,660,337	3,351,761,128	2,021,847,014
Bills for Collection	1,199,385,180	139,511,159	164,929,845	159,565,533	169,706,478
Other Contingent Liabilities	-	-	-	-	-
Total	**11,865,555,306**	**9,248,235,939**	**11,363,579,973**	**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 & other commitments	-	-	-	-	-
Claims against the bank not acknowledged as debt	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Total Off -Balance Sheet Items Including					
Contingent Liabilities	**11,865,555,306**	**9,248,235,939**	**11,363,579,973**	**8,859,668,340**	**5,971,673,066**

B. Consolidated Profit and Loss Account (no consolidation was required in the year 2010 & 2009 as the Subsidiary was incorporated on 02 December 2010)

	31.12.2013 BDT	31.12.2012 BDT	31.12.2011 BDT	31.12.2010 BDT	31.12.2009 BDT
Investments Income	18,317,000,257	13,356,455,206	8,749,068,484	5,547,047,795	4,348,674,553
Profit Paid on Deposits	(14,597,553,390)	(10,309,755,493)	(6,670,951,220)	(4,125,826,500)	(3,333,800,367)
Net Investment Income	**3,719,446,867**	**3,046,699,713**	**2,078,117,264**	**1,421,221,295**	**1,014,874,186**
Income from Investment in shares and securities	250,913,903	126,293,026	83,014,917	264,208,027	53,510,527
Commission, Exchange and Brokerage	338,707,552	408,472,196	403,324,004	282,561,956	194,631,419
Other Operating Income	168,885,696	202,375,344	173,801,888	117,216,660	64,617,576
	758,507,151	**737,140,566**	**660,140,809**	**663,986,643**	**312,759,522**
Total Operating Income	**4,477,954,018**	**3,783,840,279**	**2,738,258,073**	**2,085,207,938**	**1,327,633,708**
Less: Operating Expenses					
Salary and Allowances	1,173,364,470	855,931,110	586,855,412	418,301,777	254,153,482
Rent, Taxes, Insurances, Electricity etc.	315,789,909	270,101,200	147,086,419	107,050,007	74,824,450
Legal Expenses	2,585,433	5,099,135	1,876,465	963,915	2,534,474
Postage, Stamps, Telecommunication etc.	16,513,484	15,572,806	11,904,965	9,127,540	7,810,243
Stationery, Printings, Advertisements etc.	104,350,252	83,807,741	65,982,885	58,551,363	43,387,247
Managing Director's Salary and Fees	15,350,304	13,593,405	11,488,548	9,916,130	10,027,500
Auditors' Fees	855,250	700,000	557,250	410,000	400,000
Directors' Fees	1,880,454	2,091,060	2,211,209	2,188,870	2,174,709
Shariah Committee's Fees & Expenses	115,000	132,250	289,250	46,000	175,850
Depreciation and Repair & Maintenance of Fixed Assets	259,885,107	180,660,460	102,002,246	72,915,674	50,143,692
Zakat Expenses	28,085,234	18,800,000	12,500,000	4,979,720	15,117,438
Other Expenses	515,363,548	385,392,202	205,914,527	197,156,211	116,046,874
Total Operating Expenses	**2,434,138,445**	**1,831,881,369**	**1,148,669,176**	**881,607,207**	**576,795,959**
Profit before Provision and Tax	**2,043,815,573**	**1,951,958,910**	**1,589,588,897**	**1,203,600,731**	**750,837,749**
Provisions for Classified Investments	215,100,000	185,724,098	70,029,299	35,200,000	-
Provisions for Unclassified Investments including off-B/S items	220,000,000	203,018,403	238,170,701	150,000,000	100,000,000
Provisions for diminution in value of Investment in Shares	65,453,410	60,000,000	61,437,289	34,800,000	4,000,000
Total Provisions	**500,553,410**	**448,742,501**	**369,637,289**	**220,000,000**	**104,000,000**
Total Profit before Taxes	**1,543,262,163**	**1,503,216,409**	**1,219,951,608**	**983,600,731**	**646,837,749**
Provision for Taxation	(766,785,922)	(740,507,341)	(640,012,526)	(435,000,000)	(320,000,000)
Deferred Tax Income	-	-	-	-	-
	(766,785,922)	**(740,507,341)**	**(640,012,526)**	**(435,000,000)**	**(320,000,000)**
Net Profit after tax for the period	**776,476,241**	**762,709,068**	**579,939,082**	**548,600,731**	**326,837,749**
Retained Earnings Brought Forward from Previous Year	433,427,548	371,537,509	399,841,641	277,961,056	80,490,857
	1,209,903,789	**1,134,246,577**	**979,780,723**	**826,561,787**	**407,328,606**
Appropriations:					
Statutory Reserve	305,823,956	300,372,700	244,032,369	196,720,146	129,367,550
Other Reserve	20,000,000	60,000,000	-	230,000,000	-
Bonus Share Issued	374,035,200	340,032,000	364,320,000	-	-
Non-controlling Interest	3,604,665	414,329	(109,155)	-	-
	703,463,821	**700,819,029**	**608,243,214**	**426,720,146**	**129,367,550**
Retained Earnings Carried Forward	**506,439,968**	**433,427,548**	**371,537,509**	**399,841,641**	**277,961,056**
Earnings Per Share (EPS) [@ Tk. 10 per share]	**1.89**	**2.04**	**1.71**	**2.33**	**1.42**
Earnings Per Share (EPS) [@ Tk. 10 per share](Restated)	**1.89**	**1.85**	**1.55**	**1.61**	**1.08**

C. Consolidated Cash Flow Statement (no consolidation was required in the year 2010 & 2009 as the Subsidiary was incorporated on 02 December 2010)

	31.12.2013 BDT	31.12.2012 BDT	31.12.2011 BDT	31.12.2010 BDT	31.12.2009 BDT
A. Cash Flow from Operating Activities					
Profit received	18,340,159,624	12,732,666,148	8,832,083,401	5,608,998,811	4,402,185,080
Profit paid	(13,592,616,259)	(9,603,755,782)	(6,670,951,220)	(4,125,826,500)	(3,333,800,367)
Commission, exchange & brokerage received	338,707,552	404,240,245	403,324,004	282,561,956	194,631,419
Payment to employees	(1,188,714,774)	(869,524,515)	(598,343,960)	(416,067,907)	(253,180,982)
Payment to suppliers	(142,692,824)	(155,346,279)	(80,025,236)	(69,079,445)	(51,986,113)
Income tax paid	(561,102,413)	(710,802,087)	(590,493,137)	(239,928,969)	(38,970,747)
Received from other operating activities	168,885,696	202,375,344	173,801,888	117,216,660	59,874,314
Payment for other operating activities	(852,372,827)	(683,941,232)	(383,051,194)	(316,932,543)	(207,966,600)
Operating Profit before changes in Operating Assets & Liabilities	**2,510,253,776**	**1,315,911,842**	**1,086,344,546**	**840,942,063**	**770,786,004**
Increase / Decrease in Operating Assets & Liabilities					
Investments to Customers	(17,796,769,912)	(26,836,900,304)	(17,343,425,120)	(13,398,028,390)	(13,631,216,697)
Other Assets	(6,077,250,504)	(979,525,632)	(430,643,689)	(732,245,493)	(26,753,095)
Deposits from Customers	27,940,961,671	31,760,523,863	21,800,085,841	13,921,866,445	16,568,551,222
Other Liabilities	1,059,945,220	1,574,455,345	348,730,681	27,372,961	27,653,124
	5,126,886,475	**5,518,553,272**	**4,374,720,713**	**(181,034,477)**	**2,938,234,554**
Net Cash Inflow from Operating Activities	**7,637,140,251**	**6,834,465,114**	**5,461,065,259**	**659,907,586**	**3,709,020,558**
B. Cash Flow from Investing Activities					
Investment in Shares and Securities	(2,140,085,951)	(1,264,531,149)	(1,184,618,819)	(1,006,868,429)	(582,328,430)
Purchase of Property, Plant and Equipment	(706,064,747)	(800,259,857)	(494,429,168)	(259,520,537)	(235,410,819)
Sale of Property, Plant and Equipment	-	78,812	5,589,000	-	6,500,300
Net Cash Inflow from Investing Activities	**(2,846,150,698)**	**(2,064,712,194)**	**(1,673,458,987)**	**(1,266,388,966)**	**(811,238,949)**
C. Cash Flow from Financing Activities					
Increase/(Decrease) in Share Capital	-	-	-	736,000,000	-
Receipt from issuance of Mudaraba Subordinated Bond	280,000,000	2,220,000,000	-	-	-
Increase/(Decrease) in Placement from Banks & Fl	(468,786,125)	1,489,960,967	3,280,114,000	-	(630,000,000)
Net Cash Inflow/(Outflow) from Financing Activities	**(188,786,125)**	**3,709,960,967**	**3,280,114,000**	**736,000,000**	**(630,000,000)**
D. Net Increase/Decrease of Cash & Cash Equivalent (A+B+C)	**4,602,203,428**	**8,479,713,887**	**7,067,720,272**	**129,518,620**	**2,267,781,609**
Effect of Exchange Rate on Cash & Cash Equivalent	-	-	-	-	-
E. Opening Cash & Cash Equivalent	**21,326,631,434**	**12,846,917,547**	**5,779,197,275**	**5,765,356,760**	**3,497,575,151**
F. Closing Cash & Cash Equivalent (D+E)	**25,928,834,862**	**21,326,631,434**	**12,846,917,547**	**5,894,875,380**	**5,765,356,760**
The above closing Cash and Cash Equivalents include:					
Cash in hand (Including Foreign Currencies)	1,294,882,672	1,183,469,300	751,982,286	612,173,146	432,907,731
Balance with Bangladesh Bank, other banks & FI	24,633,593,590	20,142,507,834	12,093,386,961	5,281,568,134	5,331,775,029
Prize Bond	358,600	654,300	1,548,300	1,134,100	674,000
	25,928,834,862	**21,326,631,434**	**12,846,917,547**	**5,894,875,380**	**5,765,356,760**

D. First Security Islami Bank Limited and its subsidiary were incorporated on:

First Security Islami Bank Limited - 29 August 1999.

First Security Islami Capital and Investment Limited - 02 December 2010.

Signed as per our annexed report of same date.

Sd/-

Hoda Vasi Chowdhury & Co.

Chartered Accountants

Dhaka, 28 April 2014

EMERGING
Credit Rating Ltd

FIRST SECURITY ISLAMI BANK LIMITED

Credit Rating Report

Date of Declaration	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
July 07, 2011	December 31, 2011	Initial	A-	ECRL-3	Stable
May 15, 2012	May 14, 2013	Surveillance	A	ECRL-3	Stable
May 15, 2013	May 14, 2014	Surveillance	A	ECRL-2	Stable
April 23, 2014	April 22, 2015	Surveillance	A+	ECRL-2	Stable

Date of Incorporation : August 29, 1999

Managing Director : Mr. A.A.M. Zakaria

Authorized Capital : BDT 10,000.00 Million

Paid up Capital : BDT 4,114.39 Million

Total Assets : BDT 161,822.98 Million

Total Liabilities : BDT 155,389.38 Million

Contact Analysts : Habibur Rahman **habib@emergingrating.com**
Musthafizur Rahman **musthafizur@emeringrating.com**
Md. Al-Mahmud **almahmud@emergingrating.com**
Sabrina Hyder **sabrina@emergingrating.com**

Credit Analysis

Entity Rating

2014 Surveillance Report

First Security Islami Bank Limited

Major Rating Factors

Strengths

- Above-industry quality of assets.
- Increasing market share resulting from higher growth in deposits and investments compared to industry.
- Country-wide branch network with strong presence in Chittagong region.
- Issuance of the proposed right issue will have positive impact on capital.
- Satisfactory corporate governance standards.

Challenge/ Risks

- High leverage and lack of sound fund management.
- Breach of the single borrower exposure limit.
- Less emphasis on risk weighted assets impacting compliance with capital adequacy requirements adversely.
- Declining non-funded income base resulting in concentrated earnings.
- High exposure to real estate industry.
- Deteriorated earnings level and operating efficiency.

Rationale

Emerging Credit Rating Limited (ECRL) has upgraded long term credit rating to **A+** (Pronounced as 'Single A Plus') and affirmed **ECRL-2** short term credit rating to First Security Islami Bank Limited (FSIBL) based on audited financials of last four years and other available information up to the date of rating declaration. The outlook on the rating is **Stable.** The ratings are consistent with ECRL's methodology for this type of company. ECRL considered financial performance, capital base, asset quality, management experience and prospect of the industry while assigning the rating.

The affirmed rating reflects the strengths of the company which is backed by maintenance of satisfactory growth in deposits & investments, above-industry asset quality, and compliance with CRR, SLR & CAR requirement, increasing market share and good corporate governance. However, ECRL is concerned about the high financial leverage, stiff liquidity position of the bank in the short term, non-compliance with single borrower exposure limit, reluctance of the management to put more emphasis on risk weighted assets, deteriorated earnings, high exposure to real estate industry and declining diversification of the bank's income.

First Security Islami bank Limited was incorporated as a public limited company on August 29, 1999. The bank started its commercial operation in the same year as a conventional bank; but in 2009, the bank fully transformed itself into an Islamic bank based on the Shari'ah. FSIBL provides a full range of commercial banking services to its diversified client base in compliance with Islamic Shari'ah. At the end of FY2013, the bank was operating 117 branches throughout Bangladesh with authorized and paid up capital of BDT 10,000.00 million and 4,114.39 million respectively. The bank has established a country-wide network of branches and managed a strong presence in the Chittagong region of the country. As on December 31, 2013, the bank's deposits and investments represented 2.32% and 2.46% of the whole banking sector's deposits and investments/credits respectively.

Aligned with the regulatory requirements and guidelines set by BB, FSIBL maintains adequate and high corporate governance and management standards. In line with BB's guidelines, FSIBL has three sub-committees of the Board of Directors (BoD) namely, Audit Committee, Executive Committee and Risk Management Committee, and committees comprising senior management staff – notable of which are management committee, asset liability committee and investment committee. These committees meet regularly to address specific issues as set forth in the guidelines of BB. To mitigate operational risk, the bank has also set up an Internal Control & Compliance Division (ICCD) which carries out regular audit and inspection of the branches and the head office. The bank's total human resources strength at the end of FY2013 stood at 2,367. FSIBL uses the latest technology to provide the best banking services and sufficient backup facilities to safeguard its data. Since 2011, the bank has been using Core Banking System through BankUltimus software which simplified many banking operations.

The total asset base of the bank grew by 24.74% in FY2013 reaching at BDT 161,822.98 million. The gross investment of the bank has also experienced above industry growth of 19.00% in the year, although it was around half the growth rate of previous year. But, in contrast to improvement in the non-performing investment (NPI) ratio of the entire banking sector, the NPI ratio of the bank has deteriorated reaching at 2.17% from 1.85% in FY2012. Although deteriorated, the NPI ratio of the bank is still much below than that of the banking sector and PCBs. It has been observed that 13.71% of the investment portfolio of the bank is represented by the real estate industry which makes the bank more risky as this industry is highly vulnerable. Loan loss reserve coverage of the NPIs has remained satisfactory although it went below 100% in FY2013. However, the rescheduled investments recorded a high increase of 78.13% in FY2013 partly due to the new rescheduling rules set by the Bangladesh Bank. During the year, the concentration of the bank's investment portfolio in large investments has also increased. Compliance with the regulatory ceiling for single borrower exposure has not been satisfactory either in the year as the largest four investments of the bank was much higher than the ceiling.

During FY2013, the capital adequacy position of the bank slightly deteriorated. The Capital Adequacy Ratio (CAR) of the bank has remained just above the regulatory requirement at 10.13% from 10.20% in the previous year while the CAR of the whole banking industry as well as PCBs has improved significantly in FY2013 and stood well above the regulatory requirement. The bank's less emphasis on minimizing risk weighted assets is a major factor contributing to the deteriorated capital position instead of improvement. However, the bank has decided to issue right shares which is expected to strengthen the capital base of the bank.

Likewise gross investments, the deposits of the bank also registered an above industry growth of 26.95% in FY2013. But over the recent years, the growth in the deposits of the bank has been higher than that in investments; as a result, the investment to deposit ratio of the bank is showing a downward trend and stood at 82.14% in FY2013. But it has been observed that the financial leverage of the bank has been increasing and turned alarmingly as high as 25.15 times in FY2013. This reflects that the bank is concentrating more on expanding its business without putting proper attention to the increasing leverage.

Cash reserve ratio (CRR) and statutory liquidity reserve (SLR) has been adequately maintained by the bank in line with the requirements of Bangladesh Bank. However, contrary to previous years, the asset and liability maturity profile in the audited accounts of the bank shows no significant gap in liquidity in any of the buckets as on December 31, 2013. Also, the bank has yet to set forth a formal liquidity contingency plan as per guidelines of the Bangladesh Bank.

As a result of lower growth in investments, the growth in the bank's net investment income declined significantly to 21.46% in FY2013 from 45.89% in the previous year. The net investment income margin of the bank declined slightly due to higher growth in the bank's earning assets which were concentrated more in the liquid assets compared to

previous year because of lower demand for credit/investment in the country. Also during the year, the lending rates of the bank increased by a higher percentage than the cost of fund. As a result, the net spread reached at 3.74% in FY2013 from 3.66% in FY2012. The non-investment income of the bank, however, had a very low growth likewise previous years and represented only 16.54% of the total operating income of the bank. Such decline in the concentration of the bank's operating income in the non-investment income implies increasingly higher concentration of the bank's earnings in interests making it more susceptible to profit rate risk and investment risk. Nonetheless, the bank's total operating income registered a 18.07% growth in FY2013; but the profit before provision was only 4.31% higher than previous year because of huge increases in the operating costs. Because of increased provisioning requirements for NPIs, the growth in pre-tax income was even lower. It is to be noted that the bank had BDT 86.10 million shortfall in provision for diminution in value of investment in shares and securities which, if taken into account, would result in negative growth in the pre-tax income. The return on assets and the return on equity also declined because of low growth in earnings compared to the growth in the assets and the equity.

ECRL views FSIBL's outlook as Stable due to its increasing market share, strong presence in the Chittagong region, good corporate governance, above-industry asset quality position of the company and its plan to raise capital through right issue.

Exhibit 1: *Financial Highlights: First Security Islami Bank Limited*

FY 31 December	2013	2012	2011	2010
Total Assets (BDT million)	161,822.98	129,733.17	90,956.64	63,619.80
Gross Investment (BDT Million)	114,601.80	96,304.23	69,467.33	52,123.90
Gross Investment Growth (%)	19.00	38.63	33.27	34.60
Gross NPI Ratio (%)	2.17	1.85	1.94	2.61
Investment/Deposit Ratio (%)	82.14	87.62	88.90	92.51
Net Investment Income (BDT million)	3,680.13	3,029.91	2,076.81	1,421.22
Net Investment Income Growth (%)	21.46	45.89	46.13	40.04
Non-Investment Income (BDT million)	729.46	704.77	658.94	663.99
Pre-Tax Profit (BDT million)	1,529.12	1,501.86	1,220.16	983.60
Pre-Tax Profit Growth (%)	1.81	23.09	24.05	52.06
Post-Tax ROAA (%)	0.54	0.70	0.76	1.00
Post-Tax ROAE (%)	12.71	14.99	13.78	16.17
Capital Adequacy Ratio (%)	10.13	10.20	9.00	9.09

A. BUSINESS DESCRIPTION

A.1. Company Background

First Security Islami Bank Limited (FSIBL), a public limited company, was incorporated as a banking company on August 29, 1999; obtaining Bangladesh Bank's permission on September 22, initially it started its operation as a conventional bank on October 25 in the same year. Followed by the Initial Public Offering of 11.50 million ordinary shares of BDT 1,150.00 million in 2008, the bank listed with both the national bourses. Obtaining the approval from High Court, Finance Ministry and Bangladesh Bank, the bank transformed into an Islamic bank based on Islamic Shari'ah in 2009. The commercial banking activities of the bank encompasses a wide range of services including mobilizing deposits, providing investment facilities, discounting bills, conducting money transfer and foreign exchange transaction safe keeping, collecting and issuing guarantees, acceptances and Letter of Credit - which are offered through a network of 117 branches.

FSIBL has three subsidiaries - First Security Islami Capital & Investment Limited (FSICIL), First Security Islami Exchange Limited (FSIEL), First Security Islami Exchange Italy S.R.L (FSIEI). FSICIL is a full fledged merchant bank while FSIEL and FSIEI are engaged in remittance business and also in undertaking and participating in transactions, activities and operations commonly carried on or undertaken by remittance and exchange houses. FSIBL has a 51% stake on FSICIL while the other two concerns are fully owned by FSIBL.

A.2. Operational Network

With establishment of 17 new branches in FY2013, FSIBL, at the end of FY2013 had a country wide network of 117 branches. By division, 42 branches are located in Dhaka, 36 in Chittagong, 7 in Sylhet, 20 in Khulna, 4 in Rajshahi, 2 in Rangpur and 6 in Barishal division. The bank has four regional offices in Chittagong, Khulna, Rajshahi and Sylhet zone. In addition, to facilitate withdrawal of money with ease by the customers, the bank also has established 54 ATM booths.

A.3. Market Share

The market share of First Security Islami Bank Limited in terms of both deposits and advances (investments) has been showing an increasing trend. As on September 30, 2013, FSIBL shared 2.32% of all deposits held by the 55 banks in Bangladesh, up from 1.91% at on September 30, 2012. Advances of FSIBL, on the other hand, has also been showing similar trends. As on September 30, 2013, advances of FSIBL represented 2.46% of all banking sector advances, up from 2.05% as on the corresponding period of the previous year.

Figure 1: *FSIBL's market share by deposits*

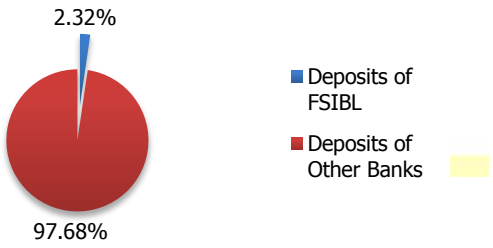
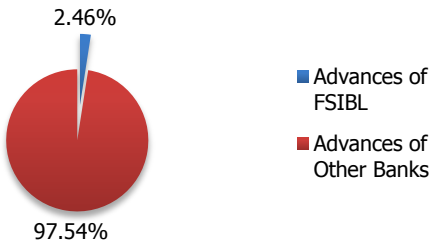


Figure 2: *FSIBL's market share by advances*



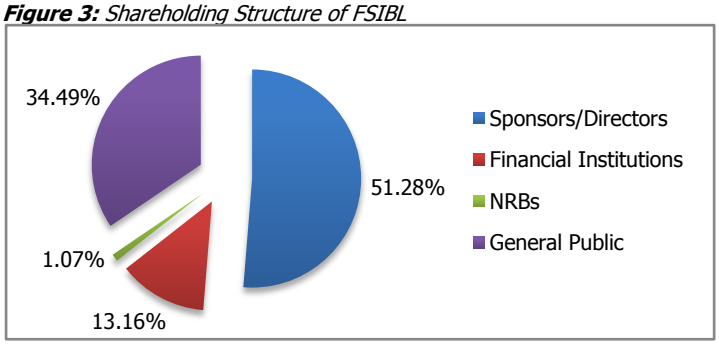
A.4. Products and Services

Very much like the other private commercial banks, FSIBL provides all kinds of commercial banking services as well as various deposit and investment schemes. Differentiating it as an Islamic bank followed by the approval on 1st January 2009, the bank now offers all its products and services based absolutely on Islamic Shari'ah. Along with the basic Islamic banking products and services, to keep pace with the competition, it also has Online banking, SMS banking, ATM banking, Locker service, Utility bills payment facilities under its product portfolio. Bid bond/bid security is also issued at the customers' request. It is also posed to extend L/C facilities to its importers/exporters through establishment of correspondent relations and Nostro Accounts with leading banks all over the world.

A.5. Shareholding Structure

FSIBL's authorized and paid up capital stood at BDT 10,000.00 million and 4,114.39 million respectively at the end of FY2013. Total number of ordinary shares outstanding as on December 31, 2013 was 411,438720 of BDT 10.00 each; of which 51.28% was held by the sponsors/directors, 34.49% by general public, 13.16% by financial institutions and the rest, i.e. 1.07%, by non-resident Bangladeshis.

Figure 3: *Shareholding Structure of FSIBL*



B. INDUSTRY ANALYSIS

B.1. Monetary Policy

The monetary policy in Bangladesh was initially conducted with a focus on interest rates and exchange rates, as well as on the volumes and directions of credit flows. However, as of today, directed lending has been abolished and gradual liberalization of interest rates has taken place. Thus, interest rates have become market driven. Exchange rate has become floating, with Bangladesh Bank (BB) buying or selling currencies to keep liquidity at the desired level. The same is being done at regular intervals also to raise the foreign exchange reserves.

B.1.1. Performance of the Previous Monetary Policy

The last Monetary Policy Statement (MPS) for July 2013 (six months) was based on certain key assumptions and policy directions. A review of developments over the past six months suggests that most of these key assumptions materialized and solid progress was made towards the key goals. The July 2013 MPS explained that policy rates were being kept unchanged due to the risks of inflationary pressures stemming from wage increases and supply-side disruptions. The last MPS also aimed to contain reserve money growth to 15.5% and broad money growth to 17.2% by December 2013. It also predicted that actual private sector credit growth may not use up all the space provided in the monetary program in the lead-up to the national elections. Latest data for H1FY14 shows that reserve money growth and growth of net domestic assets of Bangladesh Bank remained within program targets, despite a surge in Net Foreign Assets (NFA) arising from robust exports and sluggish import growth. Broad money growth of 16.7% in November 2013 was close to program targets. BB's facilitation of private sector trade credit from abroad led to some switching to lower cost overseas financing with overall private sector credit growth, from both local and foreign sources, amounting to 13.8% in November 2013. Domestic retail interest rates declined during these six months with the spread between lending and deposit rates dipping below 5% and its trend indicating that lending rates have declined faster than deposit rates.

Adherence to the monetary program along with sluggish aggregate demand due to countrywide shut-downs in recent months led to non-food point-to-point inflation falling from 7.40% in July 2013 to 4.88% in December 2013. However supply bottlenecks along with rising food prices in India led to point to point food inflation rising from 8.14% to 9.0% during the same time period. Average inflation rose from 6.99% to 7.53% during H1FY14 driven by these higher food prices.

B.1.2. Latest Monetary Policy

The new Monetary Policy Statement (MPS) outlines the monetary policy stance that BB will pursue in H2 FY14 (January-June 2014), based on an assessment of global and domestic macro-economic conditions and outlook. The monetary stance in H2 FY14 takes these recent economic and financial sector developments into account and will target a monetary growth path which aims to bring average inflation down to 7%, while ensuring that credit growth is sufficient to stimulate inclusive economic growth. BB will use both monetary and financial sector policy instruments to achieve these goals. The persisting inflationary pressures over the past few months with the risks ahead related to the inflation outlook imply that achieving the FY14 inflation target will be challenging. As such BB has decided to keep policy rates unchanged. Moreover the ample liquidity in the banking system suggests that an easing of reserve requirement ratios is also unnecessary.

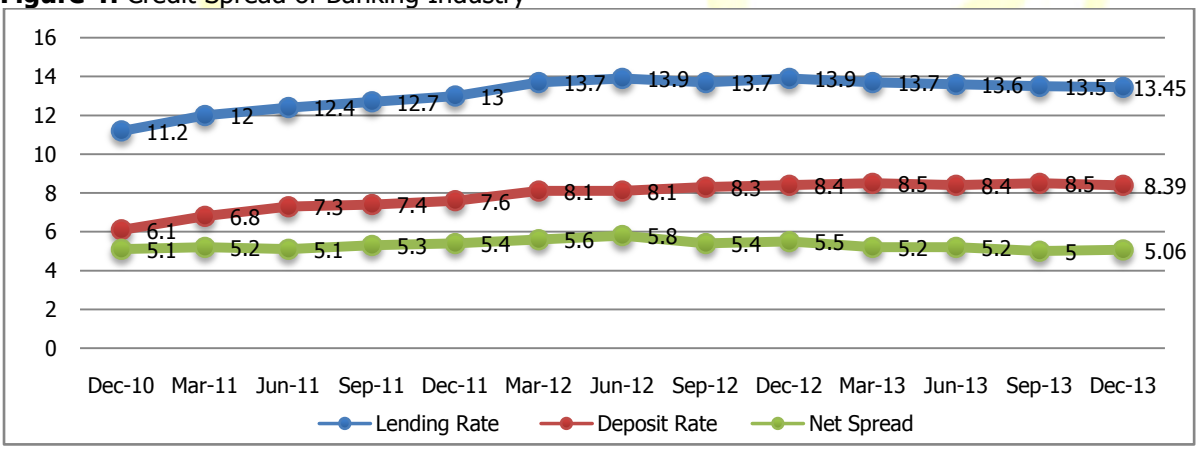
Specifically BB aims to contain reserve money growth to 16.2% and broad money growth to 17% by June 2014. BB will have a ceiling on net domestic assets as a key operating target. The space for private sector credit growth of 16.5% has been kept well in line with output growth targets and is sufficient to accommodate any substantial rise in investment over the next six months. BB views these figures as indicative ceilings – banks continue to be advised to lend only to creditworthy clients for productive purposes. At the same time these ceilings are flexible and the monetary program can be recalibrated should economic growth pick up faster than projected. The monetary stance also assumes government borrowing from the banking sector will remain around the FY14 budgetary figure of 260 billion taka, and the limited borrowing of 46 billion taka in H1FY14 suggests this is realistic.

B.2. Banking Industry

Following the independence, banking industry in Bangladesh started its journey with six (06) Nationalized commercialized banks, two (02) State owned Specialized banks and three (03) Foreign Banks. In the 1980's banking industry achieved significant expansion with the entrance of private banks. Now, banks in Bangladesh are primarily of two types: scheduled banks and non-scheduled banks. There are fifty six (56) scheduled banks in Bangladesh who operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. These are four (04) state-owned commercial banks (SCBs) which are fully or majorly owned by the Government of Bangladesh, four (04) specialized banks (SBs) which are established for specific objectives like agricultural or industrial development and these banks are also fully or majorly owned by the Government of Bangladesh, thirty nine (39) private commercial banks (PCBs) which are majorly owned by the private entities and nine (09) foreign commercial banks (FCBs) as the branches of the banks which are incorporated in abroad. However, the private commercial banks also divided into two sub categories such as conventional PCBs and Islami shariah based PCBs. Thirty one (31) conventional PCBs are now operating in the industry. They perform the banking functions in conventional fashion i.e interest based operations. There are eight (8) Islami Shariah based PCBs in Bangladesh and they execute banking activities according to Islami Shariah based principles i.e. Profit-Loss Sharing (PLS) mode.

Along with scheduled banks there are four (04) non-scheduled banks operating in Bangladesh. In April, 2012 Bangladesh Bank approved licensing of nine (09) new commercial banks in addition of forty seven (47) of earlier. Three new NRB commercial banks, sponsored by non-resident Bangladeshis (NRBs), and six private commercial banks (PCBs), have been approved aiming to help boost the inflow of foreign exchange and strengthen the ongoing financial inclusion programs through bringing unbanked people under the banking network respectively. The cabinet approved the new Banking Company Act 2013. There are several changes in banking regulation brought into this amendment. The intrinsic value of this amendment is to control the participation of the banks in the capital market and to protect small investors' interest.

Figure 4: Credit Spread of Banking Industry

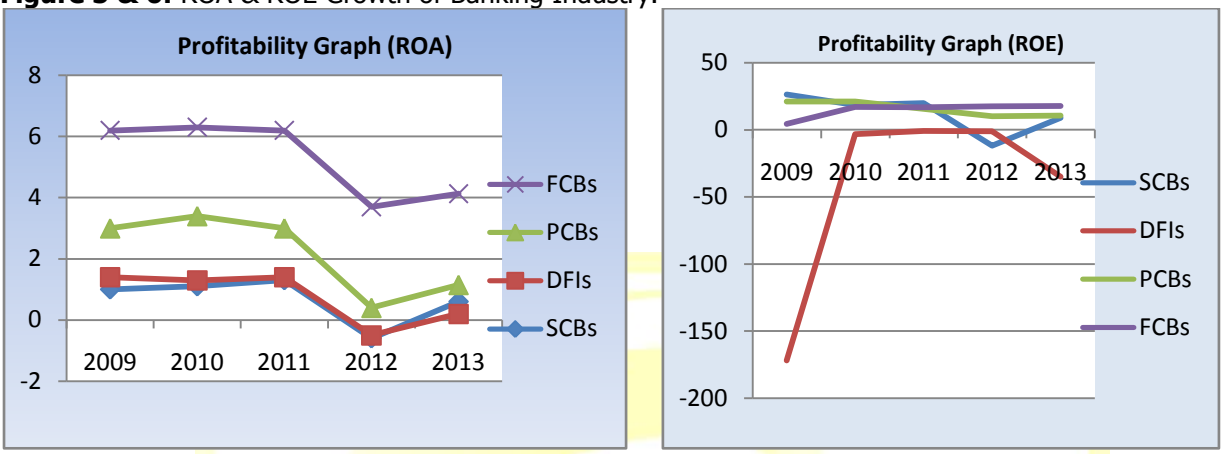


Source: Bangladesh Bank Quarterly, Volume XI No.1

Credit spread of the banks depends on the overall profitability of bank industry. Credit spread of the bank industry moved 5.80% to 5.00% over the three years periods and has shown declining trend over the periods of 2013. Average deposit rate was higher percentage in 2013 compare to 2011 and middle part of 2012. Nevertheless, lending rate was reducing over the periods of 2012 and 2013 according to BB.

Overall banking sector experienced a 17.61% growth in deposit in June end of 2013. Total deposit amount reached to BDT 5721.08 billion in June 2013 from BDT 4864.07 billion in June 2012. Among the four types of banks PCBs represent the major portion of total deposits. On the other hand Loans and advances was amounted BDT 4248.04 billion in June 2013 compare to BDT 3859.33 billion in June 2012 which indicates a 10.07% growth in overall banking industry.

Figure 5 & 6: ROA & ROE Growth of Banking Industry.



Both ROA and ROE of the banking industry experienced a declining trend over the 12 months periods of 2012. At the end of 2013 ROA increased to 0.90% from 0.64% at the end of December 2012. Among the four types of banks SCBs ROA dropped to a negative position of (0.60) in 2012. On the other hand ROE increased to 10.77% at the end of 2013 from 8.20% in 2012.

Conventional PCBs' demand and time liabilities are at present subject to a statutory liquidity requirement (SLR) of 19.00 percent inclusive of average 6.00 percent (at least 5.50 percent in any day) cash reserve ratio (CRR) on bi-weekly basis. The CRR is to be kept with the BB and the remainder as qualifying secured assets under the SLR, either in cash or in Government securities. Overall banking industry has followed an increasing trend regarding excess liquidity over the last two years.

The asset composition of all commercial banks shows that loans and advances represent the major component. Loans and advances are vulnerable to credit risk, which are reflected as non-performing assets. A large non-performing loan portfolio has been the major predicament of banks particularly of the SCBs and the DFIs.

The most important indicator of bank asset quality in the loan portfolio is the ratio of gross non-performing loans (NPLs) to total loans and the ratio of net NPLs to net total loans. In 2013, the FCBs and the PCBs had the lowest and the DFIs and SCBs had the highest ratio of Net NPLs to total loans.

Exhibit 2: Gross & Net NPL ratio of Banking Industry

	Gross NPL Ratio						Net NPL Ratio					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
State Owned CB's	25.4	21.4	15.7	11.3	23.9	19.76	5.9	1.9	1.9	-0.3	12.8	1.72
Specialized Banks	25.5	25.9	24.2	24.6	26.8	26.78	18.3	18.3	16.0	17.0	20.4	19.69
Private CB's	4.4	3.9	3.2	2.9	4.6	4.54	0.0	0.5	0.0	0.2	0.9	0.6
Foreign CB's	1.9	2.3	3.0	3.0	3.5	5.46	-1.8	-2.3	-1.7	-1.8	-0.9	-0.37
All Banks	**10.8**	**9.2**	**7.3**	**6.1**	**10.0**	**8.93**	**4.4**	**1.7**	**1.3**	**0.70**	**4.4**	**2.01**

The ratio of NPL to total loans of all the banks was quite satisfactory until 2011. However, in 2012 whole banking industry faced significant downturn in loan repayment. Some major financial scandals happened in 2012, which caused the situation more concerning. However, Gross as well as Net NPL position of the banking industry has improved despite the political turmoil and reached Gross and Net NPL to 8.93% and 2.01% respectively at the end of 2013. Gross NPL ratio has experienced overall improvement as the ratios for SCBs, SBs, PCBs and FCBs decreased to 19.8%, 26.8%, 4.5% and 5.5% respectively at the end of December 2013 from 28.8%, 29.4%, 7.3% and 6.0% respectively at end-September 2013. Similarly, the net NPL ratio for all banks decreased from 5.0% at the end of September 2013 to 2.0% at the end of December 2013 partly due to the decrease of gross NPL as well as decreased shortfall in actual provision

maintained by banks. Provision shortfall of the sector as a whole decreased sharply from BDT 32.8 billion at the end of September 2013 to BDT 2.6 billion at the end of December 2013.

The SCBs and the DFIs continue to have high levels of NPLs mainly due to substantial loans provided by them on considerations other than commercial criteria and under directed credit programs during the 70s and 80s. Poor appraisal and inadequate follow-up and supervision of the loans disbursed by the SCBs and the DFIs in the past eventually resulted in massive booking of poor quality assets which still continue to remain significant in the portfolio of these banks. Furthermore, these banks were reluctant to write-off the historically accumulated bad loans because of the poor quality of underlying collaterals. The steps taken with regard to internal restructuring of these banks to strengthen their loan recovery mechanism and recovery drive and write-off measures helped to achieve this improvement.

Under Basel-II, banks in Bangladesh are instructed to maintain minimum capital requirement (MCR) at 10.00 percent of the risk weighted assets (RWA) or Taka 4.0 billion as capital, whichever is higher, with effect from July-September 2011 quarter. Just after the implementation of Basel-II, the Capital Adequacy Ratio (CAR) of all banks were reduced, on an average, by 3% to 3.50% due to increased capital requirement for credit risk as well as newly-introduced market and operational risks. Since most of the banks were marginally capitalized as a consequence of overnight change in capital requirement, the BB allowed some breathing time to the banks and implemented the Minimum Capital Requirement (MCR) (popularly known as 'Pillar-1') in three phases; where the MCR was fixed at 8 per cent up to June 30, 2010 (Phase-1), 9 per cent up to June 30, 2011(Phase-2) and 10 per cent onward (Phase-3). As per Bangladesh bank report, in 2013 the average capital adequacy ratio of private commercial banks was 12.52% which is much in line with the requirement of Bangladesh Bank. During FY2013, the industry capital adequacy ratio (CAR) increased to 11.52 percent from 10.46% in FY2012. One of the reasons for this improvement is the better capital position of SCBs and PCBs. The CAR for SCBs and PCBs increased to 10.8% and 12.5% at the end of December 2013 from 1.3% and 11.6% respectively at the end of September 2013. The CAR of FCBs remained virtually unchanged at 20.3% and CAR for specialized banks (SBs) slightly improved to (-) 9.7% from (-) 10.2% in the end of 2013.

During the three years of Basel-II regime, most of the banks complied with minimum CAR excepting state-owned commercial Banks (SCBs) during June and December 2010 when those banks in general, marginally fell short of requirements. Foreign commercial banks (FCBs) were always at the comfort zone due to their business nature and adequate capital buffer against their business size.

B.3. Islamic Banking

Islamic banks have grown consistently in the country during a period of over 30 years after the establishment of the first Islamic bank in Bangladesh in 1983. Since then, seven more full-fledged private Islamic banks and 16 Islamic banking branches of conventional banks (including 3 FCBs) have been established. Now Islamic banking is a well-established industry in Bangladesh having 25% of market share, and playing a vital a role in the country's economic growth. At present, out of 48 commercial banks in Bangladesh, seven are full-fledged Islamic banks. In addition, 16 other regular commercial banks including three foreign banks are offering Islamic products through their Islamic banking branches. A significant factor for such growth is the people's desire to place their deposits under an institution that provides all the benefits of a conventional bank without the incidence of riba (interest).

Exhibit 3: Deposits & Advances of Islamic Banks (BDT in billions)

Particulars	FY2012				FY2013		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Deposits	774.38	843.71	883.31	939.16	958.37	1012.02	1022.97
Advances	742.84	780.46	824.28	860.50	882.87	892.18	919.84
Deposits/ Banking sector deposits (%)	16.88	17.35	17.52	17.64	17.59	17.69	17.62
Advances / Banking sector advances	20.29	20.22	20.69	20.96	21.32	21.00	21.31

Total deposits of the Islamic banks stood at BDT 1022.97 billion at the end of September, 2013 (Q3). This was 17.62% of deposits of the total banking system at the end of quarter 3 of the FY2013. The growth of the deposits has decreased and stood at 1.08% in Q3 as opposed to the previous quarter (Q2: 5.60%). On the other hand, total advances of the Islamic banks stood at BDT 919.84 billion at the end of September, 2013 which was 21.31% of the total credit of the banking system of the country. However,

total deposits and advances of the Islamic banking sector including the Islamic banks and Islamic banking branches of the conventional banks stood at BDT 1017.9 billion and BDT 910.1 billion at end of December 2012 comprised 18.9% and 21.1% of total deposits and advances of the whole banking sector.

However, the performance of Islamic banking system was good compared to conventional banking. According to Bangladesh Bank, growth of deposits is more in Islamic banks than in conventional banks. On April, 2013, Islamic bank deposit growth stood at 21.73% and credit growth at 14.59% compared to 18.90% and 11.12% respectively in conventional banks.

Bangladesh Bank is currently regulating existing Islamic banks following each respective banks shariah board norms. The central bank has little scope to strictly enforce or scrutinize their activities because of lack of a shariah board and a unified code of conduct against which it can compare standards. In accordance with the banking company law, in case of Islamic Shariahbased commercial banks and conventional banks that have Islamic branches, the rate of SLR is 11.5 percent (inclusive of average 6.0 percent CRR on bi-weekly basis and at least 5.5 percent in any day) of their time and demand liabilities instead of the 19% set for conventional banks. This provision facilitates Islamic banks to hold liquid funds for more investment, and thereby generate more profit

In line with conventional banks, Islamic banks are also in greater risk of liquidity crisis. The conventional banks in extreme cases can meet the situation by taking recourse to high cost fund because they can offer a fixed high rate interest to the depositors or fund-providers during any crisis. But an Islamic bank cannot do so in such a manner because such a fixed rate. Moreover, due to absence of an inter-bank Islamic money market, Islamic banks and Islamic units of dual operators have, for a number of years, operated with no access to tradable short-term treasury instruments. As a result, they could not channelize their excess funds to the market. This scenario obstructed some of their growth potential by forcing them to hold substantial cash and losing expected earning there from. Therefore trade-offs between profitability and liquidity could not be matched well.

C. BUSINESS RISK ANALYSIS

Risk is an integral part of financing business and thus every financial institution is exposed to risk of different type and magnitude. So, the prime responsibility of every financial institution is to manage its risk such that its return from business can be maximized. As a prudent and responsible financial institution, the Company attaches top priority to ensuring safety and security of the finances that are being extended.

Risk Management for FSIBL is performed at various levels of the bank. By formulating policy regarding profit rate, market, liquidity, currency, operational as well as investment risk, FSIBL manages its business risks and aims to mitigate them.

C.1. Credit Risk

Credit risk is one of the major risks faced by the bank which arises from the potential of failure of a counter party to perform according to contractual agreement with the bank. The factors involved here may be the unwillingness of the counterparty as well as adverse economic condition. This type of risk is measured in terms of counterparties for both on-balance sheet assets and off-balance sheet items. To address the risks, FSIBL follows a guideline on Credit Risk Management which has been prepared in the light of broad guidelines provided by Bangladesh Bank for the banking industry. The system involves a framework for measuring and monitoring profit rate, liquidity, investment and foreign currency risk on a continuous basis. It involves the assessment of the risk and altering the assets and liability portfolio to confirm to exposure and tolerance levels set by the management committee. The bank's formulated investment policies in compliance with regulatory requirement covers investment assessment, collateral requirements, risk grading and reporting, documentation and legal formalities and procedures along with up to date clean CIB report of the client.

C.1.1 Credit Risk Segregation

Credit risk for FSIBL has been segregated into four categories which include business risk, financial risk, management risk and security risk.

⇒ Business Risk

When any bank faces potential loss due to discrepancies between actual income & cost and the budget figures then it is considered as business risk. This loss is mainly influenced by business strategy and internal budget planning as well as changes in the operating conditions affecting business volume, technical processes and the competitive situation of the bank and its competitors for customers. If any business carries a substantial risk that it will fail to generate adequate return, it loses ground for consideration.

⇒ Financial Risk

Financial risk of a company includes financial condition, profitability, capital structure and present & future cash flows of the firm. It takes into consideration the liquidity position of its business as well as that of its owners or major shareholders. Highly resourceful business shows its ability to endure any adverse change in business as well as economic conditions under which it operates and such companies are usually welcome for financing.

⇒ Management Risk

Management risk takes account of experience & relevant background, succession and reputation of the management of the clients.

⇒ Security Risk

In banks, a greater part of the lending is usually secured by collateral security. Assessing risks associated with the convertibility of the security is of particular importance to ascertain the degree of cushion to fall back upon in case of need. To assess security risk, location of the collateral, its quality, control of the owner, present & future value as well as marketability are considered carefully. Besides, the extent of the open portion of finance, if any, in respect of forced sale value of the security shall have to be ascertained.

C.1.2. Credit Risk Assessment & Risk Grading

A systematic credit and risk assessment should be conducted prior to granting of loans, and at least annually thereafter for all facilities. The credit personnel define and minimize potential risks associated with a credit so as to secure return of money together with the appropriate charges for use of the money. Credit Risk Grading is an important tool for credit risk management as it helps the bank to understand various dimensions of risk involved in different credit transactions. Well-managed credit risk grading systems promote bank safety and soundness by facilitating informed decision-making. Grading systems measure credit risk and differentiate individual credits and groups of credits by the risk they pose.

C.1.3. Credit Administration Process

The core objectives of the credit administration are to separate documentation and disbursement activity from credit approval process and to ensure discipline in credit management. It is important in ensuring that proper documentation and approvals are in place prior to the disbursement of loan facilities. FSIBL has segregated the officers/ executives involved in investment activities. The bank has credit administration department which is responsible for monitoring clients' repayment track records and ensure follow up and recovery. Besides, the investment functions of the bank have been segregated in the area of Business Development/Marketing, Investment Administration, Investment Documentation and Investment Recovery.

C.1.4. Credit Monitoring

To minimize credit losses, monitoring procedures and systems should be in place that provides an early indication of the deteriorating financial health of a borrower. FSIBL has specific guidelines, concentration limits of exposure to industries and geographies are set through observing market trend to identify the core investment risk. The bank's internal control and compliance wing and Shari'ah Muraqibs independently verify the compliance with approved investment guidelines, Bangladesh Bank guidelines and operational procedures.

C.1.5. Credit Recovery

The core objective of the credit recovery is to separate recovery activity from marketing, approval, documentation and disbursement.

C.2. Market Risk

Market risk refers to the risk of losses in on and off-balance sheet positions arising from movements in market prices. It arises due to change indifferent market variables like profit (interest) rate, exchange rate, availability of liquidity with the lenders/ depositors, prices of securities in the stock exchange. The risk arising from market risk factors such as interest rates, foreign exchange rates, and equity prices have been discussed below:

C.2.1. Investment Profit Rate Risk

Investment profit rate risk is the potential impact on the bank's earnings and net asset values due to changes in market interest rates. The Asset Liability Committee (ALCO) of FSIBL is the main body which looks after and monitors investment profit rate structure. The committee also evaluates any market risk that arises from the regulatory pressure thus reducing the profit rate. Moreover, ALCO committee is always watchful to adverse movement of the different market variables.

Profit rate risk arises due to mismatches between maturities of investment and funds attracted as evidenced by the liquidity statement of the bank whereby certain shortfall exists in different maturity buckets. Increase in profit rate results in subsequent adjustment on the deposit rates whereas the pricing of investments cannot be done instantaneously giving rise to such risk. Early repayment of investment, early deposit encashment/withdrawals are additional factors of such risk.

The bank has profit sensitive investment in Bangladesh Government Islamic Investment Bond, besides this the bank has also exposure to non trading portfolio which the bank has been operating through buying and selling models such as Bai-Murabaha, Bai-Muajjal, Bai-Salam and tent sharing mode like HPSM. FSIBL also has investment under Musharaka which is a profit and loss sharing mode and Mudaraba mode which is a profit sharing and loss bearing short term mode. In rent sharing mode such as HPSM, the bank can adjust the rate of rent to market situation.

C.2.2. Equity Financing Risk

Equity financing risk is defined as loss due to change in market price of equity held by the bank. FSIBL has significant amount of investment in equity portfolio with majority of quoted shares and very small investment in unquoted shares. To measure, identify and reduce this kind of risk, the bank practicing mark to market valuation of the share investment portfolios which was reflected through the bank's balance sheet as provisions for diminution in value of investment in shares. As on December 31, 2013, against BDT 963.27 million of acquisition cost, the quoted shares held by FSIBL had a market value of BDT 655.65 million reflecting an unrealized loss of BDT 307.62 million. Partial provision for this loss has been made.

C.2.3. Foreign Exchange Risk

Foreign exchange risk is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the company. The risk is that there may be an adverse movement in the exchange rate of the denomination currency in relation to the base currency before the date when the transaction is completed. FSIBL adopted foreign exchange risk manual and investment guideline of Bangladesh Bank to identify and combat the foreign exchange risk. Branch-wise target is allocated to increase the import and export volume as the bank is highly involved with export and import oriented business. The bank's Internal Control and Compliance Division performs internal audit to supervise the activities of the foreign exchange departments which measures the effectiveness and efficiency of the division. Currency rate appropriateness is carried out by the treasury back-office to check as to whether all the deals have been dealt at market rates. The bank does not use any hedge instruments to mitigate the exchange rate fluctuation risk as the bank acts in accordance with Shari'ah Compliance.

C.3. Operational Risk

Bangladesh Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This operational risk also includes legal risks but not strategic and reputational risks.

C.3.1. Information & Communication Technology Risk

The banking industry over the years has consistently relied on modern technology. Increased reliance on the ICT sector has similarly spawned risk aspects as well. Data & relevant technology structure is a costly value added proposition for the bank to meet the challenges of business competency & service level excellence. In order to ensure protection of critical IT assets from unauthorized access, modification, disclosure and destruction FSIBL has already taken initiatives, which safeguard the interest of customers. In the context bank is implementing a core banking software (Bank Ultimus) ensuring adequate security. To protect sensitive information of core banking software and other software in the event of any disaster, FSIBL has implemented a disaster recovery site. The Bank has already developed its own ICT policies for various operation and services which are close in line with the ICT guidelines of Bangladesh bank. Moreover, FSIBL has developed fault tolerance plan of human resources with detail job description for each IT personnel, segregation of duties of IT tasks and system support in respect of severity. FSIBL is strictly following the Information Security Standard of Bangladesh Bank covering password control, user ID maintenance, input control, network security, data encryption, virus protection and access control to internet and E-mailing. The bank has been regularly conducting internal ICT audit to all its' branches and Head Office divisions to ensure proper implementation of the ICT policies.

C.3.2. Internal Control and Compliance

With the prime objective to perform in a better height through the use of its resources, FSIBL follows "Internal Control and Compliance guidelines" which is approved by the central bank, i.e. Bangladesh Bank. Operational loss arises for the cause of errors and fraud due to lack of internal control and compliance. To ensure that sound monitoring system is placed inside the organization, Audit committee has been formed. Internal Control and Compliance Division undertakes periodical and special audit & inspection of its branches and departments of Head Office for reviewing its operation and compliance of the statutory requirement. The audit committee of the Board of Directors plays a vital role in providing a bridge between the Board and Management. The committee views the financial reporting process, audit process and bank's process for compliance with laws, regulations and code of conduct. Moreover, FSIBL keeps adequate backups in hard copy, server, CDs and other electronic device in a daily basis to protect data. The bank also keeps Risk Assessment Matrix of various banking function and incorporated the same in Department Control Function Checklist (DCFCL). It is the duty of the control of compliance department to make sure that the bank complies with all the regulatory requirements maintains liaison with regulatory bodies and notifies all regulatory changes to all concerned. Besides, FSIBL has a separate division to levy the risk of functional areas of the bank.

C.3.3. Anti-Money Laundering Policy

Anti-Money Laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering activities. FSIBL identified the money laundering as one of its core risk areas and has been making all out efforts to prevent money laundering. For mitigating the risk, the bank has a designed Chief Anti-Money Laundering Compliance Officer (CAMLCO) at Central Compliance Unit under Anti-Money Laundering Division, Head Office, who has sufficient authority to implement and enforce corporate wide AML policy and who is directly reporting to the Senior Management and Board of Directors. Moreover, every branch of FSIBL has a designated Branch Anti-Money Laundering Compliance Officer (BAMLCO) under Branch Anti-Money Laundering Compliance Unit, who independently reviews the transaction of accounts, with verification of Know Your Customer (KYC) and Suspicious Transaction Reports (STR). They are also sending Cash Transaction Report (CTR) to the Central Compliance Unit, Head Office on Monthly Basis by using FIU Reporting Software provided by Bangladesh Bank and finally to Anti-Money Laundering Department of Bangladesh bank. FSIBL has established a Manual for prevention of money laundering and issues circulars time to time giving specific guidelines in accordance with Bangladesh Bank Guidelines, regulations, Anti-Money Laundering Act, 2009 and Anti Terrorism Act, 2009. All the guidelines and circulars issued by Bangladesh bank from time to time are being strictly compiled with by Central Compliance Unit and Branches of the bank.

C.3.4. Litigation Risk

Litigation risk is also included in operation risk modeling. It is regarded as the individual's or company's likelihood of getting taken to court. Investment Monitoring and Recovery Division of FSIBL is entrusted with handling of litigation risks. The unit's main function is to recognize potential losses from litigation risks at an early stage and to devise solutions for reducing such risks and establish necessary provisions. In the area of potential risk, increasing product complexity has led to an increase in the potential for damages. Basel-II has set out a simple means to calculate capital requirement to meet operational risks.

C.4. Liquidity Risk

Liquidity risk is the potential for loss to a bank arising from either its inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable cost or losses. Liquidity risk arises when the cushion provided by the liquid assets are not sufficient enough to meet maturing obligations. Liquidity risk is often triggered by the consequences of other financial risks such as credit risk, interest rate risk, foreign exchange risk, etc. For instance, a large loan default or changes in interest rate can adversely impact a bank's liquidity position.

C.4.1. Asset Liability Management

Treasury department of FSIBL is responsible to meet the liquidity requirement on a daily basis so that sufficient funds are available to meet short term obligations. The treasury department also oversees maturity position of asset and liability to recommend and implement measurement to confront liquidity risk. Asset Liability Committee (ALCO) of FSIBL reviews liquidity requirements of the bank, the maturity of assets and liabilities, deposits and investment pricing strategy and the liquidity contingency plan. The primary objective of Asset Liability Committee (ALCO) is to monitor and avert significant volatility in Net Investment Income, investment value, and exchange earnings for the purpose of taking future action plan for better interest of the obligation.

C.5. Other Risks

Stress testing for credit risk assesses the impact of increase in the level of non-performing loans (NPLs) of the banks which involves several shocking events. FSIBL supplements their analysis of risk with stress testing to ascertain the reaction of the bank under a set of exceptional but plausible assumptions through a series of battery tests. The bank has taken stress testing to quantify the impact of changes in number of risk factors on asset, liabilities, economic & financial systems & on management of credit risk, operational risk etc. The variables include, profit rate, categories of NPI, movement of exchange rate etc.

Reputational risk is another risk faced by most banks which refers to the risk of failure to meet the standards of performances or behaviors mandated by the Bank & expected by stakeholders in the way in which business in conducted. It arises from the failure of managing credit, market, liquidity risks etc. It may also arise from non-compliance of social, environmental & ethical standards.

Adaptability risk is a fundamental challenge and a potential source of competitive advantage for every organization. Banks also face adaptability risks to cope up with the up to date needs and wants of the customers.

As per an independent observation by Hoda Vasi Chowdhury & Co the branches of FSIBL often exceeded the limit covered by Insurance Policy of the respective branch. As a result, the bank may suffer risk of loss in case of any unforeseen event due to inadequate insurance coverage. Branches should take initiative either to maintain Cash Holding within the insurance limit or to enhance the cash holding limit to avoid the risk loss of uninsured cash.

Regulatory risk includes the risk of loss arising from failure to comply with the laws, regulations or codes applicable to the financial services industry. The regulatory risk function within banks compliance & assurance is responsible for developing & maintaining an appropriate framework of regulatory compliance policies & procedures which is the responsibilities of all the employees & monitored by the compliance & awareness function.

D. FINANCIAL RISK ANALYSIS

D.1. Asset Composition & Trends

Exhibit 4: *Selected Indicators for FSIBL*

FY 31 December	2013	2012	2011	2010
Total Asset (BDT Million)	161,822.98	129,733.17	90,956.64	63,619.80
Gross Investment (BDT Million)	114,601.80	96,304.23	69,467.33	52,123.90
Investment Growth (%)	19.00	38.63	33.27	34.60
Gross NPI Ratio (%)	2.17%	1.85%	1.94%	2.61%
Net NPI Ratio (%)	0.05%	-0.23%	-0.40%	0.05%
Loan Loss Reserve Coverage (%)	93.75%	106.05%	112.45%	88.48%

The total asset base of FSIBL registered a 24.74% growth in FY2013 to reach at BDT 161,822.98 million from BDT 129,733.17 million in FY2012. However, the growth is much lower than that in FY2012 and FY2011 when it was 45.05% and 43.30% respectively. The lower growth rate is mainly due to slower growth in the bank's investments and in its liquid assets. Because of the slightly lower growth in investments compared to total assets, the proportion of investments in the total assets also declined slightly to 70.82% in FY2013 from 74.23% in FY2012. At the end of FY2013, the total asset profile of FSIBL also consisted of cash & cash equivalents, balance with other banks & FIs, investments in shares & securities, fixed assets, and other assets which represented 7.14%, 8.89%, 4.32%, 1.53% and 7.30% of the total assets respectively.

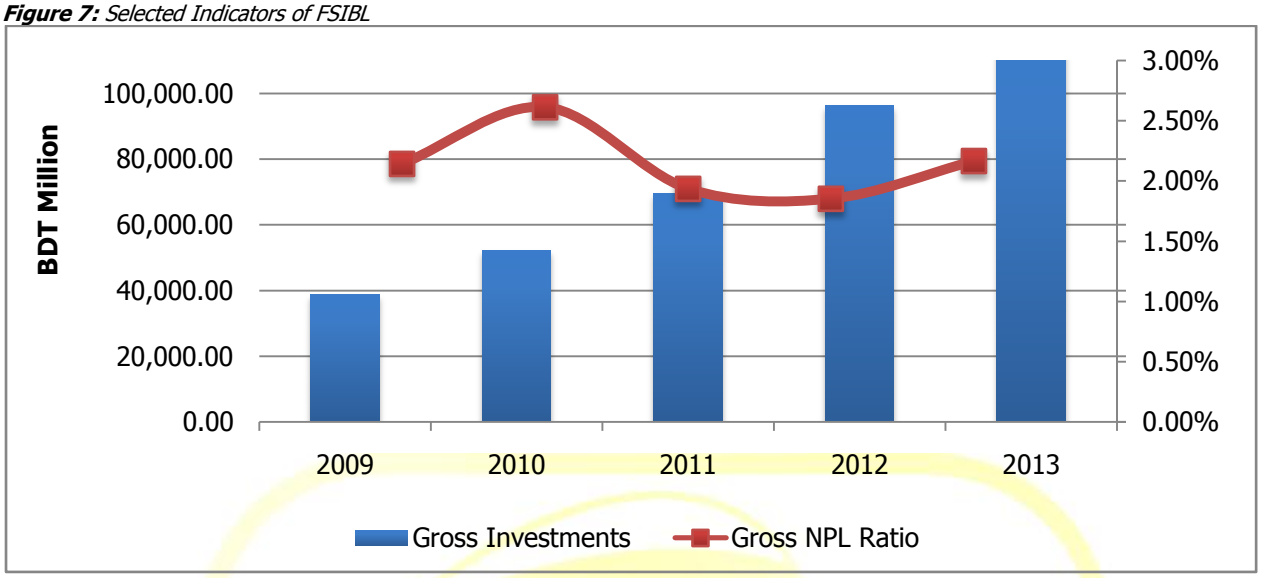
D.1.1. Asset Quality

The gross investment portfolio of the bank increased to BDT 114,601.80 million at the end of FY2013. During the year, FSIBL's growth in investments was much lower than that in previous years. In contrast to 38.63% and 33.27% growth in FY2012 and FY2011 respectively, gross investments of the bank registered only 19.00% growth in FY2013. The sluggish growth in the gross investments of the bank is mainly due to prolonged political unrest throughout the country in most of FY2013 which hampered businesses of the bank's clients adversely resulting in lower demand for credit/investment. However, in this period, the whole banking industry suffered and growth in banking industry's credit slowed down significantly. Compared to the growth in the credit of the overall industry, FSIBL registered a much higher growth.

Compared to 19.00% growth in the bank's gross investments, the non-performing investments (NPIs) grew much more significantly, i.e. by 39.12%, which led the gross NPI ratio to increase to 2.17% in FY2013 from 1.85% in FY2012 indicating deteriorated quality of the investment portfolio of the bank. Although the present NPI ratio of the bank is below both the banking industry and private commercial banks (PCBs), the NPI ratio of FSIBL deteriorated in FY2013 while that of the banking industry and the PCBs improved in the same period. At the end of FY2013, uncategorized industries, real estate and readymade garments exhibited most of the NPIs in terms of volume (BDT 1,191.46 million, 700.83 million and BDT 383.11 million respectively). In terms of sectoral NPI ratio, pharmaceutical industries' performance was poorest (30.82%), followed by readymade garments (22.94%), agriculture (5.06%) and real estate (4.49%). However, the NPI ratio of the bank has historically been lower than both the entire banking industry and PCBs which indicates better asset quality of the bank compared to its peers.

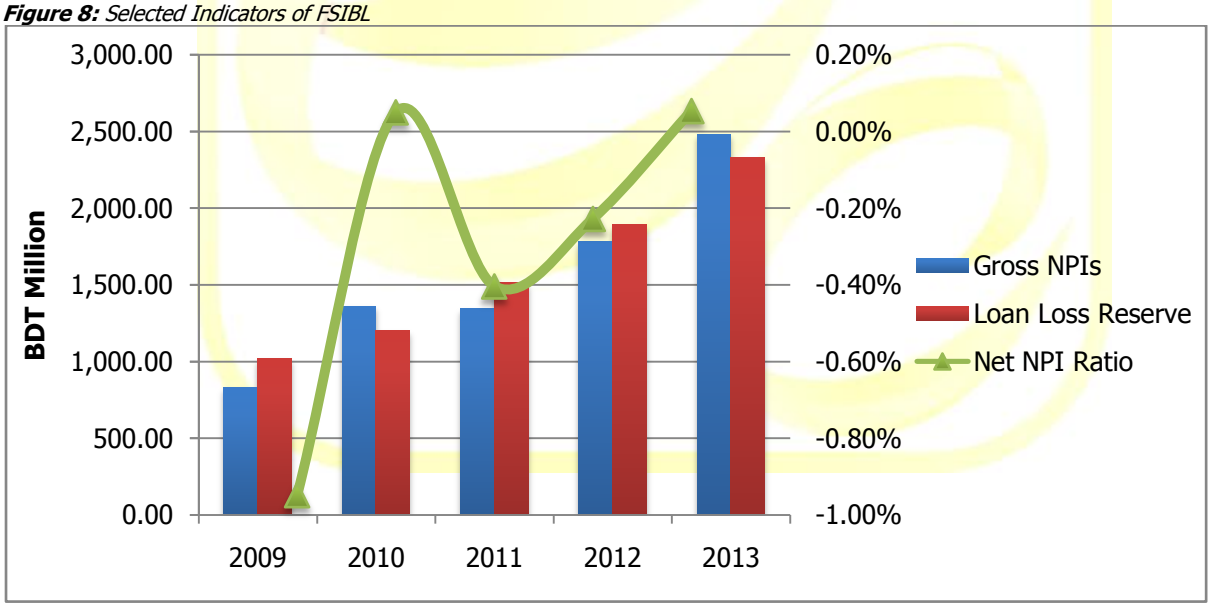
The bad/loss investments accounted for 56.03% of the gross NPIs in FY2013, down from 67.78% in FY2012, partly because of the relaxed rescheduling rules set by Bangladesh Bank. However, this still indicates that the bad/loss investments are kept in the books of FSIBL for some time after being classified as bad/loss and before being written off. FSIBL's NPI position also consisted of 34.26% and 9.71% sub-standard and doubtful investments respectively in FY2013.

Figure 7: *Selected Indicators of FSIBL*



Likewise the gross NPI ratio, the net NPI ratio of the bank deteriorated to 0.05% in FY2013 in contrast to -0.23% in the previous year indicating declined coverage of the NPIs by the bank's loan loss reserves. Maintenance of loan loss reserve by the bank has been adequate compared to the requirement in the recent years with surplus reserves in FY2012 and FY2011. But the reserve coverage declined in FY2013 due mainly to increased NPIs whose corresponding specific reserves had a slower growth. Nonetheless, the loan loss reserve coverage is 93.75% which is still satisfactory. The total loan loss reserve in FY2013 amounted to BDT 2,328.50 million of which 56.83% was represented by general reserve and 43.17% by specific reserve. NPIs of the bank as a percentage of equity and loan loss reserve has increased to 28.35% because of sharp rise in NPIs from 23.62% in FY2012 representing higher exposure to NPIs.

Figure 8: *Selected Indicators of FSIBL*

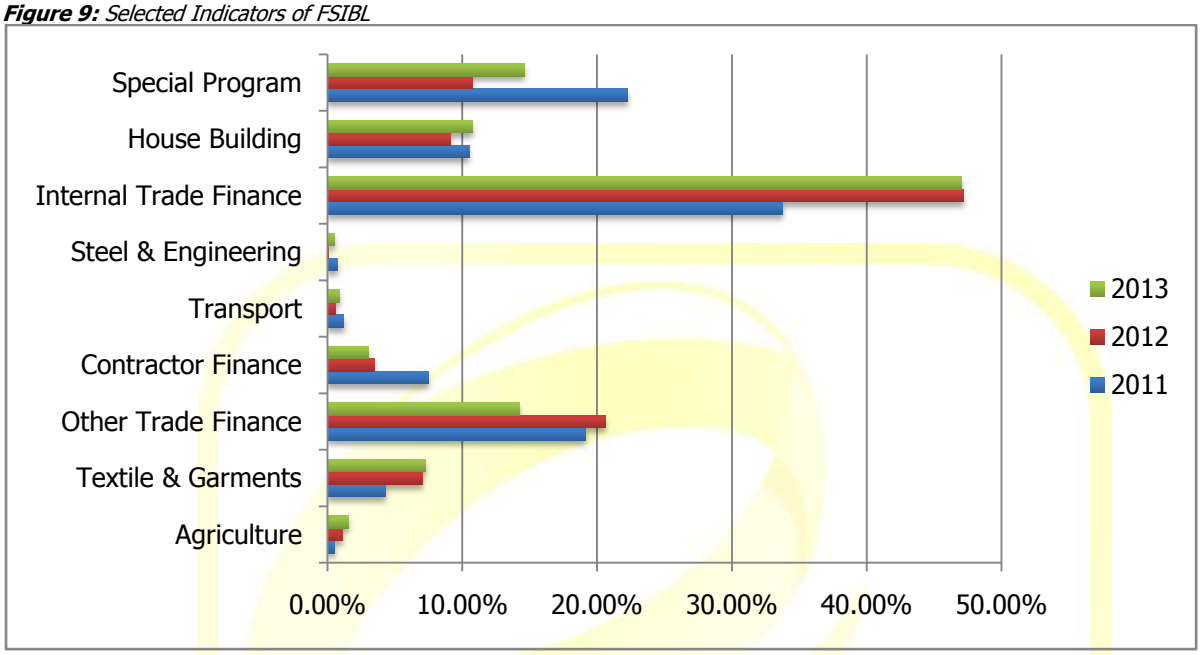


D.1.2. Loan Diversification and Concentration

The total investment portfolio of the FSIBL is spread across different sectors i.e. internal trade finance, foreign trade finance, special program, house building, contractor finance, garments & textile, agriculture and many more. Mode-wise, the exposure to internal trade finance is highest and accounted for 47.04% of the gross investment portfolio which is similar to FY2012. Internal trade finance together with foreign trade finance accounted for 61.26% of the investment portfolio. The concentration in the trade finance business of the bank is high which creates a concern as trade and commerce sector may largely be affected with the volatility of commodity prices both in the national and international market.

However, as per economic sector-wise investment report of the bank, the bank has a very high exposure, i.e. 13.71% of the investment portfolio, to real estate industry which makes the bank more risky as this industry is highly vulnerable. The next highest concentration of the investment portfolio of FSIBL is in financial corporations and garments & textile sector. As mentioned earlier, both the real estate and the garments & textile industries are exhibiting high NPIs for the bank. Other than that, 64.45% of the bank's investments were represented by uncategorized sectors.

Figure 9: *Selected Indicators of FSIBL*



Geographically, 98.70% of the investments of FSIBL are concentrated in the urban region and the rest in the rural region. On the other hand, investments in the Chittagong region represented 54.79% of investment portfolio followed by Dhaka region which represented 43.52% of the investments.

D.1.3. Performance of Rescheduled Loan

At the end of FY2013, the total rescheduled investment of the bank increased significantly to BDT 1,775.16 million, up from BDT 996.55 million in FY2012 or 78.13% rise which resulted mainly from relaxation of rescheduling rules by the Bangladesh Bank. Although the rescheduled investments represent only 1.55% of the gross investment portfolio, such high growth in the rescheduled investments creates a concern regarding the quality of assets of the bank. As a percentage of equity, the rescheduled investments of the bank increased to 27.59% in FY2013, up from 17.59% in FY2012. The number of accounts rescheduled has also increased in the year to 44 from 15 in FY2012.

D.1.4. Large Loan Exposure

FSIBL's large investments (loans above BDT 100.00 million) are concentrated mostly in trading companies, real estate companies and garments & textile industries. At the end of FY2013, the top 20 funded investments of FSIBL amounted to BDT 27,370.50 million which accounted for 23.88% of the gross investment portfolio of the bank, up from 17.39%, making the bank more susceptible to any adverse changes in the conditions of these investments. The top 10 investments and top 5 investments, on the other hand, accounted for 14.71% and 9.39% of the gross investment portfolio. However, the largest four funded investments of FSIBL represented 37.99%, 23.65%, 23.34% and 16.77% of the total capital of the bank respectively at the end of FY2013 which is beyond the regulatory ceiling for funded investments, i.e. 15.00% of total capital.

D.1.5. Treasury Assets

At the end of FY201, the total exposure to investment in shares and securities amounted to BDT 6,995.20 million which is 42.37% higher than previous year. The proportion of investment in shares and securities in the total assets has also increased alongside and represented 4.32% of the total assets, up from 3.79% in FY2012.

Bangladesh Government Islamic Bonds represented 86.20% of the total investment in shares and securities followed by quoted shares (13.77%), unquoted shares (0.02%) and prize bonds (0.01%) in FY2013. The investment in government bond has increased by 48.51% in FY2013 over the previous year. The relative proportion of government bond in investment in shares and securities has also increased from 82.63% in FY2012 to 86.20% in FY2013.

On the other hand, the shares held by FSIBL has been diversified in different sectors including banks, insurance, pharmaceuticals & chemicals, fuel & power, engineering, cement, garments & textile etc. However, as on December 31, 2013, against BDT 963.27 million of acquisition cost, the quoted shares held by FSIBL had a market value of BDT 655.65 million reflecting an unrealized loss of 31.93%. Against unrealized losses of BDT 307.62 million, the provision maintained for diminution in value of investments amounted to BDT 221.50 million which is in shortfall. The exposure of the bank in the capital market is 16.25% of its paid-up capital, statutory reserve and retained earnings which is in compliance with Bangladesh Bank's directives.

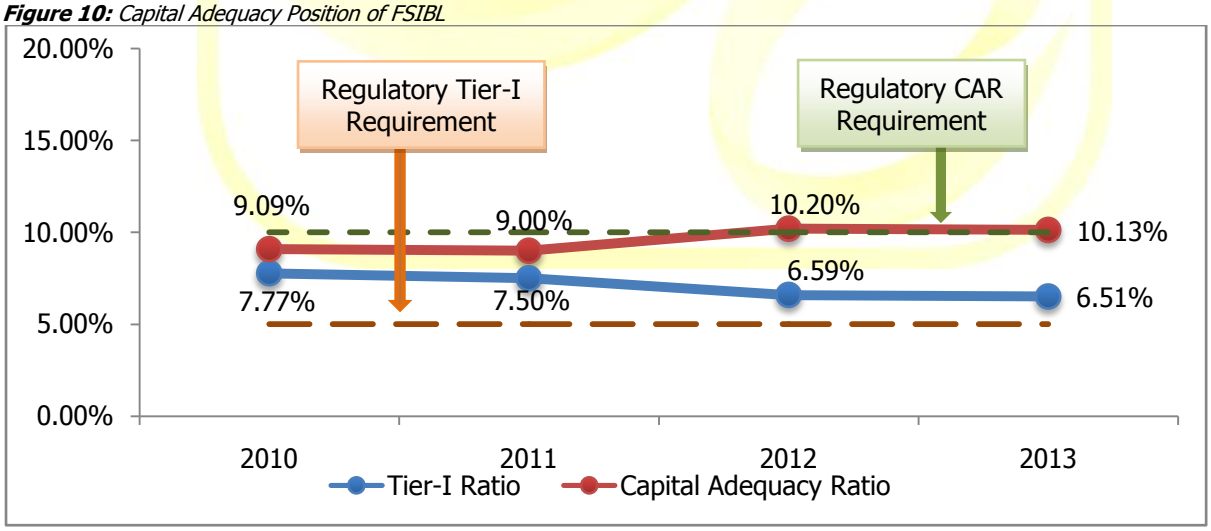
D.1.6. Off-Balance sheet exposure

The off-balance sheet exposure of FSIBL remained almost at the same level in FY2013 as FY2012. In FY2013, the total off-balance sheet items amounted to BDT 11,865.56 million which is 28.30% higher than previous year. On the other hand, the off-balance sheet contingent liabilities of FSIBL amounted to 7.33% of the total assets in FY2013 representing low exposure. The contingent liabilities of FSIBL comprised acceptances and endorsements, letters of Guarantee, irrevocable letters of credit and bills for collection which represented 20.04%, 38.33%, 31.52% and 10.11% of the total contingent liabilities respectively in FY2012.

D.2. Capital Adequacy

During FY2013, the overall capital adequacy position of the bank slightly deteriorated compared to the previous year. The Capital Adequacy Ratio (CAR) of the bank has remained just above the regulatory requirement of 10% at 10.13%. In contrast, the capital adequacy position of the whole banking industry as well as PCBs has improved significantly in FY2013 and stood well above the regulatory requirement. But FSIBL's capital adequacy position stood far below the industry which is a concern. The total eligible capital of the bank increased by 13.70% compared to 14.55% growth in the total Risk Weighted Assets (RWA) leading to a decline in the CAR. The Tier-I capital ratio has also declined during the period. However, the Tier-I capital ratio is still above the regulatory requirement of at least 50.00% of CAR and stood at 6.51% in FY2013.

Figure 10: *Capital Adequacy Position of FSIBL*



However, over the recent years, the bank has been providing stock dividend which has allowed the bank to build up capital. But the Board of Directors has proposed 10.00% cash dividend for FY2013 which, if approved in the upcoming Annual General Meeting (AGM), will negatively impact the capital position of the bank. Also, the bank's less emphasis on risk weighted assets may adversely impact the capital adequacy position of the bank. However, the bank has also decided to issue right shares at 1R:2 ratio of BDT 10.00 each at an issue price of BDT 12.00 each (including a premium of BDT 2.00 per share) which

is subject to the approval by the shareholders and regulatory authorities. The capital base of the bank is expected to strengthen after issuance of the right shares.

D.3. Funding and Liquidity

Exhibit 5: *Selected indicators of FSIBL*

FY 31 December	2013	2012	2011	2010
Investment/Customers Deposits (%)	82.14	87.62	88.90	92.51
Total Customer Deposit Growth (%)	26.95	40.64	38.69	32.82
Net Investment/Stable Funding Base (%)	78.25	83.13	83.20	85.30
Net Investment/Customer Deposits (%)	80.47	85.90	86.96	90.37
Customer Deposits/Total Funding (%)	86.22	84.72	85.91	88.57
Interbank Liabilities/Total Funding (%)	2.55	3.54	3.55	0.00

D.3.1. Fund Management

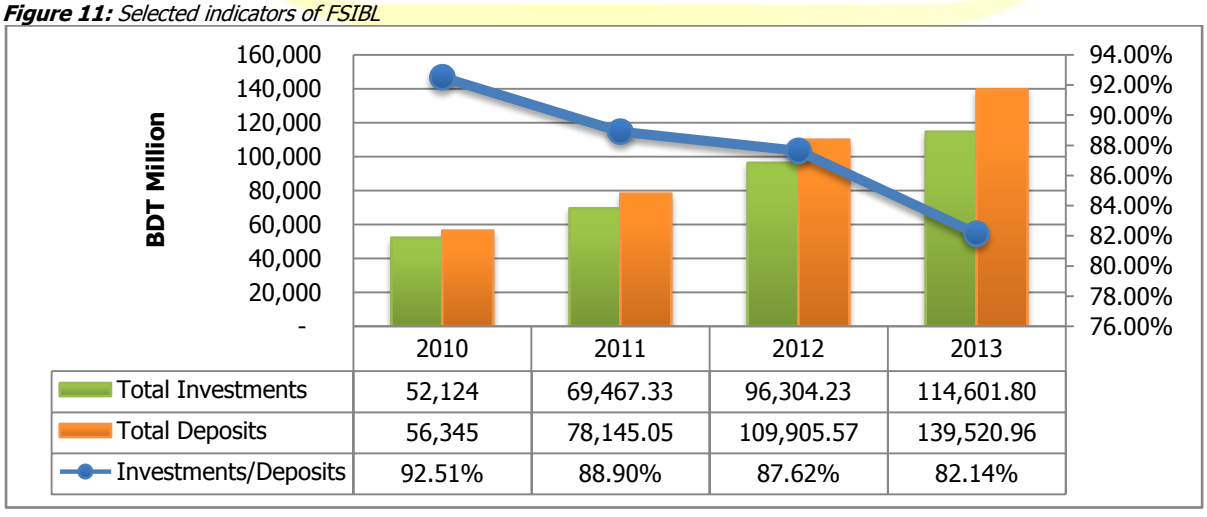
Over the last few years, the concentration of FSIBL's funding from customer deposits has ranged from 84% to 89% of the total funding. In FY2013, 86.22% of the BDT 161,822.98 million asset base of the bank were funded by customer deposits. The second largest source of funding for the bank was equity, which represented 3.98% of the bank's total funding, down from 4.40% in the previous year. Other sources of fund of the bank included interbank liabilities, subordinated debt and other uncategorized liabilities which represented 2.55%, 1.54% and 5.71% of the total funding respectively.

The deposit mix of the FSIBL consists 65.53% of term deposits, followed by 17.86% of deposits under schemes, 5.99% of deposits from other banks and 10.63% of other deposits. During FY2013, the term deposits and deposits under schemes had a massive growth of 39.75% and 53.47% respectively which resulted in an overall deposit growth of 26.95% which is much higher than the whole banking industry as well as PCBs.

However, the growth in the bank's deposits has been higher than the growth in its investments. As a result, the investment to deposit ratio is showing a downward trend. The investment to deposit ratio of the bank stood at 82.14% in FY2013, down from 87.62%; but the ratio is still higher than the banking industry and PCBs indicating higher utilization of the funding by the bank. With the growth in customer deposits and equity, the stable funding base of the bank also experienced positive growth in FY2013. As a result, the net investments to stable funding base ratio decreased in the year. But it has been observed that the total assets to total equity ratio of the bank has been increasing and in FY2013, it reached as high as 25.15 times indicating high level of leverage for the bank. This reflects that the bank is concentrating more on expanding its business without putting proper attention to the increasing leverage.

In addition to customer deposits, the bank also supports its funding base to variable degrees through financing from other banks. As per the guidelines of Bangladesh Bank, the bank has set out its capacity to borrow money from the interbank or wholesale market at BDT 1,000.00 million. At the end of FY2013, the interbank liabilities of the bank, i.e. BDT 4,129.79 million representing 2.55% of the total funding, were much higher than the capacity.

Figure 11: *Selected indicators of FSIBL*



	2010	2011	2012	2013
Total Investments	52,124	69,467.33	96,304.23	114,601.80
Total Deposits	56,345	78,145.05	109,905.57	139,520.96
Investments/Deposits	92.51%	88.90%	87.62%	82.14%

D.3.2. Liquidity Management

The bank has been maintaining cash reserve ratio (CRR) and statutory liquidity reserve (SLR) in a satisfactory manner as per Bangladesh Bank requirement. At the end of FY2013, the bank has reported surplus of BDT 2,443.41 million and BDT 2,781.23 million against the CRR and the SLR requirements respectively. The CRR and the SLR stood at 7.91% and 13.67% at the end of FY2013 respectively against requirement of 6.00% and 11.50% respectively. As per the SLR statement submitted by FSIBL to Bangladesh Bank, the bank had surplus liquidity throughout last six months.

Contrary to previous years, the asset and liability maturity profile in the audit report of FSIBL shows no gap in liquidity in any of the buckets up to the 5th year and a small gap in the 'more than 5 years' bucket as on December 31, 2013. According to the ALCO paper, the medium term funding ratio of the bank has been 1,099.41% in the month of October, 2013 which is way higher than the ideal scenario of 45%. The maximum cumulative outflow was 14.01% which is in compliance with Bangladesh Bank's guidelines. However, the bank has yet to put into place a liquidity contingency plan to combat any liquidity crisis.

D.4. Earning Trends and Profitability

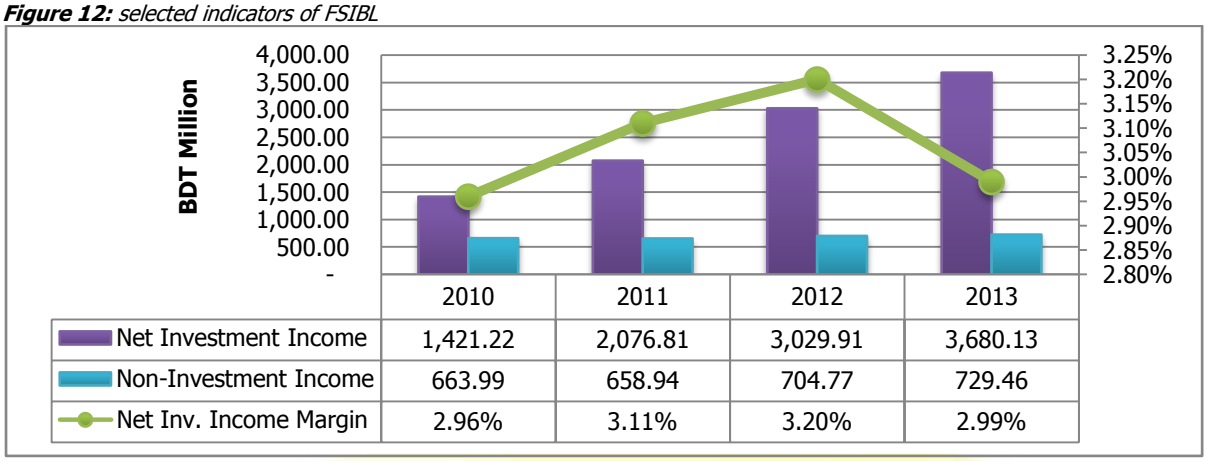
Exhibit 6: *Selected Indicators of FSIBL*

FY 31 December	2013	2012	2011	2010
Net Investment Income (BDT Million)	3,680.13	3,029.91	2,076.81	1,421.22
Net Investment Income Growth (%)	21.46	45.89	46.13	40.04
Non Investment Income (BDT Million)	729.46	704.77	658.94	663.99
Pre-Tax Profit (BDT Million)	1,529.12	1,501.86	1,220.16	983.60
Pre-Tax Profit Growth (%)	1.81	23.09	24.05	52.06
Post - Tax ROAA (%)	0.54	0.70	0.76	1.00
Post - Tax ROAE (%)	12.71	14.99	13.78	16.17
Net Investment Income Margin (%)	2.99	3.20	3.11	2.96
Net Spread (%)	3.74	3.66	3.40	3.20
Cost Income Ratio (%)	54.06	48.00	41.90	42.28

As a result of lower deposit mobilization in the form of investments, the bank's income from investments registered lower growth in FY2013 than FY2012. In the year, growth in the bank's investment income had a 37.02% growth compared to 52.49% in the previous year. The growth in the bank's investment expense in FY2013 was lower than previous year as well, but it was higher than that in the investments because of higher growth in the deposits of the bank. As a result, the growth in the bank's net investment income declined significantly to 21.46% in FY2013 from 45.89% in the previous year. The net investment income margin of the bank declined slightly due to higher growth in the bank's earning assets which were concentrated more in the liquid assets compared to previous year because of lower demand for credit/investment in the country. Also during the year, the lending rates of the bank increased by a higher percentage than the cost of fund. As a result, the net spread reached at 3.74% in FY2013 from 3.66% in FY2012.

The non-investment income of the bank, however, had a very low growth likewise previous years. With only 3.50% growth, the non-investment income of the bank amounted to BDT 729.46 million in FY2013 which represented 16.54% of the total operating income of the bank, down from 18.87% in FY2012 and 31.84% in FY2010. Such decline in the concentration of the bank's operating income in the non-investment income implies increasingly higher concentration of the bank's earnings in interests making it more susceptible to profit rate risk and investment risk.

Figure 12: *selected indicators of FSIBL*

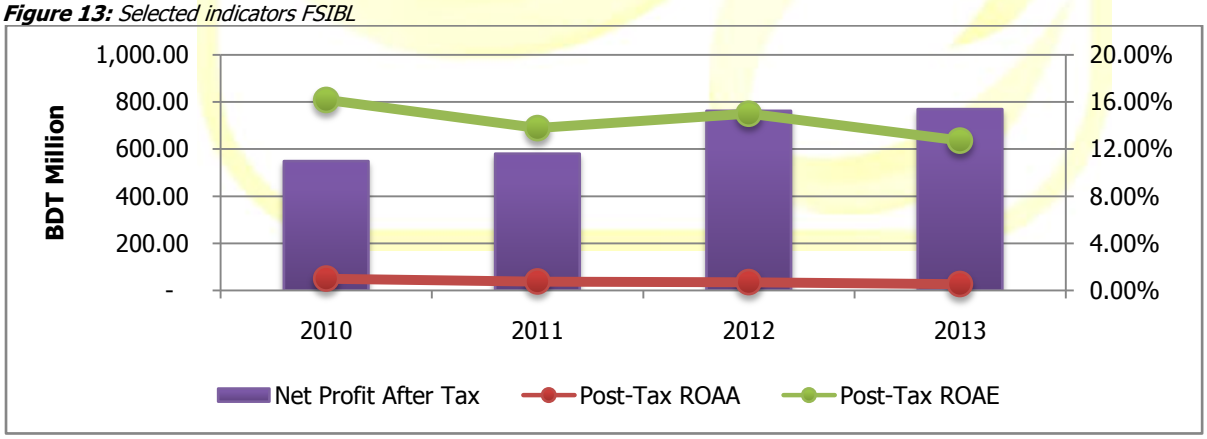


	2010	2011	2012	2013
Net Investment Income	1,421.22	2,076.81	3,029.91	3,680.13
Non-Investment Income	663.99	658.94	704.77	729.46
Net Inv. Income Margin	2.96%	3.11%	3.20%	2.99%

Nonetheless, the bank's total operating income registered a 18.07% growth in FY2013 because of the growth in investment income compared to 36.51% in the previous year. But the operating expenses of the bank had a high growth of 32.98% which is due mainly to increased salaries resulting from launch of new branches of the bank. The resultant cost to income ratio stood at 54.06% which is higher than the previous year. It has been observed that the operating costs of the bank are increasing at a higher rate than its operating income which is limiting the bank's profitability. In FY2013, although the bank's total operating income registered 18.07% growth, the profit before provision was only 4.31% higher than previous year. Also, because of increased NPIs, the bank's provisioning requirements went higher than previous year resulting in only 1.81% growth in the profit before tax compared to 23.09% in FY2012. It is to be noted that the bank had BDT 86.10 million shortfall in provision for diminution in value of investment in shares and securities. Taking the shortfall into account, the bank's growth in profit before tax would be negative.

However, the reported net profit after tax of the bank stood at BDT 769.12 million which is only 0.95% higher than FY2012. Because of this nominal growth in the net profit after tax with 24.74% growth in the asset base of the bank, the return on assets declined to 0.54% in FY2013 from 0.70% in FY2012. The scenario with return on equity was similar also. Because of 13.58% growth in the equity base, the return on equity also declined 12.71%. But both the return on assets and the return on equity would be even lower if the shortfall in provision for diminution in value of investment in shares and securities was taken into account.

Figure 13: *Selected indicators FSIBL*



E. MANAGEMENT AND OTHER QUALITATIVE FACTORS

E.1. Corporate Governance

Aligned with the regulatory requirements and guidelines set by the Bangladesh Bank and Bangladesh Securities & Exchange Commission (BSEC), First Security Islami Bank Limited maintains adequate and high corporate governance standards. The board of directors (BoD) of the bank consists of 14 eminent, qualified and experienced members, and is headed by Mr. Mohammed Saiful Alam, the Chairman of BoD. The BoD also has a Vice Chairman and a Managing Director, 7 non-executive directors, 3 independent directors and 1 depositor director. During the year 2013, the BoD of FSIBL met 10 times in total. The members of the BoD can broadly be described as businessmen who hold directorship/ownership interest in a variety of sectors including bank, NBFI, insurance, brokerage, metal, cement, transport, power, medical service, real estate, garments & textile etc.

The corporate governance system in the bank is designed to ensure transparency and accountability at all levels in doing business. It also ensures that duties and responsibilities are appropriately segregated between the BoD and management to provide sufficient checks, balance and flexibility for smooth business operation. The BoD provides leadership and direction for the management, approves strategic and major policy decision and oversees management to attain predetermined goals and objectives of the bank. Integrity and compliance throughout the bank are strongly encouraged by the BoD. The BoD also ensures that adequate internal control systems are in place and they are consistently complied with to provide reasonable assurance that financial records are reliable for preparation of financial statements. The BoD further ensures that quality of financial reporting is maintained, assets of the bank are safeguarded against unauthorized use or disposition and accountability for assets and business transactions are maintained. With an objective to monitor and manage the bank's operations, performance and strategy in line with Bangladesh Bank's guidelines, the BoD of FSIBL has two sub-committees. Details of these committees are presented below.

Audit Committee: The Audit Committee of FSIBL is comprised of 3 members of the BoD and is convened by Mr. Mohammad Kutub Uddowllah who is Independent Director of the BoD. This Audit Committee acts as a bridge among the BoD, Executive Authority, Depositors and Shareholders etc. The committee reviews the financial reporting process, the system of internal control, management information system, risk management, internal & external audit reports, audit process, compliance with laws and regulations and bank's own code of business conduct. During FY2013, the audit committee met 5 times in total.

Executive Committee: The Executive Committee of the FSIBL consists of 5 members of the BoD and is chaired by Mr. Mohammed Saiful Alam. The committee takes decision on emergency matters as and when required and assists the BoD to fulfill its responsibilities such as to set objectives, strategies and overall business plans for effective functioning of the bank. During the year 2013, the Executive Committee conducted 02 meetings.

Risk Management Committee: A high-powered Risk Management Committee was formed in November, 2013 consisting of 03 members of the Board with Alhal Mohammed Abdul Maleque as the chairman of the committee as per circular issued by the Central Bank. The Committee is to sit in at least 04 meetings in a calendar year to identify risks in the Bank and address the same with due diligence. The committee will start functioning from 2014.

E.2. Senior Management

The strategic management activities and overall business operations of FSIBL are supervised and directed by the Managing Director, Mr. A.A.M. Zakaria, who is an eminent banking personality having over 36 years of extensive and immense experience in banking. Mr. Zakaria also holds a Master's degree from Dhaka University. In his multi-greeted banking service, Mr. A. A. M. Zakaria participated in many courses, training program and workshops on banking at home and abroad. FSIBL is functioning with a highly professional management team. Among the other members of the senior management team, currently there are three Deputy Managing Directors, one Principal, three Senior Executive Vice Presidents, three Executive Vice Presidents, eleven Senior Vice Presidents and seventeen Vice Presidents.

Apart from functional departments, FSIBL has established various committees/units with specific objectives to manage the bank's affairs more efficiently and effectively, and to ensure compliance with Bangladesh Bank's guidelines. Notable committees/units include the following.

Management Committee (MANCOM): MANCOM of FSIBL comprises of senior members of the management headed by the Managing Director of the bank. Head of HRD is the member secretary of the committee and Head of IMRD, IC&CD, IAD, Company Secretary as well as DMD are the member of the committee. MANCOM meets on regular basis to discuss relevant agenda and scrutinizes all the cases thoroughly before referring to Executive Committee/Board for due approval decision. In FY2013, the committee held 3 meetings.

Asset Liability Committee (ALCO): As per treasury department is primarily responsible for Asset-Liability Management, ideally the ALCO is headed by the Managing Director and the committee consists with 10 members. This committee prime roles and responsibilities are to manage liquidity & profit rate risk of deposit and lending, understanding the market dynamics and risk elements involved within the business, assuming money market activities and last but not least complying bank's statutory obligations with the local Central Bank regulations. However, the number of total ALCO meeting held in FY2013 was fourteen times. As per management correspondence, the committee calls for a meeting once every month to set and review strategies on Asset-Liability Management.

Investment Committee (IC): First Security Islami bank Limited also has an Investment Committee whose primary function is involved with detailed review and scrutiny of the investment proposals for onward submission to the Board of Directors. The committee is headed by the Managing Director.

Shari'ah Council: The Shari'ah Council of FSIBL comprises of 5 members and is chaired by Sheikh (Moulana) Mohammad Qutubuddin. The council is mainly responsible for reviewing different operational issue, giving independent opinion based on Islamic Shari'ah, providing necessary guidelines, raising awareness about the Islamic banking among the employees and clients etc.

E.3. Human Resource Management

FSIBL has a separate policy of recruiting the best professional and implement programs to develop and retain high quality employees. The bank makes equal opportunity for new talents in its process of recruitment and selection. The bank is continuing its efforts towards the development of its manpower by providing required trainings, workshops, seminar etc. both at home and abroad. The bank ensures congenial and respectful working environment which allows its employees to work with maximum effectiveness and efficiency. To attract and retain qualified and efficient employees, the bank has formulated a number of policies for the welfare of the employees in the form of contributory provident fund, gratuity fund, employees' social security and benevolent fund, employee house building investment scheme, employees' car financing scheme, HPSM consumer durables and house furniture benefits etc.

Human Resources Division of the Bank follows a transparent system to ensure fair recruitment. The bank has defined HR policies including recruitment, training & development, promotion, leave, transfer and disciplinary action policy. Usually internal recruitment procedures are considered to fill up the mid and top management positions, while entry-level positions are filled with regularly through competitive recruitment exams. They follow transparent, well-defined and strict rules for appointment of officers and staff in the Bank's service. At the end of FY2013, the bank's human resources base expanded to 2367 all inclusive from 2090 at the end of FY2012. However, the staff turnover rate is somewhat concerning as number of staff resigned/relieved from the bank in FY2013 represented 7.90% of total manpower at the end of FY2013.

However, to make its employees more efficient, the bank has established its own training institute as well. From the inception of the training institute, it has been providing various trainings on fundamentals of banking, general banking, Islamic banking, Islamic investment mechanisms, trade finance and foreign exchange, information & communication technology, SME & agriculture, mobile financial services, online banking, investment management, anti-money laundering, green banking and many other topics. In the year 2013, the bank arranged a total of 19 sessions of trainings/workshops on various topics including the above.

E.4. Internal Control & Compliance

To mitigate operational risk, money laundering & terrorist financing risk, circumvention or over-riding the internal control procedures, Internal Audit, Board Audit Division & Central Compliance and Internal Control & Compliance Division (ICCD) carries out regular audit and inspection of the functions of the branches and division of head office. Deficiencies/lapses/irregularities detected by these audit and inspection are rectified/regularized/set right at the earliest with submission of report to the head office. The bank has prepared the Risk Assessment Matrix of various banking functions and incorporated the same in the Departmental Control Function Check List (DCFCL) and Quarterly Operation Report (QOR). The branches and divisions follow these by attaching due importance to high risk and medium risk functions. The bank also prepared Internal Control & Compliance Manual to strengthen internal control functions.

Broadly, the objectives of the ICCD are to accelerate compliance and effectiveness of involvements, to ensure dependability, efficiency and time worthiness of financial and management information, and to adhere to regulatory framework including applicable laws and regulations. The ICCD of FSIBL is grouped into three core units – Audit & Inspection Unit, Compliance Unit and Monitoring Unit. The Audit & Inspection Unit conducts periodic and special audit, inspection and investigation. In FY2013, the Division carried out comprehensive inspection on 77 branches and 06 divisions of Head Office. Besides, it conducted number of investigations and special inspections on various issues as and when required. It carried out ICT Audit in some branches and verified cash of some ATM Booths. It intensively follows-up compliance of audit/inspection reports conducted by the Division, Bangladesh Bank and external auditors. The Division monitors the banking activities, specially the sensitive areas of foreign exchange, finance & accounts and investments.

E.5. Information & Communication Technology

Information & Communication Technology (ICT) division of FSIBL is using latest technology for providing best banking services by making the bank fully automated. The ICT division of FSIBL established Tier-III data center which comprises redundant power system, data connectivity, high end technologies storage area network, active-active application, database, ATM, SMS and internet banking server. To provide faster banking services, ICT division gradually migrated up to 67 branches from distributed to core banking platform in the last two years. Since 2011, the bank has been using Core Banking System through BankUltimus software which simplified account opening, cash & cheque deposit and withdrawals, ATM services, remittance services, investment, SMS banking, internet banking, mobile banking etc. It may also add or modify required banking service modules as instructed by Bangladesh Bank. The ICT division of FSIBL also procured equipments such as router, servers, storage and tape library for a proposed disaster recovery site which is a complete back up data center of the bank. In addition, the ICT division has successfully automated HRM, inventory and e-recruit software, and CIB using local software.

E.5.1. Online Banking

FSIBL has initiated for implementing centralized online banking solution throughout the network of 117 branches with Head office in order to provide better services to its valued customers. Currently BankUltimus Core Online Banking Solution implementation is ongoing process as per schedule outlines by both the entities. All branches along with Head office of FSIBL have migrated from PcBank2000 software to BankUltimus-CBS system during FY2013. Now the bank is running truly real time online banking solution. In addition automated live operation of BACH programs of Bangladesh bank as well as CIB online project has installed during that fiscal year. At present Mobile banking, SMS banking, Internet banking and Foreign Exchange Module System have become core banking solution for FSIBL.

E.5.2. Disaster Management

The online banking application of FSIBL is now in implementation phase, so it becomes prerequisite to establish disaster recovery site for rescuing valued data and to re-establish normal business operation. The bank has undertaken the disaster recovery planning process and they are now searching for that. On the other hand, the bank has data protection policy for backup or restores the transactional data on periodically. It is also maintaining backup log sheet and that is controlled by assigned supervisor.

CORPORATE INFORMATION AS ON DECEMBER 31, 2013

Board of Directors

Name	Designation
Alhaj Mohammed Saiful Alam	Chairman
Alhaj Mohammed Abdul Maleque	Vice Chairman
Ms. Farzana Parveen	Director
Ms. Rahima Khatun	Director
Ms. Atiqur Nesa	Director
Mr. Md. Wahidul Alam Seth	Director
Mr. Shahidul Islam	Director
Mr. Mohammed Oheidul Alam Mr. Mohammed Abdullah Hasan	Director Alternate Director
Mr. Ahsanul Alam	Director
Mr. Mohammed Kutub Uddowlla	Independent Director
Mr. Md. Sharif Hussain	Independent Director
Mr. Mohammed Ishaque	Independent Director
Ms. Khurshid Jahan	Depositors Director
Mr. A.A.M. Zakaria	Managing Director

Management Team

Mr. A.A.M. Zakaria	Managing Director
Mr. Syed Waseque Md. Ali	Deputy Managing director
Mr. Quazi Osman Ali	Deputy Managing director
Mr. Syed Habib Hasnat	Deputy Managing director
Mr. Yusuf Haroon Abedi	Principal, Training Officer
Mr. Md. Mustafa Khair	SEVP
Mr. Abdul Aziz	SEVP
Mr. Md. Saifur Rahman Patwary	SEVP
Mr. Nasir uddin Ahmed	EVP
Mr. Ekramullah	EVP
Mr. Md. Masudur Rahman Shah	EVP

Shareholders

Sponsors/Directors	51.28%
Financial Institutions	13.16%
General Public	34.49%
Non-Resident Bangladeshis	1.07%

Auditors

Hoda Vasi Chowdhury & Co..
Chartered Accountants
BTMC Bhaban (8th Floor),
7-9 Karwan Bazar, Dhaka – 1215.

Registered Office

23 Dilkusha Commercial Area,
Dhaka-1000, Bangladesh
Tel: 880-2-9560229
Fax: 880-2-9561637
Email: info@fsiblbd.com
Website: www.fsiblbd.com

Head Office

House No. SW (1) 1/A,
Road-8, Gulshan-1,
Dhaka-1212, Bangladesh
Telephone: 880-2-9888446 (Hunting)
Fax: 880-2-9891915
Website: www.fsiblbd.com

First Security Islami Bank Limited
Profit & Loss Account

Financial Year Ending: 31 December Currency: BDT				
Particulars	**2013**	**2012**	**2011**	**2010**
Investment Income	18,277,686,531	13,339,668,730	8,747,763,443	5,547,047,795
Investment Expenses	14,597,553,390	10,309,755,493	6,670,951,220	4,125,826,500
Net Investment Income	**3,680,133,141**	**3,029,913,237**	**2,076,812,223**	**1,421,221,295**
Non Investment Income				
Commission, Exchange and brokerage	326,776,987	404,240,245	403,310,160	282,561,956
Others	167,015,629	201,533,344	173,662,888	117,216,660
Gains from disposal of securities	23,953,611	3,660,323	2,830,178	220,409,973
Dividend Income	5,777,168	5,268,436	2,291,490	1,048,143
Coupon Income	205,940,189	90,068,370	76,845,978	41,330,833
Extra ordinary gain				1,419,078
Total Non Investment Income	**729,463,584**	**704,770,718**	**658,940,694**	**663,986,643**
Total Operating Income	**4,409,596,725**	**3,734,683,955**	**2,735,752,917**	**2,085,207,938**
Salary and Allowance	(1,163,686,638)	(847,429,497)	(585,463,412)	(418,301,777)
Rent, Taxes, Insurance, Electricity etc	(311,789,001)	(266,100,292)	(146,057,563)	(107,050,007)
Legal Expenses	(2,585,433)	(5,099,135)	(1,876,465)	(963,915)
Postage, Stamps, Telecommunication etc.	(16,390,307)	(15,379,156)	(11,904,965)	(9,127,540)
Stationery, Printings, Advertisements etc.	(104,350,252)	(83,807,741)	(65,982,885)	(58,551,363)
Managing Director's Salary and Fees	(15,350,304)	(13,593,405)	(11,488,548)	(9,916,130)
Auditors' Fees	(730,250)	(575,000)	(500,000)	(410,000)
Directors' Fees	(1,753,954)	(1,918,560)	(2,211,209)	(2,188,870)
Shariah Committee's Fees	(115,000)	(132,250)	(289,250)	(46,000)
Depreciation and Repair of Bank's Assets	(250,409,783)	(175,807,881)	(102,002,246)	(72,915,674)
Zakat Expenses	(28,085,234)	(18,800,000)	(12,500,000)	(4,979,720)
Other Operating Expenses	(488,630,787)	(364,082,435)	(205,914,527)	(197,156,211)
Total Operating Expense	**(2,383,876,943)**	**(1,792,725,352)**	**(1,146,191,070)**	**(881,607,207)**
Provision for Classified Investments	(215,100,000)	(177,076,701)	(70,029,299)	(35,200,000)
Provision for Unclassified Investments Including off-B/S items	(220,000,000)	(203,018,403)	(238,170,701)	(150,000,000)
Provisions for Diminution in Value of Investment in Shares	(61,500,000)	(60,000,000)	(61,200,000)	(34,800,000)
Profit/(Loss) before Taxes	**1,529,119,782**	**1,501,863,499**	**1,220,161,847**	**983,600,731**
Provision for Tax	(760,000,000)	(740,000,000)	(640,000,000)	(435,000,000)
Net Profit/ (Loss) after Tax (A)	**769,119,782**	**761,863,499**	**580,161,847**	**548,600,731**
Retain Earning Brought Forward (B)	433,109,918	371,651,119	399,841,641	277,961,056
Appropriations				
Statutory Reserve	(305,823,956)	(300,372,700)	(244,032,369)	(196,720,146)
Other Reserve	(20,000,000)	(60,000,000)		
Bonus Share Issued	(374,035,200)	(340,032,000)	(364,320,000)	(230,000,000)
Net Profit Attributable to Shareholders (A+B+C+D)	**502,370,544**	**433,109,918**	**371,651,119**	**399,841,641**

First Security Islami Bank Limited
Balance Sheet

Financial Year Ending: 31 December Currency: BDT				
Particulars	**2013**	**2012**	**2011**	**2010**
Cash in hand	1,294,881,463	1,183,461,824	751,981,687	612,173,146
Balances with central banks	10,254,500,506	9,344,683,143	6,393,582,366	4,245,369,057
Bangladesh govt Islamic Bond/Treasury Bonds	6,030,000,000	4,060,000,000	3,120,000,000	2,330,000,000
Prize Bonds	358,600	654,300	1,548,300	1,134,100
Balance with other Banks and Financial Institutions	14,379,093,084	10,785,716,061	5,668,384,228	920,520,972
Liquid Assets	**31,958,833,653**	**25,374,515,328**	**15,935,496,581**	**8,109,197,275**
QUOTED EQUITY SECURITIES	**963,274,186**	**838,168,970**	**840,883,754**	**523,803,761**
Investment in Bangladesh Govt. Islamic Bonds	113,936,099,071	95,493,421,519	64,451,579,004	47,640,238,696
Bill Purchased and Discounted	665,699,106	810,807,069	5,015,749,280	4,483,664,468
Gross Investments	**114,601,798,177**	**96,304,228,588**	**69,467,328,284**	**52,123,903,164**
Specific Allowance	(1,005,100,000)	(790,000,000)	(612,923,299)	(542,894,000)
Portfolio Allowance	(1,323,395,103)	(1,103,395,103)	(900,376,700)	(662,205,999)
Net Investments and Advances	**112,273,303,074**	**94,410,833,485**	**67,954,028,285**	**50,918,803,165**
UNQUOTED INVESTMENTS	**1,569,450**	**14,569,450**	**14,569,450**	**4,416,700**
Fixed Assets	2,476,432,062	1,997,716,214	969,803,376	573,610,332
Other Assets	11,821,069,317	5,203,974,538	3,728,559,416	2,284,866,567
Total Assets	**159,494,481,742**	**127,839,777,985**	**89,443,340,862**	**62,414,697,800**
Al-Wadia Current Accounts and Other Deposits A/C	7,519,138,807	7,119,359,753	7,050,818,872	7,043,747,274
Mudaraba Savings Banks Deposits	1,176,111,458	1,824,475,966	889,647,881	545,866,334
Mudaraba Term Deposits Including Other Banks	6,433,026,364	5,462,576,972	4,579,934,181	3,987,763,459
Deposits & balances of banks	99,476,837,371	79,263,696,843	53,914,817,281	33,076,189,284
Mudaraba Deposits Under Schemes	24,915,841,783	16,235,459,337	11,709,826,793	11,691,392,816
TOTAL DEPOSITS AND INTERBANK LIABILITIES	**139,520,955,783**	**109,905,568,871**	**78,145,045,008**	**56,344,959,167**
Deposits & balances of banks	4,129,788,842	4,598,574,967	3,231,114,000	
OTHER LIABILITIES	6,910,137,553	5,451,154,365	3,567,008,521	2,149,727,147
Mudaraba Subordinated Bond	2,500,000,000	2,220,000,000		
Total Liabilities	**153,060,882,178**	**122,175,298,203**	**84,943,167,529**	**58,494,686,314**
Ordinary Shares	4,114,387,200	3,740,352,000	3,400,320,000	3,036,000,000
Statutory Reserves	1,310,398,870	1,004,574,914	704,202,214	460,169,845
Other Reserves	114,061,074	84,000,000	24,000,000	24,000,000
Asset Revaluation Reserve	392,381,876	402,442,950		
Retained Earnings	502,370,544	433,109,918	371,651,119	399,841,641
Total Shareholder's Funds	**6,433,599,564**	**5,664,479,782**	**4,500,173,333**	**3,920,011,486**
TOTAL LIABILITIES & SHAREHOLDERS' FUNDS	**159,494,481,742**	**127,839,777,985**	**89,443,340,862**	**62,414,697,800**

FINANCIAL INSTITUTIONS RATING SYMBOL

LONG-TERM RATINGS	
Financial Institutions ratings are applied to commercial and investment banks, finance companies and discount houses.	
AAA	An institution rated AAA has an exceptionally strong capacity to meet its financial commitments and exhibits a high degree of resilience to adverse developments in the economy, and in business and other external conditions. These institutions typically possess a strong balance sheet and superior earnings record.
AA	An institution rated AA has a very strong capacity to meet its financial commitments, and is generally in a position to withstand adverse developments in the economy, and in business and other external conditions. These institutions typically possess a good track record and have no readily apparent weaknesses.
A	An institution rated A has a strong capacity to meet its financial commitments but is somewhat more susceptible to adverse developments in the economy, and to business and other external conditions than institutions in higher-rated categories. Some minor weaknesses may exist, but these are moderated by other positive factors.
BBB	An institution rated BBB has adequate capacity to meet its financial commitments. While some shortcomings are apparent, the institution is generally in a position to resolve these within an acceptable time frame. However, adverse developments in the economy and in business and other external conditions are likely to weaken its capacity to meet its financial commitments.
BB	An institution rated BB exhibits some obvious weaknesses in its operating practices and key financial indicators. The institution's financial performance has typically fallen below peer group standards. Although currently able to meet its financial commitments, the institution's financial capacity over the medium and longer terms is vulnerable to adverse developments in the economy, and in business and other external conditions.
B	An institution rated B exhibits fundamental weaknesses in its operating practices and key financial indicators. Although currently able to meet its financial commitments, the institution's future financial capacity is regarded as weak and more vulnerable to adverse developments in the economy, and in business and other external conditions than that of institutions rated BB.
C	An institution rated C has several immediate problems of a serious nature. The institution's ability to arrest further deterioration in its overall condition is doubtful and its capacity to meet its financial commitments is uncertain, without some form of strong external support.
D	An institution rated D requires sustained external support without which its continued viability is in doubt. The rating indicates that the institution is likely to default on its financial commitments or that a default may have already occurred.

Notes: Ratings from AA to B may be modified by the addition of a plus (+) or minus (-) suffix to show relative standing within the major rating categories

SHORT-TERM RATINGS	
ECRL's Short-Term Ratings reflect the institution's capacity to meet its financial commitments due within one year.	
ECRL - 1	An institution rated ECRL-1 has a superior capacity to meet its financial commitments in a timely manner. Adverse developments in the economy and in business and other external conditions are likely to have a negligible impact on the institution's capacity to meet its financial obligations.
ECRL - 2	An institution rated ECRL-2 has a strong capacity to meet its financial commitments in a timely manner; however, it is somewhat susceptible to adverse developments in the economy, and in business and other external conditions.
ECRL - 3	An institution rated ECRL-3 has an adequate capacity to meet its financial commitments in a timely manner. However, the institution's capacity to meet its financial obligations is more likely to be weakened by adverse changes in the economy, and in business and other external conditions than higher-rated institutions.
ECRL - 4	An institution rated ECRL-4 has an inadequate capacity to meet its financial commitments in a timely manner. The rating indicates that the institution is likely to default on its financial commitments, without some form of strong external support. A default may have already occurred.
Rating Outlook	
ECRL's Rating Outlook assesses the potential direction of the Financial Institutions Rating over the intermediate term (typically over a one to two-year period). The Rating Outlook may either be :	
POSITIVE	Which indicates that a rating may be raised;
NEGATIVE	Which indicates that a rating may be lowered;
STABLE	Which indicates that a rating is likely to remain unchanged; or
DEVELOPING	Which indicates that a rating may be raised, lowered or remain unchanged.

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Credit Rating Ltd
an independent house of risk assessment

Shams Rangs, 104 Park Road, (Flat A1, A2),
Baridhara, Dhaka -1212.
✆ +880 2 986 0911, +880 2 986 0897
🖷 +880 2 986 0828
🖳 www.emergingrating.com

LETTER OF OFFER AND APPLICATION FORMS

First Security Islami Bank Limited
Registered Office: 23, Dilkusha C/A, Dhaka-1000

Folio/BO Account No : Date: .....
Name :
Address:

Letter of Offer for Rights Issue

Dear Shareholder(s)

We are pleased to inform you that the Board of Directors at its 141st meeting held on 12 March 2014 recommended to issue Rights Shares in the ratio of 1R:2 i.e. one rights share for every two ordinary shares held at a price of Tk. 12/- each including a premium of Tk. 2/- per share, which was approved by the Shareholders in the 15th Annual General Meeting held on 25 April 2014. Later the Board of Directors in its 144th Board Meeting held on 10 June 2014 recommended to revise the issue price to Tk. 10.00 each at par at the ratio of 1R:2, i.e. 1 (one) rights share for every 2 (two) existing shares held on the record date which has been approved in the 8th Extra Ordinary General Meeting (EGM) held on 19 July 2014. As a registered shareholder **as on 20/11/2014**, you are entitled to subscribe your rights share.

If you wish to accept the above Rights Share in full or in part, you are required to submit completed "Application Form-A" annexed hereto with necessary payments.

You may, however, renounce your rights in respect of all or part of your entitlement in favour of others in which case the "Renunciation Form-B" and "Form-C" annexed hereto be submitted duly filled in by you and the renouncee(s) along with necessary payments.

The rights cannot be exercised for fraction of share i.e. below full unit of share.

All the payments for accepted/renounced shares are to be made in cash or by P.O./D.D./Cheque @ Tk. 10/- per share at par and to be deposited with any of the branches of Banker to the Issue during banking hours **from 07/12/2014 to 28/12/2014 (**both days inclusive). Any extension of time will be notified through national dailies. Payments through P.O./D.D./Cheque payable to "**FSIBL Rights Issue 2014**" and must be drawn on a bank in the same town where the branch of banker to the issue in which the application form has been submitted is situated.

The offer will be deemed to have been declined if completed "Application Form-A" and/or "Renunciation Form-B" and "Form-C" with necessary payments have not been received **by 28/12/2014** or by such later date as may be notified through national dailies to that effect.

A self-explanatory Rights Share Offer Documents is attached for your kind information and evaluation.

By order of the Board

Sd/-
(A.A.M. Zakaria)
Managing Director

Application Form-A

Rights Issue of 205,719,360 Ordinary Shares of Tk. 10/- each at par totaling Tk. 2,057,193,600 offered on the basis of 1R:2 i.e. one rights share for two existing shares held on the record date 20/11/2014

Last date of acceptance and Application: 28/12/2014

FORM OF ACCEPTANCE AND APPLICATION FOR SHARES

The Managing Director
First Security Islami Bank Limited
23, Dilkusha C/A, Dhaka-1000.

Date: ...../……../20.....

Dear Sir,

I/We apply for allotment of ordinary shares indicated below in response to your letter of Rights Offer and subject to the Memorandum and Articles of Association of the company. I/We hereby agree to accept the shares as may be allotted to me / us on the term laid down in the letter of offer and enclose the necessary remittance at an issue price of Tk. 10/- per share at par in Cash or by Demand Draft/Pay Order/Cheque no. ..... dated ..... drawn on ..... Bank ..... Branch.

Folio/ BO Account No.	Shares held at the close of business on **...../...../.....**	No. of shares offered	No of shares accepted	Total amount paid

Yours faithfully,

1. Name (in block): ……. Signature……
Address:……..

2. Name (in block): ……
Address:…….. Signature……

BO Account No.:																

As per provision of the Depository Act, 1999 and regulations made thereunder, rights share shall only be issued in dematerialized condition. An applicant must apply for allotment of rights shares mentioning his/her Beneficiary Owner (BO) account number in the application form.

Note: Signature must be the same as furnished earlier. Incomplete or incorrectly filled application form may be rejected.

ACKNOWLEDGEMENT RECEIPT OF SHARE MONEY

Received Tk…… (Taka……) only from Mr./Ms……, folio No./BO Account No ……..for……No.(s) of rights shares of First Security Islami Bank Limited in Cash/Pay Order/Demand Draft/Cheque no…… date …….. of …….. Bank …….. Branch.

Application SI. No. (Bank's Seal) Signature of Receiving Officer
Date

Banker to the Issue

DHAKA DIVISION

01 Dilkusha Branch
02 Mohakhali Branch
03 Bangshal Branch
04 Dhanmondi Branch
05 Gulshan Branch
06 Mirpur Branch
07 Banani Branch
08 Shafipur Branch
09 Topkhana Branch
10 Biswaroad Branch
11 Donia Branch
12 College Gate Branch
13 Senanibash Branch
14 Muksudpur Branch
15 Motijheel Branch
16 Ring Road Branch
17 Banasree Branch
18 Azampur Branch
19 Sreepur Branch
20 Zirabo Branch
21 Savar Branch
22 Madhabdi Sme/Krishi Branch
23 Islampur Branch
24 Uttara Branch
25 Mymensingh Branch
26 Faridpur Branch
27 Bhaluka Branch
28 Narayanganj Branch
29 Malibag Branch
30 Karwan Bazar Branch
31 Bashundhara Branch
32 City University Branch
33 Damodya Branch
34 Noria Branch
35 Jamirdia Masterbari Branch
36 Mohammadpur Branch
37 Konapara Branch
38 Tongi Bari Branch
39 Bhuapur Branch
40 Manikganj Branch
41 Keranigonj Branch
42 Pacchor Branch
43 Gazipur Chowrasta Branch

RAJSHAHI DIVISION

44 Bogra Branch
45 Rajshahi Branch
46 Pabna Branch
47 Naogaon Branch
48 Dhupoil Bazar Branch

SYLHET DIVISION

49 Biswanath Branch
50 Sylhet Branch
51 Moulvibazar Branch
52 Ambarkhana Branch
53 Gobindagonj Branch
54 Taltola Branch
55 Beani Bazar Branch

CHITTAGONG DIVISION

56 Khatungonj Branch
57 Agrabad Branch
58 Jubilee Road Branch
59 Keranihat Branch
60 Nazu Meah Hat Branch
61 Chakaria Branch
62 Bahaddarhat Branch
63 Dovashi Bazar Branch
64 Patiya Branch
65 Court Bazar Branch
66 Hathazari Branch
67 Nazir Hat Branch
68 Cox's Bazar Branch
69 Pather Hat Branch
70 Bandartila Branch
71 Comilla Branch
72 Eid Gaon Branch
73 Ranir Hat Branch
74 Pahartoli Branch
75 Mohra Branch
76 Feni Branch
77 Chawk Bazar Branch
78 Mohila Branch
79 Patiya Mohila Branch
80 Halishahar Branch
81 Banskhali Branch
82 Pekua Branch
83 Kumira Branch
84 Pahartoli Raozan Branch
85 Ramu Branch
86 Katirhat Branch
87 Kadamtali Branch
88 Anderkillah Branch
89 Probortak Mor Branch
90 Lohagara Branch
91 Ramgonj Branch

KHULNA DIVISION

92 Khulna Branch
93 Satkhira Branch
94 Bagerhat Branch
95 Kushtia Branch
96 Chuadanga Branch
97 Jhenaidaha Branch
98 Narail Branch
99 Kapilmuni Branch
100 Jessore Branch
101 Narail Lohagara Branch
102 Magura Branch
103 Keshabpur Branch
104 Navaron Branch
105 Shyamnagar Branch
106 Barobazar Branch
107 Fakirhat Branch
108 Bagachra Branch
109 Morrelgonj Branch

BARISAL DIVISION

110 Barisal Branch
111 Swarupkati Branch
112 Uzirpur Branch
113 Patuakhali Branch
114 Barguna Branch
115 Galachipa Branch

RANGPUR DIVISION

116 Rangpur Branch
117 Dinajpur Branch

Renunciation Form-B

Rights Issue of 205,719,360 Ordinary Shares of Tk. 10/- each at par totaling Tk. 2,057,193,600 offered on the basis of 1R:2 i.e. one rights share for two existing shares held on the record date 20/11/2014

Last date of acceptance and Application: 28/12/2014

FORM OF RENUNCIATION

The Managing Director Date: ...../...../20.....
First Security Islami Bank Limited
23, Dilkusha C/A, Dhaka-1000.

Dear Sir,

I/We hereby renounce my/our rights to the share(s) offered to me/us as noted below in favour of person(s) accepting the same and signing in Application by Renounce(s) and apply for allotment in his/her/their/names.

Folio/BO Account No	No of shares held at the close of business on ..../..../.....	No. of shares offered	No. of shares renounced	Value of shares renounced

Yours faithfully,

1. Name (in block) : ……. Signature……
   Address:……

2. Name (in block) : …….
   Address:…… Signature……

Name(s) of the renounce (s)

1…….. BO Account No.: | | | | | | | | | | | | | | | |

2…….. BO Account No.: | | | | | | | | | | | | | | | |

N.B. Use photocopy in case of renouncement favoring more persons.

As per provision of the Depository Act, 1999 and regulations made thereunder, rights share shall only be issued in dematerialized condition. An applicant must apply for allotment of rights shares mentioning his/her Beneficiary Owner (BO) Account number in the application form.

Note: Signature must be the same as furnished earlier. Incomplete or incorrectly filled application form may be rejected.

Renunciation Form-C

APPLICATION BY RENOUNCEE (S)

The Managing Director Date: ...../...../..20.....
First Security Islami Bank Limited
23, Dilkusha C/A, Dhaka-1000.

Dear Sir,

As the shareholder(s) at pre-page has/have renounced his/her/their rights to the shares offered, in my/our favour, I/We do hereby apply for the number of shares noted above as renounced, by making payment of Tk. ..... being the value of ..... shares at an issue price of Tk. 10/- per share at par.

Yours faithfully,

(1) Signature ..... (2).Signature .....
Name (in block): ..... Name (in block): .....
S/O.D/O.W/O: ..... S/O.D/O.W/O: .....
Address: ..... Address: .....

BO No.: | | | | | | | | | | | | | | | BO No.: | | | | | | | | | | | | | | |

N.B.: Use photocopy in case of renouncement favoring more persons

As per provision of the Depository Act, 1999 and regulations made thereunder, rights share shall only be issued in dematerialized condition. An applicant must apply for allotment of rights shares mentioning his/her Beneficiary Owner (BO) Account number in the application form.

Note: Folio no is to be mentioned only in case of existing shareholder(s). Incomplete or incorrectly filled application form may be rejected.

ACKNOWLEDGEMENT RECEIPT OF SHARE MONEY

Received Tk …… (Taka .....) only from Mr./Ms …… folio/BO Account no. …… for ……no. (s) of Rights Shares of First Security Islami Bank Limited in Cash/Pay Order/Demand Draft/Cheque no. ……..... Date …… of…… Bank…….....Branch.

Application SI. No. (Bank's Seal) Signature of Receiving Officer
Date: