

DIRECTORS' REPORT

Bismillahir Rahmanir Rahim

Honorable Shareholders,
Assalamu Alaikum Wa-Rahmatullah

On behalf of the Board of Directors of First Security Islami Bank Limited, I have the pleasure to welcome you all to the 21st Annual General Meeting of the Shareholders and to present before you the Directors' Report and Audited Financial Statements together with Auditors' Report for the year ended December 31, 2019 wherein the brief description of the Bank's performance, future prospects and various aspects of world market trend with highlights of the performance of Bangladesh economy has also been incorporated.

World Economy

After a rocky 2018 and truly rough patches in 2019, especially particular sectors such as global manufacturing and U.S. agriculture, the consensus outlook for the global economy next year is surprisingly sanguine.

Most mainstream forecasters expect that the worst of the storms are past, and they are expecting global growth to rebound: the International Monetary Fund by 3.4 percent, the World Bank by 2.7 percent. One big reason for the dose of optimism is the generally looser approach to the money supply taken by central banks around the world, which helped offset some of the pain of trade wars and falling investment in 2019 and promises to allow a modest rebound in 2020.

But those growth expectations are premised, in both cases, on a couple of potentially tenuous foundations: a rebound in emerging markets, such as Argentina and Turkey, that have been hammered in recent years, and a halt to further nasty surprises like trade wars, imploding markets, debt time bombs, and the like.

Whether it's still-simmering trade tensions, the ongoing Brexit saga, China's economic transformation, worries about a sharp market correction, central banks with few bullets left to fire, historically massive piles of debt, or the usual geopolitical risks that could upend the best of projections, here is a look at some things to keep an eye on that could make or break the global economy in the upcoming year.

North and South American Economy:

Growth in Latin American and the Caribbean slowed markedly in 2019, to an estimated 0.8 percent, held back by idiosyncratic factors in large economies, headwinds from slowing global trade, and social unrest in several countries. As activity in Brazil gathers pace amid improving investment conditions, policy uncertainty in Mexico fades, and the recession in Argentina eases after bouts of severe market stress, regional growth is projected to rise to 1.8 percent in 2020 and about 2.4 percent in 2021. This recovery will not be sufficient to reverse the growing per capita income gap with advanced economies in some LAC economies. Moreover, the regional outlook is subject to significant downside risks, including from market volatility and adverse market responses to weak fiscal conditions; deeper-than-expected spillovers from slowdowns in Argentina, China, and the United States; heightened social unrest; and disruptions from natural disasters and severe weather.

Euro-Zone:

Economic activity in the Euro Area has deteriorated significantly. Several economies were on the verge of recession at some point last year, with particular weakness in the German industrial sector as it struggled with falling demand from Asia and disruptions to car production. Uncertainty concerning Brexit also weighed on growth.

Growth is expected to slow to 1 percent in 2020, 0.4 percentage point down from previous projections due to worse-than-expected incoming data, especially industrial production. Growth is forecast to recover modestly to an average of 1.3 percent in 2021-22, assuming that policy support gains traction, the Brexit process unfolds with minimal disruption, and there is no further escalation in trade restrictions.

Asia:

In major economies, activity has slowed more markedly than previously expected. Very weak manufacturing activity has dampened growth in advanced economies, and policy uncertainty associated with trade tensions has also weighed on activity in the United States and China.

Due to increasing interest rates in monetary policy, US Dollar became stronger against the currency of the major Asian countries. With the influence of these countries, the other economies incurred big pressure; debt is becoming more difficult and expensive for them. China is one of the largest trading partners of the most Asian countries. So, if China's currency is depreciated, then it will put pressure on the coins of different countries in Asia. The products of those countries will be more expensive than Chinese products which would be the risk factor. Besides, Coronavirus has been turned to be epidemic in China which will create impediment to the global business.

South Asia:

Growth in South Asia is estimated to have decelerated to 4.9 percent in 2019, reflecting a sharper-than-expected and broad-based weakening in domestic demand. In India, activity was constrained by insufficient credit availability, as well as by subdued private consumption. Regional growth is expected to pick up gradually, to 6 percent in 2022, on the assumption of a modest rebound in domestic demand. While growth in Bangladesh is projected to remain above 7 percent through the forecast horizon, growth in Pakistan is projected to languish at 3 percent or less through 2020 as macroeconomic stabilization efforts weigh on activity. Growth in India is projected to decelerate to 5 percent in FY2019/20 amid enduring financial sector issues. Policy measures such as enhancing foreign direct investment inflows and competitiveness, promoting access to finance for small enterprises, and improving infrastructure can deliver productivity gains and lift growth in the region. Key risks to the outlook include a sharper-than-expected slowdown in major economies, an escalation of regional geopolitical tensions, and a setback in reforms to address impaired balance sheets in the financial and corporate sectors.

An Overview of Economy of Bangladesh

Bangladesh began 2019 with a renewed hope that its newly elected government would bring in political and economic changes as promised in its election manifesto. Although the economy has maintained high GDP growth, electoral promises remain unfulfilled in several critical areas. Many old woes continue to hamper the economy: a weak fiscal balance, a fragile banking sector and a shaky external sector.

Apart from high economic growth, the other silver lining of the Bangladesh economy is robust growth in remittance income. This helps maintain Bangladesh's low current account deficit. But exports and imports performed poorly last year, with export growth negative from June to November.

The textile sector, the main driver of exports in Bangladesh experienced a larger decline than non-textile products, causing an overall dip in total exports. Amid the US–China trade war, Bangladesh's textile sector could not capitalize on the opportunity to increase exports to the United States, mainly due to a lack of supply side capacity and product diversification. Currency devaluation in competing countries such as India and Vietnam also contributed to Bangladesh's poor export performance.

But as an importing country, Bangladesh's policymakers are cautious about devaluing the Bangladeshi taka against the US dollar because they want to avoid imports becoming too expensive. Imports declined in 2019 and capital machinery imports were negative, indicating low investment. Private investment has been stagnant at around 23 per cent of GDP for the past few years. As a result, new job creation is limited and youth unemployment is 10.6 per cent. High economic growth also failed to reduce inequality, instead consumption and wealth inequality have widened.

Bangladesh has the lowest tax-to-GDP ratio among South Asian countries at 9.2 per cent in the 2018–2019 fiscal year. The high target of resource mobilization set for the National Board of Revenue (NBR) remains unfulfilled. Not only is the tax net narrow, but tax is avoidance high. NBR automation, human resource development and above all, institutional autonomy and transparency are crucial for high revenue mobilization efforts. The tax system has shifted towards indirect tax instead of a direct, progressive tax system.

Due to limited resource mobilization, the government depends on bank borrowing to finance its development programs. Several mega infrastructure projects are underway, including the Padma multi-purpose bridge, a mass rapid transit system, an LNG terminal and several power plants and deep sea ports.

But delays in the implementation of these high value projects have hugely increased their cost. By December 2019, only halfway through the fiscal year, the government had almost reached its planned bank borrowing. So, the government will face major fiscal challenges in managing expenditures and continuing development initiatives.

Bangladesh's 2020 economic outlook will largely be determined by its performance in 2019 and the policies that its government pursues. A short-lived drive against corruption last year created a ray of hope for citizens. Such clampdowns on corruption must be continued and encouraged. Until now, policymakers have largely been averse to structural and institutional reforms needed to improve the economy.

What has been ignored and denied is that Bangladesh's growth story cannot take the country far unless it is translated into sustainable development. Cracks in the economy became prominent in 2019 and will remain unless they are addressed. This year Bangladesh will celebrate the centennial birthday of its founding father, Bangabandhu Sheikh Mujibur Rahman. The greatest respect can be paid to him through fulfilling his dream of establishing a just and equitable society.

Banking Industry:

According to the latest data released by the Bangladesh Bank, the deposit growth surged to 12.57 percent in December last year in comparison with the 9 percent growth in the same period of the previous year. The deposit growth hovered around 10 percent throughout the year when the average interest rate was in the range of 9 to 10 percent.

The rise in the deposit growth increased liquidity inflow in the banking system, hitting excess liquidity to Tk1 lakh crore in December, which dipped to Tk 63,000 crore in March last year.

The most significant challenge for the economy is the weakening of the banking sector. Presently, banks are facing a liquidity crunch. This is mostly due to banks holding large amounts of non-performing loans (NPLs). NPLs accounted for 11.69 per cent of total outstanding loans last June and many of these are due to willful defaulters.

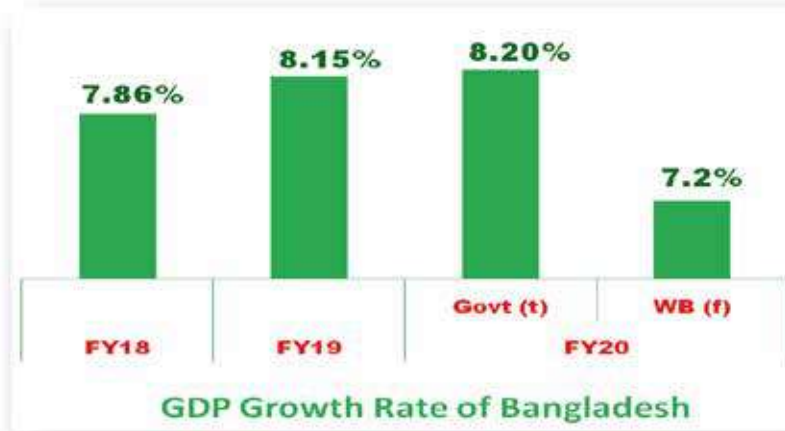
- » **Record of defaulted loan:** Statistics of Bangladesh Bank say that the amount of loan disbursed in the bank sector at the end of September this year is almost Tk. 9.70 thousand crore. Except for the deduction, the defaulter loan stands at around Tk 1.16 thousand crore which is about 11.99 percent of the total debt.
- » **Private credit has decreased:** Private loan growth has been steadily declining. In October 2019, the growth rate of credit growth was 5.9 percent. In September 2019, it was 5.9 percent. In the monetary policy announced, the credit flows to the private sector were estimated at 9.5 percent.
- » **Liquidity crisis throughout the year:** Private sector investment has been steadily declining due to liquidity crisis. On the other hand, the government is borrowing heavily from the banks to meet the budget deficit. According to the data of Bangladesh Bank, no monetary credit target has been achieved in any of the 20 months. The credit inflows to the private sector have been estimated at 5.9 percent as of June 2020, as announced in the current fiscal year.
- » **Interruption of investment in high interest:** Overall trade and commerce has been disrupted due to the failure of the bank to bring the interest of the loan to the single digit. The loss of trade and commerce is infinite in the interest of credit. There is no such high rate of interest on bank loans. Foreign investment is not coming because single digits are not effective.
- » **Benefits of incentives in remittance:** While other indicators of the economy are negative, foreign remittance is the only flagship. The inflow of remittances by the legitimate ways increases because of providing cash incentives for remittances at 2 percent and raising the value of the dollar against the money.

Economic Development in last decade

However, this decade was good for Bangladesh. The economy is up, per capita income is up. The world economy has taken the discussion. Again, good was not less than evil. It was time for the big projects. The government's interest was more towards big projects. Again, this decade is also called the time of investment stagnation, especially in private investment. Let's see what the last year was, in the last decade.

The growth in gross domestic product (GDP) in the financial year 2010-11 was 6.46 percent. And in the last fiscal year, growth has increased to 8.15 percent. In the meantime, the GDP growth rate never dropped below 6 percent. All together, the average growth rate for this decade was 6.88 percent. It is a record in the history of Bangladesh. Even fewer countries in the world have achieved consistent growth at this rate.

The country's growth has long been stuck at 5 percent. By the middle of the departing decade, it was stuck at 6 percent. From there it went to 7 percent. And in the last year, it has been more than 8 percent.



In addition to growth, per capita income has also increased. The per capita income was \$825 in the financial year 2010-11. And now the per capita income is \$1,909. Per capita income increased by 106 percent. Of course, income is increasing but the bad news is income inequality has been increased.



Bangladesh also has a global identity as a poor country. Bangladesh is one of the poorest countries in the world. In Bangladesh, 3.32 percent of the world's poorest population lives. However, the poverty situation has improved considerably in the last few decades. The last decade was particularly significant. In the first 3-5 years of independence, 82 percent people lived below the poverty line. In 1991, the rate was 56 percent. And in 2010, the rate dropped to 31.50 percent.

The latest household income and expenditure survey was conducted in 2016. According to the survey, the poverty rate has dropped further to 24.3 percent. However, the Bangladesh Bureau of Statistics (BBS) says that the rate has dropped to 21.80 percent at the end of June 2018.

Bangladesh in different Parameters

Through the good and bad, Bangladesh passed the year of 2019. Throughout the year, various international organizations publish different indices. Bangladesh has made some of those indices better than ever, and some have made the index worse. Overall, these indicators determine the position of Bangladesh from abroad.

Bangladesh is not among the top 100 in most indicators of trade, commerce, human development, human capital, happiness, hunger, IT. In most of the cases, the place of Bangladesh is in the middle or bottom.

The matter of worry is that some indexes have been in the positive for so long. For example, the export

sector has done very well in the last decade but it has gone down negatively in the current financial year. Bangladesh's position in the index of good governance is not satisfactory at all. Special initiatives need to be taken to ensure quality education and health in order to improve overall quality of life.

Bangladesh is ranked 136 among the 189 countries in the United Nations Development Fund (UNDP) Human Development Index. Bangladesh is one step ahead in the span of a year. Nevertheless, Bangladesh remains moderate in human development in the global context.

Bangladesh's position on the gender discrimination index of the UNDP is not that favorable. Bangladesh is the 134 among the 160 countries.

With the World Bank's human capital index, productivity standards for future generations are determined. Bangladesh is 106th out of 157 countries with 48 points. This means that the child, who is born in Bangladesh today, will grow up to 48 percent of his productivity.

This year Bangladesh is eight steps ahead of the World Bank to facilitate trade and commerce. This time Bangladesh is ranked 168th among the 190 countries. Last year the place was 176th.

World Economic Forum (WEF) Global Competitiveness Index Bangladesh is two steps behind from the last year. Bangladesh is ranked 105th among the 141 countries. The World Bank publishes the Logistic Performance Index on various issues required to conduct trade and business. Bangladesh is ranked 100th among the 160 countries.

The government is taking various programs to create a digital Bangladesh. But in the world context, Bangladesh's position is still very shaky, 147th in the United Nations Telecommunications Union's ICT Development Index. Besides, in Cyber-security index ranks 78th among 175 countries.

Another UN agency, UNCTAD, publishes the e-commerce index. Of the 151 countries, Bangladesh is in the middle position, 88th. Bangladesh is not among the first 100 countries in the e-Government Development Index of the UNCTAD, another UN agency. Bangladesh is the 115th largest of the 193 countries.

Bangladesh is one of the worst countries in the World Hunger Index by international organization Concern Worldwide, ranked 86th among 119 countries.

The United Nations agency Sustainable Development Solutions Network publishes happiness indicators for economic prosperity as well as happiness. Bangladesh is one of the countries of the bottom line, 125 out of 156 countries. Bangladesh is not good at peace index. Bangladesh is the 101th country in the World Peace Index published by the Institute for Economics and Peace.

Walking the path of progress will require new innovations. The World Intellectual Property publishes the World Innovation Index. Bangladesh is the 116th country in the world.

Now let's see how Bangladesh's position on the Corruption Index Bangladesh is now the 149th country in the World Index published by Transparency International. Although the index has improved somewhat over the past few years, Bangladesh was once the top corrupt country for five consecutive years. On the other hand, another international organization called Trace International publishes the World Bribe Index. Bangladesh is badly ranked in the index, 182th out of 200 countries.

According to a Forbes Magazine report, the total domestic production growth rate of Bangladesh will be 8 percent in 2020, due to increasing foreign investment in the textile sector, low-wage workers, and ready-made garment sector and footwear industry. Besides, the average GDP growth rate was above all, as was the Bangladesh champion in the growth of the average neo-wealthy.

Scenario of Islamic Banking in Bangladesh:

There are currently 59 scheduled commercial banks in operation in the country. Of these, there are eight full-fledged Islamic banks. There are 17 banks with Islamic banking branches or windows. According to the data of Bangladesh Bank, there are 10,406 branches in all banks across the country. Of these, the Islamic Banking Branches are 1,301.

Until last September, the total deposits of these branches stood at Tk 2 lakh 62 thousand 110 crore. Banking sector has a total deposit of Tk 10 lakh 93 thousand 240 crore. So, Islamic Banking contains 23.98 percent deposits of total banking industry. And the Islamic Banking Branch has a/an /investment/loan of Tk. 2 lakh 50 thousand 323 crore which is 24.59 percent of total banking industries loan of Tk. 10 lakh 17 thousand 826 crore. More than 30% of the foreign remittance arrives in the country through these banks. The working manpower is 36,337.

Performance in 2019

In the backdrop of the challenging environment of 2019, the Bank focused on core banking business, made positive growth in profitability and maintained a sound asset quality. The bank remained financially strong by dint of its resolute focus on the vision of becoming country's finest corporate citizen and also emphasize its' focus on SME, Retail Consumer and relentless pursuit of providing excellent and need based customer service.

The Bank mobilized deposits of Tk.376,609.70 million as at December 31, 2019 compared to Tk. 320,011.19 million till 2018. Total investments and advances stood at Tk. 364,029.96 million at the end of the year 2019, which was Tk. 311,416.52 million at the end of the year 2018. Import business, Export business and Foreign Remittance collection were Tk. 107,385.70 million, Tk. 12,280.70 million and Tk. 14,913.60 million respectively during the year 2019. In 2019, the Bank was able to make pre-tax profit of Tk. 3,955.74 million as compared to Tk. 3,074.04 million in 2018. Net profit after Tax stood Tk. 2,080.51 million in 2019 as compared to Tk. 1,594.66 million in 2018. Earnings per share (EPS) stood at Tk. 2.38 in 2019.

The Bank made adequate provision against classified investment. Specific provision made is significantly higher than last year. Adequate provision made the Bank stronger than before. Tier-1 capital stood at Tk. 14,948.59 million at the end of the year 2019 compared to Tk. 12,981.96 million in 2018. Tier-2 capital stood Tk. 12,523.62 million at the end of the year 2019 compared to Tk. 8,296.62 million in 2018. Return on Asset (ROA) was 0.51% as on December 31, 2019. Capital Risk Assets Ratio (CRAR) of the bank stood at 11.41% as on December 31, 2019 against minimum requirement of 11.875% as per Basel III.

Deposit

The deposit of First Security Islami Bank Limited stood at Tk. 376,609.70 million as on December 31, 2019 as against Tk. 320,011.19 million of 2018 registering an increase of Tk. 56,598.51 million, i.e. 17.68% growth. Deposit is the "life-blood" of a bank. The Bank has given utmost importance in mobilization of deposits introducing various popular and innovative schemes.

(Data for Deposit Mix Graph:- Current Deposit: Tk. 2,649.94 crore, Bills Payable: Tk. 250.07 crore, Savings Deposit: Tk. 3,862.26 crore, Term Deposit: Tk. 22,173.08 crore and Other Deposit Schemes: Tk. 8,725.63 crore.)

Investment

First Security Islami bank Limited has able to increase its investment despite adverse conditions in the domestic as well as in the global economy. Total amount of investment of the bank stood at Tk. 36,448.41Crore as on December 31, 2019 as against Tk. 31,168.50 Crore as of December, 2018 showing an increase of Tk. 5,279.91Crore with a growth rate of 16.94%. Investments are the core assets of a bank. The bank gives emphasis to acquire quality assets and does appropriate lending risk analysis and flows all the term and conditions of Investment Risk Management while approving all sorts of Investments to clients.

International Trade

Import Business

Import trade executed by FSIBL was Tk. 10,739 Crore in 2019. Large LCs were opened mainly for importing rice, edible oil, capital machinery, raw cotton, fabrics and accessories.

Export Business

FSIBL successfully handled export documents of Tk. 1,228 Crore during the reporting year 2019. Readymade garments, knitwear, finished leather goods, agro products, etc., were the major export finance sectors.

Foreign Remittance

Bank procured foreign remittance for Tk. 1,491 Crore as of December 31, 2019. Meanwhile, the bank made enormous progress in dealing remittance business with some leading exchange houses like Western Union, Placid NK Corporation, MoneyGram, Xpress Money, Transfast, Aftab Currency Exchange U.K., BRAC Saajan Exchange Ltd., U.K., Al-Muzaini Exchange Co. K.S.C.C, Kuwait ,Zenj Exchange WLL., Bahrain, RIA (Continental Exchange Solution Inc.), Wall Street Finance LLC, NY, Prabhu Money Transfer, USA Merchantrade Asia, Malaysia etc. Moreover, our own Exchange House located in Italy sent substantial amount of foreign remittance.

Correspondent Banking

Correspondent banks are the trade partner of international trade. FSIBL has already achieved tremendous success in Foreign Trade. The Bank established correspondent relationship with more than 2,500 branches of 216 different renowned Banks across the world.

Subsidiaries

Considering the demand of the markets and our total commitment to support and serve the customers from different angle the Bank launched subsidiaries namely First Security Islami Capital & Investment Limited and First security Islami Exchange Italy, s.r.l. to provide Merchant Banking service and superior remittance services respectively. We believe that such endeavor will widen the opportunity of the bank to serve the customer from different aspect with utmost care.

Anti Money Laundering & Combating Financing of Terrorism Activities:

Keeping pace with the modern advancement of financial service facilities, money laundering and financing of terrorism are getting new dimensions day by day. As a responsible commercial bank, First Security Islami Bank Ltd. (FSIBL) is always agile and vigilant against these types of money laundering and financing of terrorism activities. Managing Director of the bank every year declares written clear commitment regarding Anti Money Laundering & Combating Financing of Terrorism for all the employees and ensures implementation of these activities. A Deputy Managing Director (DMD) as Chief Anti Money Laundering Compliance Officer (CAMLCO) and a Senior Vice President as Deputy Chief Anti Money Laundering Compliance Officer (D-CAMLCO) of the bank have been assigned for effective prevention of money laundering and terrorist financing in the bank. However, a powerful “Central Compliance Committee (CCC)” consisting of senior executives and divisional heads and chaired by the aforesaid DMD has been continuously supervising overall anti money laundering & combating financing of terrorism activities of the bank. As per Bangladesh Financial Intelligence Unit (BFIU), Bangladesh Bank’s guidelines, a full-fledged division named “Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT) Division” headed by the D-CAMLCO has been working in the head office of the bank under the close supervision of

CAMLCO. Circulars and circular letters issued by BFIU, Bangladesh Bank are instantly circulated to all the branches, divisions, zonal offices and training institutes of the bank. At the same time, bank issues necessary circulars in compliance with applicable laws, circulars, guidelines etc. of regulatory authorities.

The bank has its own “Anti Money Laundering & Combating Financing of Terrorism Policy” (updated in 2019), “Customer Acceptance Policy” (updated in 2019) and “Money Laundering and Terrorist Financing Risk Management Guidelines for FSIBL” approved by the Board of Directors which are prepared in the light of Money Laundering Prevention Act-2012 with amendments in 2015, Anti Terrorism Act-2009 with amendments in 2012, 2013 and circulars, guidelines issued by regulatory authorities. In accordance with the instruction of BFIU, a senior and experienced official or manager operation of every branch has been nominated as “Branch Anti Money Laundering Compliance Officer (BAMLCO)” by the CCC of the bank for preventing money laundering and terrorist financing at the branch level. Bank’s AML & CFT Division inspects branches on a random basis in addition to Internal Control & Compliance Division’s audit of the branches for overseeing the implementation of AML & CFT activities at the branch level. Moreover, AML & CFT Division checks & submits monthly Cash Transaction Report (CTR) in due time and submits Suspicious Transaction Report (STR)/Suspicious Activity Report (SAR) to BFIU, Bangladesh Bank accurately as and when applicable.

The bank conducts Customer Due Diligence (CDD) for every customer at the time of account opening and Enhanced Due Diligence (EDD) as & when required in compliance with the instruction of BFIU, Bangladesh Bank. The bank verifies every NID information of the customers by using election commission’s database to ensure complete and accurate KYC of bank’s new and existing customers. The bank has procured Politically Exposed Persons (PEPs) and Influential Persons’ (IPs) and necessary adverse media news data from Accuity Ltd.-a UK based international database provider for real time and automated identification of PEPs, IPs and suspicious persons involved with crimes by using its own Sanction Screening Software [S3]. In 2019, bank has successfully participated in Electronically Know Your Customer (e-KYC) pilot project supervised by Bangladesh Bank and bank is fully committed to use this type of modern technology in the near future for completing proper & accurate KYC. FSIBL’s own Training Institute in collaboration with AML & CFT Division regularly organizes training & workshop to the employees of the bank on the subject of Anti Money Laundering and Combating Financing of Terrorism where prevention of trade based money laundering gets special emphasis. In 2019, a day long workshop for all the BAMLCOs named BAMLCO Conference has been held at Dhaka on the topic of Anti Money Laundering and Combating Financing of Terrorism. However, bank’s officials & executives regularly get quality training on the topic of Anti Money Laundering and Combating Financing of Terrorism in home and abroad. The bank distributes adequate number of leaflets and hang posters on the topic of Anti Money Laundering and Combating Financing of Terrorism at every branch for building public awareness on these issues.

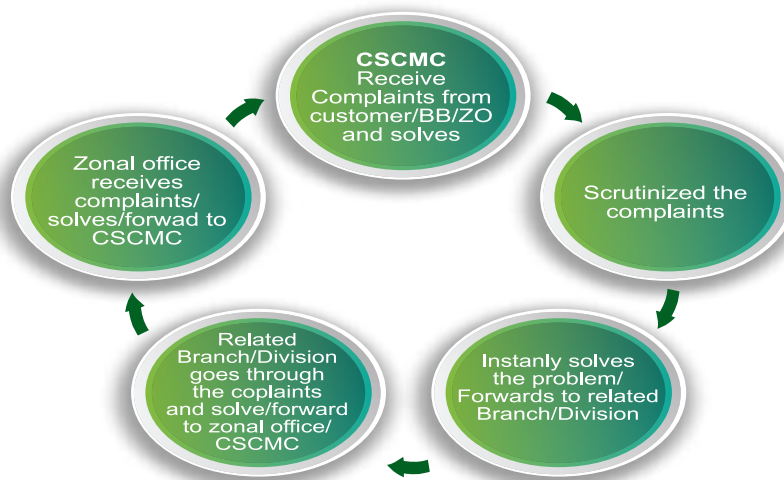
Branches Control Division

The Branches Control Division (BCD) of our bank started its operation at late 2018 as a separate Division headed by one Vice President (VP) with a well equipped working team having adequate experienced and trained manpower to handle and supervise the works of existing 186 branches. The key objective of the division is to assist branches to implement the instructions of Bangladesh Bank and our Bank relating to general banking activities. It plays significant role to maintain liaison among branches, Head office and various organizations as well as Bangladesh Bank. For ensuring smooth banking activities in all the branches as well as customer satisfactions according to their needs this division is rendering particularly the following jobs:

BCD's strategy /Line of Jobs:

01.	Cash Management	# Giving Permission to open Bank Accounts with BB, Sonali/Other Banks. # Monitoring and reporting of soiled, Mutilated notes and fake notes position/status (if any), Gift cheque and Metallic Coins.
02.	Banking Policy Circulation to the Branches	# Issuance of different circulars in respect of banking Operation as per directives of Bangladesh Bank and other regulators and follow-up the implementation/compliance of the instructions contained in the circulars. # Implementation of rules and regulations of opening of different types of accounts and correspondences thereof within the Bangladesh Bank's guidelines. # Redesigning of GB Manual. # Providing previous copies of circulars of BB/HO to the new Branches.
03.	Deceased and Lost Instruments cases	# Doing the jobs of Deceased A/C management. # Doing the jobs of Lost Instruments Management. # Issuance of Lost Instrument Circulars, preparation of office notes and accord approval there against.
04.	Customer Services & Complaint Management	# Managing the complaints received from Clients/BB. # To make query, Analysis and Justification of the complaints. # Monitoring the Help Desks' activities # implementing the Customer Services and Complaint Management Cell # Making correspondences and communications regarding Customers' queries and customers' complaints at various points.
05.	Locker Services	# Reviews and follow up of locker services of Branches. # Updating the Insurance coverage of the rented chambers of locker.
06.	School Banking and Unclaimed Deposit	# Collects Information about School Banking Account from Branches. # As per Bangladesh Bank instruction unclaimed deposits for 10 years and above are to collect for submitting the same to BB maintaining the formalities laid down in the Bangladesh Bank's instruction circular.
07.	Branches Inspection	# Making surprise visits to our Branches regarding customer services & complain management cell (CSCMC) on random and priority basis. # Making special visits as per instruction from BCD'S controlling authority.
08.	Schedule of charges	# Prepares schedule of charge as and when required.

One of the remarkable jobs of this Division is to attend any complaints received from customers, walking customers, Bangladesh Bank or any other persons/organizations. BCD solves the problems through its Customer Services and Complaint Management Cell (CSCMC) by the following ways:



Our future plan is to uphold our FSIBL as one of the best strong financial organization by implementing the directions of Bangladesh Bank as well as other government regulators and making reply to the queries of Bangladesh Bank, National Board of Revenue, Anti-Corruption Commission etc. especially relating to various types of accounts and statements with supplying the requisite papers/documents, statements etc.

Activities & Performance of Card Division in 2019

The First Security Islami Bank Limited has been providing Banking Services to our valued customers with higher reputation based on the principle of Islamic Shariah throughout the country.

The Management of the Bank is aware and committed to our valued customers for better services & freedom of banking by providing round the clock cash withdrawal as well as shopping facility using plastic card. FSIB introduced its first proprietary debit card in 2008. FSIB launched its EMV chip-based VISA Debit card in 4th July 2018 and converting all the previously issued proprietary Magnetic stripped cards. We have approximately 1 Lac 23 Thousand debit cards at the end of 2019.

For smooth cash withdrawal & convenience of our valued clients, FSIB Management decided to install a good number of ATM Machines and Booths as we have Branches all over the country.

FSIB introduced its first own ATM Booth in 11th August 2012. To facilitate more low cost transaction facilities in the reputed and public gathered shopping mall and important business locations, management of the Bank decided to install more ATM Machines to ensure 24x7 hour services to our valued customers. Number of ATM booths are 154 as on December 2019.

Card Division's detail Activities and Performance in 2019:

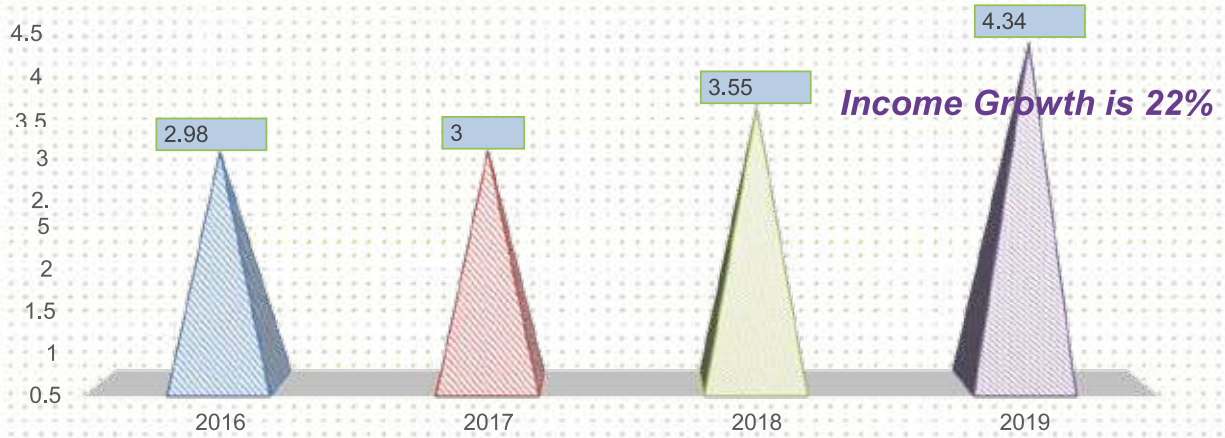
Portfolio of Card Division:

- 154 ATM
- 1 Lac 23 Thousand Debit Card
- 24/7 Call Center (16257)

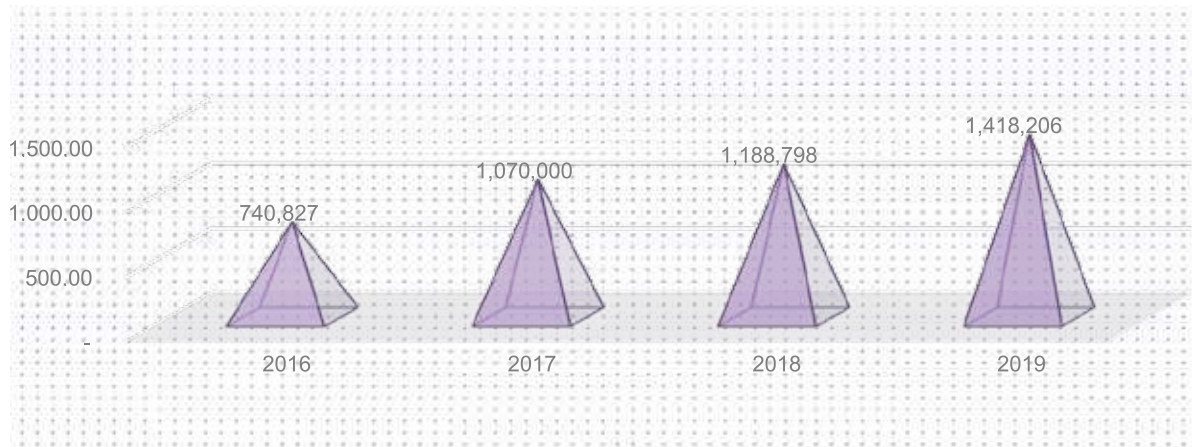
Business Summary of Card Division:

Year	2016	2017	2018	2019	Growth
ATM Deployed	15	5	11	15	
Number of ATM Transaction	740,827	1,070,000	1,188,798	1,418,206	19%
ATM Transaction Amount	690 Crore	835 Crore	1016 Crore	1230 Crore	21%
Number of POS Transaction	10315	19587	37953	73783	94%
POS transaction Amount	2.72 Crore	5.25 Crore	10.05 Crore	21.22 Crore	111%
Number of Ecommerce Transaction	-	-	3712	8394	126%
E-Commerce Amount	-	-	15.35 Lac	99.55	549%
Income from Card & Txn	2.98 Crore	3.00 Crore	3.55 Crore	4.34 Crore	22%
No of bKash Txn				1055	
Amount of bkash Txn				9025500	

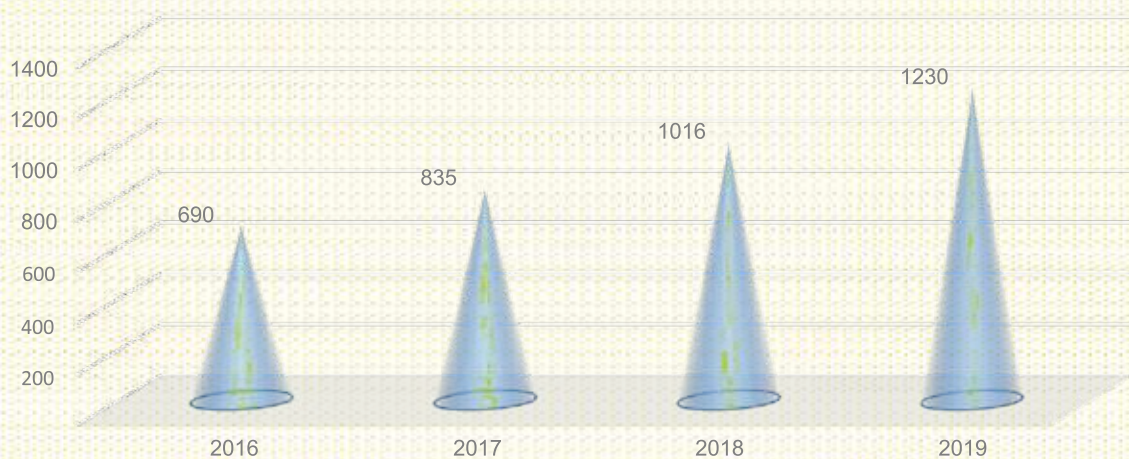
INCOME FROM CARD & TXN (In Crore)



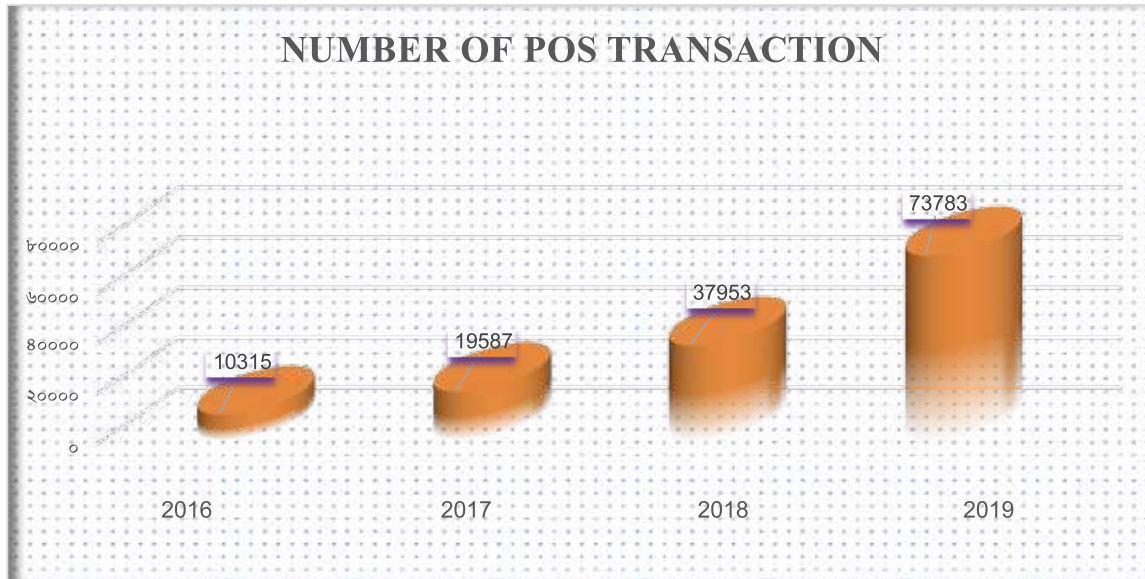
Number of ATM Transaction



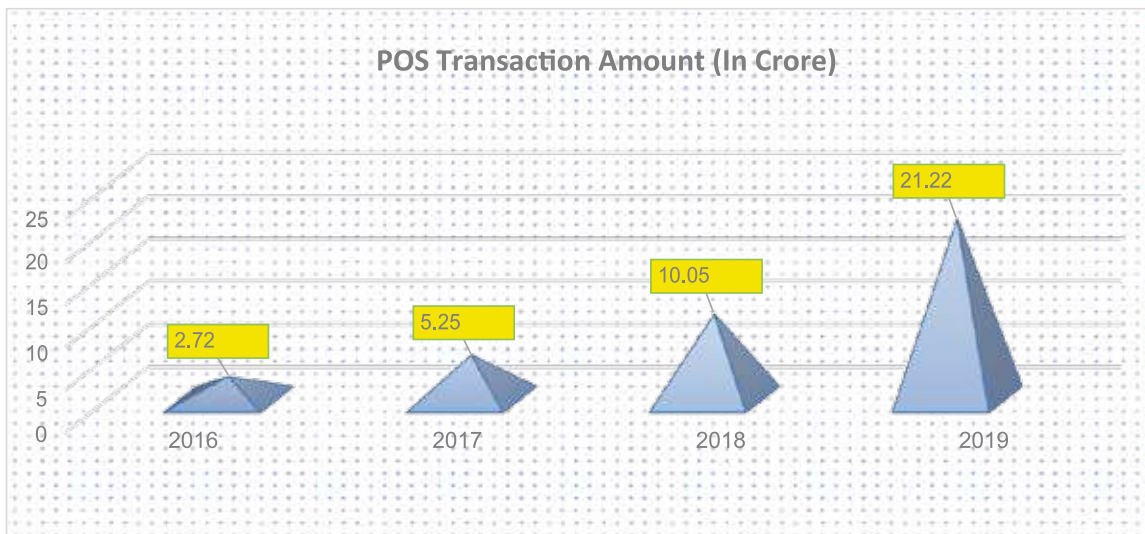
ATM Transaction Amount (In Crore)



NUMBER OF POS TRANSACTION



POS Transaction Amount (In Crore)



Achievement of Card Division in 2019

- 1) Successfully launched Interbank ATM Fund Transfer Service
- 2) Introduced Cash withdrawal service for Bkash from FSIBL ATM
- 3) 18% Card growth January to December of 2019 over the same period of 2018
- 4) Income in 2018- 3.55 Crore, 2019-4.34 Crore, growth rate-22%
- 5) Installed Windows approved Anti Virus Software in 85 Wincor ATM
- 6) Migrated all ATMs hardware and software for EMV compliant
- 7) Migrated all magnetic debit card to EMV Chip Card
- 8) E-Commerce Transaction has significantly increased by facilitating various Offers
- 9) No. of E-Commerce Transaction-12479, Amount-Tk. 99,92,530.00 over January to December-19
- 10) No. of POS Transaction -26912, total amount - 5,60,44,719.00 January to December 2019
- 11) No. of ATM installed -15 in 2019
- 12) No. of Bkash Txn.3252, total amount - 2,75,09,000.00 (July to December 2019)

Future Plan of Card Division:

- 1) Future plan of Card Division
- 2) Credit Card Launch
- 3) Fraud Analyzer software to monitor suspicious related transaction
- 4) Anti-Virus software installation for NCR ATM
- 5) Cash recycler ATM installation
- 6) Active Directory Domain service to Enhance ATM machine Security
- 7) NFC(Near Field Communication) Card launch
- 8) POS terminal Launch
- 9) Bill payment through ATM machine

FSIBL Mobile Banking:

First Security Islami Bank Ltd. got permission from Bangladesh Bank for Mobile Financial Services on November 22, 2011. Later on March 27, 2012, First Security Islami Bank Ltd. commenced Mobile Financial Services under the brand name “**FSIBL FirstPay SureCash**”, which was later rebranded as “**FirstPay SureCash**”.

FSIBL Mobile Banking is rendering Mobile Financial Services with having strong network coverage consisting of 91 distributors, 32516 MFS (Mobile Financial Services) agents and 454854 customers all over the country.

FSIBL is expanding its network focusing on organizations like Educational institutions, Financial Institutions, Merchant and Utility Bill collections. So far, we booked total 383 institutions, out of which total Educational Institutes 236 (**Dhaka College, Govt. Titumir College & Bogra Zilla School etc.**), total merchant 127, total utility 06 (**Dhaka WASA, DESCO, Khulna WASA & Westzone Power Distribution Co. etc.**) and total municipality 14 are brought under FSIBL Mobile Banking.

The turnover of FSIBL MFS is Tk- 269.97 crore, TK-641.53 crore, Tk-913.87 crore & 1,043.44 crore against in the year 2016, 2017, 2018 & 2019 respectively which is evidencing the increasing trend of business of FSIBL MFS.

Total collection of MFS was Tk- 62.10 crore in 2016, which increasing trend was continued & it increased to Tk- 64.36 crore in 2017, Tk- 130.28 Crore in 2018 respectively and in the year 2019, it was jumped to Tk. 143.64 crore which is evidencing FSIBL MFS contribution towards business growth.

FSIBL is rendering the below Mobile Financial Services:

- | | | | |
|----------------|-------------------|------------------|-------------------|
| • Cash Deposit | • Cash Withdrawal | • Money Transfer | • Mobile Recharge |
| • Payment | • Balance Check | • Pin Change | |

We are expanding our Mobile Banking market focusing govt. & private organizations covering the entire Bangladesh. As a part of this expansion, an agreement is signed with “a2i” (Access to Information) of Ministry to collect all the government utility bills through our Mobile Banking & Internet Banking. The a2i said, project name is “EkPay” (একপেই) - this is one point service, where all the government utility bill payment facilities are available. This is a milestone towards digitalization of Banking System of FSIBL. Our Honorable Managing Director Mr. Syed Waseque Md. Ali signed the agreement on behalf of the FSIBL during signing with ICT Ministry & a2i on February 13, 2019.

We are going to sign agreement with the EC (Election Commission) & BREB (Bangladesh Rural Electrification Board) for Mobile Banking Purpose. As a part of service development, we are working on integration between MFS & CBS, NPSB-Interoperability among the Market MFS Players. We are also working on, to introduce EKYC.

FSIBL AGENT BANKING:

The FSIBL Agent Banking is running under the ABS system integrated with CBS. The brand name is “FSIBL Agent Banking”. To commence the FSIBL Agent Banking Services all over the country, First Security Islami Bank Ltd. got permission from Bangladesh Bank on September 01, 2015. A software company, “Leads Corporation Ltd.” provides Agent Banking Solution software named “nCore” integrated with CBS.

It is a banking system exactly like a model branch which is located in the remote areas, where all kinds of branch banking facilities such as Account Opening, Cash Deposit/withdrawal, BEFTN, BACH & RTGS etc. in a limited scale (as per Bangladesh Bank guidelines) are provided to the underserved population through engaged agents under a valid agency agreement.

As per Agent Banking Model, the Agent Banking Outlets are being tagged with FSIBL Branches, considering the distance in terms of the nearest location from the Agent Outlet. The tagging branch manager will provide all sorts of supports to the concerned outlet as all the businesses are coming from the concerned outlet, which are reflecting in their affairs i.e. tagged branch, is the ultimate beneficiary of the Agent Banking Business.

So far, as of 31.12.2019, FSIBL Agent Banking & Mobile Banking has opened 36 Agent Banking Outlets with the total accounts 30,082, total deposit of Tk- 84.58 Cr. and total turnover of Tk. 390.43 Cr.

Along with the general banking services, FSIBL Agent Banking is rendering the other banking services to the underserved population of Bangladesh. Among those, BREB Bill Collection and Foreign Remittance Services are the revolution for those un-banked citizens of the remote areas of the country in terms of the financial inclusion.

As of 31.12.2019, FSIBL Agent banking collected 1,85,281 numbers of REB bills, which net amount is BDT. 9.42 Cr.

Now both the account holders & walking customers are availing our foreign remittance payment services from very close to their residence, without any hassle, going distant bearing the pain. Currently FSIBL Agent Banking is receiving Foreign Remittance from the below mentioned exchange houses:

- Western Union
- Transfast
- Aftab Currency Exchange
- Moneygram
- IME
- Brac Saajan Exchange
- Express Money
- Placid Express
- RIA
- Italy Exchange House

As of 31.12.2019, FSIBL Agent Banking has disbursed the 4466 number of Foreign Remittance which amount stands to 16.90 Cr.

The year of 2019 for the FSIBL Agent Banking was the developing stage for our Agent Banking Services. The foundation of 2019, is helping us to move forward to expand our Agent Banking services, to reach the remote areas people.

Human Resources Management:

Human Resource Management is very important for Banks because banking is service oriented industry. Success in Banking Business depends on efficient and effective management of Human Resources and Risk. FSIBL is a third generation progressive Islamic Shariah Based private commercial bank. Bearing the slogan “সবার জন্য সবসময়” it is providing all kinds of modern banking services to the customer through 184 branches and various divisions and units of Head Office across the country. This Organization always emphasizes on the development of its manpower to provide quality services to its clients. FSIBL family believes that the factors which help the Bank to survive and differentiate it from other banks are closely interlinked with the quality of services and satisfaction of clients and these depend on the qualification of employees’ efficiency & effectiveness of work. As our human resources give the organization a significant

competitive edge, we continue our policy of recruiting the best professionals and implement programs to develop and retain high quality employees for facing challenges of 21st Century. The Bank offers equal opportunity for new talents in its process of recruitment and selection. It is continuing its efforts towards the development of its manpower by providing required trainings, workshops, seminar etc. in home and abroad to make them well equipped to provide quality services to its customers. It arranges training and workshop in home and abroad for its top management to formulate and implement appropriate policies for the betterment of the Bank. It also arranges priority-based trainings and workshops to make its employees compliant to its regulatory body (ies) and helps its employees for career development.

Our strategy to recruit, select and retain competent and promising Human Resources:

- Creating equal opportunity for all concerned.
- Recruiting the most eligible candidate through knowledge based and competitive examination(s).
- Providing required training and counseling for enhancing reality based banking knowledge of newly recruited employees.
- Arranging priority-base trainings, workshops, seminars etc. to make its employees competent for facing new challenges.
- Placing and posting to the right place considering organization's requisition and employees' experience and competency.
- Giving promotion based on competency and knowledge of employees.
- Ensuring employee friendly working environment.
- Building capability to work individually or in a group to achieve organizational goal.
- Providing scope and opportunities for self-development and self-exposure for building future leadership.
- Providing competitive pay package and other benefits to maximize the satisfaction level and retain qualified personnel.
- Making awareness and compliant to existing laws, circulars and directions formulated by regulatory bodies.

We are committed to maintain a congenial working environment free from discrimination based on parochialism, religion, sex, race, creed, age or any other issues. We do not tolerate any behavior that can be perceived as degrading or threatening. We believe in working in a friendly, positive and respectful environment which permits employees to work to maximum effectiveness and efficiency and to their full potential. The Bank excels the performance of its employees by creating opportunities through providing proper trainings, rewards and recognitions. To attract and retain qualified and efficient employees, the Bank has formulated a number of policies for the welfare of its employees in the form of Contributory Provident Fund, Gratuity, Employees' Social Security and Benevolent Fund, Employee House Building Investment Scheme, Quard against Car Leasing Scheme (Staff), HPSM Consumer Durables, Death and Disability Risk Coverage Scheme and Group Life Insurance etc.

The Bank appoints faculty members for its Training Institute in order to provide priority-based trainings for the employees and updates its system of providing training. In addition to its Training Institute at Dhaka, the Bank has established a Regional Training Institute in Chattogram to train employees of Chattogram Zone conveniently. The Bank arranges various Training and Workshop at Khulna & Rajshahi Zonal Offices. The syllabus of Foundation Training for the freshers is revised continuously to make them more competent. The Training Institute makes a Calendar for training and workshop which will be conducted during a calendar year. Our training institute is going to provide residential facilities for the welfare of participants.

Internal Control & Compliance

Operational risk may arise from error and fraud due to lack of proper internal control & compliance. Good controls gear-up professional competence, compliance of legal requirements, sound reporting system and resistance to fraud & forgery. Internal Control & Compliance is not only for getting things done but also to ensure that those are done properly. Internal Control & Compliance plays a vital role in building up a culture of transparency and accountability. Modern bank management and supervision mainly focus on risk factors in banking. FSIBL has taken all-out efforts to mitigate all sorts of risks as per guidelines issued by the Central Bank.

As a part of robust risk management policy, the Bank has formed a separate Risk Management Division. To address investment risks the Risk Management Division formulated a comprehensive Investment Risk Management Policy. To mitigate operational risk, money laundering & terrorist financing risk, circumvention or over-riding the internal control procedures, Internal Audit & Central Compliance and IC&C Division are carrying out regular and surprise inspection of the branches and divisions of Head Office. Deficiencies/lapses/irregularities detected by these audit & inspection are rectified/ regularized/set right as soon as possible and submit compliance report to the Head Office. The Bank has already 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 attaching due importance to high risk and medium risk functions. The Bank also prepared internal control & compliance Manual duly approved by the Board of Directors to strengthen internal control functions. The Manual has been revised and updated in the year 2017 (duly approved by BoD).

Internal Control & Compliance Division (IC & CD) of FSIBL is an integral part of Bank Management and a foundation for safe & sound operation. IC & CD is thoroughly guided by the motto "Prevention is better than Cure". The array of IC&CD activities can be categorized as per following order:-

Performance Objective: To accelerate compliance and effectiveness of involvements.

Information Objective: To ensure dependability, efficiency and time worthiness of financial and management information.

Compliance Objective: To adhere to regularity frame work including applicable laws and regulations.

We have some mid level executives and officers in our ICC Division under the leadership of a senior executive. A Unit of ICC under this Division has been working in Chattogram to cover the branches of Chattogram and Sylhet administrative Divisions which is under the supervision of 1 senior Executive. Beside this, the ICC Unit, Ctg. is also equipped by 1 mid level executive and other official.

The IC&C Divisional Head is responsible to look after audits & inspections, monitoring activities, risk assessment, in addition to all jobs relating to compliance & control. The IC&C Division is well-grouped into 3 core units-Audit & Inspection Unit, Compliance Unit & Monitoring Unit. The audit/inspection teams conduct periodic and special audit, inspection & investigation, Foreign Trade and Foreign Exchange Inspection, On-line Foreign Exchange transaction monitoring etc. Moreover, IC&C Division have to check/verify Salary Fixation, Increment Files, Medical Files, Special Bonus, Salary Fixation of Cadre change etc. which is prepared by HRD. Moreover we have to verify TA/DA bills which is prepared by FAD.

In 2019 the Division carried out comprehensive inspection on 168 branches and 08 different divisions of Head Office. Besides, we conducted a notable number of investigations and special inspections (80 branches) on various issues as and when required. We also carried out ICT Inspection in 120 branches, 2 divisions (ICT & ADCD) and verified cash on 60 ATM Booths. Risk-based audit was conducted in some large branches and surprise check was made in some branches. IC&C Division also conducted audit in 4 Zonal Offices and 2 Training Institutes. Moreover, Zonal Offices conducted surprise visit on 106 Branches during the year.

We have to intensively follow-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.

ICT DIVISION'S ACTIVITIES & PERFORMANCE IN 2019

ICT Division: Today Banking industry cannot be thought of without the active involvement of Information & Communication Technology. Information and Communication Technology (ICT) is increasingly becoming an invaluable and powerful tool for driving development, supporting growth, promoting innovation and enhancing competitiveness. Its introducing global environment which will bring all nations around the world to come together to form a global networked community. Application of Information & Communication Technology helps the banking service easier & simpler and also increasing the acceptance of banking to our country people.

ICT Division of FSIBL is using the latest technology to provide the best banking services by making fully automated operation of banking. ICT Division has already established redundant online data connectivity using high speed fiber, radio link & satellite communication for all branches to provide uninterrupted data communication with DATA CENTER.

ICT Division's detail Activities and Performance –

1. **Tier-III Data Center Implementation:** ICT Division already established Tier-III Data center at its own building at Bashundhara R/A comprised of redundant power system, data connectivity, high end technologies Storage Area Network, active application, database, ATM, SMS, Mobile Banking and Internet Banking servers. FSIBL Data Center is fault-tolerant, allowing us to upgrade, install patch, maintenance and any activity without downtime. The establishment enables to satisfy valued clients with sharp & better service. Presently, real time data replication from DC (Data Centre) to DRS (Disaster Recovery Site) is being taken place on 24/7 basis to sustain any disaster. The Data Center has been implemented with some new features like Network Behavior Analyzer (NBA), Load Balancer, DDOS Protector, Firewall, etc. In the year 2019, Rearrangement of structured cabling and power system of data center with minimum downtime and Data Link redundancy with media & telco at all branches has been established.
2. **Core Banking System:** To overcome and to provide faster banking services, ICT Division gradually migrated from distributed to core banking platform. Now FSIBL can feel proud that, all its 184 branches are now operating completely under real time core banking application software. The Core Banking System provides an online banking which ensures required customer banking service from any single branch without hassle. Core Banking System simplifies account opening, cash & Cheque deposit & withdrawals, ATM Services, Remittance services, Investment, SMS Banking, internet Banking, Mobile Banking etc. It has extra feature to add or modify required banking service modules as instructed by Bangladesh Bank. This implementation enables Board of Directors & Management to get a view of the Bank's current financial position and thus help to make required decision.
3. **SMS Banking:** ICT Division has already implemented the SMS banking service for our existing customers. To include much more services with this delivery channel. Services like cheque book requisition, balance inquiry, account statement, transaction alert etc. will be served as anytime, anywhere basis. After each transaction, customers get alert of transaction amount as well as knowledge of his balance amount.
4. **Internet Banking:** FSIBL ICT Division inaugurated the internet banking service in the year 2012 and have got popularity among the clients which has been implemented with limited features like fund transfer, balance inquiry, statement generation, cheque book status, profit details status etc. The internet banking service has propagated huge appreciation from our valued clients. Around 10 thousand's customer are already incorporated with the FSIBL Internet Banking Service and to reach mass level of people as well as to satisfy their day to day need, it becomes a demanding key factor for FSIBL for spreading its service level one step ahead.

5. **Disaster Recovery Site:** Disaster Recovery Site is a complete backup of Data Center of the bank. Customer data will be secured by DR site if any unwanted disaster happens in Data Center. In situations like encountering disaster, ICT Division can drive the Banking service through Disaster Recovery Site. FSIBL has established DR site and inaugurated on 4th June 2015. ICT Division also operated banking service from DR site in periodical interval.
6. **Green Banking:** Today's banking system is all about being friendly to the environment. That requires us to invest on environment friendly projects and adopt smart banking ways like 'Internet Banking', Mobile Banking', Agent Banking, 'e-Statement' etc. FSIBL is also working towards new concepts like paperless banking and deriving energy from alternate source (non-conventional source) like solar energy to adopt the concept of "Green Banking" in achieving a better tomorrow for the future generation.
7. **In-House Software Development:** ICT Division has developed 26(twenty-six) in-house software such as ISS Reporting, PA Management, Bond Management, Online CIB Report, FOREX Management, ICT inventory system, etc. with its in-house development team. All of the software are running successfully within FSIBL environment. The in-house software team is also responsible for various types of reporting to Bangladesh Bank and other regulatory organizations. Whole team is working on in-house development so that the Bank can reduce cost by maintaining data integrity and smooth services. The team is also contributing in automation of manual tasks and creating a coziest working environment.
8. **Website up-gradation:** ICT Division has successfully developed its website and migrated from static to dynamic form by its own in-house software development team. Our new Global Webpage (www.fsiblbld.com) is a fully dynamic website operated with Professional Advanced Dynamic Secured Admin Panel/Dashboard. In this site visitors can understand the full overview of our Bank by browsing with user friendly front design. We have integrated the Social Media, Contact and Complain form, Google Map Location Indicator, Form Download, Banks Latest News, I-banking/ Mobile Banking/Webmail Login Link etc.
9. **IT LAB Establishment:** Now-a-days each and every part of banking industry needs Information and Technology related support. So, ICT Division has established the IT Lab in the Training Center for training arrangement of ICT and non-ICT background employees of FSIBL. Already several in-house and outsourced training have been performed in the IT Lab successfully. Employees with IT background have been given outsourced training so that they could train up the non-IT background people for development.
10. **FSIBL CLOUD:** FSIBL ICT Division always tries to introduce attractive and innovative feature to FSIBL Customer to make banking easier using modern technology. In continuation of this, FSIBL ICT Division introduced mobile banking application for valued client which been launched on March 25, 2019 facilitated with attractive banking features like Fund Transfer, QR pay, Mobile Recharge, Utility Bill Payments, Credit Card Bill Payments and many others. This app is trademarked with the name FSIBL CLOUD. At present 30 Thousand customers are doing daily banking by this Application and this statistical line going upward sharply which indicates the vast reputation among the customers.
11. **FUND Transfer through NPSB:** This service is to facilitate transfer fund instantly from their FSIBL account/Card to other bank's account/card through NPSB (National Payment Switch Bangladesh). NPSB is processing Internet Banking Fund Transfer (IBFT) transactions. An account/card holder can transfer funds (account to account/card) to other Banks through internet banking.



12. FSIBL Yellow Pages: ICT Division developed an in-house mobile app that is “FSIBL Yellow Pages” for its employees which is developed by its in-house software developer to provide distinguished facility to the employees of FSIBL. At present, FSIBL Yellow Pages will aid you to communicate effectively among all officers and executives of FSIBL. In near future, getting cheque/card requisition from employees of FSIBL, disclosure of more personal information such as leave and others will be introduced in this apps.

13. Other major activities and performance of ICT Division:

- i. New Version Up gradation of BankUltimus is successfully done. Now Bank ULTIMUS 2.1.6.2 version is running at Head office and all branches.
- ii. Customizing day to day reports needed by Bank Management as well as required by Bangladesh Bank.
- iii. BACH-II Implementation has been completed.
- iv. Automated Exchange Position is being implemented.
- v. Control center Implementation for EOD process is accomplished.
- vi. Site-to-Site VPN establishment with Utility service.
- vii. Migration of Head Office by implementing state of art of modern structure cabling system and network infrastructure as well as face detection bio-metric access control system.
- viii. E-KYC pilot project successfully completed.
- ix. Acuity database has been successfully implemented with our CBS system.

14. Training and Achievements :

FSIBL ICT Division arranges training on regular interval for branch personnel and in-house personnel. This training programs usually occurs at Lab of ICT Division, FSIBL Training Institute and other regional training institute. These trainings are held based on topics like ICT (Information and Communication Technology), CARD and ADC, IT Security and Fraud Prevention, DC and DR Site Management, Protection against Cyber Attacks, IT VAPT in Banks, Red Hat Certified System Administrator (RHCSA), Red Hat Certified Engineer (RHCE),etc. This year among the participants 10 (ten) officials successfully accomplished internationally recognized RHCSA certification and 07(seven) officials accomplished RHCE certification.

15. Branch Expansion :

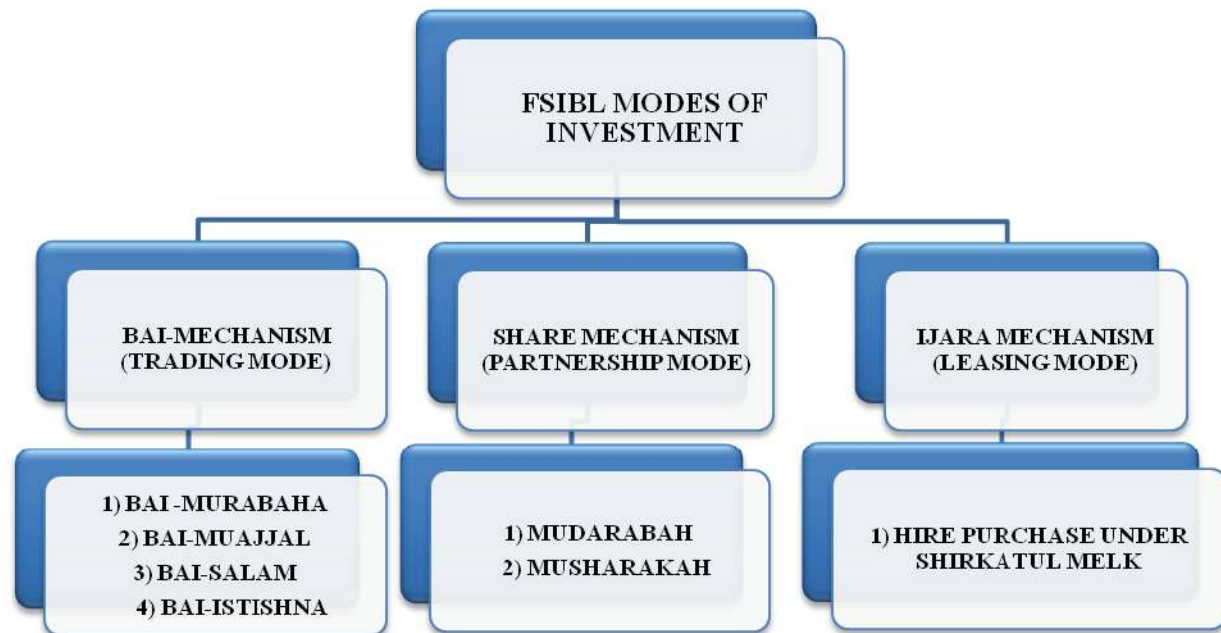
07(Seven) new branches have been opened during the year 2019 at different commercially important location of the country and thus the total number of branches have been increased to 184. All the branches are connected with Data Center with auto redundant dual channels to facilitate real time online banking. Besides this two new collection booths have been established for client satisfaction. New Branches which were opened in the year 2019 are –

Patkelghata Branch, Khulna; Raozan Branch, Chattogram; Noapara Branch, Sylhet; Corporate Branch, Dhaka; Dakbangla Branch, Khulna; Shaharstri Branch, Chattogram; Badalgachi Branch, Rajshahi.

INVESTMENT MODES OF FSIBL

FSIBL is a financial institution which identifies itself with the spirit of Shariah, as laid down by the Holy Quran and Sunnah, as regards its objectives, principles, practices and operations. Islamic banking has been defined as banking in consonance with the ethos and value system of Islam and governed, in addition to the conventional good governance and risk management rules, by the principles laid down by Islamic Shariah. Interest free banking is a narrow concept denoting a number of banking instruments or operations, which avoid interest. Islamic banking, the more general term is expected not only to avoid interest-based transactions, prohibited in the Islamic Shariah, but also to avoid unethical practices and participate actively in achieving the goals and objectives of an Islamic economy.

Following are the main modes of FSIBL investment:



BAI-MECHANISM (TRADING MODE)

BAI-MURABAHA (Cost Plus Agreed Profit)

Literally Bai-Murabaha means a sale on mutually agreed profit. Thus it is a contract between a buyer and seller under which the seller sells specific goods permissible under Islamic Shariah and Law of the land to the buyer at a cost plus agreed profit payable in cash on any fixed future date in lump sum or by installments.

BAI-MUAJJAL (Deferred Payment Sale)

Literally Bai-Muajjal means credit sale. It is a contract between Buyer and Seller under which the seller sells certain specific goods (permissible under Shariah and Law of the country), to the Buyer at an agreed fixed price payable at a certain fixed future date in lump sum or within a fixed period by fixed installments. The seller may also sell the goods purchased by him as per order and specification of the Buyer.

BAI-SALAM (Purchase with Deferred Delivery)

Bai-Salam means a contract in which advance payment is made for goods to be delivered later on. This is export finance. Bai-Salam is a term used to define a sale in which the buyer makes advance payment, but the delivery is delayed until sometime in the future. Usually the seller is an individual or business and the buyer is the bank. The object of this sale are goods and cannot be gold, silver or currencies.

BAI-ISTISHNA (Made to Order)

Bai-Istishna is a contractual agreement for manufacturing goods and commodities, allowing cash payment in advance and future delivery or a future payment. Istishna can be used for providing the facility of financing the manufacture or construction of houses, plants, projects and building of bridges, roads and highways.

SHARE MECHANISM (PARTNERSHIP MODE)

MUDARABAH

The term 'Mudaraba' has been derived from Arabic word which means 'Travel'. Thus the word 'Mudaraba' means 'Travel' for undertaking business. A form of partnership where one party provides the funds while the other provides expertise and management. The provider of capital is called "Shahib al-maal", while the provider of skill and labour is called "Mudarib". Any profits accrued are shared between the two parties on a pre-agreed basis, while loss is borne only by the provider of the capital.

MUSHARAKAH

The word Musharaka has been derived from the Arabic word 'Shirkat' or 'Sharikat' (Shirk). In Arabic, Shirkat or Sharikat or Shirk means partnership or sharing. Musharakah means a relationship established under a contract by the mutual consent of the parties for sharing of profits and losses in the joint business. Every partner has to provide more or less equity funds in this partnership business. Both the Bank and the investment client reserve the right to share in the management of the business. But the Bank may opt to permit the investment client to operate the whole business. In practice, the investment client normally conducts the business. The profit is divided between the bank and the investment client at a predetermined ratio. Loss, if any, is to be borne by the bank and the investment client according to capital ratio.

IJARA MECHANISM (LEASING MODE)

IJARA

The term Ijarah means consideration, return, wages or rent. This is really the exchange value or consideration, return, wages, rent of service of an asset. The mode under which any asset owned by the bank, by creation, acquirement or building-up is rented out is called Ijara. In this mode, the client pays the Bank rents at a determined rate for using the assets/properties and returns the same to the Bank at the expiry of the agreement. The Bank retains absolute ownership of the assets/properties in such a case. However, at the end of the period of Ijara, the asset may be sold to the client at an agreed price.

HIRE PURCHASE UNDER SHIRKATUL MELK (Participatory Ownership)

Shirkat means partnership. ShirkatulMelk means share in ownership. When two or more persons supply equity, purchase an asset, own the same jointly, and share the benefit as per agreement and bear the loss in proportion to their respective equity, the contract is called ShirkatulMelk contract. Hire Purchase (participatory ownership) mode both the Bank and the client supply equity in equal or unequal proportion for purchase of an asset like land, building, machinery, transport etc. Purchase the asset with that equity money, own the same jointly; share the benefit as per agreement and bear the loss in proportion to their respective equity. The share, part or portion of the asset owned by the Bank is hired out to the client partner for a fixed rent per unit of time for a fixed period. Lastly the Bank sells and transfers the ownership of its share/part/portion to the client against payment of price fixed for that part either gradually part by part or in lump sum within the hired period after the expiry of the hire agreement.

QUARD

Quard means loan without interest. It is a mode to provide financial assistance/ loan with the stipulation to return the principal amount in the future without any increase thereon. Here bank just takes the service charge in return.

QUARD-E-HASANA (Good Loan)

This is a loan extended on a goodwill basis, and the debtor (client) is only required to repay the amount borrowed. However, the debtor may, at his or her discretion, pay an extra amount beyond the principle amount of the loan (without promising it) as a token of appreciation to the creditor (bank). In the case that the debtor does not pay an extra amount to the creditor, this transaction is a true interest-free loan.

GREEN BANKING (SUSTAINABLE BANKING)

Green banking is a new dimension of Banking. It has now been identified as one of the key drivers of environmental friendly sustainable economic growth of Bangladesh. Economic development and environmental issues are very closely related and it is really a challenging issue to keep balance between these two. Innovative sustainable finance products and to support activities which are not hazardous to the environment are the main focus of this new dimension of Banking.

Being a progressive & responsible corporate house of the country First Security Islami Bank Ltd. believes a single step taken today would go a long way to build our future more green. These responsibilities power us to set a very clear vision to promote Sustainable Financing to safe guard the environment from the unusual weather patterns, raising greenhouse gas (GHG), declining air quality. Our bank has also come forward proactively for policy formulation and implementation, budget allocation and utilization, environmental & social risk rating (ESRR), sustainable financing, and utilization of climate risk fund in the most effective manner. Our bank had taken some green events like “FSIBL Sobuj Upokul” for mitigation of climate risk. But now we forward our vision to aware the coastal farmers and coastal area people by providing weather information daily using our Climate Risk Fund. Farmers, fishermen and other coastal area people is the direct and indirect beneficiary of this endeavor. Beside these, First Security Islami Bank allocates the fund of green marketing and capacity building. Moreover, online banking, mobile banking and in-house environment management have been considered the same priority in our bank.

MANAGEMENT INFORMATION SYSTEM

Management Information System (MIS) division usually provides the information accurately, timely and consistently as required to the management of First Security Islami Bank Ltd. and regulatory body like Bangladesh Bank for achieving the overall efficiency, transparency and speedy decision making which enhances quality of operations and quality of services.

This division not only collects information from day to day business operation as per requirement of the Management and the Bangladesh Bank but also coordinates among the concerned stakeholders of the data/information. Apart from this, conformity with BB's requirements MIS division uploads ISS report & variety of RIT (rationalized input template), DBI (department of bank inspection) Template and any other template when required to the web portal of Bangladesh Bank under enterprise data warehouse (EDW).

Preamble of PAYMENT SYSTEM DIVISION:

Position of interbank payment and settlement system lies after cash transactions which arise from the exchange of goods and services for settling the financial obligation. Through this system a client can keep the economic system viable for exchanging the financial transactions with other business client/businessman or individuals. Well-functioning payment systems ensure the efficient and safe execution of monetary policy operations and facilitate the smooth and homogenous transmission of monetary impulses. The smooth functioning of payment systems is a precondition for users' confidence in these systems and, ultimately, public confidence in the currency. **Central banks would extend their concern toward the safe and efficient use of payment instruments with a view to maintain public confidence in the currency and ensure its smooth circulation.**

According to the Section 7A (e) of the Bangladesh Bank Order, 1972; one of the main functions of the Bangladesh Bank is - "to promote, regulate and ensure a secure and efficient payment system" In fulfilling this mandate and considering the importance, Payment Systems Department (PSD) has been formed on 26 July 2012, prior to this it was a section under Department of Currency Management and Payment Systems *Presently Payment system Department is running by the "Payment and settlement systems regulations 2014" which is approved by the Bangladesh bank and now it is under the consideration of Government for a legal framework.* (Source: General Manager, PSD, Bangladesh Bank, provided the article on 13rd December 2017 at BBTB)

To make safe, secured and efficient the transactions of interbank payment and settlement, Bangladesh Bank introduces global standard modern technology based payment system. In one side clients are increasing and other side trade and business is also increasing day by day for introducing this type of modern payment system. Presently a gross number of populations have come under the umbrella of this system. Due to the financial inclusion activities of government most of the people is now under the bank/mobile bank accounts holder.

Formulation of Payment System Division of First Security Islami Bank Ltd:

Circular issued on Feb 16, 2017 from HRD, Head Office as a division named Payment System Division (PSD) combining three individual units BACH, BFETN & RTGS. It is working under Head Office as a separate division and its location is 23, Dilkusha C/A, Dhaka-1000. Before forming Division, it was under FSIBL Dilkusha branch, Dhaka. PSD deals with the interbank fund transfer electronically. CPS (Cheque processing System) and EFT (Electronic Fund Transfer) are done through BACH Program and for BACH program software vendor is Flora Limited. Connecting with Bangladesh Bank PBM (Participating Bank Module) BACH program runs with a server of DC (Direct Connectivity), a server of DR (disaster recovery), and for connectivity Bangla Phone, Square IT and for redundant line Link-3 is used. BACH runs with net settlement basis and RTGS for gross settlement basis. Treasury Division monitors the net settlement figures of BACH & EFT for maintaining the sufficient balance in Bangladesh Bank account daily and Dilkusha branch monitors clearing house adjustment account and B. Bank account as both are maintained with them. Our all branches are directly connected with clearing house adjustment account. Outward total figure of a branch debited and inward credited automatically and become zero when all branches completed their clearing processing at the end of the day.

RTGS starts taking fund from B. Bank every day and settled with b. bank account maintained with Dilkusha branch through CA/DA.

Electronic Payment and Settlement System:

The people of our country are habituated mainly with cash transaction. Most of the retail payments are done in cash. Some of the business institutions and persons use cheque. Popular Electronic media of payments are BACPS, EFT, RTGS etc. We use RTGS for settling large value payment instantly. At present there are many retails and a large value inter- bank payment and settlement system in our bank which are discussed below:

Bangladesh Automated Cheque Processing System (BACPS):

Launched in 2010 Bangladesh Automated Cheque Processing Systems (BACPS) replaced country's traditional cheque clearing system with state-of-the-art cheque Imaging and Truncation (CIT) technology. BACPS enabled inter-bank cheques or paper based instruments to clear and settle within one day throughout the country. **There are two clearing wings available under BACPS, cheques valued tk.5,00,000/- (Five lac) or above may be cleared in High Value (HV) same day clearing window and other cheques may be cleared at a regular value (RV) clearing window, for which customer may get the fund next day.**

Since inception there was no cheque processing charges, but later on 2012 impose service charges. These charges are realized from the client's accounts and divided it into presenting bank and Bangladesh bank. We have realized the charges from the branches as per list provided from Bangladesh bank.

Charges of clearing schedule below: **Value of cheque below 50 thousand charges free.**

Session	Scheduled Bank	B.Bank.	VAT	Total taka
HV	8.50	50.00	1.50	60.00
RV	1.70	8.00	0.30	10.00
RV(Above 5 lac)	4.25	20.00	0.75	25.00

Average monthly transaction through BACH the following number of High Value and Regular Value cheque is presented and cleared through clearing house of Bangladesh Bank.

Monthly Average transaction through BACPS(2019)			
Inward		Outward	
No of Cheque	Amount in taka(Crore)	No of Cheque	Amount in taka(Crore)
29070	7332	28019	7447

Every day average 1660 cheque is being processed through BACPS whose value in tk. 671 crore.

Latest changes in BACPS:

Make the process of BACPS dynamic and timely, updated version of BACH system BACH-2 has been launched on 24th October, 2019 this year. Very soon FC cheque processing will be started like BDT cheque and it will be treated as High Value session. Five currencies: USD, GBP, EURO, JPY, CAD (both of cheque and DD) will be included.

BEFTN (Bangladesh electronic Fund transfer network):

EFT inaugurated in our country in 2011. BEFTN is highly reliable and efficient nationwide BACH- oriented electronic fund transfer system, which facilitates interbank payment, clearing and settlement of electronic credit as well as debits. Electronic fund transfer (EFT) is an instruction based payment mechanism and is designed to operate in end to end electronic payments environment.

EFT Credit transaction:

In EFT credit transfers, the originator instructs his/her/its bank to debit account his/her/its accounts and transfer the funds to a receiver's account. Payroll Corporate and Government, dividends/ interests/refund payments, vendor payments, Governments payments are examples of EFT Credit transactions.

EFT Debit transaction:

In EFT debit, the originator instructs his/her/its bank to collect payments from a receiver's (paying party), often on a recurring basis. Utility bill payments, mortgage/ loan installment payments, insurance premiums payments etc are the example of EFT Debit.

BEFTN facilitates the transmission of payments between the banks electronically, which makes it faster and efficient means of inter-bank clearing over the existing paper-based system i.e. BACPS. It is able to handle a wide variety of credit transfers such as payroll, foreign and domestic remittances, social security, company dividends, retirement, expense reimbursement, bill payments, corporate payments, government tax payments, social security payments and person to person payments. The system could handle debit transfers such as mortgage payments, loan payments, insurance premiums, utility bill payments, government tax payments, government licenses and fees.

Present Activities of FSIBL EFT Team:

We are centrally processing inward EFT. In inward we are processing foreign and interbank remittances. We receive foreign remittance from our International division and we process it through BACH Program to the beneficiary end through Bangladesh bank.

Activities:

<u>Receive foreign remittances from the following companies:</u> <ul style="list-style-type: none"> Italy exchange House Al Muzaini Transfast BracSajan Xpress Money Placid 	<u>Dividend Payment:</u> <ul style="list-style-type: none"> First Security Islami bank limited (FSIBL) Northern General Insurance Company Ltd S. Alam Cold Rolled Steels Mills Ltd FAS Finance 	<u>Other Services:</u> <ul style="list-style-type: none"> Share sale: Alhaj securities Share sale: Rapid securities Salary of Kamrunnessa High School BANBEIS (Bangladesh Bureau of Educational Information and Statistics): Retirement benefit and welfare fund of the teachers Sandhani Life Insurance Co. Ltd (Premium payment)
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In EFTN (2019) per day the following number of transactions processed and settled:

Average Number of transaction per day (inward & outward)	Average Taka in Crore per day
3500	12 Crore

In EFT Bangladesh Bank instructed all the banks not to realize any kind of charges. Many of us think that though it is an easy and secured payment system but it is not becoming popular for not having the scope of realizing commissions.

Recent changes in EFT:

- Now in EFT transaction Bangladesh Bank has started (02) two EFT sessions daily. 2nd settlement within 2.00 pm and 1st settlement next day at 10.00 am. FC EFT clearing will also be started very soon in (01) one session.
- Linking mobile financial services through EFT. Different types of G2P—(Government to person)—payment (social security payment and salaries of government service holders) to the mobile account through EFT.
- Recently mobile Apps FSIBL CLOUD has been launched for increasing customer service and availability of banking service to all. Using this app, the customer can transfer money, loan installment and credit bill etc. through BEFTN process by sitting at home.

Bangladesh Real Time Gross Settlement (BD-RTGS) System:

BD –RTGS is an electronic inter-bank fund transfer network where transfer of funds take place from one bank to another on a ‘real time’ and on ‘gross’ basis. Settlement in real time means transaction is not subjected to any waiting period. Gross settlement means the transaction is booked in central bank’s account on one to net basis without netting with any other transaction. BD-RTGS system accommodates high value (Tk.1 lac and above) and domestic foreign currency transactions in five different currencies.

In this system Bangladesh bank not receiving any charges but originating bank is receiving highest tk. 100/- as charge from the clients. By using this system average 266 number of transactions per day is initiated by our bank whose value in tk.10.00 crore. In future, Government bill and bond purchase will be possible by this system.

FSIBL RTGS Activities:

At the inception of RTGS inward is operating centrally. All of our 184 branches send RTGS transaction to central team and it transmitted to Bangladesh bank for settlement and then B. bank send it to the receiving bank. Any return issue is solved within 30 minutes. Financial institutions and persons can transmit funds for fulfilling their needs. ASYCUDA (The Automated Systems for Customs Data) implemented for collecting custom duty. By using this system every commercial banks can send customs duty to the Sonali Bank local Office.

Recent changes in RTGS:

Recently mobile Apps FSIBL CLOUD has been launched for increasing customer service and availability of banking service to all. Using this app, the customer can transfer money, loan installment and credit bill etc. through RTGS process by sitting at home.

RISK MANAGEMENT

Risk is an opportunity as well as a threat. In the first decade of 21st Century, The financial services industry in many parts of the world faced upheavals and challenges in the financial market. Although most financial institutions were able to survive and to cope with that, many including some renowned and well-known institutions were not. The key difference between the survivors and non-survivors was risk management.

Risks are the potential that an uncertainties, event, action or inaction will adversely impact the ability of an entity to achieve its organizational objectives.

Risk management may be defined as the process of identification, analysis, assessment evaluation, monitoring, reporting and controlling or mitigating of all material risks effectively and efficiently followed by coordinated and economical application of resources.

Risk management is a discipline at the core of every enterprise and encompasses all activities that affect its risk profile. However, this function needs not to be uniform across all banks. The definition of a sound or adequate risk management system is ever changing, as new technology accommodates innovation and better information and as market efficiency grows.

Hence, First Security Islami Bank Limited has set up a separate and independent 'Risk Management Division' with required number of skilled officers and executives as per Risk Management Guidelines for Banks issued by Bangladesh Bank. There are two types of risk management committee in the bank: Board Risk Management Committee (BRMC) and Executive Risk Management Committee (ERMC).

'Board Risk Management Committee (BRMC)' comprises of one honorable vice-chairman of the bank as chairman and two directors as member. The committee defines the risk appetite for the bank, designs organizational structure to manage risk within the bank, reviews and approves risk management policies, enforces and uses adequate recordkeeping and reporting system, and monitors compliance of overall risk management in the bank.

'Executive Risk Management Committee (ERMC)' comprises of thirteen (13) members where an Additional Managing Director is chairman of the committee. The committee sets targets for capital ratio and capital composition, manages the balance sheet and funding structure, develops risk policies for business units, determines overall investment strategy, and identifies monitors and manages bank's current and potential operational risk exposures. Another senior management level committee is 'ALCO (Asset Liability Management Committee)' that supervises/manages market risk of the bank.

The Risk Management Division is furnished with eight different desks covering core functional areas of the bank such as Investment Risk Management (IRM) Desk, Foreign Exchange (FX) Desk, Asset-Liability Management (ALM) Desk, Internal Control & Compliance (ICC) Desk, Stress Test Desk, AML & CFT Desk, Capital Management Desk, and Information & Communication Technology (ICT) Desk. The Division prepares the monthly and half yearly 'Risk Management Report' that is discussed thoroughly in the monthly and half-yearly Risk Management Committee meeting and submitted to Bangladesh Bank accordingly along with the minutes of the meetings. A 'Risk Analysis Statement' that presents the current scenario of the bank is also prepared based on the monthly and half-yearly report and submitted to BB. The Division prepares the yearly 'ICAAP Report' as required by Bangladesh Bank (BB) that is also discussed with importance in the Board meeting and submitted to Bangladesh Bank on yearly basis within 31 May after being duly approved by Board. A 'Supervisory Review Process (SRP) Team' constituted with 12 members of whom the honorable Managing Director is the Chairman participates in the Dialogue with 'Supervisory Review Evaluation Process (SREP) Team of BB' to determine the adequate level of capital needed for the bank based on the ICAAP report and Supplementary documents as and when convened by them. A quarterly 'Stress Testing Report' as required by Bangladesh Bank is prepared which is discussed with importance in the Board meeting and submitted to Bangladesh Bank on quarterly basis duly approved by Board.

This Division prepared Risk Management Guidelines of FSIBL 2015 following the Risk Management Guidelines for Banks provided by Bangladesh Bank. This guideline has been revised as Comprehensive Risk Management Guidelines of FSIBL, March 2019 following the DOS Circular No. 04, October 08, 2018, Bangladesh Bank's Revised Core Risk Management Guidelines and other risk related guidelines.

In Comprehensive Risk Management Rating conducted by BB as of 31.12.2018, FSIBL was in better position. The division is always vigilant to find out the ensuing and provable risks of the bank and to overcome that by following up and complying with BB.

First Security Islami Bank Limited SOBAR JONNO SOB SOMOY (Always for Everyone) SME Banking Background First Security Islami Bank Limited (FSIBL) was incorporated as a conventional bank on 29 August 1999 in Bangladesh. It converted its traditional banking operations into Islamic Banking based on Islamic Shariah on 01 January, 2009. FSIBL has total 184 branches to serve the corporate as well as CMSME clients located throughout the country. SME Banking Profile First Security Islami bank Ltd. provides collateral free SME loans from BDT 50,000 to BDT 500,000 with special consideration for women entrepreneurs and also up to BDT 3,000,000 to SMEs having sufficient sales turnovers. It has made participatory agreements with Bangladesh Bank to facilitate its clients with CMSME (Cottage, Micro, Small, and Medium Enterprise) investments at competitive mark up profit under Bangladesh Bank's Refinance Schemes, such as Bangladesh Bank Fund, Islamic Refinance Fund and JICA fund. It also extends SME investment on cluster basis with primary focus on CMSME sectors like boutique, mushroom, dry fish, flower, handloom, salt, cottage industries etc. FSIBL has established "SME Dedicated Desk" and "Women Entrepreneur Dedicated Desk" for facilitating SMEs' access to funding. It also organizes different SME related trainings for its SME Dedicated Desks' officials to enable them to locate and serve new CMSME clients belong to diversified sectors at branch level. Besides, the bank has opened two branches - "Mohila Branch" and "Patiya Mohila Branch" in Chattogram to serve women entrepreneurs which are operated exclusively by female executives/officers. It attracts CMSME women entrepreneurs by providing investment at 9% mark up profit under refinance scheme. FSIBL is now concentrating for extending Disbursement favoring "New Entrepreneurs" and "Entrepreneurs of Ethnic Groups of Bangladesh" and increasing SME investment facilities in favour of them.	SME Financing Starting Year	2006.
	SME Branches	184.
	Manpower (Dedicated to SME)	200.
	Total SME Clients (Jan 2019-Dec'2019)	5,763.
	Disbursement (Jan'2019 to Dec 2019)	Total BDT 33,883.00 Million Women BDT 1475.50 Million
	CMSME Outstanding as on 31/12/2019	BDT 35,133.20 Million
	Focused Sectors	Light Engineering Handloom and Textile Furniture and Fixtures Vehicle Accessories Cluster Industries Investment towards Women Entrepreneurs etc.
	SME Head	Mr. Shafaiat Ahmed Chowdhury Senior Vice President
	Contact Details	First Security Islami Bank Ltd., Head Office: Rangs RD Center, Block# SE(F), Plot# 03, Gulshan-01, Dhaka-1212.
	Phone	+88 02 55045715.
	E-mail	headofsme@fsiblb.com sme@fsiblb.com
	Website	www.fsiblb.com

SME AND AGRICULTURAL INVESTMENT DIVISION

CMSME (Cottage, Micro, Small & Medium Enterprise) Activities:

At this age of globalization the role of small & medium enterprises are very vital in the economical development of the country. In order to generate employment opportunities, enhancement of GDP growth, alleviation of poverty & income disparity and above all for economic development by way of optimum utilization of natural and economic resources, the contribution of small & medium sectors are immense. Present Government along with Bangladesh Bank have identified SME as potential/ thrust sector.

In the recent years, the bank's investments in CMSME (Cottage, Micro, Small & Medium Enterprise) sectors have been gradually increasing simultaneously. The cumulative outstanding investment amount in SME have stood at Tk.3,513.32 crore (Taka Three Thousand Five Hundred and Thirteen Crore & Thirty Two Lac) only as at 31st December, 2019. Moreover, Our bank have already disbursed in mushroom cultivation at Savar, textiles production at Madhabdi, salt production at Patiya & dry fish processing cluster at Cox's Bazar to foster Cluster based investment. In addition, proposal is under process for investing in the light engineering sector at Bangshal and Hosiery sector at Narayanganj as cluster investment.

First Security Islami Bank Ltd. has been relentlessly working to execute SME investment activities as per direct supervision and directives of Bangladesh Bank. In this connection, our bank has been actively participating at different SME workshop, Training, SME Fair, Women Entrepreneur Fair; Product Exhibition Fair along with SME related various activities.

Women Entrepreneurs:

More than fifty (50%) percent of the population of Bangladesh are women. If employment opportunities can be generated for such large portion of womenfolk, it will open up the opportunities of their creative talent and skill in one side and on the other will help to generate income, which in turn will contribute towards the development of socio economic condition of the country positively.

In this context, First Security Islami Bank Ltd. has taken all out initiative to invest in women entrepreneurs of cottage, micro and small sectors. In addition, the bank has also opened two ladies branches which are situated at Kazir Dewri and Patiya of Chattogram in order to facilitate the women entrepreneurs.

The total invested amount of our bank extended to the Women Entrepreneurs is BDT133.73 Crore (Taka One Hundred Thirty Three Core and Seventy Three Lac) only up to 31st December'2018, which has subsequently been enhanced up to BDT147.55 Crore (Taka One Hundred Forty Seven Crore and Fifty Five Lac) only as at the end of year-2019 (i.e.31.12.2019)

Apart enhancement of investment for the women entrepreneurs, our bank has also been participating in different fairs from time to time in order to acquaint with the products and services of women entrepreneurs financed by our bank. Accordingly during year 2019 our bank has also actively participated in Banker-SME Women Entrepreneurs & products display fair.

Agricultural Investment

Agriculture sector plays an important role in overall economic development of the country. Agriculture is a major employment generating sector. According to Bangladesh Economic Review 2018, the broad agricultural sectors like Crops cultivation, Livestock, Fishing, Poultry Farming etc. contributes 14.23% to GDP, provides employment for 40.62% of the labor force of the country. The role of this sector is also significant in the macroeconomic stability of the country like creation of employment, poverty alleviation, Human resources development and Food security of the country. Even, agriculture has a significant role to mitigate adverse effects of environmental degradation and climate changes. In this connection, First Security Islami Bank Limited is keeping contribution in the national economy by disbursing Investment in the agricultural sector since inception. In the last Fiscal Year 2018-2019, our bank has disbursed in agricultural sector for Tk.445.47 Crore, which was 51% more disbursement than the previous Year. Our bank is concentrating more on the various sub sectors of agriculture like Crops, Fisheries, Livestock, Dairy, Poultry, Mushroom cultivation, procurement of agri machinery and irrigation equipment. Moreover, bank is also continuing to facilitate disbursement of investment at concessional rate of profit @4% to the high yield value crops (like pulses, oil seeds, spices, maize etc.) as per the instruction of Bangladesh Bank.

Statement of Training Programs Organized by FSIBL Training Institute (Dhaka, Chattogram, Khulna & Rajshahi) in 2019

Sl. No.	Training Title	Duration	No. of Participant
1.	46 th Foundation Course for TJO	25 days	38
2.	Workshop on Leadership & Branch Mgt	01 day	45
3.	Training for officials of IC&C, AML & CFT division	01 day	50
4.	29 th Foundation course for TACO	10 days	48
5.	30 th Foundation course for TACO	10 days	47
6.	Training on general banking operations	3 days	38
7.	Training on ICT	4 days	45
8.	Training on Foreign Exchange & International Trade Financing	8 days	38
9.	Workshop on Guidelines on Internal Credit Risk Rating System [ICRRS]	01 day	41
10.	Workshop on CMSME & Agriculture Investment	01 day	50
11.	Workshop on Irregularities & Common Mistakes in Foreign Exchange Transactions Reporting	01 day	45
12.	Training on ICT for Rajshahi & Barishal zone	4 days	53
13.	Workshop on Guidelines on Internal Credit Risk Rating System [ICRRS]	01 day	46
14.	Workshop on Guidelines on Internal Credit Risk Rating System [ICRRS]	01 day	46
15.	47 th Foundation Course for TAO	25 days	37
16.	Workshop on Automated Daily Exchange Position and Discussion on Trade Based Transaction	01 day	45
17.	Workshop on "BACH-II (CPS & BEFT)	01 day	123
18.	Workshop on SME & Agri, Investment policy & statement submission to BB	01 day	50
19.	48 th Foundation Course for TJO	24 days	34
20.	Pre Managerial Training Course	10 days	36
21.	49 th Foundation Course for TAO	20 days	41
22.	Workshop on Investment Classification	01 day	42
23.	Workshop on Investment Classification	01 day	41
24.	31 st Foundation Course for TACO	10 days	49
25.	Foundation course for ICT Officers	14 days	29
26.	Training On "General Banking Operation" (Chattogram)	5 days	55
27.	Training on "Cash Management". (Chattogram)	3 days	53
28.	Training Course on "ICT & Alternative Delivery Channel (Chattogram)	4 days	56
29.	Training On "Investment Procedure" (Chattogram)	5 days	56
30.	Training Course on "International Trade Payment & Finance" (Chattogram)	5 days	54
31.	Workshop On SME, Agri, Rural Credit Policy & Charging of Securities & Preparing of charge Documents as per IRM Guideline of BB & Shariah Principle (Chattogram)	2 days	55
32.	Workshop on "ICRR" (Chattogram)		61
33.	Workshop On "CMSME, Agri Rural Policy as per Guideline of BB (Chattogram)	2 days	56
34.	Meeting Of AMLD with ICC Division Chattogram Unit (Chattogram)	01 day	19
35.	Workshop on "BACH-2(CPS-BEFT) (Chattogram)	01 day	56
36.	Training On "General Banking Operation" (Chattogram)	5 days	56
37.	Training on "Investment Procedure" (Chattogram)	5 days	56
38.	Workshop on "Anti Money Laundering & Combating the financing of Terrorism Issues" (Chattogram)	01 day	63
39.	Training On" ICT & ADCD" (Chattogram)	4 days	60
40.	Training On "Cash Management (Chattogram)	3 days	47
41.	Workshop on 1) Investment Classification & Exercise on Investment Classification 2. "Documentation & Perfection of Securities" (Chattogram)	2 days	56
42.	Workshop on "Shariah Compliance in Islamic Banking Operation" (Chattogram)	01 day	56
43.	Training on Information and Communication Technology (ICT) (Khulna)	04 days	49
44.	Workshop on "Guideline on Internal Credit Risk Rating System (ICRRS)" (Khulna)	01 day	46
45.	Training on Investment Procedure & Trade Financing (Khulna)	06 days	30
46.	Workshop on AMLD & CFT Issues (Khulna)	01 Day	50
47.	Investment Procedure & Trade Financing (Rajshahi)	06 days	26
48.	Anti-Money Laundering & Combating the Financing of the Terrorism Issues (Rajshahi)	01 day	34

SUB-COMMITTEES OF BOARD

There are following three sub-committee of the Board of Directors:

Executive Committee

The Executive Committee is comprised of 4 members of the Board. The Committee takes decision on emergency matter as and when required and assists the Board of Directors to fulfill their responsibilities such as to set objectives, strategies and overall business plans for effective functioning of the bank. During the year 2019, the Executive Committee conducted 2 meetings.

Audit Committee

The Audit Committee is comprised of 03 members from the Board. The committee reviews the financial reporting process, the system of Internal Control, Management Information System, Risks Management, the Bangladesh Bank, Internal & External Audit Reports, Audit process, compliance with laws and regulations and bank's own code of conduct. During the year 2019, the Audit Committee conducted 5 meetings.

Risk Management Committee

A high-powered Committee named "Risk Management Committee" was formed in November, 2013 consisting of 3 members of the Board as per BRPD circular No. 11 dated 27 October, 2013 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. It may be mentioned that the committee already sat in 4 meetings in 2019.

Other Committees

To assist the Managing Director for smooth operation of the Banking activities, the Board of Directors has constituted several committees comprising competent members from Management. The main committees are grouped into Senior Management Team (SMT), Asset Liability Committee (ALCO) and Investment Committee. All the Committees are constituted headed by the Managing Director along with Additional Managing Directors, Deputy Managing Directors, SEVP, EVP, SVP, VP, FVP and other executives of different status.

The Senior Management Team scrutinizes all the cases thoroughly before referring to Executive Committee/Board for due approval/decision. The Asset Liability Committee is entrusted with the responsibility of managing short-term and long-term liquidity and ensuring adequate liquidity at optimal funding cost. The Investment Committee is involved with detailed review and scrutiny the investment proposals for onward submission to the Board for decisions.

Treasury Operation and Fund Management

Treasury management of banks includes the mobilization of funds and investing those funds in a way to maximize bank's profitability by maintaining required liquidity. Treasury operations now have become more significant and challenging than ever before in an environment of increasing financial risks. Thus, the changing circumstance demands a greater emphasis on efficient treasury management from the viewpoint of both banks and regulatory authorities. In order to carry out treasury functions effectively and efficiently, treasury functions are segregated into front-office, mid-office and back-office. Treasury division is responsible to maintain regulatory requirements like CRR, SLR etc. Besides, Treasury Division is deal with foreign exchange, Islami Interbank Fund Market operations and also maintains regulatory requirements with regulatory body.

Asset Liability Management

Asset Liability Management (ALM) is an integral part of Bank Management and it is essential to have a structured and systematic process for managing the Balance Sheet. The Asset Liability committee (ALCO) of our bank consists of the senior executives chaired by the Managing Director, and the head of Treasury is the member secretary of this committee, should meet at least once every month to analyze, review and formulate strategy to manage the balance sheet and also if needed special ALCO meeting is arranged. The result of balance sheet analysis along with recommendation is placed in the ALCO meeting by the Treasury Division where important decisions are made to minimize risk and maximize return. ALCO mainly reviews the balance sheet of the bank such as liquidity requirement, the maturity of assets and liabilities, deposit and investment, pricing strategy and the liquidity contingency plan and also monitor Net Profit Income (NPI), return on assets, investment value and exchange earnings, Capital Adequacy Ratio, Investment Deposit Ratio, Investable Fund, Deposit Mix, Cost of Deposit, Cost of Fund, LCR, NSFR, and leverage ratios etc. as a part of regulatory compliance. ALCO is a decision-making unit responsible for balance sheet planning and management from risk-return perspective, and also responsible for the strategic management of profit rate risk and liquidity risks.

Dividend

The Board of Directors has recommended 10% Stock Dividend for the year ended December 31, 2019.

Election of Directors

Election/re-election of directors will be held in accordance with the relevant provisions of existing Laws, Article of Association of the Company and in compliance with the existing applicable rules/regulations/notifications/orders/circulars/directives of the Regulatory Authorities.

Appointment of Auditor:

The present External Auditor of the Bank Hoda Vasi Chowdhury & Co., Chartered Accountants shall retire from this 21st Annual General Meeting. Hoda Vasi Chowdhury & Co., Chartered Accountants will complete 3rd tenure in the 21st AGM of the Bank. As per guidelines of regulatory bodies, Hoda Vasi Chowdhury & Co., Chartered Accountants are not eligible for re-appointment for next term. In light of the recommendation of Audit Committee and the Board of Directors of the Bank the required number of external auditor will be appointed in the 21st AGM by the valued shareholders among the applications.

Appointment of Practicing Professional

In compliance with the conditions of Corporate Governance Code of Bangladesh Securities and Exchange Commission dated June 03, 2018 for providing certificate, Practicing Professional Accountants shall be appointed in accordance with condition No.9 of that code in the Annual General Meeting by the shareholders. Ahmed Zaker & Co., Chartered Accountants have provided certificate for the compliance of conditions of CGC in the year 2019. According to the condition of CGC of BSEC, Ahmed Zaker & Co., Chartered Accountants have expressed their willingness for re-appointment of Practicing Professional Accountants for 2020. As per condition of the Commission, Ahmed Zaker & Co., Chartered Accountants will be appointed in the 21st AGM by the valued shareholders in light of the recommendation of the Board of Directors of the Bank.

REPORT ON CORPORATE GOVERNANCE CODE

i. Industry Outlook and possible future developments in the industry:

Banking industry plays vital role to contribute in the world economy as well as Bangladesh economy. Since interest rate risk is supposed to be the greatest threat due to rise in interest rate in the market along with filthy competition, the banking industry has emphasized on procuring no/low cost deposits through vigorous campaign all the year round and would be able to retain and attract potential customers by rendering services to the extent of highest possible degree.

Banking industry is still the most promising and structured sector of the economy. They are also most preferred sectors of the investors of the bourses as increased remittance flow; good export performance and steady industrial growth, accelerated performance in SME and consumer loan, implementation of risk management and corporate governance are likely to have positive impact in the performance of the banking sector.

ii. Segment-wise or division-wise performance:

Amount in Tk. Million

Particulars	Division								Total
	Dhaka	Chattogram	Khulna	Barishal	Rajshahi	Rangpur	Sylhet	Mymensingh	
Investment Income	43,803.61	32,613.02	2,686.42	700.09	655.18	307.02	776.23	288.31	81,829.88
Profit Paid On Deposits	41,778.06	25,932.41	2,080.47	522.10	515.58	240.00	651.73	195.52	71,915.87
Net Investment Income	2,025.56	6,680.61	605.95	177.99	139.60	67.02	124.50	92.79	9,914.01
Other Operating Income	1,223.34	747.73	172.94	44.97	37.65	13.43	31.62	22.68	2,294.34
Total Operating Income	3,248.89	7,428.33	778.89	222.95	177.24	80.45	156.12	115.46	12,208.35
Operating Expenses	1,314.52	3,949.07	456.87	130.32	164.16	69.32	158.87	58.64	6,301.79
Net Profit/(Loss)	1,934.37	3,479.26	322.02	92.63	13.08	11.13	(2.75)	56.82	5,906.56

iii. Risks and concerns:

Since the banking industry depends on the country's prevailing political situation, legal environment, economic environment etc, there are certain risk factors which are external in nature and can affect the business of the bank. The risk factors and concerns discussed below which may significantly affect the business:

- General business and political condition-
Political stability is must for growth in business activities. The effect of last economic recession is still unfolding which may result to slow down in business environment.
- Changes in borrowers credit quality-
The risk of deterioration of credit quality is inherent in banking business. This could result due to global economic crisis and supply side distortion. Deterioration in credit quality requires provisioning.
- Changes in policies and practices of regulatory bodies to revise practices, pricing and responsibilities of the financial institutions have significant effect on the performance of the bank.
- Changes in market conditions-
Changes in market conditions particularly interest rates on deposit; volatility in FX market is likely to affect the performance of the bank.
- The risk of litigation-In the ordinary course of business, legal actions, and claims by and against the Bank may arise.
- Operational risk is inherent to all business because more or less operation is technology based.

iv. A discussion on Cost of Deposit, Gross Profit Margin/Spread and Net Profit Margin:

For banking company, the concept of Cost of Deposit is the Profit paid on deposit because the main operation of bank is to collect deposit and investing that deposit into profitable sector. However the gross profit margin/Spread is calculated through deducting profit paid on deposit from total investment income whereas net profit margin is calculated through deducting operating expenses from total operating income.

v. Discussion on continuity of any Extra-ordinary gain or loss--N/A

vi. Basis for related party transactions- a statement of all related party transactions should be disclosed in the Annual Report:

Sl. No.	Name of Party	Nature of Transaction	Nature of Relationship	Amount as on 31/12/2019	Basis of Transaction
1	Northern General Insurance Company Ltd.	Insurance Premium	Common Director	9,056,449	Fair Market Value
2	Northern General Insurance Company Ltd.	Deposit	Common Director	74,304,064	Fair Market Value
3	Reliance Finance Ltd.	Deposit	Common Director	4,145,295	Fair Market Value
4	Reliance Finance Ltd.	Balance with NBFI(MTDR)	Common Director	13,603,700,000	Fair Market Value
5	Reliance Finance Ltd.	Subordinated Bond	Common Director	280,000,000	Fair Market Value
6	First Security Islami Capital & Investment Limited	Deposit	Common Director	11,962,265	Fair Market Value
7	First Security Islami Capital & Investment Limited	Capital	Common Director	255,000,000	Fair Market Value
8	First Security Islami Capital & Investment Limited	Investment	Common Director	454,179,949	Fair Market Value

vii. Utilizations of proceeds from public issues, rights issues and/or through any others instruments:

Utilizations of proceeds from public issues- The company went for Public Offering in the year 2008 to raise fund amounting Tk. 1,150 million to enhance the capital base of the bank and thus the ability to augment business expansion. The fund raised through the Public Offering was fully utilized for meeting the said purpose.

Utilizations of proceeds from rights issues-2010, 2014 & FSIBL Mudaraba Subordinated Bond Issues 2012, 2017 and 2019:

Net Proceeds from the rights issue as well as FSIBL Mudaraba Subordinated Bond Issues was used for investing in different profitable sectors from where return on investment will be high and to expand existing business operation. No specific implementation schedule has maintained by the bank in this respect.

viii. An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.-----N/A

ix. If significant variance occurs between quarterly financial performance and annual financial statements the management shall explain about the variance on their annual report-----N/A.

- x. Remuneration to directors including independent directors is the amount of Tk. 1,562,800/= for the year ended 31 December, 2019.
- xi. The financial statements prepared as on December 31, 2019 by the Bank, presented fairly its state of affairs, the result of its operation, cash flows and changes in equity.
- xii. The bank has been maintained proper books of account.
- xiii. The financial statements of the Bank continue to be prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, Bangladesh Securities and Exchange Rules 1987. In case any requirement of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of IFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank shall prevail.

The financial statements of the Bank are made for the year ended 31 December, 2019 and are prepared under the historical cost convention on a going concern basis and in accordance with the “First Schedule Section 38(4) of the Bank Companies Act, 1991 and Amendment 2013, BRPD Circular # 14 dated 25 June 2003, BRPD Circular # 15 dated 09 November 2009, Other Bangladesh bank Circulars, International Accounting Standards and International Financial Reporting Standards, The Companies Act 1994, The Bangladesh Security and Exchange Rules 1987, Dhaka & Chattogram Stock Exchanges listing regulations, Income Tax Ordinance 1984 and other laws and rules applicable in Bangladesh.

- xiv. International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been flowed and disclosed in preparation of the Financial Statements.
- xv. The Board ensures that adequate internal control systems are in place which are consistently complied with and implemented to provide reasonable assurance that financial records are reliable for preparation of financial statements. The Board, 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 is maintained.
- xvi. No event is arisen from the controlling shareholders which may impair the minority interest.
- xvii. The Management has reasonable ground to believe that there are no significant doubts upon the bank’s ability to continue as a going concern.
- xviii. The total operating income specially investment income is increased by the amount of Tk. 483.06 crore for the year ended 31 December 2019 compare to the year ended 31 December 2018. But, the total profit paid on deposits is increased only Tk. 414.10 crore for the year ended 31 December 2019. As a result EPS has been increased to 2.40 from 1.84 for the year ended 31 December 2019.

Due to increase of Deposits Received from Customers by the amount of Tk. 3,461.68 crore compare to the previous year. The net operating cash outflow per share has been increased 7.13 as on 31 December 2019 compare to (4.92) on 31 December 2018.

xix.

First Security Islami Bank Limited

Horizontal Analysis of Balance Sheet

Particulars	2019	2019 Vs 2018	2018	2018 Vs 2017	2017	2017 Vs 2016	2016	2016 vs 2015	2015
Cash in hand (Balance with Bangladesh Bank and its agent bank(s))	307,406.04	57.50%	195,182.80	-22.48%	251,771.15	-22.05%	323,005.10	18.62%	272,309.76
Balance with other Banks and Financial Institutions	7,933.01	-26.80%	10,837.55	70.32%	6,363.15	24.82%	5,097.68	47.99%	3,444.61
Placement with Banks & other Financial Institutions	136,037.00	0.00%	136,037.00	0.00%	136,037.00	-6.24%	145,090.00	-2.59%	148,950.00
Investments in Shares & Securities	175,276.53	9.67%	159,816.91	0.46%	159,088.95	7.59%	147,864.90	13.18%	130,640.62
General Investment etc.	3,637,757.32	16.94%	3,110,697.41	13.97%	2,729,389.60	21.03%	2,255,206.27	20.39%	1,873,253.44
Bills Purchased and Negotiated	7,084.10	15.14%	6,152.48	-6.02%	6,546.59	20.20%	5,446.44	53.57%	3,546.64
Fixed Assets Including Premises, Furniture & Intangible Assets	64,351.74	87.79%	34,267.82	-1.69%	34,855.92	0.97%	34,307.31	5.89%	32,399.63
Other Assets	35,691.15	-40.63%	60,114.40	19.53%	50,290.23	18.01%	96,015.59	6.68%	90,007.25
Non Banking Assets	251.45	0.00%	251.45	0.00%	251.45	0.00%	251.45	0.00%	251.45
Total Assets	4,371,788.34	17.73%	3,713,357.83	10.04%	3,374,594.04	14.11%	3,012,284.74	17.91%	2,554,803.40
Placement from Banks & other Financial Institutions	132,083.82	-24.69%	175,376.98	84.97%	94,815.40	1233.33%	7,111.15	26.25%	5,632.60
Deposits and Other Accounts	3,766,216.62	17.69%	3,200,217.98	6.99%	2,991,208.44	9.07%	2,742,528.94	18.58%	2,312,742.45
Mudaraba Subordinated Bond	115,000.00	136.53%	48,620.00	-9.66%	53,820.00	289.44%	13,820.00	-26.57%	18,820.00
Other Liabilities	205,337.26	31.15%	156,562.12	32.64%	118,033.44	27.52%	141,804.99	16.99%	121,214.43
Total Liabilities	4,218,637.70	17.81%	3,580,777.08	9.91%	3,257,877.28	14.30%	2,905,265.08	18.18%	2,458,409.48
Capital/Shareholders' equity	153,150.64	15.51%	132,580.75	13.59%	116,716.76	9.06%	107,019.67	11.02%	96,393.92
Total Liabilities and Shareholders' Equity	4,371,788.34	17.73%	3,713,357.83	10.04%	3,374,594.04	14.11%	3,012,284.75	17.91%	2,554,803.40

Amount in Lac Tk.

Horizontal Analysis of Balance Sheet refers to the analysis of growth of each component of Balance Sheet items from the previous period.

First Security Islami Bank Limited

Horizontal Analysis of Profit and Loss

Particulars	2019	2019 Vs 2018	2018	2018 Vs 2017	2017	2017 Vs 2016	2016	2016 vs 2015	2015
Investment Income	388,014.33	14.39%	339,214.45	20.19%	282,225.05	7.51%	262,517.16	10.62%	237,306.65
Profit paid on deposit	(288,874.24)	16.73%	(247,464.65)	24.60%	(198,612.16)	4.15%	(190,702.14)	3.23%	(184,728.81)
Net Investment Income	99,140.09	8.05%	91,749.80	9.73%	83,612.89	16.43%	71,815.02	36.59%	52,577.84
Income from Investment in Shares and Securities	7,674.35	91.37%	4,010.19	195.72%	1,356.07	400.88%	270.74	-70.96%	932.21
Commission, Exchange and Brokerage	8,847.61	13.82%	7,773.37	-2.36%	7,960.89	78.90%	4,449.89	-16.45%	5,325.85
Other Operating Income	6,421.48	-3.40%	6,647.17	55.49%	4,274.96	15.13%	3,713.22	33.24%	2,786.79
Total operating income	122,083.53	10.80%	110,180.53	13.35%	97,204.81	21.13%	80,248.87	30.23%	61,622.69
Salary and Allowances	36,600.59	14.89%	31,856.39	19.40%	26,680.66	19.79%	22,272.71	25.67%	17,722.51
Rent, Taxes, Insurances, Electricity etc.	7,192.48	15.29%	6,238.75	9.14%	5,716.10	11.63%	5,120.69	10.64%	4,628.12
Legal Expenses	92.17	-25.77%	124.17	60.53%	77.35	23.23%	62.77	133.61%	26.87
Postage, Stamps, Telecommunication etc.	930.55	1.59%	916.01	4.68%	875.07	1.30%	863.82	4.84%	823.94
Stationery, Printings, Advertisements etc.	1,800.82	12.25%	1,604.32	-12.16%	1,826.46	-3.84%	1,899.32	-11.94%	2,156.82
Managing Director's Salary and Fees	128.87	4.27%	123.59	12.40%	109.95	5.77%	103.95	15.71%	89.84
Directors' Fees & Expenses	15.63	-24.75%	20.77	45.96%	14.23	-34.72%	21.80	-3.28%	22.54
Shariah Supervisory Committee's Fees & Expenses	2.20	31.74%	1.67	160.94%	0.64	-65.22%	1.84	67.27%	1.10
Auditor's Fees	9.20	0.00%	9.20	6.60%	8.63	18.22%	7.30	0.00%	7.30
Depreciation & Repair of Bank's Assets	5,832.35	19.92%	4,863.40	9.44%	4,443.88	7.94%	4,116.95	11.75%	3,684.06
Zakat Expenses	983.48	11.57%	881.50	23.13%	715.88	42.47%	502.49	19.14%	421.75
Other Expenses	9,429.57	-9.14%	10,377.96	14.09%	9,096.64	13.50%	8,014.65	8.62%	7,378.84
Total Operating Expenses	63,017.91	10.52%	57,017.72	15.04%	49,565.49	15.30%	42,988.29	16.30%	36,963.69
Profit before Provision and Tax	59,065.62	11.10%	53,162.80	11.59%	47,639.32	27.85%	37,260.58	51.10%	24,659.00
Provisions for Investments including off-B/S items	18,875.81	-15.07%	22,225.61	10.26%	20,156.78	57.93%	12,763.00	52.46%	8,371.35
Provisions for Diminution in Value of Investment in Shares	1,017.88	61.21%	631.40	139.69%	263.43	-126.44%	(996.49)	-160.94%	1,635.16
Provision for Other Assets	-	0.00%	0.91	0.00%	302.80	0.00%	-	-100.00%	3.56
Total Provisions	19,893.69	-12.97%	22,857.92	10.30%	20,723.01	76.12%	11,766.51	17.55%	10,010.07
Total Profit before Taxes	39,171.93	29.26%	30,304.88	12.59%	26,916.31	5.58%	25,494.07	74.03%	14,648.93
Provision for Tax	18,602.04	28.82%	14,440.89	4.46%	13,824.85	20.80%	11,444.24	71.71%	6,664.99
Net Profit after tax	20,569.89	29.66%	15,863.99	21.18%	13,091.46	-6.82%	14,049.83	75.98%	7,983.94
Earnings Per Share	2.38		2.02		1.67		1.97		1.18

Horizontal Analysis of Profit & Loss Account refers to the analysis of growth of each component of Profit & Loss Account from the previous period.

First Security Islami Bank Limited Vertical Analysis of Balance Sheet

Particulars	Amount in Lac Tk.									
	2019	2019 (%)	2018	2018 (%)	2017	2017 (%)	2016	2016 (%)	2015	2015 (%)
Cash In hand (Balance with Bangladesh Bank and its agent bank(s))	307,406.04	7.03%	195,182.80	5.26%	251,771.15	7.46%	323,005.10	10.72%	272,309.76	10.66%
Balance with other Banks and Financial Institutions	7,933.01	0.18%	10,837.55	0.29%	6,363.15	0.19%	5,097.68	0.17%	3,444.61	0.13%
Placement with Banks & other Financial Institutions	136,037.00	3.11%	136,037.00	3.66%	136,037.00	4.03%	145,090.00	4.82%	148,950.00	5.83%
Investments in Shares & Securities	175,276.53	4.01%	159,816.91	4.30%	159,088.95	4.71%	147,864.90	4.91%	130,640.62	5.11%
General Investment etc.	3,637,757.32	83.21%	3,110,697.41	83.77%	2,729,389.60	80.88%	2,255,206.27	74.87%	1,873,253.44	73.32%
Bills Purchased and Negotiated	7,084.10	0.16%	6,152.48	0.17%	6,546.59	0.19%	5,446.44	0.18%	3,546.64	0.14%
Fixed Assets Including Premises, Furniture & Intangible Assets	64,351.74	1.47%	34,267.82	0.92%	34,855.92	1.03%	34,307.31	1.14%	32,399.63	1.27%
Other Assets	35,691.15	0.82%	60,114.40	1.62%	50,290.23	1.49%	96,015.60	3.19%	90,007.25	3.52%
Non Banking Assets	251.45	0.01%	251.45	0.01%	251.45	0.01%	251.45	0.01%	251.45	0.01%
Total Assets	4,371,788.34	100%	3,713,357.83	100%	3,374,594.04	100%	3,012,284.75	100%	2,554,803.40	100%
Placement from Banks & other Financial Institutions	132,083.82	3.02%	175,376.98	4.72%	94,815.40	2.81%	7,111.15	0.24%	5,632.60	0.22%
Deposits and Other Accounts	3,766,216.62	86.15%	3,200,217.98	86.18%	2,991,208.44	88.64%	2,742,528.94	91.04%	2,312,742.45	90.53%
Mudaraba Subordinated Bond	115,000.00	2.63%	48,620.00	1.31%	53,820.00	1.59%	13,820.00	0.46%	18,820.00	0.74%
Other Liabilities	205,337.26	4.70%	156,562.12	4.22%	118,033.44	3.50%	141,804.99	4.71%	121,214.43	4.74%
Total Liabilities	4,218,637.70	96.50%	3,580,777.08	96.43%	3,257,877.28	96.54%	2,905,265.08	96.45%	2,458,409.48	96.23%
Capital/Shareholders' equity	153,150.64	3.50%	132,580.75	3.57%	116,716.76	3.46%	107,019.67	3.55%	96,393.92	3.77%
Total Liabilities and Shareholders' Equity	4,371,788.34	100%	3,713,357.83	100%	3,374,594.04	100%	3,012,284.75	100%	2,554,803.40	100%

Vertical Analysis of Balance Sheet refers to the components of Balance Sheet items as a % of total Assets over the periods which would be termed as common sizing of Balance Sheet.

First Security Islami Bank Limited

Vertical Analysis of Profit and Loss

Particulars	2019	2019 (%)	2018	2018 (%)	2017	2017 (%)	2016	2016 (%)	2015	2015 (%)
Investment Income	388,014.33	94.42%	339,214.45	94.85%	282,225.05	95.41%	262,517.16	96.89%	237,306.65	96.33%
Profit paid on deposit	(288,874.24)	70.29%	(247,464.65)	69.19%	(198,612.16)	67.14%	(190,702.14)	70.38%	(184,728.81)	74.99%
Net Investment Income	99,140.09	24.12%	91,749.80	25.65%	83,612.89	28.27%	71,815.02	26.50%	52,577.84	21.34%
Income from Investment in Shares and Securities	7,674.35	1.87%	4,010.19	1.12%	1,356.07	0.46%	270.74	0.10%	932.21	0.38%
Commission, Exchange and Brokerage	8,847.61	2.15%	7,773.37	2.17%	7,960.89	2.69%	4,449.89	1.64%	5,325.85	2.16%
Other Operating Income	6,421.48	1.56%	6,647.17	1.86%	4,274.96	1.45%	3,713.22	1.37%	2,786.79	1.13%
Total operating income	122,083.53	29.71%	110,180.53	30.81%	97,204.81	32.86%	80,248.87	29.62%	61,622.69	25.01%
Salary and Allowances	36,600.59	8.91%	31,856.39	8.91%	26,680.66	9.02%	22,272.71	8.22%	17,722.51	7.19%
Rent, Taxes, Insurances, Electricity etc.	7,192.48	1.75%	6,238.75	1.74%	5,716.10	1.93%	5,120.69	1.89%	4,628.12	1.88%
Legal Expenses	92.17	0.02%	124.17	0.03%	77.35	0.03%	62.77	0.02%	26.87	0.01%
Postage, Stamps, Telecommunication etc.	930.55	0.23%	916.01	0.26%	875.07	0.30%	863.82	0.32%	823.94	0.33%
Stationery, Printings, Advertisements etc.	1,800.82	0.44%	1,604.32	0.45%	1,826.46	0.62%	1,899.32	0.70%	2,156.82	0.88%
Managing Director's Salary and Fees	128.87	0.03%	123.59	0.03%	109.95	0.04%	103.95	0.04%	89.84	0.04%
Directors' Fees & Expenses	15.63	0.00%	20.77	0.01%	14.23	0.00%	21.80	0.01%	22.54	0.01%
Shariah Supervisory Committee's Fees & Expenses	2.20	0.00%	1.67	0.00%	0.64	0.00%	1.84	0.00%	1.10	0.00%
Auditor's Fees	9.20	0.00%	9.20	0.00%	8.63	0.00%	7.30	0.00%	7.30	0.00%
Depreciation & Repair of Bank's Assets	5,832.35	1.42%	4,863.40	1.36%	4,443.88	1.50%	4,116.95	1.52%	3,684.06	1.50%
Zakat Expenses	983.48	0.24%	881.50	0.25%	715.88	0.24%	502.49	0.19%	421.75	0.17%
Other Expenses	9,429.57	2.29%	10,377.96	2.90%	9,096.64	3.08%	8,014.65	2.96%	7,378.84	3.00%
Total Operating Expenses	63,017.91	15.33%	57,017.72	15.94%	49,565.49	16.76%	42,988.29	15.87%	36,963.69	15.00%
Profit before Provision and Tax	59,065.62	14.37%	53,162.80	14.86%	47,639.32	16.10%	37,260.58	13.75%	24,659.00	10.01%
Provisions for Investments including off-B/S items	18,875.81	4.59%	22,225.61	6.21%	20,156.78	6.81%	12,763.00	4.71%	8,371.35	3.40%
Provisions for Diminution in Value of Investment in Shares	1,017.88	0.25%	631.40	0.18%	263.43	0.09%	(996.49)	-0.37%	1,635.16	0.66%
Provision for Other Assets	-	0.00%	0.91	0.00%	302.80	0.10%	-	0.00%	3.56	0.00%
Total Provisions	19,893.69	4.84%	22,857.92	6.39%	20,723.01	7.01%	11,766.51	4.34%	10,010.07	4.06%
Total Profit before Taxes	39,171.93	9.53%	30,304.88	8.47%	26,916.31	9.10%	25,494.07	9.41%	14,648.93	5.95%
Provision for Tax	18,602.04	4.53%	14,440.89	4.04%	13,824.85	4.67%	11,444.24	4.22%	6,664.99	2.71%
Net Profit after tax	20,569.89	5.01%	15,863.99	4.44%	13,091.46	4.43%	14,049.83	5.19%	7,983.94	3.24%
Earnings Per Share	2.38		2.02		1.67		1.97		1.18	

Vertical Analysis of Profit & Loss Account refers to the components of Profit & Loss Account as a % of total Income (Interest Income + Investment Income + Commission, exchange, brokerage and others) over the periods which would be termed as common sizing of Profit & Loss Accounts.

- xx. An explanation on the reasons of the issuer company has not declared dividend (cash or stock) for the year. -----N/A
- xxi. Board's statement to the effect that no bonus share or stock dividend has been or share be declared as interim dividend.-----N/A
- xxii. Board Meeting held during the year 2019 and attended by each Director.

Attendant list of Board of Directors
Meetings Based on 01/01/2019 to 31/12/2019

SL. No.	Name of Directors	Total No. of Meetings held	No. of Meetings Attended	Remarks
01	Mr. Mohammed Saiful Alam	13	08	Leave Granted
02	Mr. Mohammed Abdul Maleque	13	13	All meetings present in the year
03	Mrs. Farzana Parveen	13	09	Leave Granted
04	Mrs. Rahima Begum	13	06	Leave Granted
05	Mrs. Atikur Nessa	13	12	Leave Granted
06	Mr. Mohammad Ishaque	13	09	Retired from BOD 26.08.2019
07	Mr. Ahmed Muktadir Arif	13	12	Leave Granted
08	Mr. khandkar Iftekhar Ahmad	13	11	Leave Granted
09	Dr. Momtaz Uddin Ahmed	13	10	Leave Granted
10	Mrs. Badrun Nessa	13	13	All meetings present in the year
11	Mr. Md.Wahidul Alam Seth	13	06	Resigned from BOD 12/06/2019 (All meetings present during his tenure of the year)
12	Mr. Jamal Mostafa Chowdhury	13	10	Leave Granted
13	Mr. Mollah Fazle Akbar	13	12	Leave Granted
14	Mr. Mohammad Abdullah Hassan	13	01	Appointed on 10/12/2019 (All meetings present during his tenure of the year)

Attendant list of Board of Directors of Executive Committee
Meetings Based on 01/01/2019 to 31/12/2019

SL. No.	Name of Members	Total No. of Meetings held	No. of Meetings held & Attended (31/01/2019, 72 nd EC)	No. of Meetings held & Attended (12/03/2019, 73 rd EC)	Remarks
01	Mr. Mohammed Saiful Alam	02	P	P	
02	Mr. Mohammed Abdul Maleque	02	P	P	
03	Mrs. Farzana Parveen	02	P	P	
04	Mrs. Badrun Nessa	02	P	P	
05	Mr. Md.Wahidul Alam Seth	02	P	P	Resigned from BOD 12.06.2019
06	Mr. Molla Fazle Akbar	02	P	P	

Attendant list of Board of Directors of Audit Committee
Meetings Based on 01/01/2019 to 31/12/2019

SL. No.	Name of Members	Total No. of Meeting held	No. of Meetings Attended	No. of Meetings Absent	Remarks
01	Mr. Ahmed Muktadir Arif	05	05	—	All meetings present in the year
02	Mr. Mohammed Ishaque	05	03	All meetings present in his tenure	Retired from BOD 26 August 2019
03	Dr. Momtaz Uddin Ahmed	05	04	Absent 01, Leave Granted	
04	Mr. Jamal Mostafa Chowdhury	05	01	Absent 01, Leave Granted	Appoint date of BOD 29 August 2019

Attendant list of Board of Directors of Risk Management Committee
 Meetings Based on 01/01/2019 to 31/12/2019

SL. No.	Name of Members	Total No. of Meeting held	No. of Meetings Attended	No. of Meetings Absent	Remarks
01	Mr. Mohammed Abdul Maleque	04	04	-	All meetings present in the year
02	Dr. Momtaz Uddin Ahmed	04	03	Absent-1, Leave Granted	
03	Mr. Khandkar Iftekhar Ahmad	04	03	Absent-1, Leave Granted	

Name of Board of Directors (Up-to Date)

SL. No.	Name of Directors	Position
01	Mr. Mohammed Saiful Alam	Chairman
02	Mr. Mohammed Abdul Maleque	Vice - Chairman
03	Mrs. Farzana Parveen	Director
04	Mrs. Rahima Begum	Director
05	Mrs. Atikur Nessa	Director
06	Mr. Ahmed Muktadir Arif	Independent Director
07	Mr. khandkar Iftekhar Ahmad	Nominated Director
08	Dr. Momtaz Uddin Ahmed	Independent Director
09	Mrs. Badrun Nessa	Nominated Director
10	Mr. Jamal Mostafa Chowdhury	Nominated Director
11	Mr. Mohammad Abdullah Hassan	Nominated Director
12	Mr. Md. Ruhul Amin	Independent Director
13	Mr. Syed Waseque Md. Ali	Managing Director

xxiii.

- (a) Parent/Subsidiary/Associated Companies and Other related parties Nil
 (b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and Minor child:

Directors and their spouse and Minor child:

Name of Director	No of Shares	Name of their spouse and Minor child	No of Shares
Mohammed Saiful Alam	37,188,261		
Mohammed Abdul Maleque	17,250,183	Sarwar Jahan Maleque	792,145
Farzana Parveen	41,971,116		
Rahima Begum	17,250,183	Mortoza Siddique Chowdhury	8,894,157
Atikur Nessa	39,441,658		
Ahmed Muktedir Arif Independent Director	Nil		
Dr. Momtaz Uddin Ahmed Independent Director	Nil		
Badrun Nessa Nominated Director (Padma Export Import & Trading Co. Ltd.)	26,002,395		
Khandkar Iftekhar Ahmad, Nominated Director (Pusti Vegetable Ghee Ltd.)	18,719,796		
Jamal Mostafa Chowdhury, Nominated Director Honeywell Securities Corp. Ltd.	17,250,200		
Md. Ruhul Amin Independent Director	Nil		
Mohammad Abdullah Hassan, Nominated Director :Nowshin Steels Ltd	19,634,653		

Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their spouse and Minor child:

Name	Designation	No of Share	Holding Share by their spouse and Minor child
Syed Waseque Md. Ali	Managing Director	Nil	Nil
Mr. Md. Mustafa Khair	Chief Financial Officer	Nil	Nil
Oli Kamal, FCS	Company Secretary	Nil	Nil
Md. Yahia Khan	Head of Internal Audit	Nil	Nil

- (c) Executives (top five salaried employees of the company other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit)

Name	Designation	No of Share	Holding Share by their spouse and Minor child
Mr. Abdul Aziz	AMD	Nil	Nil
Mr. Md. Mustafa Khair	AMD	Nil	Nil
Mr. Md. Zahurul Haque	DMD	Nil	Nil
Mr. Md. Masudur Rahman Shah	SEVP	Nil	Nil
Mr. Kazi Motaher Hossain	EVP	Nil	Nil

- (d) Shareholders holding ten percent (10%) or more voting interest in the company. -----Nil

xxiv. Appointment or Re-appointment of a Directors

Appointment of Directors:

Mohammad Abdullah Hassan, Nominated Director:

Mohammad Abdullah Hassan was born in the year 1976. He is a member of prestigious Muslim family in the country. He is a successful business entrepreneur. His spontaneous participation in the business make him renowned to the young entrepreneur.

Mohammad Abdullah Hassan is the Managing Director of Hasan Abasan (Pvt) Limited, Modern Property Limited. He is the Director of First Security Islami Capital and Investment Ltd., S. Alam Cement Ltd., S. Alam Luxury Chair Coach Services Ltd., S. Alam Brothers Ltd., Portman Cements Ltd., S. Alam Soya Seed Extraction Ltd., S. Alam Refined Sugar Industry Ltd., Sonali Cargo Logistics (Pvt) Ltd., S. Alam Tank Terminal Ltd., Marine Empire Limited, and Fatehabad Firm Ltd., He is shareholder of S. Alam Steels Ltd., S. Alam Vegetable Oil Ltd., S. Alam Super Edible Oil Ltd. He is the proprietor of M/s. Abdullah Hasan and M/s. Bering Sea Lines. In addition to his business he takes part in philanthropic activities.

He has travelled many countries around the world for business purposes.

Md. Ruhul Amin, Independent Director:

Md. Ruhul Amin was born in Gopalganj in the year 1961. He is a retired bureaucrat and a former chairman of Petrobangla. During his service period he has been posted to several Government organizations. He has enriched his experience with versatile knowledge obtaining from his service in the country.

Mr. Md. Ruhul Amin has traveled many countries around the world.

Re-appointment of Directors of FSIBL in the previous AGM

Mohammed Abdul Maleque, Vice- Chairman:

Mohammed Abdul Maleque was born in Chattogram in the year 1953. He comes from a very respectable family of Bangladesh. He is a renowned business man. He obtains vast experiences during the business career he involves in his life. He has participated in various seminars and symposium in the country and abroad.

Mr. Maleque is the Chairman of ABM Tower Ltd., Chairman & Managing Director of Kharana Fish & Poultry Ltd. He is also the Managing Director of Chattogram Board and Paper Mills Ltd. He is the Director of First Security Islami Capital & Investment Ltd., former director of Chattogram Chamber of Commerce & Industry. He is also the Proprietor of M/S. Bengal Corporation, M/S. Bengal Trading, M/S. Lucky Electronics

He has travelled many countries around the world for business purposes.

Mrs. Farzana Parveen, Director:

Mrs. Farzana Parveen was born in Chattogram in the year 1971. She has enriched her experience by dint of onerous work in business. In addition to her expertise in the business, she is a person of wide vision. Her epoch-making decision in the business makes her renowned.

Mrs. Farzana Parveen is the Chairman of Rangdhanu Media Limited and Managing Director of Dewan Assets Limited. She is the Director of First Security Islami Capital & Investment Limited, Reliance Brokerage Services Limited, S. Alam Vegetable Oil Limited, Prasad Paradise Resorts Limited, S. Alam Power Plant Limited, S. Alam Properties Limited, Sonali Cargo Logistics (Pvt.) Limited, Norinco Engineering Limited, Affinity Assets Limited, Wesco Limited and Noor Islamic Holdings Limited. She is also Shareholder of S. Alam Steels Limited, S. Alam Cold Rolled Steels Limited, Union Bank Limited, Reliance Finance Limited, Ekushey Television Limited and Padma Islami Life Insurance Limited. She is the Proprietor of Fairy Trade International.

Mrs. Farzana parveen has travelled many countries around the world for business purposes.

Khandkar Iftekhar Ahmad, Nominated Director:

Khandkar Iftekhar Ahmad was born in Pabna in the year 1951. He is a retired Air Commodore of Bangladesh Air Force. During his service period, he served different important positions in Bangladesh Air Force and abroad. After retirement, he has served in several higher positions in various reputed Civil Organizations in the country.

Khandkar Iftekhar Ahmad has attended various national and international seminars in the country and abroad. He has travelled many countries around the world for service purposes.

xxv. Management Discussion and Analysis

Management Discussion and Analysis

The year 2019 was very challenging year for banking sector especially for deposit mobilization and investment. Bank struggled to manage deposit cost according to deposit size. Moreover, due to the huge gap in the profit rate between deposit and investment, the bank had to take several policies to keep tight its financial stability. As banking sector was very challenging in the year 2019, the bank focused on core banking business, made positive growth in profitability and maintained a sound asset quality the bank remained financially strong by dint of its resolute focus on the vision of becoming country's finest corporate citizen and also emphasize its focus on SME, retail Consumer and relentless pursuit of providing excellent and need based customer service. In terms of new investment, trade, deposit and maintained moderate growth in pre-tax profit by balancing its overall resources and concentrated on strategic business decision, reform and restructuring the processes and policies. The analysis of financial performance and operating result of the bank is narrated below:

a) Accounting Policies and Estimation for Preparation of Financial Statements:

The financial statements of the Bank continue to be prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, Bangladesh Securities and Exchange Rules 1987. In case any requirement of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of IFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank shall prevail.

The financial statements of the Bank are made for the year ended 31 December, 2019 and are prepared under the historical cost convention on a going concern basis and in accordance with the "First Schedule Section 38(4) of the Bank Companies Act, 1991 and Amendment 2013, BRPD Circular # 14 dated 25 June 2003, BRPD Circular # 15 dated 09 November 2009, Other Bangladesh bank Circulars, International Accounting Standards and International Financial Reporting Standards, The Companies Act 1994, The Bangladesh Security and Exchange Rules 1987, Dhaka & Chattogram Stock Exchanges listing regulations, Income Tax Ordinance 1984 and other laws and rules applicable in Bangladesh.

b) Changes in accounting policies and estimation. -----N/A

c) Comparative Analysis of Financial Performance as well as cash flows for current year with immediate preceding five years:

(Amount in million TK.)

Sl. No.	Particulars	2015	2016	2017	2018	2019
01.	Authorized Capital	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
02.	Paid-up Capital	6,788.74	6,788.74	7,128.17	7840.99	8625.09
03.	Shareholders' Equity	9,694.54	10,759.84	11,770.74	13,361.35	15,413.83
04.	Total Regulatory Capital	12,901.11	14,576.62	20,081.61	21,278.58	27,472.21
05.	Statutory Reserve	1,902.25	2,412.13	2,950.45	3,556.56	4,339.99
06.	Total Assets	256,604.94	301,669.25	344,486.61	372,183.32	437,831.59
07.	Total Liabilities	246,612.43	290,608.81	332,375.69	358,477.74	422,077.87
08.	Total Deposits	231,259.39	274,224.78	299,106.10	320,011.19	376,609.70
09.	Total Investment	187,239.08	225,889.89	273,352.47	311,416.52	364,029.96
10.	Total Contingent Liabilities	25,847.30	33,568.78	41,263.42	47,097.22	54,806.72
11.	Total Risk Weighted Assets	123,756.63	135,866.72	164,510.61	205,717.12	240,730.41
12.	Total Fixed Assets	3,261.04	3,450.12	3,473.09	3,428.64	6,435.17
13.	Operating Income	6,402.67	8,137.94	9,925.24	11,207.96	12,317.50
14.	Operating Expenditure	3,851.39	4,409.31	5,038.14	5,777.79	6,366.89
15.	Profit before Provision & Tax	2,551.27	3,728.62	4,887.10	5,430.18	5,950.61
16.	Profit before Tax	1,541.95	2,555.72	2,813.80	3,074.04	3,955.74
17.	Net profit after Provision & Tax	853.54	1,410.33	1,389.92	1,594.66	2,080.51
18.	Foreign Exchange Business:	62,390.00	80,470.00	102,297.40	115,764.00	134,580.00
	a) Import Business	48,860.00	63,720.00	82,257.80	92,431.30	107,385.70
	b) Export Business	7,870.00	8,970.00	8,849.40	10,337.70	12,280.70
	c) Remittance	5,660.00	7,780.00	11,190.20	12,995.00	14,913.60
19.	Profit Earning Assets	215,821.39	255,771.68	303,697.02	342,354.14	396,408.80
20.	Non Profit Earning Asset	40,783.55	45,897.57	40,789.60	28,981.65	40,770.04

Sl. No.	Particulars	2015	2016	2017	2018	2019
01.	Investment as a % of Total Deposit	80.96%	82.37%	87.78%	93.15%	90.47%
02.	Capital Risk Assets Ratio (CRAR)	10.42%	10.73%	12.21%	10.34%	11.41%
03.	Earnings Per Share (EPS) (Tk.)	1.26	2.08	1.89	1.84	2.38
04.	Price Earnings Ratio (Times)	6.98	6.68	8.33	5.39	4.07
05.	Return on Assets (ROA)	0.31	0.51	0.41%	0.45%	0.51%
06.	Net Asset Value Per Share (Tk.)	14.28	15.85	16.51	15.49	17.87
07.	Cost of Fund	10.81%	9.21%	8.62%	9.66%	9.62%
08.	No. of Foreign Correspondents	1,400	1,400	1,500	2,500	2,500
09.	Dividend:					
	a) Cash	10%	5%	Nil	Nil	Nil
	b) Bonus	Nil	5%	10%	10%	10%
10.	Rights Offer	Nil	Nil	Nil	Nil	Nil
11.	Number of Shareholders	72,371	61,923	56,483	52,873	50,145
12.	Number of Employees	2,820	3,224	3,640	3,898	4,203
13.	Number of Branches	148	158	168	177	184

- d) Compare financial performance or results and financial position as well as cash flows with the peer industry scenario:

Bangladesh began 2019 with a renewed hope that its newly elected government would bring in political and economic changes as promised in its election manifesto. Although the economy has maintained high GDP growth, electoral promises remain unfulfilled in several critical areas. Many old woes continue to hamper the economy: a weak fiscal balance, a fragile banking sector and a shaky external sector.

Apart from high economic growth, the other silver lining of the Bangladesh economy is robust growth in remittance income. This helps maintain Bangladesh's low current account deficit. But exports and imports performed poorly last year, with export growth negative from June to November.

The textile sector — the main driver of exports in Bangladesh — experienced a larger decline than non-textile products, causing an overall dip in total exports. Amid the US–China trade war, Bangladesh's textile sector could not capitalize on the opportunity to increase exports to the United States, mainly due to a lack of supply side capacity and product diversification. Currency devaluation in competing countries such as India and Vietnam also contributed to Bangladesh's poor export performance.

But as an importing country, Bangladesh's policymakers are cautious about devaluing the Bangladeshi taka against the US dollar because they want to avoid imports becoming too expensive. Imports declined in 2019 and capital machinery imports were negative, indicating low investment. Private investment has been stagnant at around 23 per cent of GDP for the past few years. As a result, new job creation is limited and youth unemployment is 10.6 per cent. High economic growth also failed to reduce inequality, instead consumption and wealth inequality have widened.

Bangladesh has the lowest tax-to-GDP ratio among South Asian countries at 9.2 per cent in the 2018–2019 fiscal year. The high target of resource mobilization set for the National Board of Revenue (NBR) remains unfulfilled. Not only is the tax net narrow, but tax avoidance is high. NBR automation, human resource development and above all, institutional autonomy and transparency are crucial for high revenue mobilization efforts. The tax system has shifted towards indirect tax instead of a direct, progressive tax system.

Due to limited resource mobilization, the government depends on bank borrowing to finance its development programs. Several mega infrastructure projects are underway, including the Padma multi-purpose bridge, a mass rapid transit system, an LNG terminal and several power plants and deep sea ports.

But delays in the implementation of these high value projects have hugely increased their cost. By December 2019 — only halfway through the fiscal year — the government had almost reached its planned bank borrowing. So, the government will face major fiscal challenges in managing expenditures and continuing development initiatives.

Bangladesh's 2020 economic outlook will largely be determined by its performance in 2019 and the policies that its government pursues. A short-lived drive against corruption last year created a ray of hope for citizens. Such clampdowns on corruption must be continued and encouraged. Until now, policymakers have largely been averse to structural and institutional reforms needed to improve the economy.

What has been ignored and denied is that Bangladesh's growth story cannot take the country far unless it is translated into sustainable development. Cracks in the economy became prominent in 2019 and will remain unless they are addressed. This year Bangladesh will celebrate the centennial birthday of its founding father, Bangabandhu Sheikh Mujibur Rahman. The greatest respect can be paid to him through fulfilling his dream of establishing a just and equitable society.

- e) Briefly explain the financial and economic scenario of the country and globe:
Through the good and bad, Bangladesh passed the year of 2019. Throughout the year, various international organizations publish different indices. Bangladesh has made some of those indices better than ever, and some have made the index worse. Overall, these indicators determine the position of Bangladesh from abroad.

Bangladesh is not among the top 100 in most indicators of trade, commerce, human development, human capital, happiness, hunger, IT. In most of the cases, the place of Bangladesh is in the middle or bottom.

The matter of worry is that some indexes have been in the positive for so long. For example, the export sector has done very well in the last decade but it has gone down negatively in the current financial year. Bangladesh's position in the index of good governance is not satisfactory at all. Special initiatives need to be taken to ensure quality education and health in order to improve overall quality of life.

Bangladesh is ranked 136 among the 189 countries in the United Nations Development Fund (UNDP) Human Development Index. Bangladesh is one step ahead in the span of a year. Nevertheless, Bangladesh remains moderate in human development in the global context.

Bangladesh's position on the gender discrimination index of the UNDP is not that favorable. Bangladesh is the 134 among the 160 countries.

With the World Bank's human capital index, productivity standards for future generations are determined. Bangladesh is 106th out of 157 countries with 48 points. This means that the child, who is born in Bangladesh today, will grow up to 48 percent of his productivity.

This year Bangladesh is eight steps ahead of the World Bank to facilitate trade and commerce. This time Bangladesh is ranked 168th among the 190 countries. Last year the place was 176th.

World Economic Forum (WEF) Global Competitiveness Index Bangladesh is two steps behind from the last year. Bangladesh is ranked 105th among the 141 countries. The World Bank publishes the Logistic Performance Index on various issues required to conduct trade and business. Bangladesh is ranked 100th among the 160 countries.

The government is taking various programs to create a digital Bangladesh. But in the world context, Bangladesh's position is still very shaky, 147th in the United Nations Telecommunications Union's ICT Development Index. Besides, in Cyber-security index ranks 78th among 175 countries.

Another UN agency, UNCTAD, publishes the e-commerce index. Of the 151 countries, Bangladesh is in the middle position, 88th. Bangladesh is not among the first 100 countries in the e-Government Development Index of the UNDSA, another UN agency. Bangladesh is the 115th largest of the 193 countries.

Bangladesh is one of the worst countries in the World Hunger Index by international organization Concern Worldwide, ranked 86th among 119 countries.

The United Nations agency Sustainable Development Solutions Network publishes happiness indicators for economic prosperity as well as happiness. Bangladesh is one of the countries of the bottom line, 125 out of 156 countries. Bangladesh is not good at peace index. Bangladesh is the 101th country in the World Peace Index published by the Institute for Economics and Peace.

Walking the path of progress will require new innovations. The World Intellectual Property publishes the World Innovation Index. Bangladesh is the 116th country in the world.

Now let's see how Bangladesh's position on the Corruption Index Bangladesh is now the 149th country in the World Index published by Transparency International. Although the index has improved somewhat over the past few years, Bangladesh was once the top corrupt country for five consecutive years. On the other hand, another international organization called Trace International publishes the World Bribe Index. Bangladesh is badly ranked in the index, 182th out of 200 countries.

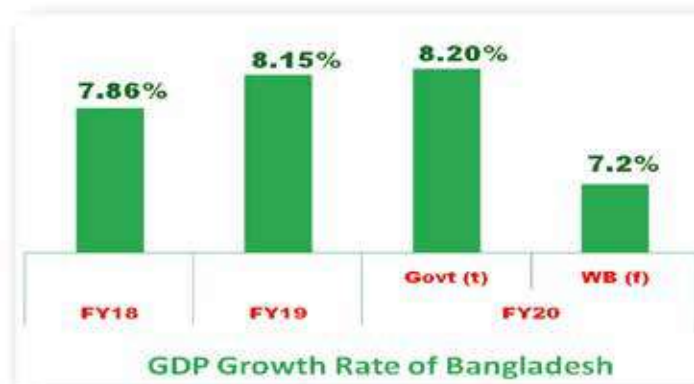
According to a Forbes Magazine report, the total domestic production growth rate of Bangladesh will be 8 percent in 2020, due to increasing foreign investment in the textile sector, low-wage workers, and ready-made garment sector and footwear industry. Besides, the average GDP growth rate was above all, as was the Bangladesh champion in the growth of the average neo-wealthy.

Economic Development in last decade

However, this decade was good for Bangladesh. The economy is up, per capita income is up. The world economy has taken the discussion. Again, good was not less than evil. It was time for the big projects. The government's interest was more towards big projects. Again, this decade is also called the time of investment stagnation, especially in private investment. Let's see what the last year was, in the last decade.

The growth in gross domestic product (GDP) in the financial year 2010-11 was 6.46 percent. And in the last fiscal year, growth has increased to 8.15 percent. In the meantime, the GDP growth rate never dropped below 6 percent. All together, the average growth rate for this decade was 6.88 percent. It is a record in the history of Bangladesh. Even fewer countries in the world have achieved consistent growth at this rate.

The country's growth has long been stuck at 5 percent. By the middle of the departing decade, it was stuck at 6 percent. From there it went to 7 percent. And in the last year, it has been more than 8 percent.



In addition to growth, per capita income has also increased. The per capita income was \$825 in the financial year 2010-11. And now the per capita income is \$1,909. Per capita income increased by 106 percent. Of course, income is increasing but the bad news is income inequality has been increased.



Bangladesh also has a global identity as a poor country. Bangladesh is one of the poorest countries in the world. In Bangladesh, 3.32 percent of the world's poorest population lives. However, the poverty situation has improved considerably in the last few decades. The last decade was particularly significant. In the first 3-5 years of independence, 82 percent people lived below the poverty line. In 1991, the rate was 56 percent. And in 2010, the rate dropped to 31.50 percent.

The latest household income and expenditure survey was conducted in 2016. According to the survey, the poverty rate has dropped further to 24.3 percent. However, the Bangladesh Bureau of Statistics (BBS) says that the rate has dropped to 21.80 percent at the end of June 2018.

Scenario of Islamic Banking in Bangladesh:

There are currently 59 scheduled commercial banks in operation in the country. Of these, there are eight full-fledged Islamic banks. There are 17 banks with Islamic banking branches or windows. According to the data of Bangladesh Bank, there are 10,406 branches in all banks across the country. Of these, the Islamic Banking Branches are 1,301.

Until last September, the total deposits of these branches stood at Tk 2 lakh 62 thousand 110 crore. Banking sector has a total deposit of Tk 10 lakh 93 thousand 240 crore. So, Islamic Banking contains 23.98 percent deposits of total banking industry. And the Islamic Banking Branch has a/an /investment/loan of Tk. 2 lakh 50 thousand 323 crore which is 24.59 percent of total banking industries loan of Tk. 10 lakh 17 thousand 826 crore. More than 30% of the foreign remittance arrives in the country through these banks. The working manpower is 36,337.

f) Risks and concerns issues related to the financial statements and way of mitigation:

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:

Investment Risk

Investment Risk is one of the major risks faced by the bank. This can be described as potential losses arising from the failure of counterparty to perform according to agreement with the bank. The failure may result from the unwillingness of the counterparty or decline in his/her economic condition, market situation etc. With each and every coin of investment, there is an involvement of risk. Investment Risk includes residual risk, concentration risk, interest rate risk, liquidity risk, reputational risk, strategic risk, settlement risk, environmental and climate change risk etc.

In this context, to manage investment risk, the bank applies investment limits to its customers and obtains adequate collaterals. Investment risk in the First Security Islami Bank's portfolio is monitored, reviewed and analyzed by the Investment Risk Management (IRM). Investment Risk Management (IRM) of the bank is entrusted with the duties of maintaining asset quality, assessing risk in investment to a particular customer, appraising, sanctioning investment, formulating policy/strategy for investment operations, sectoral assessment, salvaging sick units, nursing the running units, diversification of its investment portfolio, consideration of environment impacts while financing etc. The Investment Risk Management Committee is also entrusted to comply with the IRM Guidelines, monitoring & updating the bank's investment policy. Moreover, the committee analyzes the investment portfolio on the basis of Basel Guidelines and attempts to restructure the investment portfolio.

Mitigation:

First Security Islami Bank Limited believes that a key component of a disciplined investment culture is adherence to internal policies and procedures. Hence comprehensive investment policies and guidelines have been established in the bank to ensure quality and transparency of investment decisions at all times. The Board of Directors has approved the Investment Policy for the bank where major policy guidelines, growth strategy, exposure limits (for particular sector, product, individual company, group and area) and risk management strategy have been described/stated in details. Investment policy is being regularly updated to cope up with the changing global and domestic economic scenarios.

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.

Mitigation:

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 Market-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.

Asset Liability Management

Asset Liability Management (ALM) is an integral part of Bank Management and it is essential to have a structured and systematic process for managing the Balance Sheet. The Asset Liability committee (ALCO) of our bank consists of the senior executives chaired by the Managing Director, and the head of Treasury is the member secretary of this committee, should meet at least once every month to analyze, review and formulate strategy to manage the balance sheet and also if needed special ALCO meeting is arranged. The result of balance sheet analysis along with recommendation is placed in the ALCO meeting by the Treasury Division where important decisions are made to minimize risk and maximize return. ALCO mainly reviews the balance sheet of the bank such as liquidity requirement, the maturity of assets and liabilities, deposit and investment, pricing strategy and the liquidity contingency plan and also monitor Net Profit Income (NPI), return on assets, investment value and

exchange earnings, Capital Adequacy Ratio, Investment Deposit Ratio, Investable Fund, Deposit Mix, Cost of Deposit, Cost of Fund, LCR, NSFR, and leverage ratios etc. as a part of regulatory compliance. ALCO is a decision-making unit responsible for balance sheet planning and management from risk-return perspective, and also responsible for the strategic management of profit rate risk and liquidity risks.

Mitigation:

The Bank adopted traditional Gap analysis for assessing impact on profit perspective (earnings perspective) and Duration analysis for assessing the impact on the Economic Value of Equity (Economic Value Perspective).

First Security Islami Bank Limited maintains diversified and stable funding base comprising of core retail, corporate and institutional deposits to manage liquidity risk. The prime responsibility of managing the liquidity risk of the bank lies with Treasury Division. Different key ratios including LCR and NSFR are regularly discussed in monthly meeting of ALCO of the Bank. The committee meets at least once in every month to review LCR, NSFR report and overall liquidity position of the bank. Treasury Division maintains liquidity based on current liquidity position anticipated future funding requirement, sources of fund, options for reducing funding needs, present and anticipated asset quality, present and future earning capacity, present and planned capital position, etc.

Prevention of Money Laundering

Keeping pace with the modern advancement of financial service facilities, money laundering and financing of terrorism are getting new dimensions day by day. As a responsible commercial bank, First Security Islami Bank Ltd. (FSIBL) is always agile and vigilant against these types of money laundering and financing of terrorism activities. Managing Director of the bank every year declares written clear commitment regarding Anti Money Laundering & Combating Financing of Terrorism for all the employees and ensures implementation of these activities. A Deputy Managing Director (DMD) as Chief Anti Money Laundering Compliance Officer (CAMLCO) and a Senior Vice President as Deputy Chief Anti Money Laundering Compliance Officer (D-CAMLCO) of the bank have been assigned for effective prevention of money laundering and terrorist financing in the bank. However, a powerful “Central Compliance Committee (CCC)” consisting of senior executives and divisional heads and chaired by the aforesaid DMD has been continuously supervising overall anti money laundering & combating financing of terrorism activities of the bank. As per Bangladesh Financial Intelligence Unit (BFIU), Bangladesh Bank’s guidelines, a full-fledged division named “Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT) Division” headed by the D-CAMLCO has been working in the head office of the bank under the close supervision of CAMLCO. Circulars and circular letters issued by BFIU, Bangladesh Bank are instantly circulated to all the branches, divisions, zonal offices and training institutes of the bank. At the same time, bank issues necessary circulars in compliance with applicable laws, circulars, guidelines etc. of regulatory authorities.

The bank has its own “Anti Money Laundering & Combating Financing of Terrorism Policy” (updated in 2019), “Customer Acceptance Policy” (updated in 2019) and “Money Laundering and Terrorist Financing Risk Management Guidelines for FSIBL” approved by the Board of Directors which are prepared in the light of Money Laundering Prevention Act-2012 with amendments in 2015, Anti Terrorism Act-2009 with amendments in 2012, 2013 and circulars, guidelines issued by regulatory authorities. In accordance with the instruction of BFIU, a senior and experienced official or manager operation of every branch has been nominated as “Branch Anti Money Laundering Compliance Officer (BAMLCO)” by the CCC of the bank for preventing money laundering and terrorist financing at the branch level. Bank’s AML & CFT Division inspects branches on a random basis in addition to Internal Control & Compliance Division’s audit of the branches for overseeing the implementation of AML & CFT activities at the branch level. Moreover, AML & CFT Division checks & submits monthly Cash Transaction Report (CTR) in due time and submits Suspicious Transaction Report (STR)/Suspicious Activity Report (SAR) to BFIU, Bangladesh Bank accurately as and when applicable.

Mitigation:

The bank conducts Customer Due Diligence (CDD) for every customer at the time of account opening and Enhanced Due Diligence (EDD) as & when required in compliance with the instruction of BFIU, Bangladesh Bank. The bank verifies every NID information of the customers by using election commission's database to ensure complete and accurate KYC of bank's new and existing customers. The bank has procured Politically Exposed Persons (PEPs) and Influential Persons' (IPs) and necessary adverse media news data from Accuity Ltd.-a UK based international database provider for real time and automated identification of PEPs, IPs and suspicious persons involved with crimes by using its own Sanction Screening Software [S3]. In 2019, bank has successfully participated in Electronically Know Your Customer (e-KYC) pilot project supervised by Bangladesh Bank and bank is fully committed to use this type of modern technology in the near future for completing proper & accurate KYC. FSIBL's own Training Institute in collaboration with AML & CFT Division regularly organizes training & workshop to the employees of the bank on the subject of Anti Money Laundering and Combating Financing of Terrorism where prevention of trade based money laundering gets special emphasis. In 2019, a day long workshop for all the BAMLCOs named BAMLCO Conference has been held at Dhaka on the topic of Anti Money Laundering and Combating Financing of Terrorism. However, bank's officials & executives regularly get quality training on the topic of Anti Money Laundering and Combating Financing of Terrorism in home and abroad. The bank distributes adequate number of leaflets and hang posters on the topic of Anti Money Laundering and Combating Financing of Terrorism at every branch for building public awareness on these issues.

Internal Control and Compliance

Internal control and compliance (ICC) in Banks is a process for giving reasonable assurance of an organization's objectives in operational effectiveness and efficiency and compliance with laws, regulations and policies of Bangladesh Bank, BSEC and other regulatory authorities. IC&CD is identified with internal audit; but the scope is not limited to audit work only. It identifies the risks associated with the process and adopts measures to mitigate or eliminate these risks. On the other hand, ICC reinforces the control system through regular review of the effectiveness of the controls.

ICC is affected by a bank's BODs, management, organization and other mechanism. (1) BODs is actively concerned with sound corporate governance and that understands and diligently discharges its responsibilities by ensuring that the company is appropriately and effectively managed and controlled. (2) Management actively manages and operates the company in a sound and prudent manner. (3) Organizational and procedural controls supported by effective management information system to soundly and prudently manage the company's exposure to risk. (4) An independent audit mechanism to monitor the effectiveness of the organizational and procedural controls.

Mitigation:

The Head of ICC will report his activities and findings to the Senior Management. However, the Head of Audit will report directly to ACB and will be responsible to the ACB. Head of Compliance and Head of Monitoring will report to Head of IC&CD. The BODs approves the objectives, strategies and overall business plans of the bank and the ACB assists the BODs in fulfilling its oversight responsibilities. The ACB reviews the financial reporting process, the system of internal control and management of financial risks, the audit process, and the bank's process for monitoring compliance with laws and regulations and its own code of business conduct.

Guideline on Information & Communication Technology

Information and Communication Technology (ICT) is increasingly becoming an invaluable and powerful tool for driving development, supporting growth, promoting innovation and enhancing competitiveness. Its introducing global environment which will bring all nations around the world to come together to form a global networked community. Banks are increasingly using sophisticated digital technology for banking activities with a view to achieve more customers' satisfaction with less cost. In addition, it increases the efficiency of the banking and payment system, benefiting customers and merchants leading to bridging additional risks.

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 initiative, which safeguard the interest of customers. In this context Bank has implemented a core banking software ensuring adequate security. The Bank has a Data Center which is fault-tolerant, allowing us to upgrade, install patch, maintenance and any activity without downtime. The establishment enables to satisfy valued clients with sharp & better service. To protect sensitive information of core banking in the event of any disaster, the Bank has implemented a disaster Recovery Site. ICT Division performed DR Live operation for 64 hours after implementation of upgraded Hardware, Software and Network and Security devices. The Bank has already developed its own ICT security policy for various operation and services which are closely in line with the ICT security policy guideline of Bangladesh Bank. Active Directory Domain Controller (ADC) is implemented in all branches and head office according to the Guideline of Bangladesh Bank. ICT Division has implemented the ICT Inventory Management System Software with the help of which all ICT assets are properly monitored and secured with assigned custodians for all branches and divisions.

Training is the key component of ICT Risk Management. The Bank has been continuously conducting training sessions on sensitive ICT tasks (i.e. Operation Procedure, Business Continuity Planning, Disaster Recovery Planning, Certification Preparation Training, etc.) for relevant employees. ICT Division has also established an IT Lab for training arrangement of ICT and non-ICT background employees of FSIBL. The Bank has been maintaining adequate physical security inside its workplace to properly protect ICT resource. 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 of 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 policy.

Environmental Risk Management (ERM)

Environmental Risk is a facilitating element of Investment risk arising from environmental issues and applicable across all financing transactions undertaken by the Bank. The responsibilities of Investment Risk Management functions are: i) to be aware of environmental issues confronting the various sectors, ii) to review the completed due-diligence checklist and the environmental risk rating, iii) to integrate environmental risk considerations into the investment risk assessment and iv) to specify financing conditions/covenants, if any, are required.

Environmental risk is assessed by Environmental Due Diligence (EDD) Checklists. It is a set of questionnaire provided by Bangladesh Bank. There are eleven checklists, one for general purpose and ten others for ten specific sectors for environmental risk rating. For a specific sector both General EDD and Specific EDD checklists are applicable and for other than these specific sectors only General EDD checklist is applicable to determine the environmental risk rating (EnvRR). The EnvRR can be High, Moderate or Low depending on the borrower's business activity and the vulnerability of the location of the business activity.

Risk Based Capital (Basel-III)

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-III reporting from 2015. 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-III. All scheduled banks are also required to disclose capital adequacy in both quantitative terms as per Bangladesh Bank BRPD Circular No. 18 Dated December 21, 2014.

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 quantify 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 profit rate, sale value of collateral, non-performing Investment, stock price and foreign exchange rate.

Mitigation:

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.

g) Future plan or projection or forecast for company's operation, performance and financial position with justification:

In the history of Islami Banking in our country with modern and progressive guidelines; First Security Islami Bank is one of the pioneers. It is a full-fledged shariah compliant bank and follows all the Islami rules & regulations bank since its inception. First Security Islami Bank Ltd. was inaugurated on 25th October, 1999. Though our bank started its operation as a conventional bank at the beginning but by considering public demand and justification of the prudent decision of the board & management of our bank it was converted into a full-fledged Islami bank on 1st January 2009.

Developing the standard of living of the rural population, engaging urban life with economic development and acceleration of technological improvement with the increase of client groups by different products and services are the main objectives of First Security Islami Bank Ltd. To facilitate our clients beyond regular banking time, we are increasing the number of ATM booths, enhancing the facilities of online banking; internet banking, SMS banking and app based banking facilities. We have started Agent banking and Mobile Banking services to reach the services to the doorsteps of all types of clients. Our bank has been participating in different social activities unlike development of health sector, education, sports and helping the under privileged people as the mode of corporate social responsibility. The achievements of the bank during its 20 years of operation are really praiseworthy and clients have strong belief on the bank.

Bank believes that not only earning of profit but also getting the trust of clients and increasing the quality of services are the main objective of banking service. So the bank aims to ensure the utmost client satisfaction. Restricted profit rate is supposed to be the one of the greatest risk for upcoming days with the down flow of economy for the COVID-19, so bank is emphasizing on low cost deposits and modernization of banking activities. Our bank has achieved remarkable success in its foreign trade businesses and working to continue this trend through different initiatives in international business and receiving foreign remittances from Bangladeshi expatriates. Our bank is giving sincere importance to investment risk management and accelerating investment in CSME sector, Women entrepreneurship and Agriculture sector. The bank keeps its attention to income from ancillary services to keep up stable trend of income and minimization of unnecessary costs. We strongly believe that the bank will be able to attain sustainable growth by proper utilization of its operating strategies and adept human resources.

The bank is relentlessly working for developing long-term strategic plan to maintain dynamic growth by realizing the changing habit of all types of clients and to become the symbol progressiveness of banking arena of our country.



Syed Waseque Md. Ali
Managing Director

xxvi. Declaration or Certification by CEO and the CFO

(Annexure-A)

June 18, 2020

Board of Directors
First Security Islami Bank Limited
Rangs RD Center, Block: SE(F), Plot-03
Gulshan Avenue, Gulshan-1,
Dhaka-1212.

Subject: **Declaration on Financial Statements for the year ended on 31.12. 2019.**

Dear Sirs,

Pursuant to the condition No. 1(5) (xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 Dated June 03, 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

- (1) The Financial Statements of First Security Islami Bank Limited for the year ended on 31.12.2019 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
- (2) The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
- (3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- (4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- (5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- (6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.


In this regard, we also certify that:

- (i) We have reviewed the financial statements for the year ended on 31.12.2019 and that to the best of our knowledge and belief:
 - (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (b) these statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.



Md. Mustafa Khair
Additional Managing Director & CFO

Sincerely yours,



Syed Waseque Md. Ali
Managing Director

xxvii. Status of compliance with the conditions imposed by the commission's Notification No.SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969

(Report under Conditions No. 9)

Annexure-C

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
1.0	Board of Directors			
1(1)	Board's Size (Shall not be less than 5 and more than 20)	✓	-	-
1(2)	Independent Director			
1(2)(a)	At least 1/5 th Independent Directors of the total directors	✓	-	-
1.2(b)	Independent Directors means for this clause			
1.2 (b)(i)	Holding no share or less than 1% of paid up shares	✓	-	-
1.2 (b)(ii)	Not a sponsor of the Company	✓	-	-
1.2 (b)(iii)	Not an executive of the company preceding 02 (two) FY	✓	-	-
1.2 (b)(iv)	Not have any relationship with the Company	✓	-	-
1.2 (b)(v)	Not a member or TREC holder, director or officer of any stock exchange	✓	-	-
1.2 (b)(vi)	Not a shareholder, director of Member of Stock exchange	✓	-	-
1.2 (b)(vii)	Not a partner or executive of statutory audit firm preceding three years	✓	-	-
1.2 (b)(viii)	Not independent director more than 5 listed companies	✓	-	-
1.2 (b)(ix)	Not convicted by a court	✓	-	-
1.2 (b)(x)	Not convicted for a criminal offence	✓	-	-
1(2)(c)	Appointed by the Board of Directors & approved in AGM	✓	-	-
1(2)(d)	Post cannot remain vacant for more than 90 days	✓	-	-
1(2) (e)	Tenure of the office of an Independent director shall be 3 years	✓	-	-
1(3)	Qualification of Independent Director (ID)			
1(3) (a)	Independent director shall be knowledgeable individual	✓	-	-
1(3)(b)(i)	Business leader who is or was a promoter or director of an unlisted company	✓	-	-
1(3)(b)(ii)	Corporate leader who is or was a top level executive not lower than CEO or DMD or CFO or HIAC or CS	✓	-	-
1(3)(b)(iii)	Former official of government or statutory body not below 5 th Grade of national pay scale	✓	-	-
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law	✓	-	-
1(3)(b)(v)	Professionals of advocate practicing in high court, CA, CMA and CS who were in practice	✓	-	-
1(3)(c)	Experience of an Independent Director is at least 10 years	✓	-	-
1(3)(d)	Qualification of the Independent director may be relaxed	-	-	N/A
1(4)	Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer			
1(4)(a)	The position of the Chairman of the Board and Chief Executive Officer shall be filled by different individuals	✓	-	-
1(4)(b)	The Managing Director and/or Chief Executive Officer of a listed company shall not hold the same position in another listed company.	✓	-	-
1(4)(c)	The Chairman of the board shall be elected from among the non-executive directors of the company	✓	-	-
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer	✓	-	-
1(4)(e)	In the absence of the chairperson of the Board remain members	✓	-	-

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
1(5)	The Directors' Report to the Shareholders			
1(5)(i)	An Industry outlook and possible future development	✓	-	-
1(5)(ii)	Segment or product-wise performance	✓	-	-
1(5)(iii)	Risks and concerns including internal and external factors	✓	-	-
1(5)(iv)	A discussion on Cost of Goods sold, Gross & Net Profit margin	✓	-	-
1(5)(v)	A discussion on continuity of any Extra-Ordinary gain or loss	-	-	N/A
1(5)(vi)	A detailed discussion on related party transaction should be disclosed	✓	-	-
1(5)(vii)	A statement of utilization of proceeds from public issues, rights issue and/or through others instruments	-	-	N/A
1(5)(viii)	Explanation of deteriorated financial result after IPO, RPO and Rights share offer	-	-	N/A
1(5)(ix)	Explanation of Significant variations between financial statements	-	-	N/A
1(5)(x)	A statement of remuneration paid to directors including Independent Director	✓	-	-
1(5)(xi)	A statement that financial statements are prepared by management of issuer company	✓	-	-
1(5)(xii)	Maintaining of proper books of accounts	✓	-	-
1(5)(xiii)	A statement that appropriate accounting policies have been applied	✓	-	-
1(5)(xiv)	Applicable IAS / BAS / IFRS / BFRS have been followed	✓	-	-
1(5)(xv)	System of internal control is sound in design	✓	-	-
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions	✓	-	-
1(5)(xvii)	There is no significant doubt to continue as a going concern	✓	-	-
1(5)(xviii)	Significant deviation shall be highlighted	✓	-	-
1(5)(xix)	Key operating and financial data shall be summarized	✓	-	-
1(5)(xx)	In case of no declaration of dividend	-	-	N/A
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend	-	-	N/A
1(5)(xxii)	Number of Board meetings & attendance by each director	✓	-	-
1(5)(xxiii)	A report on the pattern of shareholding disclosing the aggregate number of shares held by:			
1(5)(xxiii)(a)	Share held by Parent/Subsidiary/Associate Companies	✓	-	-
1(5)(xxiii)(b)	Share held by Directors, CEO, CS, CFO, Head of Internal Audit and their spouse	✓	-	-
1(5)(xxiii)(c)	Share held by Executives	✓	-	-
1(5)(xxiii)(d)	Shareholders holding 10% or more voting interest	✓	-	-
1(5)(xxiv)	In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders:			
1(5)(xxiv)(a)	A brief resume of the director	✓	-	-
1.5 (xxiv)(b)	Nature of his/her expertise	✓	-	-
1.5 (xxiv)(c)	Other companies in which the person is associated	✓	-	-
1.5 (xxv)	A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:			
1.5 (xxv)(a)	Accounting policies and estimation for preparation of financial statements	✓	-	-
1.5 (xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes	✓	-	-
1.5 (xxv)(c)	Comparative analysis of financial performance as well as cash flows for current financial year	✓	-	-
1.5 (xxv)(d)	Compare such financial performance and cash flow	✓	-	-
5 (xxv)(e)	Briefly explain the financial and economic scenario of the country	✓	-	-
1.5 (xxv)(f)	Risks and concerns issues related to the financial statements	✓	-	-

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		
		Complied	Not complied	
1.5 (xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position	✓	-	-
1.5 (xxvi)	Declaration or certification by the CEO and CFO	✓	-	-
1.5 (xxvii)	The report as well as certificate regarding compliance of condition 9 of CGC	✓	-	-
1(6)	The company shall conduct its Board meetings and record the minutes of the meetings	✓	-	-
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	The Board shall lay down a code of conduct, based on the NRC at condition No. 6	-	-	Formation of NRC is under correspondence of BB with BSEC
1(7)(b)	The code of conduct as determined by the NRC	-	-	Do
2	Governance of Board of Directors of Subsidiary Company			
2(a)	Provision relating to the composition of the Board of Directors of holding company shall be made applicable for subsidiary company	✓	-	-
2(b)	Inclusion of at least 1 Independent director of holding company in the Board of Directors the subsidiary company	✓	-	-
2(c)	Minutes of the Board meeting of the subsidiary company shall be placed at the board meeting of the holding company	✓	-	-
2(d)	Minutes of the holding company shall state that the affairs of the subsidiary company have reviewed	✓	-	-
2(e)	Audit Committee of the holding company shall review the financial statements of the subsidiary company	✓	-	-
3	Managing Director, Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS)			
3(1)	Appointment			
3(1)(a)	Appointment of Managing Director, Company Secretary, CFO and Head of Internal Audit are approved by the Board	✓	-	-
3(1)(b)	The position of Managing Director, Company Secretary, CFO and Head of Internal Audit are filled by different individuals	✓	-	-
3(1)(c)	The MD, CS, CFO and HIAC of listed company shall not hold any executive position in other company	✓	-	-
3(1)(d)	Respective roles, responsibilities and duties of CFO and CS are clearly defined by the board	✓	-	-
3(1)(e)	The MD, CS, CFO and HIAC are not remove from their position without approval of Board	✓	-	No such event occurred
3(2)	Requirement to attend the Board Meetings of MD, CFO, CS and HIAC	✓	-	
3(3)	Duties of Managing Director, Chief Financial Officer			
3(3)(a)(i)	The MD, CS, CFO shall certify that they have reviewed financial statements and these financial statements do not contain any materially untrue	✓	-	-
3(3)(a)(ii)	These financial statements together present a true and fair view of the company's affairs	✓	-	-
3(3)(b)	The MD, CS, CFO shall certify that there are no fraudulent, illegal transactions entered into company	✓	-	-
3(3)(c)	The certificate of MD and CFO shall be disclosed in the Annual Report	✓	-	-
4.	Board of Directors' Committee			
4(i)	Audit Committee	✓	-	
4(ii)	Nomination and Remuneration Committee	-	-	N/A
5.	Audit Committee			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The company shall have an Audit Committee	✓	-	-
5(1)(b)	The Audit Committee shall assist the Board in ensuring that the financial statements reflect true and fair of the state of affairs	✓	-	-
5(1)(c)	The Audit Committee shall be responsible to the Board and its duties shall be clearly set forth in writing	✓	-	-

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		
		Complied	Not complied	
5(2)	Constitution of Audit Committee			
5(2)(a)	Composition of the Audit Committee with at least 03 (three) members	✓	-	-
5(2)(b)	The Board shall appoint members of the Audit Committee	✓	-	-
5(2)(c)	All members of the audit committee are financially literate	✓	-	-
5(2)(d)	Filling of casual vacancy of the Committee members	-	-	N/A
5(2)(e)	The Company Secretary shall act as Secretary	✓	-	-
5(2)(f)	The quorum of the Audit Committee shall not constitute without at least 01 (one) Independent Director	✓	-	-
5(3)	Chairman of the Audit Committee			
5(3)(a)	Selection of Chairman of the Audit Committee	✓	-	-
5(3)(b)	In the absence of Chairman of the Audit Committee remaining members elect the Chairman among them	✓	-	-
5(3)(c)	Presence of Chairman of the Audit Committee at AGM	✓	-	-
5(4)	Meeting of the Audit Committee			
5(4)(a)	The Audit Committee shall conduct at least 04 (four) meetings	✓	-	-
5(4)(b)	The Quorum of the meeting of the Audit Committee in presence of either two members or two third members	✓	-	-
5(5)	Role of the Audit Committee			
5(5)(a)	Oversee of financial reporting process	✓	-	-
5(5)(b)	Monitor of accounting policies and principles	✓	-	-
5(5)(c)	Monitor of internal control risk management process	✓	-	-
5(5)(d)	Oversee hiring and performance of external auditors	✓	-	-
5(5)(e)	Hold meeting with external auditor for review annual financial statements	✓	-	-
5(5)(f)	Review of financial statement along with Management	✓	-	-
5(5)(g)	Review of half yearly & quarterly financial statements along with the Management	✓	-	-
5(5)(h)	Review of the adequacy of internal audit function	✓	-	-
5(5)(i)	Review the Management's Discussion and analysis before disclosing Annual Report	✓	-	-
5(5)(j)	Review all statements of related party transaction	✓	-	-
5(5)(k)	Review of Mgt. Letter / Internal control weakness	✓	-	-
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit	✓	-	-
5(5)(m)	Oversee whether the proceeds raised through IPO / RIPO / Right Issue fund utilization	-	-	N/A
5(6)	Reporting of the Audit Committee			
5(6)(a)	Reporting to the Board of Directors			
5(6)(a)(i)	Audit committee shall report its activities to the Board	✓	-	-
5(6)(a)(ii)	Audit committee shall immediately report to the Board			
5(6)(a)(ii)(a)	Report on Conflicts of interest	-	-	N/A
5(6)(a)(ii)(b)	Suspected fraud/Irregularities/material defect in internal control	-	-	N/A
5(6)(a)(ii)(c)	Suspected infringement of law, rules and regulations	-	-	N/A
5(6)(a)(ii)(d)	Any other matter which shall be disclosed to the Board	-	-	N/A
5(6)(b)	Reporting to the Authorities	-	-	N/A
5(7)	Reporting to the Shareholders and General Investors	✓	-	-
6.	Nomination and Remuneration Committee (NRC)			
6(1)	Responsibility to the Boards of Directors			
6(1)(a)	The Company shall have NRC	-	-	Formation of NRC is under correspondence of BB with BSEC

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications	-	-	Do
6(1)(c)	The terms of reference of the NRC shall be clearly set forth in writing covering the areas	-	-	Do
6(2)	Constitution of the NRC			
6(2)(a)	The Committee shall comprise of at least three members	-	-	Do
6(2)(b)	All members of the committee shall be non-executive directors	-	-	Do
6(2)(c)	Members of the committee shall be nominated and appointed by the Board	-	-	Do
6(2)(d)	The Board shall have authority to remove and appoint any member of the committee	-	-	Do
6(2)(e)	In case of death, resignation, disqualification or removal of any member of the committee or in any other case of vacancies, the board shall fill the vacancy within 180 days	-	-	Do
6(2)(f)	The chairperson of the committee may appoint or co-opt any external expert and/or member(s) of staff	-	-	Do
6(2)(g)	The company secretary shall act as the secretary of the committee	-	-	Do
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent Director	-	-	Do
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role	-	-	Do
6(3)	Chairperson of the NRC			
6(3)(a)	The Board shall select one member of the NRC who shall be an independent director	-	-	Do
6(3)(b)	In the absence of the chairperson of the NRC, the remaining members may elect one of themselves	-	-	Do
6(3)(c)	The chairperson of the NRC shall attend the annual general meeting to answer the queries of the shareholders.	-	-	Do
6(4)	Meeting of the NRC			
6(4)(a)	The NRC shall conduct at least one meeting in a FY			Do
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting	-	-	Do
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the committee	-	-	Do
6(4)(d)	The proceeding of each meeting of the NRC shall duly be recorded in the minutes	-	-	Do
6(5)	Role of the NRC			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders	-	-	Do
6(5)(b)(i)	NRC shall oversee, among others formulating the criteria for determining qualifications, positive attributes and independence of a director and recommended a policy	-	-	Do
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully	-	-	Do
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks	-	-	Do
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long term performance objectives	-	-	Do
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity	-	-	N/A
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria	-	-	N/A
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board	-	-	N/A

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria	-	-	N/A
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies	-	-	N/A
6(5)(c)	The company shall disclose the nomination and remuneration policy during the year at a glance in its annual report	-	-	N/A
7.	External or Statutory Auditors			
7(1)(i)	Appraisal or valuation services or fairness opinions	✓	-	-
7(1)(ii)	Financial information systems	✓	-	-
7(1)(iii)	Book-keeping to the accounting records	✓	-	-
7(1)(iv)	Broker-dealer services	✓	-	-
7(1)(v)	Actuarial services	✓	-	-
7(1)(vi)	Internal audit services	✓	-	-
7(1)(vii)	Any other service that the Audit Committee determines	✓	-	-
7(1)(viii)	Audit or certification services on compliance of corporate governance as required condition No.9(1)	✓	-	-
7(1)(ix)	Any other service that creates conflict of interest.	✓	-	-
7(2)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure	✓	-	-
7(3)	Representative of external or statutory auditors shall remain present in the shareholders' meeting	✓	-	-
8.	Maintaining a website by the company			
8(1)	The company shall have an official website linked with the website of the stock exchange	✓	-	-
8(2)	The company shall keep the website functional from the date of listing	✓	-	-
8(3)	The company shall make available the detailed disclosures on its website as required under listing regulations	✓	-	-
9.	Reporting and Compliance of Corporate Governance			
9 (1)	The company shall obtain certificate from practicing professional Accountant / Secretary	✓	-	-
9 (2)	The professional for providing certificate on CGC shall be appointed by shareholders in the AGM	✓	-	-
9(3)	The directors of the company shall state that the company has complied with these conditions or not	✓	-	-



AHMED ZAKER & Co.
CHARTERED ACCOUNTANTS

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Report to the Shareholders of First Security Islami Bank Ltd. on compliance on the Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by **First Security Islami Bank Ltd.** for the year ended on 31 December 2019. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 3 June 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our Examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

(a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission except those mentioned in the statement of compliance status.

(b) The company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;

(c) Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws; and

(d) The governance of the company is satisfactory.

For Ahmed Zaker & Co.
Chartered Accountants

Ahmed Zaker & Co.
Md. Shafiqul Alam FCS, FCA
Partner

Place: Dhaka
Dated: 28 June, 2020

Report on Risk Management

Risk Management:

The banking sector of Bangladesh has been getting robust not only in size but also in complexity, with its diversified products, risk structures and connectivity. The current size of the banking sector of Bangladesh requires special attention to risk management to improve operational efficiencies of banks in managing the increasing risks.

Risks are the potential that an uncertainties, event, action or inaction will adversely impact the ability of an entity to achieve its organizational objectives.

Risk management is a process of identifying, analyzing, assessing, devising & implementation of appropriate policies to control or mitigate the material uncertainties for the organization effectively and efficiently.

Risk management framework is a set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization. The notion of a risk management framework is essentially equivalent to the concept of Enterprise Risk Management (ERM).

Risk Management Process:

The process of risk management can be presented as a listing of coordinated activities and by a cyclic sequence.

Risk Management Structure of FSIBL:

FSIBL has been addressing its risks through a separate risk management division under the direct supervision of the Chief Risk Officer (CRO). The Additional Managing Director (AMD) of FSIBL has been nominated as Chief Risk Officer (CRO) to ensure the highest priority in risk management activities.

Board Risk Management Committee (BRMC):

FSIBL has its highest authority for devising risk management policies is 'Board Risk Management Committee (BRMC)' comprising of honorable vice-chairman of the bank as chairman and two directors of Board as member. The committee defines the risk appetite for the bank, designs organizational structure to manage risk within the bank, reviews and approves risk management policies, enforces and uses adequate recordkeeping and reporting system, and monitors compliance of overall risk management in the bank.

Executive Risk Management Committee (ERMC):

FSIBL has also an Executive Risk Management Committee (ERMC) at management level consisting of member from the different core risks management divisions under the chairmanship of Chief Risk Officer (CRO) of the Bank. The Deputy Chief Risk Officer (DCRO) of the bank is member Secretary of the committee. The committee sets targets for capital ratio and capital composition, manages the balance sheet and funding structure, develops risk policies for business units, determines overall investment strategy, and identifies monitors and manages bank's current and potential operational risk exposures. Another senior management level committee is 'ALCO (Asset Liability Management Committee)' that supervises/manages market risk of the bank.

Risk Management Division (RMD):

As per Bangladesh Bank DOS circular no. 04 dated 8th October 2018, the following Risk Management organogram has been designed by the First Security Islami Bank Ltd. (FSIBL).

Risk Management Philosophy:

FSIBL has its own risk management philosophy for giving proper attention to risk management. The key elements of the Bank's risk management philosophy are as under:

- The Bank considers sound risk management to be the foundation of a stable financial institution.
- The Bank continues to adopt a holistic and integrated approach to risk management and, therefore, brings all risks together.
- Risk management is governed by well-defined policies that are clearly communicated across the Bank.
- Risk management is a shared responsibility. Therefore, the Bank aims to build a shared perspective on risks that is grounded in consensus.
- Risk officers work as allies and thought partners to other stakeholders within and outside the Bank, and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.

Operational Overview of Risk Management Division:

Risk management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. The Risk Management Division of FSIBL is conducting its activities through the eight different desks covering core functional areas of the bank. An overview of the operational activities is highlighted under:

Investment Risk Management (IRM) Desk: Investment Risk Management Desk is responsible for developing and implementing comprehensive procedures and information systems to monitor the condition of each individual investment across various portfolios. FSIBL needs to enunciate a system that enables the Investment Risk Management Desk to monitor quality of the investment portfolio on a day-to-day basis and take remedial measures as and when any deterioration occurs.

Asset-Liability Management (ALM) Desk: The goal of asset/liability management (ALM) is to properly manage the risk related to changes in profit rates, the mix of balance sheet assets and liabilities, the holding of foreign currencies, and the use of derivatives. These risks should be managed in a manner that contributes adequately to earnings and limits risk to the financial margin.

Internal Control & Compliance (ICC) Desk: Internal Control & Compliance risk is the current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards, as well as from the possibility of incorrect interpretation of effective laws or regulations. Bank are exposed to compliance risk due to relations with a great number of stakeholders, e.g. regulators, customers, counter parties, as well as, tax authorities, local authorities and other authorized agencies.

Anti-Money Laundering & Combating Financing of Terrorism Desk: Money laundering is the process of making illegally-gained proceeds (dirty money) appears legal (clean). Typically, it involves three steps: placement, layering and integration. First, the illegitimate funds are furtively introduced into the legitimate financial system. Then, the money is moved around to create confusion, sometimes by wiring or transferring through numerous accounts. Finally, it is integrated into the financial system through additional transactions until the 'dirty money' appears 'clean'.

Information & Communication Technology (ICT) Desk: ICT risk is the risk associated with the use, ownership, operation, involvement, influence and adoption of ICT within a Bank. It consists of ICT related events and conditions that could potentially impact the business. It can occur with both uncertain frequency and magnitude and it creates challenges in meeting strategic goals and objectives.

Foreign Exchange (FX) Desk: Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. The foreign exchange positions arise from the following activities: a) trading in foreign currencies through spot, forward and option transactions as a market maker or position taker, including the unheeded positions arising from customer-driven foreign exchange transactions; b) holding foreign currency positions in Banking; c) engaging in derivative transactions that are denominated in foreign currency for trading or hedging purposes

Stress Test Desk: Stress testing is an important risk management tool that provides an indication of how much capital might be needed to absorb losses in different stressed situations. It will measure the vulnerability or exposure to the impacts of exceptional, rare but potentially occurring events like – profit/interest rate changes, exchange rate fluctuations, changes in investment rating, events which influence liquidity, etc.

Capital Management Desk: The main purposes of the FSIBL's capital management policies and practices are to support its business strategy and to ensure that it is sufficiently capitalized to withstand even severe macroeconomic downturns. Capital management helps to ensure that bank has sufficient capital to cover the risks associated with its activities. As part of the internal capital adequacy assessment process (ICAAP), helps the management to identify the risks that the bank is exposed to, and determines the means by which they will be mitigated. Capital Management Desk also develops a process to regularly compare available capital with current and projected solvency needs, and address deficiencies in a timely manner.

Risk Management Reporting:

The following reports are required to be submitted before the Executive Risk Management Committee (ERMC) and Board Risk Management Committee (BRMC) in different intervals. These reports are also submitted to Bangladesh Bank.

Monthly Risk Management Report: Risk Management Division (RMD) prepares Risk Management Report (RMR) monthly as per Bangladesh Bank DOS Circular No. 04 dated October 8, 2018. This report is submitted to Department of Off-Site Supervision of Bangladesh Bank after presenting before the Executive Risk Management Committee of FSIBL along with the meeting minutes and risk analysis of the report.

Risk Analysis: On the basis of the monthly Risk Management Report (RMR), for taking more informed decisions, a Risk Analysis Statement is prepared by the Risk Management Division (RMD) of FSIBL. Risk analysis statement submitted to Department of Off-Site Supervision of Bangladesh Bank attached with monthly Risk Management Report (RMR)/half-yearly Comprehensive Risk Management Report (CRMR) after presenting before the Executive Risk Management Committee of FSIBL.

Quarterly Stress Testing Report: Stress testing is an important risk management tool that provides an indication of how much capital might be needed to absorb losses in different stressed situations. A rigorous and comprehensive stress-testing program is conducted in FSIBL. It measures the vulnerability or exposure to the impacts of exceptional, rare but potentially occurring events like – profit rate changes, exchange rate fluctuations, changes in investment rating, events which influence liquidity, etc. Risk Management Division (RMD) prepares Stress Testing Report and submitted to Financial Stability Department of Bangladesh bank quarterly and Department of Off-Site Supervision of Bangladesh Bank half-yearly.

Half-yearly Comprehensive Risk Management Report (CRM): Risk Management Division (RMD) prepares half-yearly Comprehensive Risk Management Report (CRM). This report is submitted to Department of Off-Site Supervision of Bangladesh Bank after presenting before the Executive Risk Management Committee of FSIBL along with the meeting minutes and risk analysis of the report.

ICAAP Report: Internal capital adequacy assessment process (ICAAP), including an evaluation of the bank's preferred risk profile, the actual risks identified, the means by which they will be mitigated, and what risks will be covered by capital. Risk Management Division prepares ICAAP report and submitted to the Banking Regulation & Policy Department (BRPD) of Bangladesh bank annually after presenting before the Supervisory Review Process (SRP) team and Board.

Risk Appetite Statement (RAS): As per Bangladesh Bank DOS circular no. 04 dated 8th October 2018, board approved Risk Appetite Statement (RAS) is to be submitted to Department of Off-Site Supervision of Bangladesh Bank on yearly basis within first two months of the year.

Report of Risk Management Policies and effectiveness: As per Bangladesh Bank DOS circular no. 04 dated 8th October 2018, a board approved review report of Risk Management Policies and effectiveness of risk management functions is to be submitted to Department of Off-Site Supervision of Bangladesh Bank by the end of 2nd month following the end of each year.

Achievement of Risk Management Division in 2019:

Comprehensive Risk Management Rating of FSIBL, conducted by Bangladesh Bank as of 31.12.2018 was in better position.



Mohd. Shafiqul Alam

Vice President &
Deputy Chief Risk Officer (DCRO)
Risk Management Division

REPORT OF THE AUDIT COMMITTEE:

The Board of Directors of First Security Islami Bank Limited has formed an Audit Committee (ACBD) under BRPD Circular-11, dt. 27/10/2013. The ACBD performs its roles in accordance with applicable rules, regulations and policies. The committee sets the overall business plan and formulates policies that the Management is responsible for execution.

RESPONSIBILITIES OF THE AUDIT COMMITTEE:

Major responsibilities of the Audit Committee are as follows:

- Evaluations compliance culture of the Management.
- Reviews management's actions in computerization of the bank and its applications and Management Information System (MIS) of the bank.
- Considers whether internal control strategies recommended by internal and external auditors have been implemented by the management.
- Considers reports related to frauds, forgeries, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authority and place it before the board after reviewing whether necessary corrective measures have been taken by the management.
- Reviews existing Risk Management procedures for ensuring an effective Internal Check and Control System
- Reviews efficiency and effectiveness of Internal Audit Functions.
- Monitors effectiveness of removal of the irregularities detected.
- Reviews Annual Financial Statements in line with the Accounting Standards set by Regulatory Authorities.
- Reviews monitoring activities.
- Reviews findings and recommendations of the External Auditors.
- Assesses of running the affairs of the Bank by the management in line with the plans and policies set out by the Board.

COMPOSITION OF THE AUDIT COMMITTEE:

The Audit Committee is comprised of the following three members:

Sl.	Name	Status in the Board	Status in the Audit Committee
01.	Ahmed Muktadir Arif	Independent Director	Chairman
02.	Dr. Mamtaz Uddin Ahmed	Independent Director	Member
03.	Jamal Mostafa Chowdhury	Independent Director	Member

MEETING OF THE AUDIT COMMITTEE:

Five meetings of Audit Committee were held in the year 2019. The Committee met with Internal Control & Compliance Division, Finance and Accounts Division and External Auditors of the Bank to discuss their findings and to work out ways to resolve their observations.

In the year 2019, the committee reviewed on:

- Internal Audit Plan for the year 2019 and approved plan for 2020.
- Draft Financial Statements and after discussing with the External Auditors, recommended it to the Board for their considerations.
- Half Yearly Financial Report of the Bank and recommended its supply to the shareholders as a statutory requirement.
- Overall Health of the Bank.
- Bangladesh Bank's Inspection Reports and discussed the possible ways to resolve the issues mentioned in the reports.
- Significant Internal Audit findings and advised for corrective measures.
- Overall performance of IC&C Division and effectiveness of internal control system of the Bank.
- Strengthening of the Audit and Inspection Division in terms of Logistics and Manpower to increase their efficiency and capacity.

APPROVAL OF FINANCIAL STATEMENTS:

The Audit Committee reviewed and examined the Annual Financial Statements for the year 2019 prepared by the Management and audited by External Auditors, Hoda Vasi Chowdhury & Co., and referred those statements before the BODs for consideration.

ACKNOWLEDGEMENT:

The Committee expresses its sincere thanks to the Members of the Board, Management and the employees of IC&CD for their excellent supports in discharging their duties and responsibilities effectively and smoothly.



Ahmed Muktadir Arif

Chairman

Audit Committee of Board of Directors

Bismillahir Rahmanir Rahim

Report of the Shari'ah Council

Honorable Shareholders,
Assalamu Alaikum Wa Rahmatullah.

All praise to Almighty Allah, by dint of whose grace we have passed another year very well. Peace and blessings be upon his beloved prophet Muhammad (Sm.) as well as all of his descendants, companions and all the believers.

We take this opportunity to express our appreciation to the hon'ble board of directors, shareholders and the management of the bank for their cordial support.

In 2019, Shari'ah Council inspected different branches of the Bank and discussed various operational activities which include the issues referred by the board of directors and the management and also provided due opinions and guidelines in accordance with the Shari'ah principles.

It is to be noted that, the duty of the council is to deliver independent opinions and provide necessary Shari'ah guidelines based on observing and reviewing the banking activities. On the other hand, the responsibility of the bank management to ensure the banking activities in accordance with these Shari'ah guidelines.

Shari'ah Council performed the following activities in the year 2019:

- Shari'ah Council arranged necessary meetings in this year for different Shari'ah issues.
- Muraqib of the council conducted Shari'ah inspection on sufficient branches of the bank & the council observed & reviewed on the audited reports of the same.
- Besides Shari'ah inspection reports of the branches, the council discussed investment activities of the bank as well as the profit & loss accounts and balance sheet for the year 2019.
- Shariah Council provides opinion about investment product "Women Entrepreneurship (Protiva)" and Agriculture Investment (Sonali Shopno)

Suggestions:

- To arrange continuous training programs for all the executives and officers of the bank on different aspects of Islamic Shari'ah, Islamic Banking & Taqwa.
- To increase awareness among the clients about the Islamic Banking by conducting workshop, meetings, seminars, symposiums & clients get-together.
- Paying special attention to the service of the humanitarian from our own position.

The council prays to Almighty Allah for further progress and success of the bank on the right direction.



M. Shamaun Ali
Member Secretary



Sheikh (Moulana) Mohammad Qutubuddin
Chairman

Appreciation

I express my profound gratitude to Almighty Allah for enabling the bank to achieve remarkable growth in the sectors of operation in the year 2019. I take the opportunity to thank the Board of directors for their support and input during the year. I also thank our management and members of the staff for their loyalty, support and relentless efforts for qualitative and quantitative improvements of the bank.

I conclude by conveying my very sincere and special thanks to our respected shareholders, valued customers, patrons, well-wishers, Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Limited, Chattogram Stock Exchange Limited, Registrar of Joint Stock Companies and Firms and all other concerned who have supported us and extended their valuable co-operation. We look forward to their continued support, co-operation and guidance that are our constant source of encouragement in the days ahead.

Almighty Allah grant us courage, dedication and fortune to run the bank to the best of our abilities.

Ameen.

On behalf of the Board of Directors



Mohammed Saiful Alam
Chairman