

DIRECTORS' REPORT

"ACT GOOD AND DO GOOD TO SERVE BETTER BEING THE MOTTO, SIBL AND THOSE IN THE OPERATION ALWAYS STRIVE FOR THEIR BEST WITH THE RULES OF SHARIAH TO ACHIEVE AS MUCH SECURITY AND BENEFIT FOR ESTEEMED CUSTOMERS."



DEAR RESPECTED SHAREHOLDERS,

It is my great pleasure to welcome you all on behalf of the Board of Directors to the 23rd Annual General Meeting of Social Islami Bank Limited and to present before you the Directors' Report along with the audited financial statements as on 31st December 2017 for your kind consideration. I put on record my thanks and gratitude to you for your presence on this big shareholders' day. It is worthwhile to place before you the financial position of the bank on the backdrop of global economic scenario- the changes that taken place around the world and how Bangladesh experienced the same and various functional and administrative aspects during the year 2017 including Bangladesh economy.

GLOBAL ECONOMIC OUTLOOK**WORLD ECONOMY**

According to IMF's World Economic Outlook April 2018, the upswing in global investment and trade continued in the second half of 2017. At 3.8 percent, global growth in 2017 was the fastest since 2011. With financial conditions still supportive, global growth is expected to tick up to a 3.9 percent rate in both 2018 and 2019. Advanced economies will grow faster than potential this year and next; euro area economies are set to narrow excess capacity with support from accommodative monetary policy, and expansionary fiscal policy will drive the US economy above full employment. Aggregate growth in emerging market and developing economies is projected to firm further, with continued strong growth in emerging Asia and Europe and a modest upswing in commodity exporters after three years of weak performance. Global growth is projected to soften beyond the next couple of years. Once their output gaps close, most advanced economies are poised to return to potential growth rates well below pre-crisis averages, held back by aging populations and lackluster productivity. US growth will slow below potential as the expansionary impact of recent fiscal policy changes goes into reverse. Growth is projected to remain subpar in several emerging market and developing economies, including in some commodity exporters that continue to face substantial fiscal consolidation needs.

While upside and downside risks to the short-term outlook are broadly balanced risks

beyond the next several quarters clearly lean to the downside. Downside concerns include a possibly sharp tightening of financial conditions, waning popular support for global economic integration, growing trade tensions and risks of a shift toward protectionist policies, and geopolitical strains. The current recovery offers a window of opportunity to advance policies and reforms that secure the current upswing and raise medium-term growth to the benefit of all. Such policies should focus on strengthening the potential for higher and more inclusive growth, building buffers to deal more effectively with the next downturn, improving financial resilience to contain market risks and stability concerns, and fostering international cooperation.

World growth strengthened in 2017 to 3.8 percent, with a notable rebound in global trade. It was driven by an investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity exporters. Global growth is expected to tick up to 3.9 percent this year and next, supported by strong momentum, favorable market sentiment, accommodative financial conditions, and the domestic and international repercussions of expansionary fiscal policy in the United States. The partial recovery in commodity prices should allow conditions in commodity exporters to gradually improve. In emerging market and developing economies, in contrast, growth will remain close to its 2018-19 level as the gradual recovery in commodity exporters and a projected increase in India's growth provides some offset to China's gradual slowdown and emerging Europe's return to its lower-trend growth rate. Nevertheless, 40 emerging market and developing economies are projected to grow more slowly in per capita terms than advanced economies, failing to narrow income gaps vis-à-vis the group of more prosperous countries.

BANGLADESH ECONOMIC REVIEW**ECONOMIC GROWTH**

Bangladesh economy grew by 7.28 percent in FY17, up from 7.1 percent in FY16. This growth was mainly supported by industry and services sectors. Based on the sectoral developments and econometric estimates, BB staff projects FY18 real GDP growth in the range of 7.1-7.4 percent. Annual average CPI inflation continued to decline and stood at 5.4 percent in June 2017, well below the 5.8 percent target ceiling for FY17. The declining trend in average CPI inflation is mainly driven by non-food inflation, while food inflation witnessed a sharp increase due to flash flood-related crop losses in the Northeastern haor regions in H2FY17. Based on the BB's analytical models and the recent economic developments, average inflation is projected to be within 5.3-5.6 percent in June 2017. Bangladesh Bank's projection also shows average inflation for H1FY18 to be around 5.5-5.9 percent. Looking ahead, given the domestic inflation dynamics, food price developments and tapering base effect, some price pressures may emerge during FY18 and will need to be monitored and contained carefully.

INFLATION

The declining trend of annual average CPI inflation, which started from a peak of 7.4 percent at the end of FY14 and reached 5.9 percent at the end of FY16, further fell to 5.4 percent at the end of FY17. The declining trend in average CPI inflation in FY17 was mainly driven by non-food inflation, while food inflation witnessed a sharp increase due to flash flood-related crop losses in the Northeastern haor regions in FY17. In contrast, non-food price component of CPI declined due to subdued global inflation and favourable regional inflation rate. Moreover, core inflation, which excludes food and fuel components from the CPI basket, fell from 8.0 percent in June 2016 to 4.9 percent in June 2017.

POLICY INTEREST RATES

The weighted average interest rates on bank advances and deposits declined to 9.56 percent and 4.84 percent at the end of FY17 from 10.39 percent and 5.54 percent, respectively, at the end of FY16. The spread also narrowed slightly to 4.72 percent in FY17 from 4.85 percent over the same period of the preceding year.

EXTERNAL SECTOR DEVELOPMENTS

Exports growth fell down to 1.7 Percent in FY17, while import growth increased to 9.0 percent. Exports stood at USD 34019 million in FY17 from USD 33441 million in FY16. During the same period the total import payments increased to USD 43491 million from USD 39901 million in FY16. As import grew faster than export, trade deficit widened to USD 9472 million over the same period from USD 6460 million in FY16. The services and income account along with primary and 7992 million. Current account balance turned negative USD 1480 million in FY17 from a surplus of USD 4262 million in FY16. The capital and financial account surplus widened to USD 4493 million in FY17 from USD 1408 million in FY16. The overall balance of payments surplus shrank to USD 3169 million in FY17, which was USD 5036 million in FY16. Gross international foreign exchange reserves stood at USD 33.4 billion at the end of FY17 representing around months of prospective import coverage.

Imports grew by 9.0 percent in FY17, up from 5.9 percent growth in FY16. Import payments as a percentage of GDP continued to decline in recent years and edged down to 17.4 in FY17 from 18.0 in FY16. Total import payments for food grains, milk and cream, spices, pulses, sugar, clinker, POL, plastic and rubber articles thereof, raw cotton, and iron, steel & other base metals rose in FY17 compared to FY16 while those for oil seeds, fertilizer, textile & textile articles thereof, and staple fiber declined during the same period. Remittance inflows declined by 14.5 percent at the end of FY17 compared with the negative growth of 2.5 percent in FY16. Outstanding external debt stock of Bangladesh increased to USD 28566.3 million in FY17, up from USD 26305.7 million in FY16. However, the outstanding debt GDP ratio declined to 11.4 percent from 11.9 percent over the same period.

CAPITAL MARKET DEVELOPMENTS

The performance of the capital market witnessed a mixed trend during Q2FY18, as reflected in price indices, market capitalization, price earnings ratio, and turnover. The price index continued its rally since March 2016 while the turnover declined during Q2FY18. The key indicators of the capital market, the DSE broad index (DSEX) and DSE-30 index reached their recent highs (6244.5 and 2283.2) in Q2FY18. The DSEX index was 2.45 percent and 24.0 percent higher than in September 2017 and December 2016, respectively. DSE-30 index rose by 4.8 percent and 26.1 percent from September 2017 and December 2016 respectively. During Q2 FY18, market capitalization of the DSE expanded by 4.3 percent and 28.5 percent from September 2017 and December 2016 respectively. The overall price-earnings (PE) ratio of the DSE increased during Q2FY18. The average price earnings ratio edged up to 17.3 in December 2017 from 16.5 at the end of September 2017. Sector-wise PE data show that the banking sector's PE score was the lowest position while that of the Telecommunication sector was the highest.

SUSTAINABLE FINANCE

Bangladesh Bank has taken various initiatives aimed at ingraining a socially responsible financing ethos and mainstreaming financial inclusion initiatives. A strategic focus has been placed on nudging finance toward fostering social cohesion by devising policies to create a stronger base of the pyramid. Furthermore, given our population density and vulnerabilities to weather shocks and climate change, environmental sustainability is a central part of the national growth strategy. Green initiatives can also offer new growth opportunities, which are less subject to the vested interests of the existing sectors.

In line with government's SDG priorities of an inclusive, environmentally sustainable growth, Bangladesh Bank is for quite some years now promoting inclusive, green financing (targeting SME, agriculture and green initiatives), fostering financial sector wide a socially responsible financing ethos. Bangladesh Bank has now taken up a consultative initiative of formulating Guidance Notes on the do's and don'ts of socially responsible financing to better foster social cohesion, with output initiatives that promote entrepreneurship, create more and better jobs, and protect environment.

Bangladesh Bank's sustainable finance agenda would benefit from a closer coordination among and monitoring of various initiatives, programs, financial institutions, including MFIs, that are already in place to serve the base of the pyramid.

NBR TAX REVENUE

The growth of total revenue collection was revised downward to 26.3 percent from the budget of 40.4 percent in FY17 and the actual revenue growth of 18.5 percent in FY16. The downward revision was mainly prompted by the weaker-than-expected tax revenue earnings by the NBR in the original budget of FY17. Total revenue-GDP ratio decreased from 14.0 percent in the original budget in FY17 to 12.6 percent in the revised budget but remained higher than the actual ratio of 10.0 percent of FY16.

BANGLADESH BANKING SECTOR REVIEW

Broad money (M2) growth remained modest at 10.7 percent (y/y) in Q2FY18, remaining within the monetary policy target of 13.9 percent for H1FY18. Trends in M2 growth show that its growth has remained below 11.0 percent for the past three quarters, down from 13.0 percent in the previous years. The slowdown in M2 growth can be attributed to a slower growth in deposit and Net Foreign Asset (NFA) (6.8 percent in Q2FY18, down from 14.0 percent in FY17). A widening trade deficit from strong imports largely contributed to the deceleration in NFA growth. Net domestic asset of M2 grew by 12.1 percent during the quarter under review due to higher growth in private sector credit. Among the subcomponents of M2, currency outside banks and demand deposits grew by 14.1 percent and 14.6 percent, respectively, during the quarter from a year ago. Time deposits, which constitute about 78.0 percent of M2, grew by 9.7 percent in December 2017 from the level of December 2016.

Private sector credit growth continued its rising trend during Q2FY18 (Chart III.1), reaching 18.1 percent (y/y) in Q2FY18, exceeding the monetary program target of 16.2 percent for H1FY18. Sectorwise credit data show that a larger share of credit (about 41 percent) went to the industrial sector, and the trade and commerce sector (about 34 percent).

Public sector credit continued to decline during Q2FY18, though at a lower pace. As in the recent past, this dynamics reflected the more-than-planned sales of NSD certificates as the government primarily relied on this higher

cost method of budget deficit financing. Although credit growth far exceeded deposit growth during Q2FY18, call money rate, at 3.9 percent, remained around the same level of September 2017. Spread between the lending and the deposit rates was 4.4 percent in December 2017, down from 4.6 percent in September 2017.

Banking sector performance indicators showed some improvements in Q2FY18, as reflected in non-performing loan, liquidity condition, risk weighted asset ratio and profitability. During Q2FY18, overall NPL edged down, facilitated by domestic private commercial banks' management of their assets. Bank's profitability remains stable, return on equity (ROE) increased modestly, although return on asset (ROA) remains unchanged.

Gross NPL for private commercial banks (PCBs) declined from 6.0 percent in Q1FY18 to 4.9 percent in Q2FY18 and provisioning remained adequate. NPLs in SCBs remained elevated at 26.5 percent in December 2017, despite some recent progress. The system-wide net NPL went down by 0.7 percentage point during this quarter to 9.3 percent.

CRAR for private commercial banks continued its upward trend and remained well capitalized in Q2FY18. Although capital position of SCBs has declined modestly, the overall capital position of the banking system edged up and remained stable at end-December 2017.

Profitability indicators of the banking sector showed improvement in 2017. ROE for private commercial banks increased from 11.09 percent in 2016 to 12.01 percent in 2017, aided by higher credit growth. ROE for SCBs turned positive to 3.45 percent in 2017, from the negative territories over the last three years.

Private sector credit growth, at 18.1 percent in December 2017, remains around a five-year high, exceeding the deposit growth hovering around 10-11 percent. Although system-wide advance deposit ratio (ADR) has remained below the maximum regulatory ceiling, ADRs in a few of the PCBs indicate some exuberance in lending.

Overall liquidity has steadily moderated during the last three quarters, but liquidity condition in the banking system remained broadly stable in Q2FY18. Excess liquidity, the excess of SLR as percent of total demand and time liabilities (TDTL), has moderated in recent months, suggesting the need for adhering to a prudent asset-liability management and aligning the credit growth in line with the deposit growth.

MONETARY POLICY

As on date of report, Monetary Policy Statement (MPS) January-June 2018 (for the second half of FY 2018) has been declared by Bangladesh Bank and the highlights of MPS are:

- Sharp above-trend upturns in imports and in credit to private sector appear to indicate a much-awaited robust pickup in investment and output activities, supported by progress in addressing infrastructural deficiencies, robust domestic demand, and a broad-based pickup in global

output and trade growth. Besides increased food grains imports due to flood-related crop losses and depletion of public food grain buffer stocks, import increases mainly comprise capital machinery and production inputs. These bode well for growth going forward, but also poses near-term challenges of containing monetary growth-driven inflationary pressures and of protecting external sector balance of payments (BOP) sustainability.

- Excess liquidity from FY17 largely met the monetary demand from increased economic activity, keeping domestic credit (DC) growth at 14.5 percent, in line with the 14.5 percent H1 FY18 program target, even with private sector credit growth (18.1 percent) substantially overshooting the 16.2 percent H1 FY18 program target.
- Moderation of the transient external imbalance from credit-fueled high import growth to a sustainable trend will accordingly be a key priority for monetary and macro-prudential policies in H2 FY18, besides keeping in check the inflationary risks from rising global commodity prices and any spillovers from food to non-food inflation from any undue exuberance in domestic credit expansion. The H2 FY18 monetary program and its attendant macro-prudential measures will seek to address this priority mainly by intensive, intrusive supervision focusing on quality and sectoral composition of credit flows rather than by any blanket curb restricting access to credit for productive pursuits.
- Given the global and domestic inflation outlook, H2 FY18 monetary program retains domestic credit growth ceiling unchanged at 15.8 percent, adequate to accommodate the targeted 7.4 real GDP growth with up to 6.0 percent annual average inflation. Continued negative trend of government's bank borrowing is projected to leave room for higher 16.8 percent FY18 private sector credit growth, against previous projection of 16.3 percent. Reserve money (RM) growth and its attendant inflationary impact will remain moderate in H2 FY18, aided by the government's likely negative or small bank borrowing; expected near-zero net foreign assets (NFA) growth due to high import payment outflows will result in moderation in broad money (M2) growth to 13.3 percent, against the earlier projection of 13.9 percent.
- Repo and reverse repo policy interest rates will for the time being be left unchanged at 6.75 and 4.75 percent, respectively. Macro-prudential steps to curb imprudent unproductive lending include: (a) intensive surveillance on adherence to prescribed Asset-Liability Management (ALM) and Forex Risk Management guidelines; a new directive requiring banks to rationalize their Advance/Deposit Ratios to curb their overexuberance in lending; increased surveillance on the end use of bank loans including import finance; (b) encouraging banks to avoid unduly high medium- or long-term investment

financing exposures to corporate borrowers, helping instead corporate bond issuance in the capital markets, using banks only as interim bridge financing windows; (c) Taka's market pressure-driven depreciation against USD, coupled with depreciation of USD itself against other major currencies is helping restore external balance by enhancing export competitiveness and workers' remittance inflows. Preventive and punitive steps against the abuse of mobile phone accounts in illegal hundi operations are also shoring up banking channel remittance inflows.

- Furthermore, steps are on towards getting banks more proactively engaged in mobilizing foreign savings of Non-resident Bangladeshis (NRBs) by promoting sales of government's Wage Earners' Development Bonds, and also in attracting NRB portfolio investments in Bangladesh capital markets by opening and managing Non-resident Investment Taka Accounts (NITAs) in their names. Besides augmenting inflows into the forex market, these will also help increase equivalent Taka liquidity in the financial and capital markets. Work underway on further simplifying banking channel transaction procedures relating to exports of goods and services through internet-based e-commerce platforms will also help further in augmenting forex inflows.

ISLAMIC BANKING AROUND THE WORLD

The twentieth century has witnessed a major shift of thinking in devising banking policy and framework based on Islamic Shariah. This new thought was institutionalized at the end of the third quarter of the century and emerged as a new system of banking called Islamic banking. The establishment of the Islamic Development Bank (IDB) in 1975 gave momentum to the Islamic Banking movement. Since the establishment of IDB, a number of Islamic Banking and financial institutions have been established all over the world irrespective of Muslim and non-Muslim countries. Their rapid growth has gained considerable attention in international financial circles where various market participants have recognized promising potentials. Kuala Lumpur and Bahrain are the world's leading Islamic capital markets while Dubai and other players in the Middle-East are

fast catching up. In the UK, the first Islamic bank has already opened its doors and Singapore has expressed its interest to be a leading Islamic financial centre, while China and India has expressed interest in Islamic banking.

The Islamic finance market has become extremely sophisticated as well as increasingly competitive. Today, virtually all large western financial institutions are involved in Islamic finance whether through Islamic subsidiaries, "Islamic windows", or the marketing of Islamic products. In recent years, a range of new Islamic products have appeared, such as Islamic bonds (or sukuk) and Islamic derivatives. While some of those products are widely accepted, others are still controversial.

ISLAMIC BANKING AND ITS DEVELOPMENT IN BANGLADESH

GENESIS OF ISLAMIC BANKING IN BANGLADESH

Bangladesh is the third largest Muslim country in the world with around 160 million populations of which 90 percent are Muslim. The hope and aspiration of the people to run banking system because of Islamic principle came into reality after the OIC recommendation at its Foreign Ministers meeting in 1978 at Senegal to develop a separate banking system of their own. After 5 years of that declaration, in 1983, Bangladesh established its first Islamic bank. At present, out of 56 banks in Bangladesh, 8 full edged Islamic Banks and 20 Islamic Banking branches of 10 conventional banks are working in the private sector on the basis of Islamic Shariah. Islamic banks in Bangladesh since their inception have been gaining popularity in spite of some problems in their operation. An important development in Islamic banking in the last few years has been the entry of some conventional banks in the market and their use of Islamic modes of financing through their Islamic branches, windows, or units. It necessitates and encourages the mobilized ion of Islamic banking, which includes some of the giants in the banking and nance industry. Bangladesh was not indifferent to this turning move. Presently, 10 conventional banks have opened 20 Islamic banking branches alongside their interest- based branches. These conventional banks should focus on the safeguards that ensure the Islamic nature of these branches such as separation and compliance with Shariah. Separation of Islamic banking branches includes separation of capital,

accounts, staff employed and office. However, the most important thing is compliance with Shariah. There should be strong Shariah supervisory boards in order to prepare the model agreement, to approve the structure of every new operation, and lay down the basic guidelines for each and every mode of financing.

FORMATION OF IBCF

For effective interaction, communication and exchanges the ideas & views of Shariah banking development and its practices in Bangladesh among the Islamic banking and Islami Banking Branches of the conventional Banks, a forum called "Islamic Bank Consultative forum (IBCF)" was formed in 1995. IBCF may be called first ever organizational development in establishing Islamic Banking in Bangladesh where the member banks discuss together the problems and issues relating to the growth and development of Islamic Banking in Bangladesh and common strategy and policies are formulated for implementation through this common Forum. The immediate goals of the IBCF were to establish Central Shariah Board for all Islamic Banks in Bangladesh, Islamic Money Market, Islamic Insurance Company(s), innovation of new financial products. Among them, Central Shariah Board is now functioning successfully. Bangladesh Government Islamic Investment Bond (BGIIIB) and Islamic Money Market are the development of IBCF and Bangladesh Bank which are being enjoyed by almost all the Member-Banks. At present, 8 (eight) full fledged Islamic Banks like (i) Islami Bank Bangladesh Limited (ii) EXIM Bank Limited (iii) Shahjalal Islami Bank Limited (iv) Social Islami Bank Limited (v) ICB Islamic Bank Limited (vi) Al-Arafah Islami Bank Limited and (vii) First Security Islami Bank a (viii) Union Bank Limited and 5 (five) numbers of Conventional banks having Islami Banking Branches like (i) Prime Bank Limited (ii) Dhaka Bank Limited (iii) Southeast Bank Limited and (iv) AB Bank Limited and (v) Pubali Bank Limited are the members of IBCF.

FORMATION OF CSBIBB (CENTRAL SHARIAH BOARD FOR ISLAMI BANKS OF BANGLADESH)

CSBIBB was formed in 2001 with the view to observance of uniform policies and practices of Islamic banking among the member banks. Currently 8 (Eight) full edged Islamic Banks and 10 (ten) conventional banks of Islamic banking Branches are the member of CSBIBB. CSBIBB is manly rest with the functions of (i) collections, translations & publications of Journals and References on Islamic Banking (ii) to arrange and undertake research programs, Training, workshop, seminar, symposiums (iii) gives award for contribution in Islamic Banking.

BANGLADESH GOVERNMENT ISLAMIC INVESTMENT BOND

In principal, the method of treasury functions and its management of an Islami bank are quite different from other conventional bank. To support the daily treasury functions of Islami banks, Ministry of Finance, Government of the Peoples' Republic of Bangladesh in the year 2004 introduced a very special type of Shariah based bond called "Bangladesh

Government Islami Investment Bond." which is treated as a component of Statutory Liquidity Ratio (SLR).

The operation of 6-month, 1-year and 2- year Bangladesh Government Islamic Investment Bond introduced in Financial Year 2005 in accordance with the rules of Islamic Shariah where per unit bond price has been determined Taka 1,00,0000/- (Taka one lac). As per the rules, Bangladeshi institutions and individuals, and non-resident Bangladeshi, who agree to share profit or loss in accordance with Islamic Shariah, may buy this bond. Social Islami Bank Limited has been actively involved in buying this bond and as on 31.12.2017 total outstanding buy amount (principal amount) of this bond stood at Taka 8.85 billion. Re-investment facility featured has been tagged with the bond and any Bangladeshi Institutions and Individuals, and non-resident Bangladeshi, who agrees to share profit or loss in accordance with Islamic Shariah, can accept borrowing from the fund.

ISLAMI BANK'S FUND MARKET

Temporary arrangement of funds through MSD (Mudaraba Savings Deposit) and MND (Mudaraba Notice Deposit) accounts:

In order to day to day liquidity management, Islami banks cannot take part in call money Market operation and other activities like REPO and Reverse REPO which are very common techniques widely used by the conventional banks. Besides that, the Islamic Money Market of Bangladesh is not well structured. To mitigate the immediate/short liquidity crisis and management of surplus funds overnight, Banks running under Shariah principles have an arrangement between themselves to maintain MSD (Mudaraba Savings Deposit) Accounts or MND (Mudaraba Notice Deposit) Accounts for temporary transactions. Excess funds are placed to others banks and shortage of funds are replenished by calling other Islamic Banks or Islamic Banking Branches to deposit in these accounts. This technique is very popular among the Islamic Banks/Islamic Banking Branches.

INTRODUCTION OF ISLAMIC INTER BANK FUND MARKET (IIFM)

Bangladesh Bank has introduced Islami Inter Bank Fund Market (IIFM) with a view to facilitating liquidity management of the Shariah-based Islamic banks. Islami Banks cannot borrow fund from the conventional call money market due to non-compliance of Shariah. Moreover, absence of a Shariah-based money market refrain the banks to borrow fund from each other. Therefore, Islamic money market is integral to the functioning of the Islamic banking system in providing the Islamic financial institutions with the facility for funding and adjusting portfolios over the short-term. Financial instruments and inter-bank investment would allow surplus banks to channel funds to deficit banks, thereby maintaining the funding and liquidity mechanism necessary to promote stability in the system. Although the Islamic Shariah-based banks have about 20 per cent market share of the total asset and liability in the

country's banking industry, they did not have any inter-bank money market (call money market) before. As a result, the banks were facing problems in managing excess liquidity, and on the other hand, if a bank needed fund to overcome sudden liquidity shortage, Islamic Banks had no option to manage fund except internal arrangement in between Shariah banks through MSD and MND accounts operations. Sometimes, Islamic banks are in the excess liquidity position, which remain idle due to absence of a formal money market for them. Introduction of IIFM has solved the problems of the Islamic banks and from now they are able to collect fund from inter-bank money market. Shariah-based banks transact with each other through a separate fund called IIFM and the central bank is the custodian of this fund. According to the rules, if any bank has excess fund, it will invest the amount in the IIFM for one day. Besides, another Islamic bank requiring fund can borrow funds from it from the IIFM for one day. The rate of profit in the Islamic bank money market is determined on the basis of the profit rates of the bank gives to its depositors on a three months' deposit. The contract will be based on Mudaraba principle of Islamic banking law and the new system would open a new window of investment for the Islami banks having excess liquidity.

BANGLADESH BANK REFINANCE SCHEME

Bangladesh bank vide its letter no-GBCSRD Circular no-01, Dt-18.01.2015 has created an Islamic refinance Fund comprising of Tk-1000.00 million allowing Islamic Banks and Non Bank Financial Institutions (NBFIs) to finance in eco-friendly projects like agro-processor, small enterprises, renewable energy and environment friendly initiatives on the basis of Islamic Shariah.

This is to accelerate the involvement of excess liquidity of Islamic banks And NBFIs in economic activities and add value to the economy of the rural areas across the country.

According to the circular interested Islamic banks and NBFIs have to sign an agreement with 'Green Banking & CSR Department' of Bangladesh Bank. This covenant will empower Participating Financial institutions (PFIs) to disburse fund only in the projects including 47 products selected by Bangladesh Bank.

Under this Refinance Scheme PFIs will lend on a 3 months renewable basis at the rate of their

Mudaraba Savings a/c rate or bank rate (5%), whichever is lower. Profit generated from this fund will be distributed among the PFIs according to their investment ratio.

Investment in Refinance Scheme will be taken into account to fulfil the Statutory liquidity Requirement (SLR) of Islamic banks and NBFIs.

As on 31 December 2017 total outstanding investment amount was tk. 250.00 million in the Bangladesh Bank Refinance Scheme.

AN OVERVIEW OF THE BANK

SIBL started its operation on the 22nd November, 1995 as a Second Generation Islamic Bank in close co-operation and assistance of some renowned personalities of the Islamic world. H.E. Dr. Hamid Al Gabid, Former Secretary General of OIC & Prime Minister of Niger, H.E. Dr. Abdullah Omar Nasseef, Deputy Speaker of Saudi Shura Council & Ex-Secretary General of Rabeta Al-Islami, H.E. Ahmed M. Salah Jamjoom, Former Commerce Minister of Saudi Government, H.E. Prof. Dr. Ahmad El-Naggar (Egypt) participated to this noble endeavor as sponsor shareholders. Targeting poverty, SOCIAL ISLAMI BANK LTD. is indeed a concept of 21st century participatory three sector banking model in one in the formal sector, it works as an Islamic participatory Commercial Bank with human face approach to credit and banking on the profit and loss sharing it is a Non-formal banking with informal finance and credit package that empowers and humanizes real poor family and create local income opportunities and discourages internal migration; it is a Development Bank intended to monetize the voluntary sector and management of Waqf, Mosque properties and introducing cash Waqf system for the first time in the history. In the formal corporate sector, this Bank would, among others, offer the most up-to date banking services through opening of various types of deposit and investment accounts, financing trade, providing letters of guarantee, opening letters of credit, collection of bills, leasing of equipment and consumers' durable, hire purchase and instalment sale for capital goods, investment in low-cost housing and management of real estates, participatory investment in various industrial, agricultural, transport, educational and health projects and so on.

To enhance the performance of the bank our management adopted strategic plan that include increase in efficiency, establishment of transparency, efficiency and accountability in all spheres of banking practices and as a logical consequence of reform. Establishing Central Trade Processing Unit (CTPU), Central Remittance Processing Unit (CRPU), Central Clearing Unit (CCU), ADC (Alternate Delivery Channel), Offshore Banking, Agent Banking above all customized Products and Services are the reform processes that we had undertaken from 2010 to 2017 to be the compliant in one hand and to serve our client more efficiently and effectively on the other.

INTERNAL CONTROL AND COMPLIANCE OF THE BANK

The network of activities of banking have so diversified and widened that without proper internal control, smooth functioning of banking cannot even thought of. Effectiveness of the Bank's Internal Control System is being monitored on an ongoing basis. Social Islami Bank to establish and maintain an adequate system of Internal Control, which can effectively control of all the key functions of the Bank, so that objectives of the bank's are achieved and shareholders, depositors & other beneficiaries are sharply benefitted. To protect and safeguard the Bank form any means of fraud and error as well as loss-Social Islami Bank has introduced the "Internal Control and Compliance guideline" and also established a separate department called "Internal Control and Compliance Division (ICCD)" at Head Office staffed with some experienced Senior Banker rest with the power and duties to train the employees of the bank, give direction, monitor, audit and establish control on day by day operational procedures and statutory and non-statutory compliances. Still, it is important to recognize the existence of inherent limitations of internal control.day by day operational procedures and statutory and non-statutory compliances. Still, it is important to recognize the existence of inherent limitations of internal control.

CAPITAL MANAGEMENT OF THE BANK

The bank started its journey in the year 1995 with a paid up capital of Taka 118.36 million and thereafter within 22 years, it has built a total Capital of Taka 21,725.08 million using the external and internal sources. Given below table is the last 8 years history of SIBL towards its capital journey efforts:

Fig in million Taka

Year	Paid up Capital	Total Capital	Growth (over the previous year)	Source of Capital
2010	2,987.81	4,678.56	19.52%	Internal & external (right issue) generation
2011	6,393.93	9,534.52	103.79%	Internal generation
2012	6,393.93	10,596.51	11.13%	Internal & external (right issue) generation.
2013	7,031.42	11,623.52	9.69%	Internal generation
2014	7,031.42	13,078.26	12.51%	Internal generation
2015	7,031.42	16,916.08	29.34%	Internal generation
2016	7,385.99	19,195.04	13.47%	Internal generation
2017	7,385.99	21,725.08	13.18%	Internal generation

To comply with the international practices and to make the bank's capital more shock absorbent, Bangladesh Bank has issued new guideline in line with Basel III guideline where two new liquidity ratios has been introduced i.e. Liquidity coverage ratio (LCR) and Net Stable Funding Ratio (NSFR). Capital conservation buffer has to be maintained @ of 0.625% in every

year starting from year 2016. SIBL is the compliant of risk based capital adequacy framework- BASEL-III. As per regulatory requirements, the bank uses standardized approach for assessing, evaluating and calculation of risk weighted assets. SIBL is always concerned about its capital and its due maintenance and accordingly while forecasting the business growth and regulatory capital requirements, internal and external sources of capital are considered in detailed after capital impact study. As per Basel III capital at the year end 2017 stood at (a) paid-up capital Taka 7,382.99 million (b) total capital (as per BASEL-III) Taka 21,725.08 million against Taka 19,915.04 million of 2016.

CAPITAL BASE (TIER-I & TIER-II)

As per directives of Bangladesh Bank, all commercial banks are in the process of implementing the new risk based capital adequacy guideline in line with Basel III. From 1st January of the year 2015, implementation of Basel III has been initiated. For the year 2017 all bank operating in Bangladesh are required to maintain the minimum capital to risk weighted assets ratio (CRAR) @ 11.25% including conservation buffer. In Basel III guideline, the definition of Capital has been changed from Basel II. Tier-I capital which is also known as going concern capital consisting i) Common Equity Tier I (CET-1) and ii) Additional Tier I (AT-1) capital. At SIBL, CET-1 are composed of (a) paid up capital (b) statutory reserves (c) retained earnings and there is no AT-1 capital in the balance sheet yet.

Tier-II capital which is known as gone concern capital consisting of (a) general provision on unclassified Investments (b) eligible balance of 50% of revaluation surplus on Fixed Assets as per the Basel III phase out program for the year 2017. As per requirements of the guideline, it is mandatory to maintain the CET-1 @ 5.75% including conservation buffer whereas Tier I capital will be maintained minimum @ 6.00%. Capital base consisting of Tier I & II of the Bank as on 31st December 2017 stood at Tk. 21,725.08 million as against Tk. 19,195.04 million as on 31st December 2016. As per BASEL-III, the Comparative position of Capital Base of the year 2017 and 2016 is given as under:

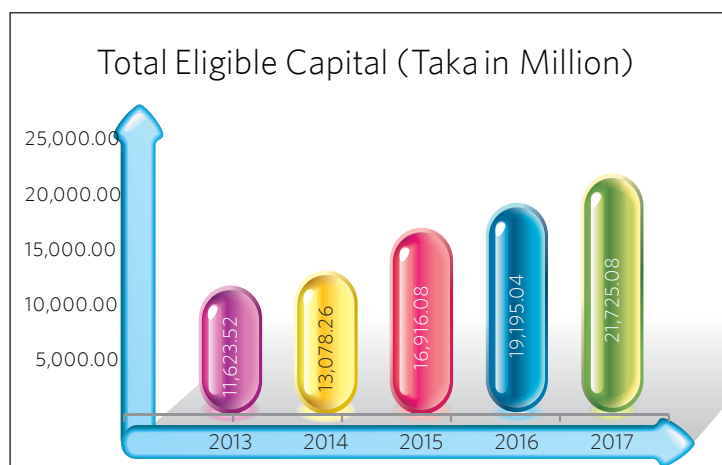


Fig in million Taka

Particulars	Yr-2017	Yr-2016
Tier-I Capital		
CET-1 Capital		
1. Paid up Capital	7,382.99	7,382.99
2. Statutory Reserve	5,025.80	4,318.77
3. Retained Earnings	778.44	1,481.97
Sub-total	13,187.23	13,183.73
AT-1	0	0
Total Tier I Capital	13,187.23	13,183.73
Tier-II Capital		
1. 1% provision on unclassified investment	2,886.72	2,694.61
2. 50% of Revaluation surplus on Fixed Assets (as per phaseout program)	211.14	316.7
3. SIBL Mudaraba Subordinated Bond	5,440.00	3,000.00
Sub-total	8,537.85	6,011.31
Total	21,725.08	19,195.04
Capital Adequacy Ratios		
i. CET-1 Capital Adequacy Ratio	7.02%	7.93%
ii. Tier –I Capital Adequacy Ratio	7.02%	7.93%
iii. Capital to Risk Weighted Asset		
Ratio (CRAR)	11.57%	11.55%

STRESS TESTING

To analyze the soundness of capital impact / capital's shock resilient of the bank more elaborately in the backdrop of 5 major risk factors of bank i.e. (a) Profit rates (b) Forced sale value of collateral (c) Non Performing Investment (d) Share price & (e) Foreign exchange rate based on minor, moderate and major levels of shocks consideration, Bangladesh Bank vide its circular no DOS Circular No 1 dated 21st April 2010 and revised guideline on 23 February 2011 has directed all the commercial banks for stress testing on the basis of 'Simple Sensitivity and Scenario Analysis' w.e.f. June 2010 on half yearly basis and thereafter quarterly basis w.e.f 1st quarter of 2011. Stress testing simply provide information on strengthens of a bank to absorb the level of shocks against all the risk factors.

The bank has a continuous plan on its capital structure to defeat any unforeseen minor or moderate shocks at any time. The shock results of the 4th quarter of 2017 shows that the capital structure of the bank is well defined and also indicative that the bank will be able to maintain the capital adequacy ratio at the standard level as set by the regulator. To strengthen the capital base of the bank a subordinated bond of Tk. 5000 million is in the process to issue which is expected to materialize within September 2018.

SIBL MUDARABA SUBORDINATED BOND RELATED INFORMATION

SIBL has two subordinated bond namely "SIBL Mudaraba Subordinated Bond of Tk. 300 crore" and SIBL 2nd Mudaraba Subordinated Bond of Tk. 400 crore to support and strengthen Tier-II capital base of the bank under Basel-III capital regulation of Bangladesh Bank. To strengthen the capital base of the bank SIBL 3rd Mudaraba Subordinated bond of Tk. 500.00 crore is in the process to issue which is expected to materialize within September 2018.

SIBL Mudaraba Subordinated Bond of Tk. 300 Crore:

Social Islami Bank Limited issued 'SIBL Mudaraba Subordinated Bond of Tk. 300 Crore' in accordance with the regulatory approval from Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank (BB) vide their letter ref no. BSEC/CI/DS-13/2014/598 & BRPD (BFIS) 661/14 B(P)/2014-6027, Dated: 26 August 2014 & 16 September 2014 respectively. The bond was fully subscribed by 14 nos of investors and the subscription of the bond closed on 31.03.2015. According to the redemption policy of the bond 20% face value of the bond has been redeemed on 01/04/2017. The list of investor with present outstanding balance is as follows:

Sl.	Name of the Investor	Outstandig as on 31.12.2017
1	Al-Arafah Islami Bank Limited	40,00,00,000
2	Bank Asia Limited	16,00,00,000
3	Bank Asia Limited Employees' Gratuity Fund	5,60,00,000
4	Islami Bank Bangladesh Limited	40,00,00,000
5	Padma Islami Life Insurance Limited	4,00,00,000
6	Prime Islami Life Insurance Limited	4,00,00,000
7	Pubali Bank Limited	16,00,00,000
8	Reliance Insurance Limited	4,00,00,000
9	Rupali Bank Limited	40,00,00,000
10	Shahjalal Islami Bank Limited	8,00,00,000
11	Sonali Bank Limited	40,00,00,000
12	Square Pharmaceuticals Workers Profit Participation Fund	4,00,00,000
13	United Finance Limited	10,40,00,000
14	Uttara Bank Limited	8,00,00,000
Total		2,40,00,00,000

SIBL 2nd Mudaraba Subordinated Bond of Tk. 400 Crore

Social Islami Bank Limited issued 'SIBL 2nd Mudaraba Subordinated Bond of Tk. 400 Crore' in accordance with the regulatory approval from Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank (BB) vide their letter ref no. BSEC/CI/DS-13/2014/28 & BRPD (BFIS) 661/14 B(P)/2017-1252, Dated: 17 January 2017 & 01 March 2017 respectively. The bond was fully subscribed by 12 nos of investors and the subscription of the bond closed on 20.06.2017. The list of investor with present outstanding balance is as follows:

Sl.	Name of the Investor	Outstandig as on 31.12.2017
1	Bank Asia Limited	10,00,00,000
2	Central Depository Bangladesh Ltd	20,00,00,000
3	Dhaka Stock Exchange Limited	40,00,00,000
4	Eastern Bank Limited	25,00,00,000
5	Mercantile Bank Limited	25,00,00,000
6	Midland Bank Limited	20,00,00,000
7	National Life Insurance Co. Ltd	10,00,00,000
8	Pubali Bank Limited	50,00,00,000
9	Rupali Bank Limited	50,00,00,000
10	Shahjalal Islami Bank Limited	50,00,00,000
11	Trust Bank Limited	50,00,00,000
12	Uttara Bank Limited	50,00,00,000
Total		4,00,00,00,000

SIBL 3rd Mudaraba Subordinated Bond of Tk. 500 Crore

Social Islami Bank Limited (SIBL) envisaged to issue the SIBL 3rd Mudaraba Subordinated Bond for raising Tier-II Capital to further strengthen the capital base of the bank and to comply with the capital adequacy requirements as per BASEL-III Capital accord, which also facilitate the long term business of the bank through expansion in General Investment portfolios resulting in profitability growth of the Bank as well as to attain sustainable growth in business. The salient features of the proposed bond are as follows:

Name of the Instrument	: SIBL 3rd Mudaraba Subordinated Bond
Issuer	: Social Islami Bank Limited (SIBL)
Issue Manager	: Standard Chartered Bank
Trustee	: Green Delta Insurance Company Limited
Purpose	: To Consider as Supplementary Capital (Tier II)
Issue Size	: BDT 500,00,00,000 (Five hundred crore)
Nature of the Debt Instrument	: Mudaraba Subordinated Debt
Tenure of Bond	: 7 (seven) years
Value Per Unit	: BDT 1,00,00,00,000 (Taka one crore only)
Number of Issuing Unit	: 500 (fivehundred) units
Market Lot	: BDT 1,00,00,00,000 (one crore)
Minimum Application	: BDT 1,00,00,00,000 (one crore)
Rate of Return/Profit Rate	: Six monthly Mudaraba Term Deposit Profit rate of SIBL + 2.00%
Profit Payment Schedule	: Semi Annually not later than 60 Days from Expiry of 6 (Six) Months and 12 (Twelve) Months of each year from Issuance
Repayment Schedule / Redemption Policy	: 20% of the total bond value to be redeemed at the end of each year starting from year 3 (three) at face value. Repayment schedule of the SIBL 3rd Mudaraba Subordinated Bond is as under:

	Issue Size (BDT) 500,00,00,000		
	Years	Repayment (BDT)	Balance (BDT)
Repayment/ Redemption	End of 1st year	-	500,00,00,000
	End of 2nd year	-	500,00,00,000
	End of 3rd year	100,00,00,000	400,00,00,000
	End of 4th year	100,00,00,000	300,00,00,000
	End of 5th year	100,00,00,000	200,00,00,000
	End of 6th year	100,00,00,000	100,00,00,000
	End of 7th year	100,00,00,000	-

LIQUIDITY

The bank has been following an approved ALM (Asset Liability Management) guideline, duly approved by the Board of Directors of the bank, in managing the day to day liquidity since 2005. Senior management of the bank is involved in the total process of liquidity management and discharges decision through ALCO (Asset Liability Committee) meeting. Management of the bank puts much stress on the bank's liquidity on regular basis rather than casual. Members of the ALCO sit minimum once in a month and instantly in case of any emergency to determine the strategy to defeat any unusual market liquidity situation. The bank has a clear guideline to face the stress liquidity situation to protect the bank at anytime from any means of liquidity mismatch. During the year under report, the bank conducted 13 numbers of ALCO meetings. To support the ALM and ALCO, the bank has a special desk under the name and style 'ALM Desk' which is (a) primarily responsible for scanning the liquid market place along with national, continental and international economy and economic factors every second (b) secondly, communication- monitoring-follow up of ALCO decision and (c) thirdly, closely monitoring of structured liquidity profile of the bank through in-depth analysis of Asset & Liability position of the balance sheet and tracking the different liquidity parameter whether all these factors are moving within the controlled environment/tolerable limit or nor and report to the CEO. Some young and brilliant professionals are assigned to perform the ALM jobs and highly concerned to assist the bank in proper liquidity management under the close supervision of senior management.

Liquidity in the form of Balance with Bangladesh Bank, Sonali Bank (as the agent of Bangladesh Bank) and cash in hand including Foreign Currency stood at Tk.23,826.65 million as on 31 December 2017 as against Tk. 17,946.83 million last year to maintain cash & statutory liquidity. The Bank is committed to maintain the CRR and SLR through effective management of assets & liabilities of the Bank in order to maximize the profit. During the year under report, the bank effectively maintained required CRR and SLR throughout the year without fail as per Bangladesh Bank's norm.

PLACEMENT & FUNDING

Style and method of placement & funding of Shariah compliant banks are quite different from

conventional banking style. Shariah banks operate their placement & funding under restricted environment and keep them apart from participation in 'Call Money Market Operation' and from 'Treasury Bill' purchasing programs like other contemporary banks- which are the mostly famous and widely used techniques in the banking industry in house and abroad. However, for the Islami banks, borrowing from Bangladesh Govt. Mudaraba Bond –a recognized external fund, provides liquidity to the Islami banks under some restricted environment. Borrowings from Bangladesh Govt. Mudaraba Bond mostly depend on the availability of the fund and availability of securities.

SIBL as a Shariah based bank, surplus funds placement and borrowings are usually initiated in the following way :

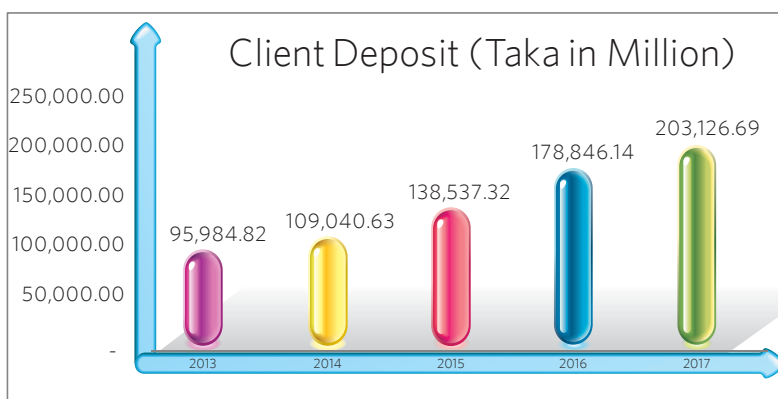
- (a) Placement of fund with the other Banks and Financial Institutions in the form of Savings, Notice and Term deposit Since the funding of Shariah banks are restricted to some extent, the bank always keep room in its ID ratios maximum to 89.30% and such the surplus funds keep with other Islami Banks or with the Islami banking branch / windows of conventional banks. Usually, Savings & Notice deposits accounts with other banks are used to manage the temporary or short term surplus for income generation purpose in one side and to withdraw money instantly to support the total liquidity system of the bank on the other side. Total placement with other Banks and Financial Institutions at the year end 2017 was Taka 10,736.62 million compared to Taka 7,196.67 million of 2016.
- (b) Borrowings of fund from Bangladesh Govt. Mudaraba Bond SIBL borrows fund from Bangladesh Govt. Mudaraba Bond against the lien marking of
 - (i) Instruments of Investment in Bangladesh Govt. Mudaraba Bond
 - (ii) IBP Instruments
 - (iii) MTDR receipts with other Bank's Investment

SIBL has a borrowing of Taka. 5,000.00 million as on 31.12.2017 compared to Tk. 3,000.00 million compared to the year 2016. The cost of such borrowings is equivalent to savings deposit rate.

DEPOSITS

During the year 2017, the bank drew-up a series of action plan both short term and long term to strengthen the deposit base of the bank in line with directives of the Bangladesh bank. The short term action plan included launching of special drives like deposit mobilization months during February-March 2017 called "SIBL Shompri". During the campaign period the employees were encouraged to collect client deposit with a view to building up a quality deposit structure.

All through the year the bank maintained its Liquidity ratios like LCR, CRR, SLR in accordance of the Bangladesh bank guidelines. The bank has been successful in reducing its cost of deposit during the year 2017. Cost of deposit for the year 2017 is 4.92%.



COMPARATIVE TOTAL DEPOSIT MIX

Fig in million Taka

Deposit mix	Year-2017	Year-2016	Growth
Al-Wadeeah Current & Other Deposit	31,254.38	24,709.37	26.49%
Mudaraba Savings deposit	16,876.61	13,899.50	21.42%
Mudaraba Term deposit	138,266.64	111,657.94	23.83%
Other Mudaraba deposit	42,123.35	40,060.82	5.15%
Cash Wqf.	277.92	236.88	17.33%
Total	228,798.90	190,564.52	20.06%

PROFIT PAID TO DEPOSITORS

The bank has distributed Tk. 10,561.96 million among the Mudaraba Depositors as profit in 2017 as against Tk. . 9,544.34 million in 2016. Profit paid in 2017 among the various types of Mudaraba depositors at the following rate:

Sl. No.	Mode of Deposits	Profit Rates for the year 2017	Profit Rates for the year 2016
1	Mudaraba Savings Account	3.00%	3.00%
2	Mudaraba Notice Deposit Account	3%-4.5%	3%-4.5%
3	Mudaraba Term Deposit Account		
	a. 1 month	3.00%	3.00%
	b. 3 months	6.50%	5.50%
	c. 6 months	6.75%	5.75%
	d. 12 months	7.00%	6.00%
4	Mudaraba Scheme Deposit Accounts:		
	a. Mudaraba Monthly Profit Deposit Scheme	8.00%	8.00%
	b. Mudaraba Millionaire Savings Scheme	8.00%	8.00%
	c. Mudaraba Education Deposit Scheme	8.00%	8.00%
	d. Sonali Din Special Deposit Scheme	8.00%	8.00%
	e. Mudaraba Special Deposit Pension Scheme	8.00%	8.00%
	f. Mudaraba Bashsthan Savings Scheme	8.00%	8.00%
	g. Mudaraba Hajj Savings Deposit (Kafela)	8.25%	8.25%
	h. Cash Waqf	8.25%	8.25%

Sl. No.	Mode of Deposits	Profit Rates for the year 2017	Profit Rates for the year 2016
i.	Mudaraba Lakhopati Deposit Scheme	8.00%	8.00%
j.	Mudaraba Double Benefit Deposit Scheme	8.00%	8.00%
k.	Shamridhir Shopan Special Deposit Scheme	8.00%	8.00%
l.	Mudaraba Marriage Savings Scheme	8.00%	8.00%
m.	Mudaraba Mohorana Savings A/c (10 Years)	8.00%	8.00%
n.	Mudaraba Mohorana Savings A/c (5 Years)	8.00%	8.00%
o.	Shanchita Special Deposit Scheme	3.50%	3.50%
p.	Subarnalata Special Deposit scheme	8.00%	8.00%
q.	SubarnaRekha Special Deposit Scheme	8.00%	8.00%
r.	Sabuj Chaya Special Deposit scheme	8.00%	8.00%
s.	Sabuj Shayannaya Special Deposit Scheme	8.00%	8.00%
t.	Shukher Thikana Special Deposit Scheme	8.00%	8.00%
u.	Shacchanda Protidin Special Deposit Scheme	8.00%	8.00%
v.	SIBL Student Account	5.50%	5.50%

INVESTMENT

Risk is an integral part of banking business and Social Islami Bank Ltd. (SIBL) aims at delivering superior shareholder value by achieving an appropriate trade-off between risks and returns. Investment risk arises from the probability that a bank's borrower will fail to meet its obligations in accordance with agreed terms, resulting in a negative effect on the profitability and capital of the bank. Investment risk can arise from default risk, concentration of counterparties, industry sectors and geographical regions. Generally, investments are the largest and most obvious source of investment risk. However, investment risk could stem from both on-balance sheet and off-balance sheet activities such as guarantees. It may arise from either an inability or an unwillingness to perform in the pre-committed/contracted manner. Investment risk comes from a bank's dealing with households, small or medium-sized enterprises (SMEs), corporate clients, other banks and financial institutions, or a sovereign.

Success depends on some one's ability to satisfy the ever-changing choices of customers constantly. We are committed to be innovative and responsive, while offering high quality tailored products and services at competitive prices. We are devoted to be one of the best financial service providers in Bangladesh delivering superior products to our valued customers within a framework of shared integrity. Social Islami Bank Ltd.'s Investment Risk Management Division (IRMD) and Investment Administration Division (IAD) are relentlessly working keeping these values and commitments in mind.

Our main challenge is to maintain, manage and ensuring asset quality and to distribute investment to the target group offering competitive price, smooth banking services, inducting best of the best clients and diversification of investment portfolio focusing on retail and SME sector.

The bank has exerted its best efforts towards implementation of Core Risk Management Guidelines in Investment Risk Management. Investment Risk Management Division, Trade Finance & RMG Division are also very much aware about the upcoming risk factors involved in banking industry. As a result, we are now more cautious about implementing various risk mitigating factors in line with the directives of Bangladesh Bank and GoB. We are gradually preparing to implement BASEL-III phase by phase so that regulatory bindings can be implemented. Our strong persuasion and initiatives is going to rate the unrated investment clients. Meanwhile, a notable amount of our ratable investment clients have been rated by leading rating agencies and rest are in process. We therefore hope that in coming days we would be more successful in mitigating risk factors and presenting quality assets.

Investment of SIBL in the year 2017 showed a favorable growth. The total investments of the Bank stood at Tk. 210,045.51 million in various sectors as at 31st December 2017 against Tk. 174,195.94 million as on 31st December 2016 registering a growth 20.58% that is the sign of the confidence of the clients on the Bank. The net increase in investment by Tk. 35,849.50 million as compared to 2016. We are now concentrating our efforts to increase quality investments to facilitate the investment earnings. The Bank has extended financial support towards some of the largest business conglomerates like Badsha Textile, Butterfly Marketing Ltd. and sister concerns, Meghna Group, Partex Group, Bashundhara Group, AR Group, Runner Automobiles Ltd., Runner Motors Ltd., NZ Group, Base Group, ACME, Pran RFL Group, Abul Khair Group, Nitol Motors, AMBER Group, Sikder Group, Rahimafroz, NASA Group, ACI, Mir Akhter Ltd., Aman Spinning, Megnum Steel,

Bangladesh Development Group, BSRM, KDS Group, Noman Group, United Group etc. We also integrated our collaborative efforts vigorously and successfully during this time for helping various small and medium enterprises for supplying their capitals through our different micro-investment tools.

SIBL has established Consumer Investment Division to focus more on retail and card investment with a view to diversifying investment portfolio to meet investment need for procuring consumable items of a developing society and to take a significant market share of retail and card investment in the industry.

To contribute in the society, serve the nation and to grab the market share SIBL has introduced Islamic micro-financing under Family Empowerment under Islamic Micro-Finance Program in the year 2015. At present 61 (Sixty One) Branches of SIBL are in operation of this program. Gradually this service would be available in all branches of SIBL based on the demand.

The following chart depicts the year wise position of investment since year 2012:



Out of Investment of Tk. 210,045.51 million, Tk. 17,227.10 million has become classified as on 31.12.2017. Our relentless endeavor is going on to arrest the NPI position.

Provision composition against funded investment for the year 2016 and 2017 is furnished hereunder:

(Figure in million Tk.)

Status	Provision Rate	2017		2016	
		Amount	Composition in %	Amount	Composition in %
Unclassified investment	0.25%, 1% & 2%	2870.27	45.66%	2678.81	60.07%
Special Mention Account (SMA)		16.45	0.34%	15.79	0.35%
Sub-Standard investment (SS)	20%	108.51	2.26%	3.87	0.09%
Doubtful Investment (DF)	50%	160.39	3.34%	27.30	0.61%
Bad /Loss Investment (BL)	100%	3,204.84	48.39%	1733.52	38.87%
Total		6,360.46	100.00%	4459.30	100.00%

INVESTMENT PLAN FOR 2018

SIBL has planned to reach investment portfolio to Tk. 230,000.00 Million starting from Taka 210,045.51 million only with the mindset for Consolidation & Service Excellence. To achieve the target SIBL is looking for small and medium sectors to boost the growth of the bank. Segment of these groups are Ready Made Garments (RMG), Textiles, Footwear, other wearing apparel & made up Textiles, Pharmaceuticals, NBFI, MNCs. Besides, SIBL is more focusing on investment to Retail, Card, SME and micro-investment sectors. Investment Risk Management Division (IRMD), Trade Finance & RMG Division, SME & Agricultural Finance Division, Consumer Investment Division and Investment Administration Division (IAD) are ready to give a big push to boost up to such companies and individuals to support the branches.

The plan has been formulated keeping in view with the national economic priorities and aiming at diversification of the investment portfolio by size, sector, geographical area, economic purpose and securities to bring in phases all sectors of the economy and all types of economic activities and different economic strata of the society within the fold of Bank's investment operations. Gradually concentration risk of investment portfolio based on size, sector, geographical area, economic purpose could be addressed.

With high quality resources equipped with both operational and product expertise under a competent management team, Investment Risk Management Division (IRMD), Trade Finance & RMG Division, SME & Agricultural Finance Division, Consumer Investment Division (CID) and Investment Administration Division (IAD) are always ready to take the challenge of expected growth of the investment portfolio ensuring the quality of the asset. But, under any circumstances, quality of the investment portfolio or related risks like market risk, liquidity risk and operational risk will be analyzed and subsequently mitigated before investment approval.

SUSTAINABLE FINANCE AND GREEN BANKING ACTIVITIES

Sustainable Banking refers to adopting environmentally responsible financing, weighing up environmental risks of projects before making financial decisions, financing spontaneously to various social development activities and

supporting & fostering growth of upcoming green initiatives & projects. Sustainable Banking can also promote environmental friendly in-house practices within the Bank to reduce carbon footprint from its banking activities which is an ethical approach in banking practice as well.

Sustainable Development Goals (SDGs) which are declared by United Nations for the period of 2016-2030 refers to a range of social needs including education, health, social protection and job opportunities, while tackling climate change and environmental protection. Bangladesh Bank through its guidelines on Green Banking & CSR and newly introduced Sustainable Banking approach has been supporting the Banks for accelerating sustainable development activities in the country.

The main purpose of Sustainable Banking is to make the earth a safe habitat for the human being, animals, plants and other organisms in the ecosystem by upholding the ethical standards, promoting social welfare activities and taking appropriate measures for environmental protection & action plans on climate change related issues. This is an effort from banks' part to ensure peace & justice in the society, tackle the future incidents which may take place due to climate change and restore the environment on the earth as well.

In order to achieve Sustainable Development Goals (SDGs) collectively, Bangladesh Bank vide SFD circular no. 02 dated 1st December, 2016 has given instructions to all scheduled Banks of the country to form (1) a separate "Sustainable Finance Division/ Department/ Unit" headed by Head of Investment Risk Management Division to carry out CSR activities and Green Banking activities of the Bank, (2) a "Sustainable Finance Committee" headed by the most senior Deputy Managing Director of the Bank. Bangladesh Bank also instructed that the overall activities of the "Sustainable Finance Department" and "Sustainable Finance Committee" shall be supervised by the Risk Management Committee (RMC) of the Board of Directors of the Bank.

Bangladesh Bank has given guideline to form a Committee headed by the most senior Deputy Managing Director. Other members include:-

1. Head of Investment Risk Management Division,
2. Head of Investment Administration Division,
3. Head of Special Asset Management Division,
4. Head of Corporate Banking Division,
5. Head of Retail Banking Division,
6. Head of International Division,
7. Head of Risk Management Division,
8. Head of Human Resources Division,
9. Head of Financial Administration Division,
10. Head of Internal Control & Compliance,
11. Head of Card Division,
12. Head of Logistic Support & Services Division,
13. Head of Branches & Establishment Division,
14. Head of Marketing & Communications,
15. Head of Information & Communication Technology Division
16. One Official from Sustainable Finance Department.

SIBL has been responding spontaneously to its social commitment. As part of Corporate Social Responsibility (CSR), Social Islami Bank Limited (SIBL) has been extending financial help to different orphanages, schools, madrasahs, social organizations & individuals who are suffering from fatal diseases like cancer, kidney failure, heart diseases etc.

GREEN BANKING

Green Banking is an emerging issue in the present banking arena. Green Banking is a holistic approach, which encourages environmental protection, sustainability, resource-savings and economic attitude in personal and professional life among others. Bangladesh Bank is emphasizing much on environment and environment-friendly project.

Bangladesh Bank has recognized SIBL as one of the Top Ten Private Commercial Banks for their contribution to Green Banking activities across the country. We have unified our sustainable operations under the "Green Banking Unit" equipped with permanent employees. The Audit Committee of the Board is selected as the High Powered Committee of our Green Banking Unit for reviewing the Green Banking activities. Our Green Banking Policy Guidelines and Green Office Guide have been circulated to all our employees for creating awareness on Green Banking activities & providing instructions about conserving energy, water, saving paper, etc. Our Green Strategic Plan is enhanced to define our strategy in the coming years. SIBL developed its own Environmental Policies, which proves our commitment to the Environment for a sustainable future. As a Bank we play an intermediary role between economic development and conservation of the environment. Our Green Banking activities are on multidimensional areas which include both in-house Green activities and external green activities towards supporting Green Economy. In 2017, as part of our Green Banking initiative SIBL has spent significant amount for beautification, tree plantation, installation of solar panels, environment friendly brick plant based on HHK (Hybrid Hoffman Klin) technology etc.

Green banking is fast gaining momentum in Bangladesh since its official inception in the second-half of 2011. During short span of time, several policy interventions were taken by Bangladesh Bank (BB) for accelerating green growth of the country. Green Development and Inclusive Growth – are at the focal points in Green Banking.

Green Banking initiatives are multi-stake holder approach and are never ending process, the implementation is possible only when collective efforts of all are being made.

Green Banking Achievement

Name	Achievement
Formation of Sustainable Finance Department	Sustainable Finance Department has been restructured on 15.01.2017 for smooth functioning of Green activities.
Circulation of Environment Due Diligence (EDD)	Environment Due Diligence (EDD) checklist is being Circulated and practiced.
Circulation of Environment Risk Rating (ERR)	Environment Risk Rating (ERR) is being circulated and practiced.
Circulation of Green Office Guide	Green Office Guide checklist is being monitored regularly.
Formation of Green Banking Policy	Green Banking Policy of SIBL has been approved by the Board of Directors of the Bank.
Preparedness of ESRM	A guideline of ESRM is under preparation for immediate circulation.
Some Green Event	<ul style="list-style-type: none"> • e-Circular system has been introduced. • e-Newsletter has been introduced replacing paper book. • Solar panel installed in some branches. • Green Banking has been focused in the Annual Calendar. Such endeavor has widely been accepted and applauded.

(Figure in Million)

Particulars	Yr-2016		Yr-2017	
	Disbursement	Outstanding	Disbursement	Outstanding
ETP				
Finance for installation of ETP	272.14	107.72	726.19	426.25
Projects financed having ETP	17,215.67	2,552.25	49,052.79	5,925.51
Bio-gas Plant	0.66	0.49	0.24	0.04
Solar Panel/Renewable Energy Plant	35.10	12.85	30.03	5.72
Hybrid Hoffman Klin (HHK)	313.69	73.35	201.04	112.89
Projects financed in Brick fields having Zigzag & Improved technology	653.90	193.99	1,116.24	238.96
Hazardous waste treatment facility	-	-	8.13	1.20
Plastic Waste Recycling Plant (PVC, PP, LDPE, HDPE,PS)	14.14	6.80	341.46	125.52
Others	1,318.93	804.16	0.00	0.00
Total	19,824.23	3,751.61	51,476.12	6,836.09

GREEN BANKING INITIATIVES OF THE BANK

Initiatives Taken	Yr-2016	Yr-2017
ATM (Number)	34	76
No. of Own ATM	34	76
No. of Shared ATM	Under NPSB	Under NPSB
Online Banking		
No. of Total Branches	111	136
No. of Branches with online coverage	111	136
Internet Banking		
No. of Accounts facilitated with Internet Banking	2,382	4,047
% of Accounts facilitated with Internet Banking	0.29%	0.33%
No. of Accounts facilitated with Mobile Banking/SMS Alert Banking	68,464	1,59,311
% of Accounts facilitated with Mobile Banking/SMS Alert Banking	8.32%	13.10%
No. of Training Programs/Seminars/ Workshops/Awareness		
Programs Exclusively conducted for Green Banking	5	4
Employees	80	305
Customer	-	-
Progress of Green Finance :		
Total Loan Disbursed (Funded)	82,156.37	318,813.85
Direct Green Finance (Disbursed)	7,354.92	3791.58
Indirect Green Finance (Disbursed)	8.84	47,690.76
Total Green Finance (Disbursed)	7,363.76	51,482.34
Direct Green Finance as % of Total Loan Disbursement	8.95%	1.19%

Future Plan of Green Banking:

SIBL has the plan to focus on the following areas of operation for promoting Green Initiatives:

- To popularize Online Banking,
- To increase Internet, SMS & Mobile Banking
- To introduce Video Conferencing
- To increase Efforts towards near paperless banking
- To promote Tree Plantation Campaign
- To promote green initiatives through advertisement in print/electronic media
- To rationalize use of consumption of paper, water, electricity and utilities
- To reduce Emission of Carbon
- To conserve environment
- To protect air/water pollution

Saving our 'Mother Planet' has become the crucial issue now-a-days. To save our beloved abode (the earth) from all types of erosion and pollution we, as global citizens, have some obvious responsibilities to keep our mother planet green remaining in our individual position we belong to.

RECOVERY PERFORMANCE

Special Asset Management (SAMD) renamed from the previously 'Law and Recovery Division' (LRD). SAMD started its activities from November 2010 for better functioning and for maintaining the continuous process for recovery and regularization of bad/ written-off/ stuck up investments portfolio of the Bank throughout the year. This division also undertakes different recovery drives for recovery of bad/written-off investments of the Bank, works for settlement of bad bad/written-off investments under the legal framework of the country and settles matters of bad/written-off investments through adopting different measures outside the court. SAMD is also engaged in handling all legal matters of the Bank. On-site, off-site, legal affairs, reporting and execution of decision desks are continuously working for recovery and regularization of bad assets.

Up to 2017 recovery from written-off investment was Taka 380.98 million compared to Taka 333.58 million up to the year 2016.

Till 2017 total 965 cases/suits are decreed/ disposed off in favor of the Bank against investments of Taka 10808.99 million compared to 814 cases/suits from Taka 8555.86 million in the year 2016. The total such case/suits of the Bank is 1,113 in number with involvement of Taka 24361.70 million filed by the Bank against different clients under NI Act, Artha Rin Adalat Ain-2003, Criminal Cases and Civil cases.

Different management tools like formation of different committees/ teams/ task forces also have been completed to implement the recovery policies of the bank as well as to monitor the recovery of investment. For maintaining continuous and vigorous contact and strong monitoring, committees have

been formed at branch level giving particular targets of recovery from bad/ written-off investments. To maintain contacts with clients as well with the engaged officials for recovery, particulars assignments have already been given to Head Office executives/ officials to see the progress of recovery on off-site basis.

SAMD arranges meeting with clients both at Head Office and at branches frequently as and when required. In these meetings, progresses also are being evaluated regarding recovery of the bad/written-off investments in the light of the previous commitments given by clients to the Bank. Besides, assigned executive/ officials have been brought under accountability to get progress towards recovery.

To improve asset quality and to get good economic health of the Bank, the SAMD is working continuously with different techniques. It is expected that above all measures taken by the SAMD will put effective impact towards recovery of bad/written-off investments and expected to have good result in the 2017 year end.

INVESTMENT INCOME

The bank has registered an income from investment of Taka 18,497.61 million under different mode of investment accounts in the year under review compared to Taka 16,883.38 million of 2016 which is an increase of 9.56% from the previous year. A comparative position on income received from different mode of investment in the year 2017 and 2016 is given below-

Mode	Year 2017	Year 2016	Growth
Murabaha	120.12	119.86	0.22%
Bai-Muzzal	11,235.98	10,118.43	11.04%
Hire Purchase Sirkatul Meelk	4,865.04	3,876.45	25.50%
Musharaka	31.30	38.94	-19.62%
Bai-Salam	57.21	40.66	40.70%
Quard against MTDR, Scheme & Others	582.61	557.89	4.43%
Inland Document Bill Purchased	343.63	358.86	-4.24%
Foreign Document Bill Purchased	291.94	691.12	-57.76%
Profit on Ijarah	42.58	27.31	55.92%
Other Banks and NBFIs	516.38	599.16	-13.81%
Other Investment (Card, Wakalat Fees etc)	250.31	217.78	14.94%
Profit on Mudaraba	160.52	236.94	-32.25%
Total	18,497.61	16,883.38	9.56%

CAPITAL EXPENDITURE

During the year under review, the total capital expenditure on acquisition of fixed assets was Taka 485.68 million which includes Taka 166.61 million towards Furniture & Fixtures, Taka 278.28 million for Office Equipment & Computers Software and Taka 40.73 million towards purchase of vehicles and Taka 0.07 million towards purchase of Books and References.

NON FUNDED INVESTMENT

The year under review, the bank had a collective effort in non-funded business from the first day of 2017. The Bank undertook a target on foreign exchange business for the year 2017 for Taka 250,000.00 million and accordingly achieved 202,037.00 million which is 80.81% of global target. The bank successfully managed to earn a commission & exchange income of Tk.1,871.30 million in 2017 against Tk. 1,552.38 million of 2016. The growth rate of commission and exchange earning is 20.54% over the previous years. Despite the volatility of foreign currency throughout the year 2017, the bank accumulated an exchange gain of Taka 1,022.97 million

against Taka 755.83 million of 2016.

Income from Investment in Shares & Securities

Throughout the year, the country observed the capital market as unsupported, fade and confidence less of the investors irrespective of corporate and individual. SIBL had an investment outstanding of Taka 13,082.52 million in Quoted & Unquoted Shares, Preference Share, Bond & Government Security against 12,310.58 million of 2016. This year earnings from this segment has been recorded Taka 443.10 million against Taka 293.82 million in 2016.

Significant variance in operating results between Quarterly and Annually

Despite political turmoil and overall economic slowdown, SIBL was able to maintain a positive growth in Deposits, Investment and Foreign Exchange. The operating profit of the year 2017 was Taka 6,166.21 million against Taka 5,698.08 million which is a growth of 8.22%. While analyzing the operating results by month to month and quarter to quarter, no significant deviation was found. The operating results for the 4 quarter of the year 2017 are given below with remarks:

fig in Million Tk

SI	Accounting Head	(Un-audited & Published)			Audited
		31.03.17	30.06.17	30.09.17	31.12.17
1	Investment Income	4,130.34	8,651.31	13,292.63	18,497.61
2	Profit Paid on deposits	2,832.53	5,384.07	8,116.97	10,561.96
3	Net Investment Income	1,297.81	3,267.23	5,175.66	7,935.65
4	Income from Investment in Shares & Securities	105.61	148.72	249.73	443.10
5	Commission, Exchange & Brokerage	425.20	893.51	1,350.32	1,871.30
6	Other Operating Income	60.12	255.63	328.65	602.38
7	Total Operating Income	1,888.73	4,565.10	7,104.36	10,852.44
8	Operating Expenses	943.75	2,126.41	3,276.06	4,686.23

fig in Million Tk

SI	Accounting Head	(Un-audited & Published)			Audited
		31.03.17	30.06.17	30.09.17	31.12.17
9	Salaries & Allowances	544.71	1284.67	2,067.16	2,899.60
10	Other Operating Expenses	399.04	841.74	1,208.90	1,786.63
11	Operating Profit before provisions & taxes	944.98	2,438.69	3,828.30	6,166.21

SIBL SUBSIDIARIES

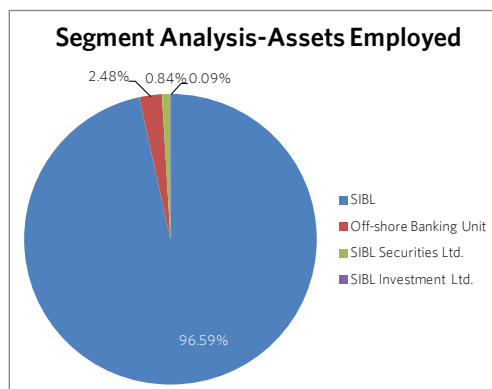
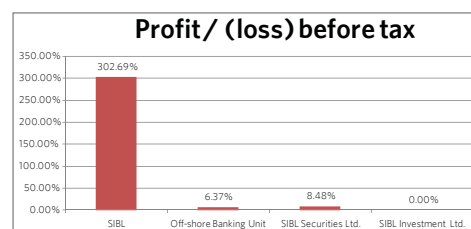
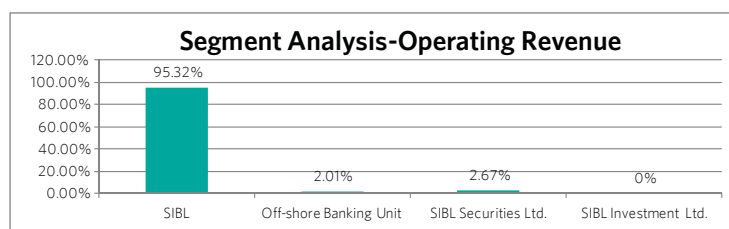
SIBL Securities Limited: SIBL Securities Limited, a wholly owned subsidiary of SIBL, was incorporated as a Public Limited Company under the Companies Act, 1994 vide certification of incorporation no. C - 85876/10 dated 20 July 2010 and obtained its certificate of commencement of business on the same day. SIBL Securities Ltd. is corporate TREC holder of Dhaka & Chittagong Stock Exchange Ltd. The company started its commercial operation in the month of January 2012. The principal place of business is the Registered Office at 15 Dilkusha C/A, Dhaka-1000. The principal objectives of the company for which it was established are to carry on the business as stockbroker and stock dealer in relation to shares and securities transactions, other services related to the Capital Market and other activities as mentioned in the Memorandum and Articles of Association of the company. As on 31st December 2017, the company has made a profit after tax 107.74 million Taka as against Taka 78.90 million in 2016. Total paid up capital of this company is Taka 1230 million.

SIBL Investment Limited: SIBL Investment Limited, a wholly owned subsidiary of SIBL, was incorporated as a Public Limited Company under the Companies Act, 1994 vide certification of incorporation no. C - 86726/10 dated 30 August 2010 and obtained its certificate of commencement of business on the same day. The principal place of business is the Registered Office at 15 Dilkusha C/A, Dhaka-1000. The principal objectives of the company for which it was established are to carry on the business in relation to shares and securities transactions, to underwrite, manage and distribute the issue of stocks etc. and other services as mentioned in the Memorandum and Articles of Association of the company. Total paid up capital of this company is Taka 250 million. The Bank holds the major shares of the these two subsidiary companies as mentioned below-

Sl. No.	Name of Subsidiary Companies	% of Holding of Shares by the Bank
1.	SIBL Securities Ltd.	99.99%
2.	SIBL Investment Ltd.	99.99%

SEGMENT ANALYSIS - BUSINESS SEGMENT

Particulars	SIBL	Off-shore Banking Unit	SIBL Securities Ltd.	SIBL Investment Ltd.	Total
Income	10,470.54	220.51	293.43	0	10,984.48
Less: Inter-segmental Income	-	-	-	0	-
Total Income	10,470.54	220.51	293.43	0	10,984.48
Operating profit (Profit before Unallocated expenses and tax)	10,470.54	220.51	293.43	0	10,984.48
Allocated expenses	4,619.07	4.17	134.32	0.07	4,757.63
Provision against loans and	2,631.08	0	33.97	0	2,665.05
Profit / (loss) before tax	3,216.22	220.51	125.14	-0.07	3,561.80
Income tax including deferred tax	2,079.88	0	17.4	0	2,097.28
Net profit	1,136.34	220.51	107.74	-0.07	1,464.52
Segment assets	266,861.04	6,864.94	2,314.62	249.88	276,290.48
Segment liabilities	266,861.04	6,864.94	2,314.62	249.88	276,290.48



CONTRIBUTION TO THE NATIONAL EXCHEQUER

During the year under report, an amount of Taka 4,433.35 million was contributed to the national exchequer against Taka 3,996.00 million in the year 2016 which is an increase of 10.94% over the previous years.

Particulars	Year 2017	Year 2016
Corporate Income Tax	2,079.88	1,900.01
VAT Collection at Sources	316.63	253.38
Tax Collection at Source	1,834.00	1,673.73
Excise Duty	202.84	168.88
Total	4,433.35	3,996.00

RISK MANAGEMENT

The risk management of the Bank covers a wide spectrum of risk issues and the 6 (six) core risk areas of banking i.e. investment risk, foreign exchange risk, internal control & compliance risk, money laundering risk, ICT risk and asset liability management risks. To ensure sustainable and consistent growth, SIBL has developed sound risk management policies and framework as per Bangladesh Bank guidelines. The Board of Directors of SIBL reviewed all the risk management policies and frameworks during the year 2017. A Risk Management Committee (RMC) was formed consisting of 5 (five) members of the Board of Directors in 2013. Presently the committee consists of 3 members of the Board of Directors. Main objectives of the RMC are to ensure proper and timely risk management in every sphere of the bank. The Board has been made responsible for Identifying the risks and formulation of appropriate strategies to control inherent banking risks. The Committee submits decisions and recommendations to the Board on quarterly basis for further reviews and guidance in the

interest of the stakeholders. To streamline the risk management system of the bank, a separate division called "Risk Management Division" has been formed where a Deputy Managing Director is working as Chief Risk Officer (CRO). The Division is staffed with some brilliant and young professionals for consolidated risk management. Besides that, a Management level Risk Management Committee is actively working to focus the entire risk management system of the bank. We are much concerned about the business risk and its proper management so that the risk and return could be optimized. Our policy envisages that the management would pay special attention to reduce the risk to an acceptable level apart from prudent controls over the Bank's assets.

BUSINESS RISK ANALYSIS

Risk is an integral part of financing business and thus every financial institution is exposed to risk of different types and magnitudes. So, the prime responsibility of every financial institution is to manage its risk so that its return from business can be maximized. As a prudent and responsible financial institution, the bank attaches top priority to ensuring safety and security of the finances that are being extended. Risk Management for SIBL is performed at various levels of the bank. By formulating policy regarding profit rate, market, liquidity, currency, operational as well as investment risk, SIBL manages its business risks and aims to mitigate them.

CREDIT/INVESTMENT RISK

Investment risk is one of the major risks faced by the bank which arises from the potential of failure of a counter party to perform according to contractual agreement with the bank. The factors involved here may be the unwillingness of the counterparty as well as adverse economic condition. To address the risks, SIBL follows a guideline on Investment Risk Management, which has been prepared in the light of broad guidelines provided by Bangladesh Bank for the banking industry. The bank's formulated investment policies in compliance with regulatory requirement covers investment assessment, collateral requirements, risk grading and reporting, documentation and legal formalities and procedures along with up to date clean CIB report of the client.

The bank has incorporated a segregation of duty among the officers/ executives who are involved in investment activities to mitigate the risk to an acceptable level. A separate Corporate Division has been formed at Head Office, which is entrusted with the duties of maintaining effective relationship with the customer, marketing of investment products, exploring new business opportunities etc. Moreover, investment approval, administration, monitoring and recovery function has been segregated. For this three separate units have been formed within the credit division namely Investment Risk Management unit (IRMU), Investment Administration Division (IAD) and Investment Monitoring & Recovery Unit (IM&RU). IRMU is entrusted with the duties of maintaining assets quality, assessing risk to lending, sanctioning investment, formulating policy and strategy for lending operation etc.

OPERATIONAL RISK

Bangladesh Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This operational risk also includes legal risks but not strategic and reputational risks. This can also arise from unexpected losses due to physical catastrophe, technical failure and human error in the operation of a bank, including fraud, failure of management, internal process errors and unforeseeable external events.

INTERNAL CONTROL AND COMPLIANCE

Internal control facilitates systematic and orderly flow of various operational activities within the organization. To confront operational risk, SIBL follows "Internal Control and Compliance guidelines" which is approved by Bangladesh Bank. To ensure that sound monitoring system is placed inside the organization, Audit committee has been formed. Moreover, SIBL has introduced the "Internal Department (ICCD)" at Head Office staffed with some experienced senior Bankers rest with the power and duties to train the employees of the bank, give direction, minor, audit and establish control on day to day operational procedures and statutory and non-statutory compliances.

MONEY LAUNDERING

Money laundering refers to a financial transaction scheme that aims to conceal the identity, source, and destination of illicitly obtained money. To fight with money laundering SIBL has framed an appropriate Money Laundering Prevention Policy Guideline so that it could be sufficient to protect the bank from tribulations of money laundering. Besides that, a Central Compliance Unit (CCU) has been formed at Head Office in SIBL and a designated person has been nominated to supply any information if required as per Money Laundering Prevention Act 2002 and Money Laundering Prevention circulars. Chief Anti Money Laundering Compliance Officer (CAMALCO) has been designated at Head Office and Branch Anti Money Laundering Compliance Officers (BAMALCO) has been nominated at branches. The second man of the ninety four branches of SIBL have been complying the responsibility for their respective branches as Branch Anti Money Laundering Compliance Officers (BAMALCO) as per the direction of Bangladesh Bank.

MARKET RISK

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

RISK ON RATE OF RETURN

Investment profit rate risk is the potential impact on the bank's earnings and net asset values due to changes in market interest rates. This can arise due to mismatches between maturities of investment and funds, imbalance between supply and demand of fund for investment etc. Besides that, increase in profit rate results in subsequent adjustment on the deposit rates whereas the pricing of investments cannot be done instantaneously giving rise to such risk. Early repayment of investment, early deposit encashment/withdrawals are additional factors of such risk. The Asset Liability Committee (ALCO) of SIBL is the

primary body which looks after and monitors investment profit rate structure. The committee also evaluates any market risk that arises from the regulatory pressure thus reducing the profit rate. Moreover, ALCO committee is always watchful to adverse movement of the different market variables.

EQUITY FINANCING RISK

Equity financing risk is defined as loss due to change in market price of equity held by the bank. SIBL has significant amount of investment in equity portfolio. To measure, identify and reduce this kind of risk, the bank practicing mark to market valuation of the share investment portfolios which was reflected through the bank's balance sheet as provisions for diminution in value of investment in shares.

FOREIGN EXCHANGE RISK

Foreign-exchange risk refers to the potential for loss from exposure to foreign exchange rate fluctuations. This can be the current or prospective risk to earnings and capital resulting from adverse movements in currency exchange rates. Managing foreign exchange risk involves prudently managing foreign currency positions in order to control, within set parameters, the impact of changes in exchange rates on the financial position of the bank. Introduction of market based exchange rate of Taka has resulted in both trading opportunities and associated foreign exchange volatility risk. SIBL adopted foreign exchange risk manual and investment guideline of Bangladesh Bank to identify and combat the foreign exchange risk. International department of the bank independently conducts the transactions relating to foreign exchange and responsible for verification of deals and passing entries. Besides that, the bank's Internal Control and Compliance Division performs internal audit to supervise the activities of the foreign exchange departments which measures the effectiveness and efficiency of the division.

LIQUIDITY RISK

Liquidity risk is the probability of loss arising from a situation where there will not be enough cash and/or cash equivalents to meet the needs of depositors and borrowers, thus sale of illiquid assets will yield less than their fair value. This also arises when the cushion provided by the liquid assets are not sufficient enough to meet maturing obligations. Liquidity risk is often triggered by the consequences of other financial risks such as credit risk, interest rate risk, foreign exchange risk, etc. For instance, a large loan default or changes in interest rate can adversely impact a bank's liquidity position. SIBL's Asset Liability Committee (ALCO) is entrusted with the responsibility of managing short-term and long-term liquidity and ensuring adequate liquidity at optimal funding cost. ALCO also reviews liquidity requirement of the bank, the maturity of assets and liabilities, deposit and lending pricing strategy and the liquidity contingency plan.

REPUTATION RISK

Reputation risk may arise from the possibility that negative publicity regarding the bank and its business practices, in the territory or elsewhere through related entities, whether accurate or not, will adversely impact the operations and position of the bank. Reputation risk may also arise from an institution, or an affiliate, being domiciled in a jurisdiction where the legal and organizational framework for the regulation and supervision of financial institutions is generally viewed as failing to meet international standards for the protection of consumers of financial services and for the prevention of sheltering the proceeds of organized crime. Reputation risks are very difficult to measure but significantly important to manage since many new banks have created the market more competitive ever before.

CORRESPONDENT BANKING RELATIONSHIP

In order to facilitate the Foreign Exchange (FX), Foreign Trade and Other Foreign Currency (FCY) Business and Transactions, International Division of the bank maintains affluent Correspondent Banking Relationship with almost all the major and renowned banks at home and abroad. International Division comes forward to play its role and not only facilitates foreign trade but also works for the development and enhancement of foreign correspondence relationship. The well experienced and dedicated team of the division has established Standard Settlement Instructions (SSI) including Drawing and Telegraphic Transfer (TT) arrangements in all major currencies in the locations of international business concentration. The bank maintains 22 NOSTRO accounts in major international currencies with reputed international banks for the settlement of all the foreign currency transactions of our customers. As a part of its growth, International Division has been constantly developing and improving the affiliation with foreign correspondent banks on reciprocal basis.

ALTERNATIVE DELIVERY CHANNEL (ADC)

Social Islami Bank Limited believes in keeping abreast with latest technology in order to provide our customers with convenient and time saving solutions which ensure banking transactions anytime and anywhere. The Alternative Delivery Channel (ADC)

Department of the bank is relentlessly working hard for the development and integration of all technology based delivery channels for the banking products and services. The department also plans and ensures smooth operation of service delivery through ATM's, CDMs, Web systems, SMS and mobile phones etc. and enhance areas of delivery of customized services through these channels. The Department ensures the operation of inland remittance service using all delivery channels and also ensures quick and secure delivery of foreign remittance as well using as much delivery channels as necessary to make local and foreign remittance payments attractive, useful and popular.

SIBL CARDS

To provide advanced and enhanced banking facilities to our valued customers SIBL has introduced both Debit & Credit cards of VISA brand. At present, we have the following categories of cards

- VISA Ismaic Debit Cards
- VISA Islamic Credit cards (Local Card, Dual Currency Card)
- VISA Islamic Prepaid Cards
- Gift Card, Hajj Card, Travel Card

Our dual credit cards are now accepted worldwide and cardholders have access to all ATMs & POS all over the world having VISA Logo.

We have already setup and installed 76 ATMs of our own in different locations of Bangladesh. Besides, our cardholders also have access to all the ATM of the country as a member bank of Q-cash, NPSB, and VISA. We are working to introduce POS at different Merchant Outlets of the country for the satisfaction of our valued customers.

Our continuous endeavor is to enhance service quality and product diversification for ensuring customer satisfaction all the times.

CENTRALIZED TRADE PROCESSING UNIT (CTPU)

SIBL has established Centralized Trade Processing Unit (CTPU) for serving customers in a more effective and efficient way. For the branches around Dhaka Division and Chittagong Division, two base stations have been established at Head Office, Dhaka and Agrabad Branch of Chittagong respectively.

All the branches under CTPU Dhaka and Chittagong are able to serve their clients through these base stations. As a result, processing becomes faster and efficient. It has established the concept of any branch banking.

Centralized Remittance Processing Unit (CRPU)

Social Islami Bank is in continuous effort to encourage expatriate Bangladeshis living abroad for remitting funds through banking channel. In this regard the bank has established remittance drawing arrangements with reputed exchange houses/ money transfer companies around the world. At present the bank is providing remittance service channeled through Western Union, commonly known as the money transfer giant having its presence in 240 countries with 3,50,000 agents around the world. SIBL has a very dedicated and efficient team to source remittance business as well as to ensure prompt & efficient services to the Customers offering best competitive price for their hard earning Foreign Currencies. Consequences upon different initiatives taken by last one year, SIBL's Foreign Remittance business volume has triggered to Taka 21,911.60 million in 2017 compared to Taka 13,345.70 million in the year 2016.

SIBL handles both inward & outward Remittance products. The outward Remittance includes FC Cash, FDD, FTT & wire Transfer through SWIFT, The Inward Remittance products are Over the Counter Payment (OTC), Account Credit to all bank all branches, FTT, wire Transfer through SWIFT etc. We have a strong Remittance Settlement Network with different associate Banks, BEFTN & NGOs which cover more than 9,000 remote locations besides our 94 strategic Branch locations throughout the Country. We have an admirable Remittance Tie-up with a good number of world's renowned Exchange Houses namely Western Union Money Transfer, Xpress Money Services, MoneyGram, Placid NK Corporation USA, UAE Exchange SDN BHD, NEC Money Transfer, Purushottam Kanji Exchange, KMB International Money Transfer, Aussie Forex, Lotus Forex, Asia Express Exchange, Doha Exchange, United Bank Ltd., Zen Exchange Co. etc and different Banks throughout the World to facilitate the Remittance services to the beneficiaries. The bank is continuously endeavoring to increase its remittance network and to connect new destinations in places of concentration of expatriate Bangladeshis. In this regard the bank shall give due emphasis to Gulf Cooperation Countries (GCC) in the Middle East and Saudi Arabia. The bank has also established a special arrangement with Bangladesh Post Office in order to increase its delivery channel and for the distribution of foreign remittance taking the advantage of their wide network spread across the country. The devoted and enthusiastic personnel of 138 branches of the bank have ensured a privileged service for its customers. Besides, a Centralized Remittance Processing Unit (CRPU) has been set up to improvise and monitor the remittance service. The centre is equipped with skilled and experienced work team along with modern and sophisticated software.

OFF SHORE BANKING

Social Islami Bank Limited is operating off-shore Banking Units as a separate business unit under the rules and guidelines of Bangladesh Bank. Defying the probability in the global financial market, SIBL OBU has scored a sizeable profit in the first year of its operation. We hope these units will play a vital role in the foreign trade business and facilitate the valued customers by maximizing their benefit. In the year 2017, the OBU has accumulated a Net Profit after Tax Taka 220.51 million against Taka 289.18 million in 2016.

CENTRALIZED CLEARING UNIT (CCU)

Bangladesh Automated Clearing House (BACH) started its LIVE Operation on the 7th October '2010 for Bangladesh Automated Cheques Processing System (BACPS) and 28th February, 2011 for Bangladesh Electronic Fund Transfer Network (BEFTN) in order to make quick remittances in the whole Bangladesh. Since its inception, SIBL participated in BACH successfully with the cooperation of Bangladesh Bank. For more efficient and smooth functioning of the activities of BACH, SIBL formed an independent unit in November 2011 under the control of Head Office named as Centralized Clearing Unit (CCU) where some dedicated, sincere and efficient officers are working with an organizational zeal.

At present, all the 138 branches of SIBL have participated in BACH by which the remote branches now collect their cheques within 1 day and can make payment to the customers very quickly. All branches of SIBL are remitting the funds of customers by originating credit entries to other banks through BEFTN and received inward credit entries from other banks,

which are crediting in the accounts of the customers in the same day by the CCU through Online. Constant efforts are continuing by the CCU, SIBL to boost all the financial transactions under BACH.

RELATED PARTY TRANSACTION

Related party refers to the controlling entity (either directly or commonly) or controlling individual or close group/family member of such entity or individuals who have substantial influencing power in management of a particular organization. Whereas related party transactions refer to those transactions with the entity / person as stated by way of transfer of resources, services regardless of whether a price is charged. Disclosure on related party transactions with the Social Islami Bank Limited has been provided in the audited accounts part in note no 47.3. During the year under review, four numbers of Investment accounts were recorded under 'related party transaction' category of whose total outstanding as on 31.12.2017 was Taka 1753.16 million compared to Taka 1117.40 million in 2016. Out of 5 (five) transactions, 3 (three) were related to Director's concern of whose value was Taka 73.13 million and rest of the amount of Taka 750.00 million was related to SIBL subsidiary company called SIBL Securities Limited and of Taka 930.03 million was related to SIBL Foundation Hospital & Diagnostic Center.

CREDIT RATING

Emerging Credit Rating Limited (ECRL) has affirmed AA- (Pronounced as double A minus) long term credit rating and ST- 2 short term credit rating to the Social Islami Bank Limited based on audited financials of 2017 and other available information up to the date of rating declaration. The outlook on the rating is Stable. The ratings are consistent with ECRL's methodology for this type of company. ECRL considered financial performance, capital base, asset quality, liquidity position, management experience and prospect of the industry while assigning the rating. The assigned rating reflects the strengths of the Bank which is backed by significant growth in earnings, deposits and investments, adequate capital coverage with high tier 1 capital, improved asset quality and well controlled liquidity position.

Date of Declaration	Valid till	RatingAction	Long TermRating	Short TermRating	Outlook
29-May-13	28-May-14	Initial	AA-	ST-2	Stable
22-Apr-14	21-Apr-15	Surveillance	AA-	ST-2	Stable
16-Mar-15	15-Mar-16	Surveillance	AA-	ST-2	Stable
16-Mar-16	15-Mar-17	Surveillance	AA-	ST-2	Stable
08-Mar-17	07-Mar-18	Surveillance	AA-	ST-2	Stable
08-Mar-18	07-Mar-19	Surveillance	AA-	ST-2	Stable

FOREIGN EXCHANGE BUSINESS

Foreign Exchange Business stood at Tk. 202,037.00 million in 2017 against Tk. 167,382.30 million in 2016, which is sharp increase of 20.70%. The break-up of this foreign exchange business is as under

(Fig in million Taka)

Particulars	2011	2012	2013	2014	2015	2016	2017
Import	168,198.50	76,985.60	73,859.40	79,024.20	84,906.70	104,270.60	121,809.50
Export	34,975.00	42,712.20	51,775.30	53,044.90	54,121.20	49,766.00	58,315.90
Remittance	5,134.90	6,822.10	6,740.00	7,839.90	10,164.50	13,345.70	21,911.60
Total	108,308.30	126,519.90	132,374.70	139,910.00	149,192.40	167,382.30	202,037.00

INTERNATIONAL TRADE FINANCING (EXPORT & IMPORT)

One of the core activities of the bank is to facilitate International Trade through export and import financing. Over the last few years, the foreign trade financing of the bank has gained a stable expansion. The bank has been achieving significant growth in both export and import financing despite/since global financial turmoil and worldwide economic slowdown since 2008. During the year, the foreign trade business of the bank has recorded a significant growth of 20.70%. Import business Increased by 16.82% percent of which real value was Taka 121,809.50 million in 2017 from 104,270.60 million in 2016. On the other hand export business grew to Taka 58,315.90 million in 2017 which is 17.18% higher from Taka 49,766.00 million in 2016. The bank has 22 Authorized Dealer Branches well equipped with highly trained professionals to meet different requirements of import and export based clients. The bank was involved in financing import business in the field of capital machineries, industrial raw materials, food grains (rice, wheat, sugar, dal, garlic, onion, spices), oil (soya bean, palm, lubricant), motor vehicles, spare parts, garment accessories, sports items, perfumery items, chemicals, milk food etc. whereas the export was conspicuous in the field of ready made garments. The bank has been endeavoring to diversify its export financing in other fields like leather, agricultural products, dry fish, PET Flakes, spare parts of ships etc.

In order to facilitate trade finance, establishing of 'Central Trade processing Unit (CTPU)' was a timeliness decision and has changed the total process of foreign exchange business through speed up the service and business potential of SIBL. We have CTPU facilities based in Dhaka and Chittagong.

HUMAN RESOURCE DEVELOPMENT

Human Resource is the corner stone for accelerated and sustained development of any organization. The Bank recognizes the importance of skilled Human Resources for overall growth of the Bank. The meritorious and talented human resources team is the key for continuous development of the organization. Superior human resources are an important source of competitive advantage. To attract talented human resources team and to create brand image bank have formulating and executing HR systems—HR policies and activities—that produce the employee competencies and behaviors which the Bank needs to achieve. The Bank has been trying to ensure maximum output with minimum resources. So quality manpower with good academic background is being recruited in all levels of the Bank every year for rendering quality services to its customers.

SIBL has opened 13 (thirteen) new branches in the year 2017 and has become the Bank of 138 Branches. For this reason a good time was spent on recruitment of experienced Bankers and Entry Level employees like Probationary & Trainee Officer and Assistant Officer. The total manpower strength of the Bank was 2599 as on 31st December 2017.

SIBL is an employee welfare-oriented organization. For this reason, the management of the Bank always tries to sort out all possible ways it deems beneficial to promote its employees' professional skill and efficiency. It has its own Training Institute, which rendered useful training to 2042 employees last year. Eminent Bankers, scholars, and other resource persons were invited to deliver lectures. Besides, 458 nos of employees were sent to Bangladesh Bank Training Academy, Bangladesh Institute of Bank Management, Bangladesh Association of Banks, Bangladesh Foreign Exchange Dealers Association, the Central Shariah Board for Islamic Banks of Bangladesh and many other reputed institutions of the country for training out of 2599 nos of employees in 2017. Subsequently, it is observed that the employees, who were trained, render good performance. Besides that, during the year under review, Social Islami Bank Training Institute itself had conducted 06 (six) foundation training courses for total 240 nos. of fresh Officers and 40 Training, workshops and Seminar on different contemporary issues related to banking industries where 1802 nos. different Officers and executives had participated.

Training conducted by Social Islami Bank Training Institute from 1st January, 2017 to 31st December, 2017

SI No.	Title	Number	Total Participants
1	Sanction, Documentation & Disbursement of Investment	2	78
2	Foundation Course in Banking	6	240
3	Operational Procedure of Family Empowerment Islamic Microfinance Program(FEIMP) in core Banking Solution (ABABIL) of Bank	2	100
4	Refresher's Course in Banking for Mid-Level Officers	2	94
5	Islamic Banking Operations	3	115
6	Foreign Trade & Foreign Exchange	1	36
	Total	16	663

Workshop conducted by Social Islami Bank Training Institute from 1st January, 2017 to 31st December, 2017

SI No.	Title	Number	Total Participants
1	Finalization of Payment Confirmation in Pre-Registration System in Hajj-2017	1	50
2	IT Security & Fraud Prevention in Bank	3	120
3	Sustainable Banking	1	70
4	Bank Notes & its Security Features	1	58
5	AML & CFT with reference to trade based Money Laundering	4	212
6	Wage earners remittance Utilization at Branch level	6	282
7	Recovery of Classified & Written Investment	2	83
8	Business Development Conference for Unit In-Charge & Office of Agent Banking Outlets under Naayanganj, Mankganj, Narshingdi, Netrokona, Sunamganj, Kishoreganj, Mymensingh, Faridpur and Shariatpur	1	18
9	Integrated Supervision System (ISS) Reporting	1	40
10	National Integrity Strategy	3	106
11	Operational Procedure of Family Empowerment Islamic Microfinance Program (FEIMP) and its application in core Banking.	1	50
12	Investment Classification, Provisioning, CIB Reporting, CDLC and other Reporting related to Investment	1	62
13	Reporting through Online Foreign Exchange Transaction Monitoring System of Bangladesh Bank	1	33
14	Ababil BACPS Clearing Software for BACH in place of existing Software	4	195
	Total	30	1379

Management of the bank has emphasized and specially focused on the development of employees and to bring out the persons' insider instinct into light, SIBL Training Institute (SIBL TI) has restructured aiming to create leaders. SIBL is sincere to address its employee's health problem. The bank has appointed one full time doctor for the employees of Head Office and Dhaka city branches. SIBL placed First Aid Box in its premises to provide instant medical facility for all employees as and when needed. We have help desk, who are always besides to their ailing colleagues and their family members for proving all kinds of supports including pecuniary facility under SIBL Employees' Superannuation Fund and CSR.

In order to evaluate the level of efficiency, improve the healthy competition among the employees and in a way to generate motivation for the employees, Employees' Performance Evaluation and Key Performance Indicator (KPI) have been introduced from time to time. Upon the evaluation, the employees are motivated and awarded with promotion, accelerated promotion and other benefits. In addition to that, various types of drives are taken to keep and upgrade the standard of the Bank.

DEMOGRAPHIC DISTRIBUTION OF MANPOWER OF SIBL:

Breakdown by age group for permanent employees

Age range	Gender	2017	2016	2015	2014	2013
< 30 years	Male	380	382	413	384	393
	Female	135	115	104	95	97
30-50 years	Male	1640	1464	1275	1142	1043
	Female	336	293	251	218	196
> 50 years	Male	101	103	84	81	71
	Female	07	6	3	2	2
Total		2599	2363	2130	1922	1802

Gender diversity among permanent employees:

Employee Category	Gender	2017	2016	2015	2014	2013
Entry level	Male	1151	984	965	915	901
	Female	309	248	214	189	177
Mid level	Male	824	804	695	581	506
	Female	158	157	138	121	114
Senior Management	Male	146	161	112	111	100
	Female	11	9	6	5	4
Total		2599	2363	2130	1922	1802

HUMAN RESOURCE ACCOUNTING

Human resource Accounting is the process of identifying and reporting the Investments made in the Human Resources of an organization that are presently not accounted for in the conventional accounting practices. Social Islami Bank Limited formally does not practice Human Resources Accounting but regularly works out and looks into some important areas for mathematical and co-relational understanding on the main business factors. Given below is the considerable index to the management on which human related decisions are taken:

Description	Yr-2017	Yr-2016	Yr-2015	Yr-2014	Yr-2013
Total number of employee	2599	2363	2130	1922	1802
Total number of Branches	138	125	111	100	94
Employee per branch (nos)	19	19	19	19	19
Deposit per employee (million Tk)	88.03	80.64	65.7	64.76	56.52
Investment per employee (million Tk)	80.82	73.72	61.36	56.11	47.65
Operating profit per employee (million Tk)	2.37	2.41	2.28	2.1	1.62
Salaries & Allowances per employee(million Tk)	1.12	1.03	1.03	0.87	0.83
Salaries & Allowances as percentage of Operating profit	47.02%	42.82%	45.61%	41.27%	51.47%

EMPLOYEE BENEFITS

Social Islami Bank Limited is very keen to establish and retain a very congenial working atmosphere. The bank has a competitive & unique pay structure for its employees and always keep track on the necessity of revision on the passage of time that matches with the living standards of the employees in one hand and competitive with other banks on the other hand. At present, SIBL offering three types of long term employee benefits of which Provident Fund and Gratuity Fund are approved by the Revenue Board and are funded liability for the bank. As on 31.12.2017, sufficient provisions have been provided in the financial statements of the bank for these two employee benefit funds as per International Accounting Standard 19 Accounting for Employee Benefit. Apart from these two, another welfare fund called "SIBL Employees' Superannuation Fund" has been maintaining solely for the purpose of welfare of the employees of the bank and also approved by NBR. All these funds are governed and maintained by separate trustee board and funds are investing in very safe mode. Given below is the position of the employee's benefit funds:

Fig in million Taka

Particulars	2017	2016
Social Islami Bank Profit Dependent Employee's Provident Fund	1,389.98	962.69
Social Islami Bank Employee's Gratuity Fund	781.77	447.14
SIBL employees' Superannuation Fund	133.20	90.14
Total	2,304.95	1,499.97

The nature of the Provident fund is 10% contributory from the both side of the employee and employer. The eligibility of such Provident fund is 5 years whereas the eligibility of the gratuity fund to the employee is equivalent to 1 basic pay for 5 years services & equivalent to 2 basic pay for 7 years services..

SAFETY MEASURES

Social Islami Bank Limited provides world class office environment to its employees. Every branch of SIBL is homogenously decorated with the provisions of air condition, most modern safety office equipment and machines and well structured office building facilitated by sewerage and electricity connection and security measures like 24/7 close circuit TV camera, well trained security and gunmen, fire extinguishers etc. Design of Office / Branch is considered on the basis of sufficient free space, safe sewerage gas and electricity connections etc. SIBL has the finest corporate Head Office at its own Office premises of 90/1 Motijheel Commercial Area, Dhaka, City Center level 19, 20, 21, 22, 28 & 29 measuring areas of 69,765 sft. featured by most modern equipment and facilities. Fire drill programs are organized by the bank at different location time to time. The bank has appointed one full time doctor for the employees of Head Office and Dhaka city area. The Board of Directors has already approved an Insurance policy including hospitalization benefit for the general employees of the bank. 40% discount rates have been allowed to all employees of SIBL including the family members in all type of treatment and diagnostics at SIBL Foundation Hospital & Diagnostic Center. Moreover, SIBL has corporate agreement with United Hospital Limited to allow facilities to the employees of the bank.

Information and Communication Technology
The Bank is pioneer amongst the Islami Banks to introduce online banking facilities for its customers. Now- a-days, ICT plays an important role towards processing and management of bulk amount of data, facts and figures. Upon introduction of Islamic Banking Version of Integrated 'Ababil' software, SIBL has been providing IT oriented finest service to its valued

clients. Aabil is a core and centralized banking software to provide the clients easy and readymade service as and when required. This software has enabled the bank to reach our clients at their doorsteps by smooth and easy online banking service like E-Banking. Our customers are able to bank through internet and do their banking activities faster and efficiently. Our accountability to our clients are fair enough to build a relationship of trust.

ANY BRANCH BANKING

Online transaction facilitates 'Any Branch Banking' to all customers meaning, customer is able to deposit or withdraw money from any Branch of SIBL nationwide. Any Branch Banking is a facility for our customers to operate their accounts from any of our network branches.

INTERNET BANKING

Internet banking is a success for Social Islami Bank Limited. Internet banking refers to banking operations carried out between banks and their clients through Internet. Internet banking helps in expediting banking operations, reducing the cost and ensuring that customer can utilize various banking services from their living room or even while travelling thousands of miles away from their home. The process of Internet banking begins with every customer being given a unique user name and password by the bank. The customer can log on to the bank's web site with the user name and password to access his or her bank account sibl@ibank with a view to provide web-based Internet Banking services to its customer from anywhere anytime. Under this service, customers can check their A/c balance, print A/c statement, place cheque book request, inquire cheque status, transfer fund with allied accounts and also pay utility bills. SIBL has stepped forward in boundaryless banking services, anywhere, any time in which specially valued expatriate Bangladeshi wage earners living and working in different countries can now check their accounts with SIBL and perform various transactions which shall ease their anxieties. SIBL is promising to become the best technology friendly bank in the country and shall use all modern banking channels to deliver most wonderful and satisfying services to its valued customers.

SMS BANKING

SMS Banking is a mobile technology that allows customer to request and receive banking information from bank on customer mobile

phone via Short Message Service (SMS). Individuals or corporate bodies can manage their Bank Accounts, check their account balances and last few transactions (Mini Statement) using their mobile phones. Customers can also have SMS alert/ notification for any financial transaction done on their account as well as activate their Debit / Credit Card through SMS. The Bank has recently signed Memorandum of Understanding (MOU) with Semicon Private Limited to provide SMS Banking services to its customers.

IP PHONE

"Connecting People with a Single Click"

SIBL believes that modern communication devices are the best option to minimize the communication cost and allow the bank to build effective relationship with its clients and staffs. The bank has recently installed IP PHONE solution which simplifies voice & video communications at branches and at head office level for all. These solutions have minimized the communication cost in one hand and surprisingly enhanced the means of effective communication system of the bank on the other hand.

ATM NETWORK

SIBL's customers have been enjoying 24/7 service through ATMs located around the country. The Bank has undertaken some programs to expand its ATM network through procurement of more proprietary ATMs and joining hands with the common platforms of ATM network.

Online Data Centre (DC) & Disaster recovery (DR)
SIBL has the largest Data centre running with secured AIX operating system. All data are stored in this data centre and branches get uploaded with this data center automatically from remote site. The bank has established a separate Disaster Recovery (DR) Center following the Bangladesh Bank guideline to protect the bank's information properties.

DATA SECURITY

A 24 hours dedicated surveillance team is working to ensure the data security of the bank. Maximum security layers are in place while transacting in Core banking System, Internet Banking (IB) transactions, SMS banking etc.

MANAGING INFORMATION TECHNOLOGY RISK

IT risk is the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise. Risks surrounding Information Technology, such as network failure, lack of skills, hacking and viruses and poor system integration have the potential to have a negative impact on an organization. To retrieve data in any crucial moment, the bank has established a Disaster Recovery Center (DR Center) at Uttara, Dhaka as per Bangladesh Bank guidelines. SIBL has the largest Data centre in banking sector running with secured AIX operating system. All the data are stored in this data centre

& branches are also able to upload the data automatically. Here another replica of live system, located in distant premises, with same capacity like Production system, is running 365 x 24 continuously without any pause. SIBL, always endeavors to improve the service quality all of its departments and branches to excel the optimum output by ensuring customer satisfaction.

GREEN BANKING SUPPORT

SIBL is concerned to implement the concept of Green Banking in its day to day banking business. The bank has introduced e statement which has remarkably reduced the usage of hard copy. This statement is generated by the system and sent to the customer automatically at specified interval with full authentication and security. Launching of E-statement is a process to support the concept of Go-Green to save the natural environment. SIBL is using the most energy efficient IT equipments like IBM Rack Server which consumes less power, less space with maximum capacity. Most of the documents of the banks are converted into softcopy.

SME PROGRAM

Social Islami Bank Limited (SIBL) has been operating Small and Medium Enterprise (SME) Investment successfully with a view to unlock the potentials of the missing middle, who are not properly addressed by the Corporate Banking sector. SME has emerged as the “Engine of Growth” in the economy of Bangladesh. It contributed manifold including industrial growth, resource generation, poverty alleviation, employment generation and value addition. SME & the Nation are now growing together.

SME is considered as one of the focus areas of operation in SIBL. SME's clients are being served in all of SIBLs' branches situated both in rural and urban areas. Likely, SME is considered as one of the focus areas of operation in SIBL. SMEs clients are being entertained by all branches situated both in rural and urban areas. Total investment portfolio of the bank has been segregated into 3 major aspects e.g. Corporate, SME & Retail. Such segregation has been made in line with the definition and guidelines of Bangladesh Bank.

SME operation of the Bank is in progress in a structured manner. SME & Agricultural Finance Division has been functioning in three separate Units e.g. Approval Unit, Policy & MIS Unit and Monitoring & Recovery Unit. In line with Bangladesh Bank's guidelines, Women Entrepreneur Development Unit (WEDU) has also been functioning to deal with the affairs of women entrepreneurs. These Units have been performing with specific Terms of References (TORs). Administration function (including Disbursement, Documentation, Compliance etc) is performed under separate Investment Administration Division (IAD) at Head Office of the Bank.

In line with the Prudential Guidelines on SME –Financing of Bangladesh Bank, SIBL has designed an array of SME products

for both small and medium segments. SIBL offers both revolving and term investment facilities to the SME clients. Small entrepreneurs, agricultural clients and women entrepreneurs are properly addressed by SIBL with the diversi-fied products designed for this purpose.

SIBL has been achieving a continuous and upward growth in its SME portfolio. As of December 2017, SME portfolio holds 27% share of the total investment portfolio of the Bank amounting to Tk.56,884.30 million against Tk.40,507.30 million in 2016 whereas the outstanding balance in the year 2010 was only Tk.1703.50 million. Such tremendous growth has been possible due to proper and timely guidance of prudent members of the Board of Directors of SIBL and initiatives of the Management along with team efforts.

SME portfolio of the Bank has been increasing significantly, which is shown in the following table and graph.

Particulars	SME Outstanding (Fig. in millions)
31/12/2010	1703.50
31/12/2011	4370.00
31/12/2012	6868.80
31/12/2013	7164.30
31/12/2014	21399.80
31/12/2015	29198.70
31/12/2016	40507.30
31/12/2017	56884.30

The trend in SME portfolio of the Bank since December, 2010 is shown in Figure 1 below:
(In million BDT)

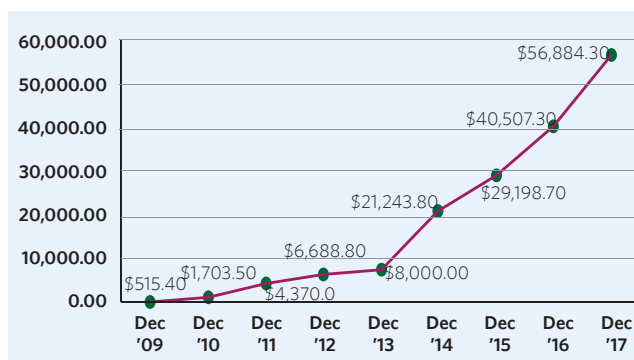


Figure 1: Trend in SME Portfolio (2009-2017)

The present SME investment of the Bank is Tk.56,884.30 million (27%) in comparison with total investment outstanding of the Bank which is BDT.210,045.51 million. The composition of Investment portfolio is shown in Figure 2 below:

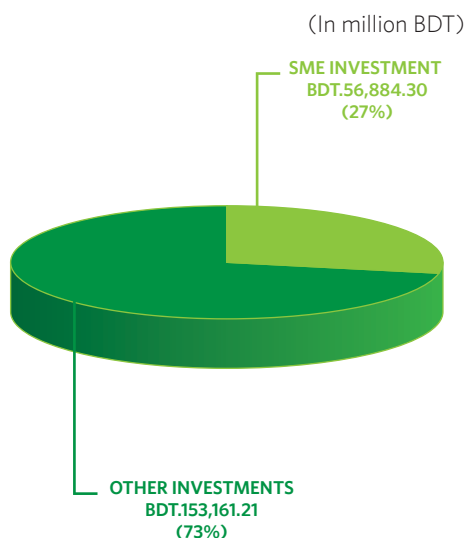


Figure 2: Composition of Investment Portfolio (December, 2017)

SIBL has been able to create job opportunities among the significant Micro and SME borrowers. Many of them have been able to establish themselves as successful entrepreneurs. Graduate of Micro-Enterprise program and successful SME graduates have the opportunity to get investment facilities from formal sector as corporate clients. The Bank will keep continuing its efforts of diversification of SME portfolio focusing on clients' need while giving emphasis on green initiatives and sustainable development within a framework of Bangladesh Bank's guidelines.

SIBL as a part of its social commitment will keep on patronizing the SME clients to fulfill their diversified needs.

AGRI INVESTMENT

Social Islami Bank Limited continuously extending financing in the agricultural sector of the country through all of its branches. The Bank always take care to extend finance to the every branches of Agricultural sector of the economy. In the year of 2017 we disbursed Tk.307,19,38,460/- fresh investment in the Agricultural sector. At the end of 2017 the outstanding balance in Agricultural Finance

remains Tk. 233,63,87,983/- among 14,377 borrowers. The Bank has already received Letter of Appreciations from Bangladesh Bank 2 (two) times for achieving agricultural Investment disbursement targets of FY 2011-12 and FY 2014-15.

NON-FORMAL SECTOR

FAMILY EMPOWERMENT ISLAMIC MICROFINANCE PROGRAM (FEIMP)

Social Islami Bank Limited (SIBL) started its journey on 22nd November 1995 with a commitment to targeting poverty. The operation of SIBL has been de-fined under a unique theme of three-sector banking model: (i) Formal Sector which commensurate with Islamic commercial banking using Islamic modes of finance; (ii) Non-Formal Sector, based on a concept of empowering family through micro-finance and micro-enterprise program; and (iii) Voluntary Sector, inviting social capital mobilization mainly through Cash Waqf & others. The three-sector banking model, first of its kind in banking arena in Bangladesh, brings a new dynamism in welfare banking targeting its prime objective towards poverty alleviation of the poor and marginal people of the country with a motto of "Working Together for a Caring Society".

With a view to intensify existing Microfinance activities of the Bank, SIBL has restructured its Micro-finance operations and launched the program in the name & title "Family Empowerment Islamic Micro-finance Program (FEIMP)" on March 12, 2015. Considering the geographical location of designated branches and operational advantages, the SIBL Management started the program in 61 designated branches. As such, the present Microfinance activities of the Bank are running smoothly all over the country.

Objectives of the program:

- Empowering 'Family' as a whole, not merely man or woman, individually.
- Extend financing facilities for Agricultural investment
- Financial inclusion through financing facilities to poor and marginal households.
- Employment generation in rural area as a preventive measure to reduce rate of migration towards capital/city/urban area for hunting job or works.
- Upgrade Microfinance graduates to Micro-enterprise, SME and finally to corporate level.
- Providing Islamic Microfinance product to the un-served population (instead of traditional Microcredit products)
- To encourage poor population to save for accumulation of capital to invest the same in productive activities leading to self-sufficiency.
- To improve Socio-economic situation of poor and marginal people.
- To develop Entrepreneurs skill in Micro-level.
- Alleviation of poverty through financing the ultra poor, so that national poverty alleviation goal could be achieved.

Salient Features of the program:

- It is a group based lending program for the under privileged segment of the society
- Ceiling of Investment ranges from Tk.20,000.00 to Tk.120,000.00
- Repayment schedule is bi-weekly installment basis
- No collateral security is required to receive Investment
- Individual savings are mobilized and mandatory
- Duration of investments are 12/18/24 months considering the nature of business.
- Profit rate: Crop 9% (Flat) & Non-crop 11% (Flat) including 2% risk fund
- Mode of Investment: (1) Bi-Muazzal Micro-finance (Bi-weekly installment)
- (2) Hire Purchase under Shirkatul Melk (HPSM) Micro-finance (Bi-weekly installment)

Achievements in Operation (Up to 31.12.2017):

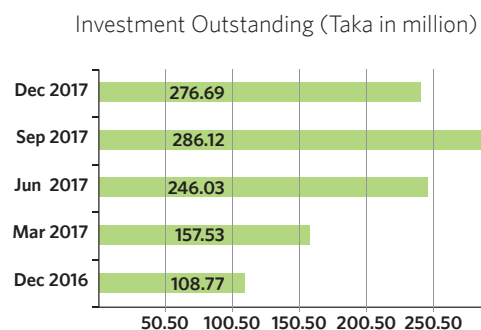
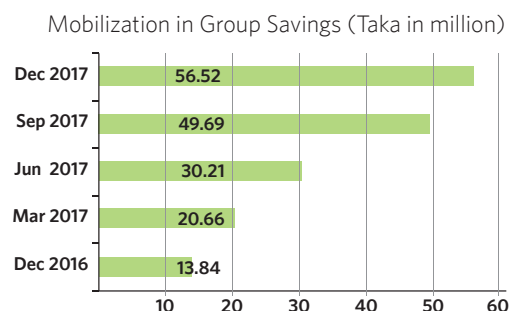
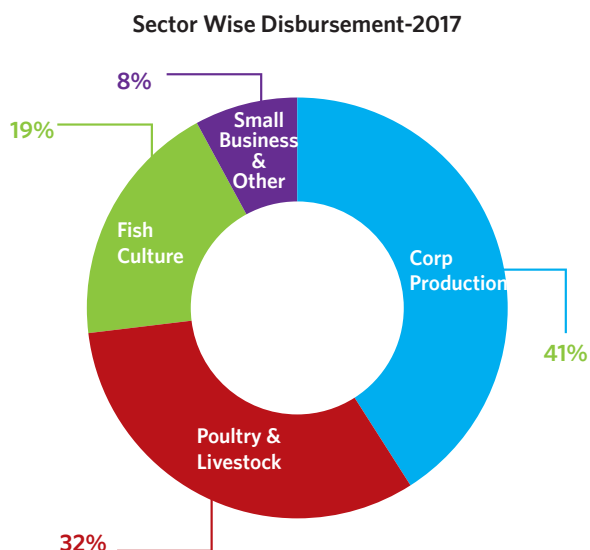
A total 1357 Family Clusters (FC) have been formed with 18,192 Members in the program having a total group savings BDT 5,65,21,300. An amount of BDT 59,61,83,000 has been disbursed among 13,309 Clients. The summary of Microfinance activities & present portfolio position at a glance is presented in Table 1 below:

SIBL's Microfinance Activities at a Glance (As on December 31, 2017)

Sl.	Particulars	Number/Amount
01	No. of Branch having FEIMP	61
02	No. Of Social Officer	130
03	No. of Family Cluster (FC) Formed	1,357
04	No. of Member enrolled in Family Cluster (FC)	18,192
05	Amount of group Savings deposited (BDT)	5,65,21,300
06	Amount of Investment disbursed (BDT)	59,61,83,000
07	No. of Investment disbursed	13,309
08	Average Investment Size (BDT)	44,795
09	Investment Outstanding (BDT)	27,66,96,405
10	No. of Borrowers	9,001
11	Risk Fund deposit	66,66,200

The clients have invested their finance in different Income Generating Activities (IGA). Most of the finance has been utilized in agricultural sector, such as - Paddy cultivation, Banana cultivation, Cow rearing, Cow fattening, Poultry rearing, Fish culture etc. They have also utilized their finance in trading and manufacturing segment, such as - grocery shop, cloth weaving, cloth selling, paddy husking, handicraft business (pottering, basket making) etc. There is a good impact observed in the field of operating areas that living standard of FEIMP borrowers are increasing. They are happy as their children are going to school, they arranged low cost hygienic

latrine, taking pure drinking water, they get required nutrition from their daily foods etc. All of these are possible because of increase of their income level.

Trend in Microfinance Investment Outstanding (2017):**Trend in Collection of Member's Savings (2017):****Sector wise distribution of Disbursed Amount (2017):**

Family Empowerment Islamic Microfinance Program (FEIMP) is being considered as one of the focus areas of operation in SIBL. The Bank intends to extend its Microfinance activity through agent banking channels (with RSF), in addition to implementing the program through all the branches of the Bank, partnering with Islamic Development Bank (IDB).

VOLUNTARY SECTOR (CASH WAQF PROGRAM)

In the Voluntary Sector, SIBL has introduced Cash Waqf Program, a new product for the first time in the history of Banking. This scheme has been well received by the public in general for its unique features. SIBL as a pioneer of this innovative financial product has received both Local & International accreditation. Meanwhile, the Cash Waqf Program has been replicated by some local banks including Islami Bank Bangladesh Limited, Jamuna Bank Limited, Shahjalal Islami Bank Limited & EXIM Islami Bank Limited. As a result of successful replication, many people are being benefited by the beauty of Cash Waqf Program. By opening a Cash Waqf Deposit A/C some one can get an opportunity to do welfare to the mankind through Sadake-Jariah. SIBL urges to all religious & affluent persons of the society to come forward to mobilize Cash Waqf Deposit so that the profit may be utilized for the well being of mankind.

Modus Operandi of Cash Waqfs program

- Cash waqfs shall be accepted as endowment in conformity with the Shariah. Bank will manage the waqf on behalf of the waqif.
- Waqfs are done in perpetuity and the account shall be opened in the title given by the waqif.
- The 32 purposes under 4 major fields like (1) Family Rehabilitation (2) Education & Culture (3) Health & Sanitation (4) Social Utility and (5) Others are considered as General Guidelines for distribution of profit of Cash waqf A/Cs. In the case, where only fields(s) for distribution of profit are mentioned without specifying the name of the beneficiary(s) whether individual(s) or institution(s), those Cash Waqf will be treated as General Cash Waqf and the profit of those A/Cs will be spent for welfare of mankind in the field of (1) Family Rehabilitation (2) Education & Culture (3) Health & Sanitation (4) Social Utility and (5) Others. On the other hand, Waqif may choose distribution of the profit to any

specific individual(s)/ institution(s). Those A/Cs will be treated as Specific Cash Waqf, the profit of those A/Cs will be sent to the beneficiary(s) as specified by the Waqif.

- The amount deposited in the Cash Waqf A/Cs will be invested as per Bank's own decision in conformity with the Shariah and the Cash Waqf amount will earn profit at the highest rate offered by the Bank from time to time.
- The waqf amount will remain intact and only the profit amount will be spent for the purpose(s) specified by the Waqif. Unspent profit amount will automatically be added to waqf amount and earn profit to be grown over the time. No cheque book will be issued in this account.
- Waqif may also instruct the Bank to spend the entire profit for the purpose specified by him/her.
- Waqif has the opportunity to create cash waqf at a time. Otherwise he/she may declare the amount he/she intends to build up and may start with a minimum deposit of Tk. 1,000/= (one thousand) only (or equivalent foreign currency). The subsequent deposits shall also be made in hundred or in multiple of hundred Takas. However, General Cash Waqf A/Cs (where name of beneficiary whether Individual(s) or Institution(s) are not mentioned) may be opened by depositing a minimum sum of Tk. 1,000/= only. Specific Cash Waqf A/Cs (where name of beneficiary whether Individual(s) or Institution(s) are mentioned) by depositing a minimum sum of Tk. 5,000/= & above.
- Waqif shall also have the right to give standing instruction to the bank for regular realization of cash waqf at a rate specified by him/her from any other A/C maintained with SIBL.
- Cash waqf shall be accepted in specified endowment Receipt Voucher and a Certificate for the entire amount shall be issued as and when the declared amount is built.
- Accounts of Cash Waqfs are maintained in a separate ledger and necessary charges as per rules may be deducted therefrom.
- In case of any change of address of the Waqif or beneficiary, must be informed by the Waqif to the Bank immediately.
- Bank however reserves the right to regret to open any Cash Waqf Account.
- The rules of Cash Waqf Account are subject to amendment in conformity with the Shariah at any time by the Bank.

Mentionable, we have recorded an amount of Tk.277.93 million as on 31st December, 2017 in Cash Waqf Fund which was Tk. 236.88 million in the previous year, registering a growth of 17.33% than the preceding year.

Voluntary Sector: Corporate Social Responsibility

As part of Corporate Social Responsibility (CSR), welfare activities of Social Islami Bank Limited (SIBL) are being carried out mainly from-

- (1) Profit of Cash Waqf Fund
- (2) Compensation Fund
- (3) Doubtful Income and
- (4) Zakat Fund.

SIBL is a pioneer of Cash Waqf Program which has meanwhile achieved both local & international accreditation for its unique welfare approach. Cash Waqf Program of the Bank paved the way of doing welfare of mankind in various sectors such as (i) Family Rehabilitation, (ii) Education & Culture, (iii) Health & Sanitation and (iv) Social Utility and others in conformity with Shariah. Cash Waqf is broadly categorized as a) General Cash Waqf & b) Specific Cash Waqf. Where the Waqif (Donor) doesn't mention the name of beneficiary (may be individual or organization) for receiving the profit of Cash Waqf fund, we call those General Cash Waqf. In case of Specific Cash Waqf, the Waqif (Donor) specify the name of specific beneficiary (may be individual or organization). Profit of General Cash Waqf A/C are being sent to FAD, HO annually & profit of Specific Cash Waqf A/C are being sent to the specific beneficiary as per instruction of the Waqif once annually.

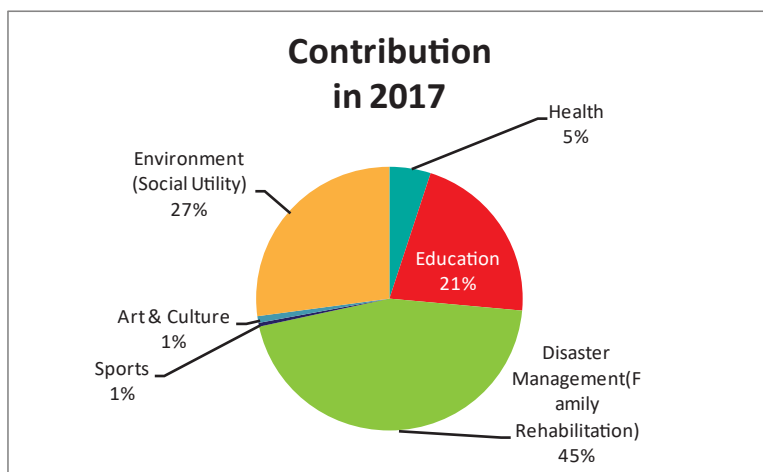
Social Islami Bank Ltd. is extending financial help to different orphanages, schools, madrasahs, social organizations & individuals who are suffering from fatal diseases like cancer, kidney failure, and heart diseases etc. from the fund which are being accumulated from the profit of Cash Waqf Fund,

Compensation Fund, Doubtful Income and Zakat Fund.

Bangladesh Bank vide DOS Circular No. 01 dated 1 June, 2008 titled "Mainstreaming Corporate Social Responsibility (CSR) in banks and financial institutions" gave a comprehensive guideline on CSR. We have been submitting quarterly CSR report to Bangladesh Bank as per format provided by them. The format has following dimensions:

- (i) Financial Inclusion: In the form of financing to Agriculture, SME, Women Entrepreneur, Renewable Energy, Solar Irrigation etc.
- (ii) Donation to the individuals, covering: Education, Health, Disaster Management (Family Rehabilitation), Environment (Social Utility), Sports, Art & Culture, Others etc.
- (iii) Donation to NGO's: For supporting such welfare activities.

Sectors	(Jan - Jun' 17)	(Jul - Dec'17)	Total Contribution
Health	4,115,900	2,196,100	6,312,000
Education	3,873,730	23,165,720	27,039,450
Disaster Management (Family Rehabilitation)	41,453,550	15,498,700	56,962,250
Sports	-	575,000	575,000
Art & Culture	1,033,000	-	1,043,000
Environment (Social Utility)	6,723,989	27,498,018	34,222,007
Others	-	-	-
Total	57,210,169	68,943,538	126,153,707



CSR Activities of the Bank during 2017 at a glance :

Sl. No.	Events	Particulars
1.	Construction of School Building	The Board of Directors of the Bank approved an amount of Tk. 3.00 lac only favoring Khalshi Bazar High School, Pashapole, Chowgacha, Jessore for bearing construction work of the school.
2.	Construction of School Building	The Board of Directors of the Bank approved an amount of Tk. 3.00 lac only favoring Jirtoli Union High School, Jirtoli Bazar, Begumgonj, Noakhali for bearing construction work of the school.
3.	Contribution for teacher's salary of Anjuman Protibondhi Shishu Kolyan School, Khulna	The Bank has donated Tk.1,80,000.00 only favoring Anjuman Protibondhi Shishu Kolyan School, Khulna (a school of physically & mentally disabled children) for paying salary of 3 teachers @Tk.5,000.00 each for 01 (one) year.
4.	Award to GPA-5 students of SSC	The Board of Directors has approved Tk.1.00 lac as donation to Begumgonj Shikha Unnayan Foundation, Begumgonj, Noakhali for distribution of Crest & Stipend among the GPA- 5 student;
5.	Donation to Prime Ministers Education Trust Fund	The Board of Directors has approved a donation for Tk.2.00 crore favoring Prime Ministers Education Trust Fund for bearing expenditure various activities of their ongoing programs.
6.	Donation to Jatir Janak Bangabandhu Sheikh Mujib Memorial Assistance Trust Fund	The Board of Directors has approved a donation for Tk.2.00 crore favoring Jatir Janak Bangabandhu Sheikh Mujib Memorial Assistance Trust Fund for bearing expenditure various activities of their ongoing programs.
7.	Donation to Department of Geography & Environment, University of Dhaka	The Board of Directors approved Tk.10.00 lac (ten lac) favoring Department of Geography & Environment, University of Dhaka for renovation of Digitalized Auditorium.
8.	Donation for establishing Child Day Care Center of Private Banks	The Board of Directors of the Bank approved the proposal for payment of subscription of Tk.14.00 lac (Tk.10.00 lac at a time and Tk.4.00 lac as annual subscription) only for establishing Child Day Care Centre of Private Banks at Motijheel
9.	Donation for formation of "BAB Welfare Foundation"	The Board of Directors approved Tk.50.00 lac (Fifty lac) as initial subscription for formation of 'BAB Welfare Foundation' under Bangladesh Association of Banks (BAB);
10.	Donation to Bangladesh Ship Breaker's Association (BSBA)	The Board of Directors approved an amount of Tk.1.00 lac as financial contribution to acquire a well-equipped Ambulance for Bangladesh Ship Breaker's Association (BSBA) Hospital through Association of Bankers Bangladesh Limited (ABB);
11.	Financial support to Mr. Salauddin Ahmed	The Board of Directors approved Tk.2.50 lac as financial assistance favoring Mr. Salauddin Ahmed in connection with incurring medical expenditure in Parkway Laboratory Services Ltd. Singapore;

Sl. No.	Events	Particulars
12.	Donation to Bangladesh Olympic Association for Special Olympic for Autistics Team	The Board of Directors further approved Tk. 5.00 (five) lac for donation to Special Olympic for Autistics Team for World Summer Games 2015 to be held from July 22 to August 03, 2015 at Los Angeles, USA through Bangladesh Association of Bankers (BAB).
13.	Donation to Mr. Shah Hashem Uddin Ahmed, Injured disable freedom fighter	During the period the Board of Directors of the Bank approved Tk.25,000/- as Financial Assistance to Mr. Shah Hashem Uddin Ahmed, Injured Disable Freedom Fighter, Freedom Fighter No. 1114, Mukti Barta No.0310020266, 1/1 Muktiyoddha Tower, College gate, Mohammadpur, Dhaka for bearing on-going medical expenses of his treatment.
14.	Financial support to Mr. Abdul Matin, SEO, SIBL, Principal Branch, Dhaka	The Board of Directors approved Tk.2,00,000/- as donation to Mr. Sheikh Abdul Motin, Senior Executive Officer, Social Islami Bank Limited, Principal Branch, Dhaka for bearing medical expenditure of his wife Mrs. Sharmin Akhter, who has been suffering from Aplastic Anaemia disease from Compensation Fund.
15.	Financial support to Mrs. Shireen Akhterunnessa, SVP, TF&RMGD, SIBL, HO, Dhaka	The Board of Directors approved Tk.3,00,000/- as financial assistance to Shireen Akhterunnessa, SVP, Trade Finance & RMG Division for bearing her treatment expenses of Blood Cancer in abroad
16.	Donation to Major Ashraf Ud Doula (Retd.) for distribution relief materials among flood victims	The Board of Directors approved Tk.2,00,000/- as Donation to Major Ashraf Ud Doula (Rtd.) (Freedom Fighter & former Secretary and Ambassador to the Government), Chilmari, Kurigram for distribution of relief among the flood affected people of Chilmari under Kurigram district from Zakat Fund.
17.	Donation to Bangladesh Thalassaemia Hospital, Dhaka	The Board of Directors approved Tk.2,00,000/- as donation to Bangladesh Thalassaemia Hospital, Green Road, Dhaka for bearing expenditure of the poor & disadvantaged critical patients of the hospital from Zakat Fund.
18.	Financial Support to Ms. Farjana Tanni, student of Medical College for Women & Hospital	The Board of Directors approved Tk.136,000/- as financial assistance to Farjana Tanni, student of Medical College for Women & Hospital for bearing her educational and hostel expenses from Compensation Fund.
19.	Donation to Prime Minister Relief Fund	During the period the Bank donated Tk.3.00 Crore (Taka Three crore) only for distribution of relief among the flood affected people to the Honorable Prime Minister from Zakat Fund.

Sl. No.	Events	Particulars										
20.	Donation for flood victims of Jamalpur, Sirajgonj & Dinajpur District	<div>During the period the Board of Directors of the Bank approved donation for distribution of relief goods among the flood affected people from Zakat Fund as per following manner:</div> <table><tr><th>Area Name</th><th>Amount</th></tr><tr><td>Jamalpur District (to be handed over to the Hon'ble State Minister for Textile & Jute, People's Republic of Bangladesh)</td><td>Tk.10.00 lac</td></tr><tr><td>Sirajgonj District</td><td>Tk.4.00 lac</td></tr><tr><td>Shajadpur, Sirajgonj</td><td>Tk.3.00 lac</td></tr><tr><td>Dinajpur District: (Dinajpur Branch- Tk.1.50 lac; and Ranibandar Branch- Tk.1.50 lac)</td><td>Tk.3.00 lac</td></tr></table>	Area Name	Amount	Jamalpur District (to be handed over to the Hon'ble State Minister for Textile & Jute, People's Republic of Bangladesh)	Tk.10.00 lac	Sirajgonj District	Tk.4.00 lac	Shajadpur, Sirajgonj	Tk.3.00 lac	Dinajpur District: (Dinajpur Branch- Tk.1.50 lac; and Ranibandar Branch- Tk.1.50 lac)	Tk.3.00 lac
Area Name	Amount											
Jamalpur District (to be handed over to the Hon'ble State Minister for Textile & Jute, People's Republic of Bangladesh)	Tk.10.00 lac											
Sirajgonj District	Tk.4.00 lac											
Shajadpur, Sirajgonj	Tk.3.00 lac											
Dinajpur District: (Dinajpur Branch- Tk.1.50 lac; and Ranibandar Branch- Tk.1.50 lac)	Tk.3.00 lac											
21.	Donation to Shahpur Hafizia Madrasha, Nabinagar, Brahmanbaria	The Board of Directors approved Tk.3.00 lac as financial assistant to a Madrasha in the locality of Mr. Abdul Mohit, Hon'ble Independent Director of the Bank to be paid from Compensation Fund.										
22.	Financial support to Sergeant Md. Khalequzzaman (Retd.)	The Board of Directors approved Tk.1.00 lac as financial assistant to Sergeant Md. Khalequzzaman (Retd.) for bearing medical expenses of his wife who has been suffering from cancer to be paid from Compensation Fund.										
23.	Donation for providing medicine food & sanitary toilet & tube well for the Rohingya victims	The Board of Directors approved Tk.1.00 crore for providing Medicine, Food and Sanitary accommodation like hygienic toilet, tube well etc. for the Rohingya Victims as part of the Corporate Social Responsibility (CSR) which may be paid from Zakat Fund. The Board of Directors also empowered the Hon'ble Chairman along with 02 (two) other Directors to visit Cox's Bazar for handing over the said relief goods to the District Commissioner (DC), Cox's Bazar or Army Commandants of the said Rohingya Camps. The Bank will bear the expenses relating to these philanthropic activities.										
24.	Donation to Gulshan Central Masjid & Idhgah Society, Gulshan-2 for the Rohingya victims	During the period the Bank donated Tk.12,00,000.00 Lac (Taka Twelve Lac) only favoring Gulshan Central Masjid & Iddgah Society, Gulshan Avenue, Gulshan-2, Dhaka-1212 for Rohingya Victims from Zakat Fund.										

Sl. No.	Events	Particulars
25.	Financial support to Mrs. Farhana Yeasmin, JO, SIBL, Mohakhali Branch, Dhaka	The Board of Directors approved Tk.3.00 lac as financial Assistance to Mrs. Farhana Yesmin, Junior Officer, SIBL, Mohakhali Branch, Dhaka, who has been suffering from Breast Cancer from Compensation Fund of the Bank.
26.	Donation for providing medicine food & sanitary toilet & tube well for the Rohingya victims	The Board of Directors approved Tk.1.00 crore for providing Medicine, Food and Sanitary accommodation like hygienic toilet, tube well etc. for the Rohingya Victims as part of the Corporate Social Responsibility (CSR) which may be paid from Zakat Fund.
27.	Donation to Mr. Mohammad Tofazzal Haque (Cayan), HMO, Medicine Unit, DMC	The Board of Directors approved Tk.50,000/- as financial Assistance to Mr. Mohammad Tofazzal Haque (Cayan), HMO, Medicine Unit, Dhaka Medical College and Hospital for bearing medical expenses of his father from compensation fund.
28.	Donation to Dr. Mohammd Ibrahim Smriti Parishad	The Board of Directors approved Tk.2,00,000/- in favor of Dr. Mohammad Ibrahim Smriti Parishad for arranging the presentation ceremony of Dr. Mohammad Ibrahim Smirity Gold Medel 2017 to be organized at BIRDEM hospital.
29.	Donation to Mokhlesh Memorial Ohi Foundation	The Board of Directors approved Tk.10.00 lac as financial Assistance to Mokhlesh Memorial Ohi Foundation, Dhaka for bearing medical expenses of poor patient.
30.	Donation to Ashia Ali Foundation, Dhaka	The Board of Directors approved Tk.1.00 lac as financial Assistance to Ashia Ali Foundation, Dhaka for bearing medical expenses of poor patient.
31.	Donation to Ashia Ali Foundation, Dhaka	The Board of Directors approved Tk.1.00 lac as financial Assistance to Ashia Ali Foundation, Dhaka for bearing medical expenses of poor patient.
32.	Financial assistance to valiant freedom fighter Mr. Md. Amin Uddin of Pabna	The Board of Directors approved Tk.1.00 lac as financial Assistance to valiant freedom fighter Mr. Mohammad Amin Uddin of Pabna.
33.	Donation to Economic Reporter's Forum for establishing ERF Office & ERF Institute	The Board of Directors approved the proposal for donation of Tk. Within 15-20 lac favoring Economic Reporters Forum, 18 Topkhana Road, Dhaka for establishment ERF Office & ERF Institute from Compensation Fund.
34.	Donation to Farazipara Eidhga, Doyarampur, Natore	The Board of Directors approved the proposal for donation of Tk. 33.37 lac favoring Farazipara Eidhga, Doyarampur, Natore for development of Eidhga.
35.	Award given to Vellori Tailor & Angola Gomez	SIBL has given award in a simple ceremony for the noble venture of eminent social worker Ms. Vellori Tailor & Angola Gomez.
36.	Donation to Rabindra Sangit Sammilon Parishad, Dhaka	The Board of Director's has accorded donation for Tk.10.00 lac to Rabindra Sangit Sammilon Parishad, Dhaka for bearing expenses of 36th National Rabindra Sangit Sammilon.

Sl. No.	Events	Particulars
37.	Donation to Bangladesh Handball Federation	The Board of Director's has accorded donation for Tk.5.75 lac to Bangladesh Handball Federation.
38.	Distributed Blankets during Winter 2017	During the period the Bank approved for purchasing of 50,000 pieces of blanket with SIBL logo from M/S Al-Madina Knitting Mills at Fatullah, Narayangonj @Tk.383.00 each totaling Tk.1,91,50,000.00 (excluding Tax & VAT) for distribution among the poor & distressed people suffering from severe cold for the year 2017 from Zakat Fund.
39.	Distributed Blankets during Winter 2017	During the period the Bank approved for purchasing of further 15,000 pieces of blanket with SIBL logo from M/S Al-Madina Knitting Mills at Fatullah, Narayangonj @Tk.305.00 each totaling Tk.45,75,000.00 (excluding Tax & VAT) for distribution among the poor & distressed people suffering from severe cold for the year 2017 from Zakat Fund.
40.	Distributed Sharee & Lungi during Holy Ramadan 2017	SIBL has donated 70,200 Sharee & 39,100 Lungi costing totaling Tk.4,53,47,800.00 for distribution among the poor and distressed in different places of the country during Holy Ramadan' 2017 costing Tk.321.26 lac.
41.	Donation for treatment to poor & distressed people	SIBL has donated financial assistance to the poor & distressed people for treatment. In the year 2017, we have donated Tk.23.25 lac favoring 47 (forty seven) poor and distressed around the country.

On going CSR activities of the Bank

Sl. No.	Events	Particulars
1	Banglar Pathshala (School for underprivileged children supported by SIBL)	SIBL is sponsoring the education program of Banglar Pathshala (School for underprivileged children). It is mentionable that 04 (four) schools of Banglar Pathshala situated at Mirpur, Moham-madpur, Karail & Doyagonj are being sponsored by SIBL involving total Tk.8.90 lac being paid on monthly and yearly basis.
2	URECA (School for underprivileged children supported by SIBL)	SIBL is sponsoring the education program of URECA (School for underprivileged children). It is mentionable that 03 (three) schools of URECA situated at Uttara, Sector 8 & 9 are being sponsored by SIBL involving total Tk.9.00 lac being paid on monthly and yearly basis.
3.	Stipend to poor & meritorious student	SIBL is sponsoring financial support to the poor & meritorious student. In the year 2017, we have donated Tk.35.73 lac favoring 86 (eighty six) students of different college & university around the country.

A short list of our stakeholders:

- Muktijuddha Jadughar
- Bangladesh Association of Banks (BAB)
- Dhaka Chamber of Commerce & Industries (DCCI)
- Sight Savers International
- Jatiya Ando Kalyan Samity, Comilla
- East West Medical College Hospital, Dhaka
- Bishyabidyalaya CAMPUS
- Writer's Foundation
- Jatir Janak Bangabandu Sheikh Mujib Memorial Assistance Trust
- Association of Bankers of Bangladesh (ABB)
- Metropolitan Chamber of Commerce & Industries (MCCI)
- Kidney Foundation
- Mosabbir Cancer Care Centre
- Banglar Pathshala (School for the slum children)
- Chandpur Diabetic Samity
- Hamdard Laboratories (Waqf) Bangladesh
- Center for Rehabilitation of the Paralyzed (CRP)
- Federation of Bangladesh Chamber of Commerce & Industries (FBCCI)
- Bangladesh Cricket Board (BCB)
- Bangladesh Cancer Foundation Hospital
- Dhaka Community Hospital
- URECA (School for under privileged children supported by SIBL)
- Kailakuri Healthcare Project, Modhupur, Tangail
- Bangladesh University of Business and Technology (BUBT)
- Dhaka Medical College Hospital (DMCH)
- Khulna Shishu Hospital, Khulna
- Prime Minister's Education Assistance Trust Fund
- Khulna Shishu Hospital, Khulna
- Dhaka University, Dhaka
- Bangladesh University of Business and Technology (BUBT)
- Prothom Alo

THIS REPORT ALSO STATES

The financial statements prepared as on 31.12.2017 by the Bank, presented fairly its state of affairs, the results of its operation, cash flows and changes in equity;

- a) The financial statements prepared as on 31.12.2017 by the Bank, presented fairly its state of affairs, the results of its operation, cash flows and changes in equity;
- b) There is no significant variance occurred

between quarterly financial performances and Annual Financial Performances of 2017;

- c) During the year 2017, an amount of Taka 6.73 million has been paid to the Directors of Social Islami Bank Limited as director's remuneration including Independent Director;
- d) The Bank has been maintained proper books of accounts;
- e) Appropriate accounting policies have been consistently applied in preparation and presentation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;
- f) International Accounting Standards (IAS) Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed;
- g) The system of internal control is sound in design and has been effectively implemented and monitored; and
- h) Management has reasonable ground to believe that there are no significant doubts upon the Bank's ability to continue as a going concern.

OPERATING RESULT & PROFIT

Total Operating Income of the Bank as on 31st December 2017 stood at Tk. 10,852.44 million against Tk. 9,630.00 million of the preceding year. The Bank made an operating profit of Tk. 6,166.21 million in 2017 against Tk. 5,698.08 million of 2016.

A summary of operating result of the Bank as on 31st December 2017 vis-à-vis the position as on 31st December 2016 is shown below:

Particulars	2017	2016	Growth Rate
Income on Investment	18,497.61	16,883.38	9.56%
Profit paid to the Depositors	10,561.96	9,544.34	10.66%
Net Investment Income	7,935.65	7,339.04	8.13%
Commission, Exchange, Shares & Securities and Other Income	2,916.79	2,290.95	27.32%
Total Operating Income	10,852.44	9,630.00	12.69%
Operating Expenses	4,686.23	3,931.92	19.18%

Particulars	2017	2016	Growth Rate
Profit before Provision	6,166.21	5,698.08	8.22%
Provision against Investment & Others	2,631.08	1,505.89	74.72%
Profit before Tax	3,535.13	4,192.19	-15.67%
Particulars	2017	2016	
Net Investment Income Margin (NIIM)	3.69%	4.21%	
Return on Assets (ROA)	1.40%	2.06%	
Return on Equity (ROE)	10.27%	16.16%	
Earning per Share	Tk. 1.97	Tk. 3.10	

PROFITABILITY RATIO

During the year under review- high deposit cost, increase in salary and allowances and depreciation on fixed assets and other operating expenses affected the overall performance of the Bank. Besides that, Classified along with Block (rescheduled) Investment leads the bank in income blocking that resulted investment earnings in the year 2017 not up to the mark. To bring the banking operation in streamline, management paying extra attention in recovery of bad investments and all investments has brought under the close monitoring system. For this purpose, management has undertaken some programs to protect the banks assets / investment from any future deflect.

- (a) During the period under report, there was no extra ordinary gain or loss has recorded.
- (b) The Board of Directors has recommended 10% Stock dividend for the year 2017 in its 414th Board meeting held on 26.04.2017.

DISCLOSURE OF RATINGS GIVEN BY VARIOUS RATING AGENCIES FOR INSTRUMENTS ISSUED BY THE BANK:

SIBL has two subordinated bond namely "SIBL Mudaraba Subordinated Bond of Tk. 300 crore" and SIBL 2nd Mudaraba Subordinated Bond of Tk. 400 crore to support and strengthen Tier-II capital base of the bank under Basel-III capital regulation of Bangladesh Bank. To strengthen the capital base of the bank SIBL 3rd Mudaraba Subordinated bond of Tk. 5000 million is in the process to issue which is expected to materialize within September 2018. The present credit rating of the Bank and the Instruments issued by the Bank are as follows:

Rating of	Date of Declaration	Valid till	Rating Action	Long Term Rating	Short Term Rating	Outlook
Entity	08-Mar-18	07-Mar-19	Surveillance	AA-	ST-2	Stable
SIBL Mudaraba Subordinated Bond	22-Apr-17	22-Apr-18	Surveillance	A+	N/A	Stable
SIBL 2nd Mudaraba Subordinated Bond	06-Sep-17	05-Sep-18	Surveillance	A+	N/A	Stable
SIBL 3rd Mudaraba Subordinated Bond	30-Apr-18	29-Apr-19	Initial	A+	N/A	Stable

CORPORATE GOVERNANCE

In recent times, corporate governance has been considered as most essential aspect for efficient management of a business house. It is considered to be a set of internal rules and procedures that ensure the accountability of the Directors and Top Management towards the stakeholders. SIBL gives much emphasis on the corporate governance in promoting a sound management. The objective of the Bank is to comply with all regulatory requirements, ensure equitable treatment of all stakeholders. It confirms full and fair disclosure of financial and other material information and show respect for norms of business ethics and social responsibility. The Board of Directors, Executive Committee, Board Audit Committee, Risk Management Committee, MANCOM and other Committees of the management perform their respective tasks with accountability and transparency. Besides, to support and enhance the practice of corporate governance, the Board Audit Committee of the bank was duly constituted by the Board of Directors with a view to evaluating the activities of the Bank as per guidelines laid down in the BRPD Circular Number 12 dated December 23, 2002 of Bangladesh Bank. As per directives of Bangladesh Securities & Exchange Commission (BSEC) on 7th August 2012, to strengthen the corporate governance practice, one of the most important and interesting part of the corporate governance is inclusion of at least 1/5th Independent Director of the total number of Board of Directors in the listed companies who will be knowledgeable individual with integrity and is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business. SIBL is always keen to comply with and focus highly the corporate governance issues and accordingly included 1/5th number of Independent Directors of its total number of Board of Directors.

Compliance Status of Corporate Governance Guidelines issued by Bangladesh Securities & Exchange Commission (BSEC) under notification no: SEC/CMRRCD/2006 158/134/Admin/44 dated 7th August 2012 under condition no: 1.5 (xviii), (xx), (xxi a), (xxi b), (xxi c) & (xxi d):

Compliance of condition 1.5 (xviii)

Key operating and financial data for the last five years are summarized in the preface of this report.

Compliance of condition 1.5 (xx)

Board Meeting Held During the Year 2017 and Attended by Each Director:

Sl. No	Name of Director	Board Meetings in 2017			Remarks
		Held	Attended	Fees (BDT)	
01.	Professor Md. Anwarul Azim Arif, Chairman (Representative of Hasan Abasan (Pvt.) Ltd.)	27	5	40,000/-	Appointed as Director on 30.10.2017
02.	Mr. Belal Ahmed, Vice Chairman (Representative of Unitex Steel Mills Ltd.)	27	4	32,000/-	Appointed as Director on 30.10.2017
03.	Mr. Md. Sayedur Rahman, Vice Chairman	27	26	2,08,000/-	
04.	Alhaj Sk. Mohammad Rabban Ali, Director	27	24	1,92,000/-	
05.	Mr. Abdul Awal Patwary, Director	27	27	2,16,000/-	
06.	Mr. Abdul Jabbar Mollah, Director	27	24	1,92,000/-	
07.	Mrs. Nargis Mannan, Director	27	22	1,76,000/-	
08.	Mr. Mohammad Amin Uddin, Director	27	20	1,60,000/-	
09.	Mr. Md. Kamal Uddin, Director (Representative of Sifang Securities Ltd.)	27	26	2,08,000/-	
10.	Mrs. Afia Begum, Director	27	21	1,68,000/-	
11.	Mr. Mohammad Nabi Ullah, Director	27	18	1,44,000/-	

Sl. No	Name of Director	Board Meetings in 2017			Remarks
		Held	Attended	Fees (BDT)	
12.	Dr. Md. Jahangir Hossain, Director (Representative of Reliable Entrepreneurs Limited)	27	04	32,000/-	Appointed as Director on 13.11.2017
13.	Mr. Md. Abul Basher Bhuiyan, Director (Representative of Fountain Private Limited)	27	23	1,84,000/-	
14.	Ms. Badrun Nessa Alam, Director (Representative of Unitex Cement Limited)	27	04	32,000/-	Appointed as Director on 13.11.2017
15.	Mr. Arshadul Alam, Director (Representative of Leader Business Enterprise Ltd.)	27	03	24,000/-	Appointed as Director on 13.11.2017
16.	Mr. Ali Hasan Md. Mahmud Ribon, Director (Representative of Dynamic Ventures Ltd.)	27	02	16,000/-	Appointed as Director on 13.11.2017

Compliance of condition 1.5 (xxi): Pattern of shareholding

Statement in compliance with condition 1.5 (xxi a): Parent / Subsidiary/Associated Companies and other related parties: NIL

Statement in compliance with Condition 1.5(xxi)

b (i): Shareholding Position of Directors of SIBL with their Spouse and Minor Children as on 31.12.2017

Sl No.	Name of the Directors	Position & Relationship	No. of Shares	Total Shares with spouse	Percentage of Shares
1	Prof. Md. Anwarul Azim Arif (Representative of Hasan Abasan (Pvt.) Limited)	Chairman	15,215,000	15,215,000	2.0608
2	Mr. Belal Ahmed (Representative of Unitex Steel Mills Ltd.)	Vice Chairman	15,210,000	15,210,000	2.0601
3	Mr. Md. Sayedur Rahman	Vice Chairman	14,770,931	14,770,931	2.0007
4	Alhaj Sk. Mohammad Rabban Ali	Director	14,807,097	14,807,097	2.0056
5	Mr. Abdul Awal Patwary Mrs. Fatema Begum	Director Wife	14,777,398 1,000	14,778,398	2.0017
6	Mrs. Nargis Mannan Prof. Dr. M. A. Mannan	Director Husband	14,766,376 1,282,563	16,048,939	2.1738
7	Dr. Md. Jahangir Hossain (Representative of Reliable Entrepreneurs Ltd.) Dr. Md. Jahangir Hossain (Own)	Director	15,209,284 779,520	15,988,804	2.1656
8	Mr. Abdul Jabbar Mollah	Director	14,918,874	14,918,874	2.0207
9	Mr. M. Kamal Uddin (Representative of Sifang Securities Ltd.) Mr. M. Kamal Uddin (Own)	Director	14,805,000 3,150	14,808,150	2.0057
10	Mr. Md. Aminuddin	Director	14,766,096	14,766,096	2.0000

SI No.	Name of the Directors	Position & Relationship	No. of Shares	Total Shares with spouse	Percentage of Shares
11	Mrs. Afia Begum	Director	14,805,000	14,805,000	2.0053
12	Mr. Mohammad Nabi Ullah	Director	14,766,889	14,766,889	2.0001
13	Mr. Md. Abul Basher Bhuiyan (Representative of Fountain Pvt. Ltd.)	Director	14,776,654	14,776,654	2.0014
14	Ms. Badrun Nessa Alam (Representative of Unitex Cement Ltd.)	Director	15,210,000	15,210,000	2.0601
15	Mr. Arshadul Alam (Representative of Leader Business Enterprise Ltd.) Mr. Arshadul Alam (Own)	Director	15,215,000 6,930	15,221,930	2.0618
16	Mr. Ali Hasan Md. Mahmud Ribon (Representative of Dynamic Ventures Ltd.)	Director	15,214,000	15,214,000	2.0607

1.5 (xxi b) (ii) Shares held by the Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and other top Executives of the Bank and their spouse and minor children (Name wise Details) as on 31.12.2017

SI. No.	Name	Nos. of Share(s) held
01.	Mr. Quazi Osman Ali Managing Director and CEO	NIL
02.	Mr. Abdul Hannan Khan Company Secretary	NIL
03.	Mr. Walid Mahmud Sobhani, FCMA Chief Financial Officer	NIL
04.	Mr. M.A Mottaleb SVP & Head of Internal Audit	NIL

1.5 (xxi c) Shares held by top five salaried Executive of the Bank:

SI. No.	Name	Nos. of Share(s) held
01.	Mr. Ihsanul Aziz Additional Managing Director	NIL
02.	Mr. Yunus Ali Deputy Managing Director	NIL
03.	Mr. S T M Abu Naser Chowdhury Deputy Managing Director	NIL
04.	Mr. Zafar Alam Deputy Managing Director	NIL
05.	Mr. Md. Shafiqul Islam Senior Executive Vice President	NIL

1.5 (xxi d) Shareholders holding ten percent or more voting interest in the Company: **NIL**

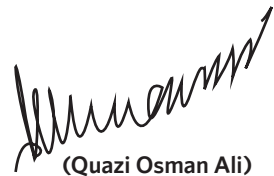
DECLARATION BY THE CHIEF EXECUTIVE OFFICER & CHIEF FINANCIAL OFFICER

In accordance with the notification of Bangladesh Securities and Exchange Commission (BSEC) no SEC/CMRRCD/2006-158/129/Admin/44 dated 7 August 2012, we declare that for the financial year ended 31st December 2017

- i) We have reviewed the financial statements for the year and that to the best of our knowledge and belief
 - a) These statements do not contain any materially untrue statement or do not omit any material factor contain statements that might be misleading;
 - b) These financial statements together present a true and fair view of the bank's affairs and are in compliance with existing accounting standards and applicable laws;
- ii) There are, to the best of our knowledge and belief, no transactions (carried out or recorded) into by the bank during the year are fraudulent, illegal or violation of the bank's code of conduct.



(Walid Mahmud Sobhani, FCMA)
Chief Financial Officer



(Quazi Osman Ali)
Managing Director & CEO

S. Abdur Rashid FCS

BCom (Hons), MBS (Finance & Banking), MBA (Finance), PGDHRM, LLB, AIPM

Chartered Secretary in Practice

Private Practice Certificate No.: 003

Phone # +880 2 9558796, +88 01726533655

E-mail : sarashid12000@yahoo.com

SARashid & Associates
(Chartered Secretaries)

Noakhali Tower (12th Floor, 13-D)
55/B Purana Paltan, Dhaka-1000, Bangladesh
E-mail : sarashidnasso@gmail.com

Certificate on Compliance of Corporate Governance Guidelines

[Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012]

I have reviewed the Compliance of Conditions of the Corporate Governance Guidelines by **Social Islami Bank Limited** ("the Company") for the year ended 31 December 2017. Such compliance is the responsibility of the Company as stipulated in the above mentioned notification issued by Bangladesh Securities and Exchange Commission (BSEC).

I have conducted my review in a manner that has provided me a reasonable basis for evaluating the compliances and expressing my opinion thereon. This review has been limited to the measures adopted by the Company in ensuring such compliances and not for expression of opinion on the financial statements or future viability of the Company.

According to the information and explanations provided to me by the Company, I hereby certify that, subject to the remarks in the statement of compliance status, all other conditions of the said Corporate Governance Guidelines of BSEC have been complied with by the Company.



S. Abdur Rashid FCS



Dhaka, 27 May 2018

INFORMATION RELATED TO BOARD & ITS DIRECTORS

BOARD OF DIRECTORS:

Several initiatives have been taken by the Board of Directors of the Bank for institutionalizing Corporate Governance in the Bank for safeguarding the interests of the Stakeholders. As a listed Banking Company Social Islami Bank Limited have been complied all types of Orders/ Directives/ Circulars/ Notifications/ Rules issued by the Bangladesh Bank and Bangladesh Securities and Exchange Commission (BSEC) from time to time. Social Islami bank Limited does not have its own policy on appointment of Directors rather it follows the provision of Companies Act, 1994 and Bank Companies Act, 1991(Amendment upto-2013). All directors of the Board are non-executive directors including 2 (two) Independent Directors. At the time of appointment of new directors, the existing Board of Directors frequently assess the size and structure of the Board, evaluate the knowledge, skills, experience and perceptions that may be necessary to allow the Board to perform its functions. The directors are appointed by the shareholders in the Annual General Meeting. Casual vacancy, if any, is filled up by the Board in accordance with the provisions of the Companies Act and Articles of Association of the Company. During the year under report, there are five casual vacancy was occurred. Total number of Directors of Social Islami Bank Limited is 12 (twelve) including 2 (two) Independent Directors which is within the compliance limit of the provision of Bank Companies Act, 1991 (amended upto 2013) and all the Directors have their sufficient shareholdings i.e. minimum 2% of the total paid-up capital of the Bank as per Bangladesh Securities & Exchange Commission's (BSEC's) Notification Dated 22.11.2011 published in the Bangladesh Gazette on December 14, 2011. The Board members of SIBL are highly competent and professional in the arena of Banking, Business and Industry. The board approves and reviews different policies and business plans in line with six core risk management guidelines with the ultimate objective to achieve the goals whereas the administrative and execution powers lie with the management team of the bank which is headed by the Managing Director & CEO. Managing Director & CEO of the Bank is paid salaries and allowances as per approval of the Board of Directors of the Bank subject to approval of Bangladesh Bank as per Bangladesh Bank's BRPD Circular no 9 dated 19/09/1996.

The bank provides only the following facilities/benefits to the members of the Board:

- Chairman of the Board of Directors is provided with a car, telephone, office and private secretary.
- Directors are entitled and paid Meeting Attendance fees including actual travelling, fooding and lodging expenses for attending the Board of Directors Meeting, Executive Committee Meeting, Board Audit Committee Meeting, Risk Management Committee Meeting and Shariah Supervisory Committee meeting.

As per BRPD Circular No. 11 dated 4th October 2015, the highest slab of Honorarium for the Board member to attend the Board meeting of any bank operating in Bangladesh has been limited to Taka 8,000/- per attendance and accordingly Social Islami Bank Limited has been paying Honorarium to the Hon'ble Director for attending Board Meeting including attending to the Executive Committee Meeting, Board Audit Committee Meeting and Risk Management Committee Meeting @ Taka 8,000/- per attendance.

During the year 2017, the total expenditure related to the Board meeting was Taka 10.47 million against Taka 6.97 million in 2016.

BOARD MEETINGS & MINUTES

In every month, minimum one or more Board of Directors meeting may be held where to discuss and review business strategy, financial performance, compliance and governance, risk management issues etc. as well as reports on matters deliberated by the respective committees. Meetings of the Board are scheduled in advance for the Directors to plan their schedules. In addition, Special Board meetings are held when necessary, to deliberate on major transactions and ad-hoc matters that require the Board's urgent attention and decisions. Meeting papers on the proposals and reports are delivered to the Directors prior to the meetings, giving them sufficient time to evaluate the proposals and if necessary, request additional information. This enables the Board to function and discharge their responsibilities effectively. The minimum information required for the Board to make an informed and effective decision includes background, objective, key issues, rationale, financial and non-financial impact of the proposal. Directors who are unable to attend a meeting due to unavoidable circumstances are encouraged to provide feedback to the Chairman on matters to be deliberated for their views to be given due consideration at the meetings. Proceedings and resolutions are taken by the board are recorded as minutes of the meeting signed by the Chairman of the meeting and send to Bangladesh Bank. The decisions taken by the board are disseminated by the Company Secretary to whom such decision relates. Upon request of any member of the Board of Directors, copy of minutes of AGM is provided by the Company

Secretary upon receipts of fees as per Articles of Association of the Bank. As per Companies Act 1994, every company is required to hold minimum 4 (four) Board of Directors meeting in a year. Since inception total 415 numbers of Board meetings were held all such meeting related papers, documents, memo, attendance & honorarium registers, minutes etc. are being maintained in good condition by the Board Secretariat of the Bank.

RETIREMENT OF DIRECTORS

At least one third of the whole number of Directors shall retire by rotation in every year at the Ordinary General Meeting as per Section 91 (2) of the Companies Act, 1994 and provision 83 of the Articles of Association of the Bank. In accordance with the said provision of the Companies Act, 1994 and Articles of Association of the Bank the following Director shall retire from the office in the next 23rd Annual General meeting as he has been holding the office for the longest period.

1. Mr. Arshadul Alam
(Representative of Leader Business Enterprise Ltd.)

Therefore, as per provision of Regulation 86 of Schedule-I of the Companies Act, 1994, all additional directors shall retire from the office at the next following Ordinary General Meeting. In this connection, the following 5 (five) Directors shall retire from the office in the next 23rd Annual General meeting and they are eligible for election by the company at that meeting.

1. Mr. Md. Sayedur Rahman, Additional Director;
(Representative of Prasad Paradise Resorts Ltd.)
2. Mr. Md. Kamal Uddin, Additional Director;
(Representative of Lion Securities and Investment Ltd.)
3. Dr. Md. Jahangir Hossain, Additional Director;
(Representative of Reliable Entrepreneurs Ltd.)
4. Mr. Md. Faysal Ahmed Patwary, Additional Director; and
(Representative of Global Trading Corporation Ltd.)
5. Mrs. Jebunnesa Akbar, Additional Director
(Representative of Unitex Cement Ltd.)

As per provision of Article 84 of the Articles of Association of the Bank the retiring 6 (six) Directors as mentioned above are eligible for re-election in the same meeting they retire.

DIRECTOR'S RESPONSIBILITY STATEMENTS

The major responsibilities of the Directors of the board are-

- Developing and implementing corporate strategies.
- Exercising of business judgment in good faith using general prudence for the best interest of the bank in line with bank's Articles of Association and complying with the prevailing applicable laws and regulations.
- To set the direction, vision and policies of the bank and to

determine objective and strategies to ensure the effective discharge of the bank's functions.

- Most efficient use of the bank's resources.
- Monitoring and reviewing corporate governance framework of BSEC.
- Monitoring and reviewing risk management process of the bank.
- Fixation of Business targets, reviewing business results and monitoring budgetary control.
- To evaluate the key performance indicators of the Top Executives of the bank.
- To establish and maintain effective communication system with the different regulatory bodies.
- Setting up standards and monitoring compliances with the bank's social responsibility policies and practices.
- Recommendation of appointment and re-appointment of statutory auditors of the bank along with their fees.
- To prepare and submit Directors' Report before the shareholders' in Annual General Meeting in accordance with the BSEC notification and Listing Regulations of DSE & CSE.
- Recommending shareholders to approve Financial Statements, dividend and appointment of external auditors.

CODE OF CONDUCT FOR THE BOARD OF DIRECTORS

Social Islami Bank Limited has adopted a Code of Conducts for the all members of the Board of Directors of the Bank who shall individually be liable to sign and follow this Code of Conduct including any new members who may assume office as from this date. The Code of conduct includes all instructions /circulars/ guidelines issued by Bangladesh Bank related to the Directors and their interested group/organization. However, followings are the general code of conducts approved and adopted by the Board of Directors.

Fiduciary Duties:

The duties imposed on Board Members are fiduciary duties, similar to those that the law imposes on those in similar positions of trust, agents and trustees;

Powers vs Duties:

The duties apply to each Board Member separately, while the powers apply to the Board jointly;

Contribution in Meetings/Debates:

The Board Members are expected to contribute to the debates in the Board without any personal biases or other prejudices with the conviction and belief that the outcome of every debate would be towards the advancement of the company.

Unfettered discretion:

Board Members cannot without the consent of the company, fetter their discretion in relation to the exercise of their powers, and cannot bind themselves to vote in a particular way at future Board Meeting.

Use of corporate property, opportunity or information

A Board Member must not, without the consent of the company, use company's assets, opportunities, or information for his/her own profit.

Confidentiality:

Each Board Member must use utmost care and discretion in the handling of confidential information and other information not normally available to the public, generally coming to them by reason of their directorship, office or employment. Such information shall, subject to certain limited circumstances, not be disclosed to third parties and shall not be used for personal benefit or for the benefit of family, friends, or associates.

Transactions with the company:

A Board Member shall not enter into a transaction where there is a conflict between his interest and duty without the knowledge of the Board; and it is a statutory duty of the director(s) to declare interests in relation to any transactions, and to make proper disclosure thereof.

Competing with the company:

A Board Member must not compete directly with the company without arising a conflict or interest.

A Board Member should not act as a director of any competing companies, as his/her duties to each company would conflict with each other.

Conflict of duty and interest

As fiduciaries, the Board Members must not put themselves in a position where their interests and duties conflict with the duties that owe to the company;

Each and every Board Member has an obligation of loyalty to the company and should subordinate his/her personal interest when they conflict with or threaten to conflict with the best interests of the company;

Each and every Board Member shall declare all actual or potential material conflicts that may arise between their duty to (i) the company and (ii) their personal obligations, other fiduciary duties or financial interests (direct or indirect) and these conflicts shall be reported to the Chair;

A Board Member should not engage directly or indirectly, as a director, officer, employee, consultant, partner, agent or major shareholder in any business or undertaking that competes with, does business with or seeks to do business with the company; With respect to restricted party transactions, full disclosure of material transactions shall be recorded in the board's minutes and will be transacted in accordance with legislated restrictions; and

To avoid conflicts of interest, the Board Members must do more than merely act within the law. They must conduct their affairs in such a manner that their performance will at all times bear public security. The appearance of conflict of interest as well as the conflict itself must be avoided.

Accepting Gifts

No Board Member shall accept any gift, hospitality or favour offered or tendered by virtue of the position with the company;

When dealing with public officials whose responsibilities include the business of the company, acts of hospitality should be of such a scale and nature so as to avoid compromising the integrity or reputation of either the public official or the company. Such acts of hospitality should be undertaken in the expectation that they could well become a matter of general knowledge and public record.

Reporting of Questionable or Fraudulent Actions

The Board Member shall report to the Board or to the Audit Committee about their awareness of any situation which might adversely affect the reputation of the company. This would include any questionable, fraudulent or illegal events or material actions in violation of company policy which comes to their attention.

Cooperation with Auditors

Every Board Member is expected to comply promptly with any request from internal and/or external auditors for assistance and to provide full disclosure of any situation under investigation.

Acceptance of this code

All members of the Board of Directors shall sign this Code of Conduct, including any new members who may assume office as from this date. These signed copies shall be held by the

Company Secretary.

AFFIRMATION & COMPLIANCE OF THE CODE

- All Board Members shall read this Code at least annually, and shall certify in writing that they have done so and that they understand the Code;
- Annual compliance of the code by all Board Members shall be recorded in a meeting of the Board of Directors;
- This document is applicable with immediate effect;
- The Board shall have the authority to make amendment to this document at any time; and
- The Company Secretary of the bank has submitted a declaration before the Board of Directors and affirmed that all the member of the Board of Directors have complied with the code of conducts as were determined by the Board.

The following Terms of Reference (TOR) (defining the roles, responsibilities and duties) for the Chairman may be framed in line with the provisions of the Articles of Association of the Bank, BRPD Circular No.11 dated 27.10.2013 and other usual practices:

TERMS OF REFERENCE (TOR) OF THE CHAIRMAN

The following Terms of Reference (TOR) (defining the roles, responsibilities and duties) for the Chairman may be framed in line with the provisions of the Articles of Association of the Bank, BRPD Circular No.11 dated 27.10.2013 and other usual practices:

The Chairman as per the Articles of Association

- The Directors shall select a Chairman from amongst themselves;
- If at any meeting of the Board, the Chairman be not present at the time appointed for holding the same, such meeting shall be presided over by Vice-Chairman, if any, and if none be present the Directors present shall elect Chairman to preside over that meeting;
- All meetings of the Board and Shareholders shall be presided over by the Chairman;
- The Chairman may call a meeting of the Board of Directors of the Company;
- The Chairman may call a meeting of the Board of Directors on shorter notice than seven clear days as he may deem fit;
- In case of equality of votes in a Meeting of the Board of Directors, the Chairman shall have a second or casting vote;
- The minutes of a Meeting of the Board of Directors or of the Shareholders shall be signed by the Chairman of the meeting to which it relate or by the Chairman of the succeeding meeting.

ROLES & RESPONSIBILITIES OF THE CHAIRMAN

As per BRPD Circular No.11 dated 27.10.2013

1. As the Chairman of the Board of Directors (or Chairman of any Committee formed by the Board of Directors) does not personally possess the jurisdiction to apply policy making or executive authority, he shall not participate in or interfere into the administration or operational and routine affairs of the bank.
2. The Chairman may conduct on-site inspection of any branch or financing activities under the purview of the oversight responsibilities of the Board. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the Board or the Executive Committee and if deemed necessary, with the approval of the Board, he shall take necessary action thereon in accordance with the set rules through the CEO. However, any complaint against the CEO shall have to be apprised by the Bangladesh Bank through the Board along with the statement of the CEO.
3. Chairman of the Board of Directors may be provided with a car, telephone, office and private secretary.

ROLES & RESPONSIBILITIES OF THE CHAIRMAN AS PER USUAL PRACTICES

The duties of the Chairman, which is a non-executive role, arise from his senior most position in the Company and his responsibility for presiding over the official business of the Company and the Board.

A. WHILE WORKING WITH THE BOARD, THE CHAIRMAN SHALL

- (i) ensure that the Board has full governance of the Company's business and affairs and that the Board is alert to its obligations to the Company, shareholders, Management and other stakeholders under the law;
- (ii) set the agenda for discussion at Board Meetings and General Meetings and ensure that adequate time is available for

- discussion of agenda items;
- (iii) set the frequency of the Board meetings and review such frequency from time to time as considered appropriate or as requested by the Board;
- (iv) chair all Board meetings and manage the business of the Board ensuring that the Board adopts a prompt and constructive approach to make decisions;
- (v) provide strong leadership of the Board and assist it in reviewing and monitoring the aims, strategy, policy and directions of the Company;
- (vi) communicate with the Board to keep it up-to-date on all major developments, including avoiding surprises through timely discussion of potential developments and ensuring the Board has sufficient knowledge to permit it to comfortably and properly make major decisions when such decisions are required;
- (vii) recommend the committees of the Board and their composition, review the need for and the performance and suitability of those committees, and make such adjustments as are deemed necessary from time to time;
- (viii) ensure that Board and committee meetings are conducted in an efficient, effective and focused manner;
- (ix) ensure that the corporate governance of the company is maintained in line with appropriate practice policies agreed by the Board;
- (x) annually review Board Governance and performance of the Board (leading the process for the Board's annual performance evaluation and the evaluation of its committees and individual directors and acting on the results of such evaluation by recognizing the strengths and weaknesses of the Board);
- (xi) be the contact person for the expression of individual director concerns;
- (xii) foster a culture of openness and engagement by facilitating the effective contribution of all directors, in particular non-executive directors and ensuring constructive relations between executive

- and non-executive directors;
- (xiii) ensure that new directors participate in a full, formal and tailored induction program and that the development needs of the directors and the Board as a whole are identified and are met to enhance the effectiveness of the Board; and
- (xiv) be available to assist committee chairs in carrying out their responsibilities and in addressing their concerns.

B. WHILE WORKING WITH THE MANAGEMENT, THE CHAIRMAN SHALL

- (i) act as the principal of the board and counsellor for the MD/CEO, including helping to define problems, review strategy, maintain accountability, build relationships, and ensure the MD/CEO is aware of concerns of the Board, shareholders and other stakeholders;
- (ii) keep under review with the Board the general progress and long-term development of the company and ensuring that effective strategic planning for the company is undertaken by the MD/CEO and endorsed by the Board after discussion, consistent with creating shareholder value and promoting the long term success of the company for the benefit of its members as a whole;
- (iii) ensure the submission to the Board by the MD/CEO of objectives, policies and strategies for the company, including the company business plan and the annual budget;
- (iv) monitor progress towards timely and effective achievement and implementation of the objectives, policies and strategies set by the Board and ensure that appropriate decisions are taken promptly by or on behalf of the Board;
- (v) lead the Board in
 - (a) formally appraising, monitoring and evaluating the performance of the MD/CEO and make appropriate recommendations to the Remuneration Committee;
 - (b) ensuring accountability of the MD/CEO;
 - (c) ensuring the implementation of the succession and development plans by the MD/CEO; and
 - (d) as appropriate, review with the MD/CEO his recommendations on performance and remuneration of senior executives;
- (vi) work with the MD/CEO and Company Secretary to co-ordinate the agenda, information packages and related events for Board meetings.
- (vi) ensure that there is appropriate delegation of authority from the Board to Executive Management;

- (vii) provide advice to the MD/CEO on the allocation of duties to individual directors and assignment of adhoc responsibilities or special tasks to directors or groups of directors;

C. RECOGNIZING THE MD/CEO AS THE PRIMARY SPOKESPERSON, THE CHAIRMAN SHALL

- (i) chair all meetings of shareholders;
 - (ii) undertake public service as agreed with the MD/CEO in connection with the Company's charitable, educational and cultural activities;
 - (iii) participate with MD/CEO, as appropriate, in corporate relations, including relations with the shareholders, customers, government, other companies, the media and stakeholders generally; and hold meetings with the non-executive directors.
- This document is applicable with immediate effect.
 - The Board shall have the authority to make amendment to this document at any time.

ROLE OF THE CHAIRMAN AND MANAGING DIRECTOR & CEO ARE INDEPENDENT

The Chairman of the Board is not the Managing Director & CEO of the Company. The role of Chairman and the Managing Director & CEO are independent and detached from each other.

ROLE, RESPONSIBILITIES & POWER OF THE MANAGING DIRECTOR & CEO

Roles, responsibilities and powers conferred of the Managing Director & CEO of Social Islami Bank Limited has been conferred by the BRPD Circular No. 18 dated 27.10.2013. Apart from that, Managing Director & CEO of SIBL shall discharge the following roles, responsibilities and duties as per Articles of Association of the Social Islmai Bank Limited and usual practices-

The MD/CEO as per the Articles of The Association

- The Managing Director & CEO of the company appointed by the Board and approved by Bangladesh Bank;
- The Managing Director & CEO of the Company shall be accountable to the Board and shall discharge his functions and duties subject to supervision of the Board of Directors; and
- The MD will be an Ex-officio Member of the Board without having any voting power and he shall not need to have any qualification share.

General Roles & Responsibilities

The General Roles and Responsibilities of the Managing Director & CEO shall be-

- To act as the Chief Executive Officer reporting to the Board of Directors;
- To remain accountable to the Board for the overall performance of the company and for the day-to-day operation and management of the company's business, under the authority delegated by the Board from time to time;
- To develop and present strategic and annual business plans, rules, regulations and systems for legal functioning of the organization to the Board for approval;
- To implement the Board's policies and strategies and deliver the strategic plan in the most effective and efficient manner;
- To report to the Board on progress against the strategic and annual business plans on a regular basis. Typically, reporting against the annual plan will be monthly, while reporting against the strategic plan will be less frequent, although it should be at least two or three times a year;
- To coordinate the overall management, administration, corporate planning and business development;
- To ensure the compliances of Laws, Rules and Regulations and for Good Corporate Governance;
- To supervise all technical, financial and welfare aspects of the organization, negotiations with sources of credit/fund, and listing in the stock exchange(s);
- To manage the day-to-day operations of the company Manage, motivate, develop and lead members of the Management Team;
- To manage resources efficiently and effectively to achieve the company's
- Objectives;
- To lead the Local Management Team of the Company and chair Management Team meetings;

- To take a leadership role in establishing the company's culture and values;
- To ensure that there is a fit between strategy and culture, and the company's processes and structure;
- To ensure that appropriate internal audit and internal control processes and procedures are in place (in liaison with Head of Internal Audit, External Auditors and Board Audit Committee);
- To develop and implement a risk management plan; and
- To ensure that there is a succession plan in place.

The Board has the authority to make amendment to the above rules, responsibilities and document at any time.

REMUNERATION AND OTHER COMMITTEE OF THE BOARD

Along with the board, SIBL has some other committees to assist the board in taking proper decision to run the bank efficiently. The committees are mentioned below

1. Executive Committee
2. Board Audit Committee
3. Risk Management Committee

Policy for the employees remuneration and fringe benefits are proposed by a committee comprised with the top management of the bank. Then the proposal is reviewed and finalized by the board.

TERMS OF REFERENCE (TOR) FOR THE COMPANY SECRETARY

1. Appointment, Reporting Relationships and Accountability
 - The Company Secretary is an employee of the Company who;
 - reports administratively to the Managing Director & CEO and operationally to the Chairman of the Board;
 - is also accountable to the Board of Directors;
 - acts in the capacity of Secretary to the Board and its Committees;
 - is responsible for providing strategic and operational support to the Board by providing resources and information links among the Board, Management and the Shareholder, with particular emphasis on facilitating the flow of information;
 - is also responsible for maintaining

effective working relationships with the Board Chairman, Committee Chairs, individual Directors and Management;

- must have a broad understanding of the organization and its operations to effectively carry out his/her responsibilities.

2. DUTIES AND RESPONSIBILITIES

Regarding Management of Board and Committee Meetings
The Company Secretary shall –

- Initiate the development of agenda for Board and Committee Meetings in consultation with the Board Chair, Committee Chairs and Management;
- Facilitate in consultation with Chairman, Committee Chairs or MD/CEO, Notification of meetings, preparation and distribution of agenda items etc. and ensure that;
- Facilitate the practical arrangements for a Board meeting or Committee meeting, such as meeting room, transports, lunch/dinner/tea etc. as required;
- Attend Board and Committee meetings, and provide advice to the Chairman to support effective functioning of the Board or Committee and adherence to proper meeting procedure;
- Prepare accurate, complete minutes of meetings;
- Where required, prepare and submit to the Directors accurate and complete proposal for written resolutions;
- Arrange for signatures of minutes and written resolutions;
- In conjunction with management, clearly communicate directives from the Board and Committees to the person responsible for carrying out the directives;
- Retain and safeguard the official Minute books and Corporate documents;
- Verify and Authorize Director's expenses for performance of Board-related duties;
- Review all minutes for consistency, appropriateness of recorded decisions and issues with broader implications;
- Ensure that the record of minutes is at all times up to date;
- Act as a Secretary for all Board and Committee meetings.

Corporate Governance Services

The Company Secretary shall –

- Provide expertise and work with the Board Chairman to implement best practices in corporate governance by the Board and its Committees;
- Provide advice and guidance to Directors and management regarding policies, directives and processes regarding corporate governance and tax issues related to the Board and Directors;
- Be responsible for promoting strong corporate governance practices within the organization;
- Draft and maintain all governance documentation including the Governance Manual in collaboration with the Board Chair;
- Work with the Board Chair to ensure continuous improvement of the Board of Directors;
- Keep up to date on evolving corporate governance practices and trends;
- Promote the role and responsibility of the Company Secretary both within the organization and externally, building networks to share ideas, discussing new trends in corporate governance and best practice;

- Refer issues for legal review and opinions as required and may be directed to obtain advice on behalf of the Board;
- Act as custodian for Company's corporate and historical records, meeting minutes and related Board information;
- Maintain a record of consolidated Board motions.

Board Evaluation & Succession Planning Processes

The Company Secretary shall assist the Board and/or Committees-

- In evaluating and reporting on corporate governance commitments and the mandates of the various Committees;
- In implementing and reporting on the annual processes to assess the performance of the Board, Committees, Chairs and individual Directors;
- In implementing and reporting on the annual performance evaluation of the CEO;
- Facilitating Board appointment and renewal processes, and addressing Committee structures, composition and mandates;
- In identifying and communicating any skill requirements for making recommendations to fill Board vacancies;
- Identifying and communicating the professional development needs of Directors.

Policy Framework

The Company Secretary is responsible for-

- Overseeing the organization's Policy Framework as approved by the Board;
- Providing advice and guidance to the Board, the MD/CEO and management on compliance with that framework.

Duties and Responsibilities: Board Budget

The Company Secretary shall manage the Board budget and review and ensure the effective administration of Board expenditures including compliance with entitlements. Transparency

The Company Secretary supports the Board's commitment to transparency by-

- Ensuring continuous disclosure of the governance framework;
- Ensuring all external reporting requirements are met including in relation to the disclosure of Board meeting attendance, Board remuneration and expenses;
- Ensuring that the appropriate controls are in place in relation to access to board information;
- Ensuring the preparation of governance related materials for the Service Plan and Annual Service Plan Report in collaboration with the Board Chair.

COMMUNICATION

The Company Secretary shall -

- Be the liaison between the Board and the MD/CEO and Management and is the main contact for Directors;
- Promote a strong and effective working relationship between the Board and management;
- At the direction of the Board Chair, provide Directors with timely information between Board Meetings;
- Ensure that all Directors have all the necessary information

to discharge their responsibilities;

- Ensure that all Directors receive the same information to support the cohesive working relationship of the Board;
- Develop templates and guidelines to support the preparation of appropriate briefing material;
- Ensure that the appropriate tools and mechanisms are in place to manage Board information and communication to ensure that Directors are able to properly discharge their responsibilities;
- Ensure that the appropriate technical support is available to the Board in relation to any online or paperless communication platforms;
- Support the MD/CEO in ensuring that all decisions made by the Board, or the Board Chair, are clearly communicated to management in a timely manner and that all consequential actions are taken by the organization;
- Additionally ensure the confidentiality of Board materials, records and deliberations as appropriate, or as directed by the Board Chair.

Code of Conduct & Conflict of Interest

- The Company Secretary shall administer the Code of Conduct of the Board Members and advise the Board Chair in respect of any matters where conflict, potential or real, may occur between the Board and its Members;
- If there is a conflict of interest, actual or potential, on any particular matter, between the Company Secretary's administrative or managerial responsibilities within the Company and his/her responsibilities as a secretary to the Board, it is his responsibility to draw it to the attention of the Board.

Statutory & Legal Matters

The Company Secretary shall -

- Keep under close review all legislative, regulatory and corporate governance developments that might affect the Company's operations, and ensure the Board is fully briefed on these and that it has regard to them when taking decisions;
- Ensure proper and timely documentary filings and fulfilment of disclosure requirements to statutory authorities under applicable legislation and policy;
- Ensure that the standards and disclosures required by the different statutes are

observed and, where required, reflected in the annual report of the directors;

- Make arrangements for and manage the process of the General Meetings;
- Maintain the Company's books and records and ensure the security and application of the Company's Common Seal;
- Perform such other duties which usually pertain to the Company Secretary or which may be from time to time be prescribed by the Board or be required by law.

Special Projects

As directed and approved by the Board and its committees, the Company Secretary will undertake special projects ensure that the Board have sufficient information on the resources required to complete any proposed special projects.

TERMS OF REFERENCE (TOR) FOR THE CHIEF FINANCIAL OFFICER (CFO)

1. Appointment, Reporting Relationships and Accountability

The CFO is a Senior Executive of the Company who

- Reports to the Chief Executive Officer (CEO);
- Is also accountable to the Audit Committee;
- Must have a broad understanding of the organization and its operations to effectively carry out his/her responsibilities.

2. Roles, Responsibilities and Duties of the CFO

The CFO, on behalf of the Board of Directors, is responsible for

- Following applicable Accounting Standards and Financial Reporting Standards like IAS, BAS, IFRS and BFRS, and adequate disclosure for any departure there-from, if any;
- Compliance with application of appropriate accounting policies, and ensuring that accounting estimates are reasonable and prudent;
- Providing close cooperation in establishing effective internal financial control environment.
- As a Senior Executive, the CFO is responsible for leadership and management of the Company's finance and accounting functions and is responsible for
 - (i) The Company's business planning,

budgeting and forecasting processes, including coordination and integration of strategic and business plans for business segments, departmental cost centers and capital budgets;

- (ii) The integrity of the Company's accounting systems, sub-systems, internal controls, fund management, and managing the relationship with the external auditors;
- (iii) The Company's financial and business reporting, tax planning, estimating and reporting, and regulatory reporting (corporate and securities);
- (iv) Management relationships with the Company's bankers and investors, and leasing companies. Responsibility for capital planning and structure and the raising of equity or debt to fund the Company's operations, investment analysis/presentations, and tracking of the Company's market valuation;
- (v) The financial analysis function which addresses product contribution and pricing/margins, the vetting of business cases and post reviews of completed/implemented initiatives, business analysis, operational efficiency and organizational and system capacity modelling/utilization;

3 As a member of the senior management of the Company, the CFO shall

- (i) Assist the CEO in
 - (a) Representing the Company in dealings with government and regulatory bodies;
 - (b) Maintaining relationships with outside agencies and strategic partners;
 - (c) Maintaining a policy of on-going communication with investors and representatives of the investment community.
- (ii) Meet regularly and as required with the CEO to review material issues and to take reasonable steps to ensure that the CEO is provided in a timely manner with all the information he/she requires to fulfill his/her statutory and other obligations;
- (iii) Carry out analysis of assets and liability and submit recommendations to the management on a quarterly basis;
- (iv) Recommend to the Management on how to match assets and liabilities according to short term and long term plan.
 - The CFO shall have the following Responsibilities towards the Board of Directors
 - (i) To attend the board meetings and be part of the discussion having financial implication on relevant issues
 - (ii) To present to the board of directors information on the following in order to strengthen and formalize corporate decision- making process
 - (a) Annual business plans, cash flow projection, forecasts and long term plans
 - (b) Budget including capital, manpower and overhead budgets along with variance analysis
 - (c) Quarterly operating results of the Company as a whole and in terms of its business segments

4 The CFO shall have Responsibilities towards

Shareholders to provide all the necessary data to be presented in the "Director's Report" and for this purpose CFO must ensure the following

- (a) The financial statement, prepared by the management of Company, present fairly its states of affairs, the result of its operations, cash flows and changes in equities
- (b) Proper books of accounts of the Company have been maintained by the relevant units and that operation & computer controls are in place
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment
- (d) International accounting standards, as applicable in the country, have been followed in preparation of financial statements and any departure there from has been adequately disclosed
- (e) There has been no material departure from the best practice of corporate governance as detailed in the listing regulations or applicable guidelines
- (f) Internal and External Reporting

5 As a part of routine work, the CFO shall responsible for overseeing

- (i) Coordination with the internal auditors for statutory auditing
- (ii) Asset Liability Management
- (iii) Treasury division
- (iv) Monitoring Cash Flows
- (v) Consulting with other departments, businesses units and or affiliated companies to improve financial performance
- (vi) Strategic financial planning/ capital budgeting
- (vii) Cash forecasting
- (viii) Financial risk management
- (ix) Cash Management
- (x) Short term investing
- (xi) Short term borrowing
- (xii) Budgeting and Accounting
- (xiii) Designing a proper financial Model for the Business Plan
- (xiv) based on data received from respective departments, carrying out analysis on
 - (a) Cost of fund
 - (b) Interest rates (both for deposits and lending)
- (xv) Identifying major profit and cost centers
- (xvi) Maintenance of Investment in shares and securities
- (xvii) Preparation of Financial Statements

6 The CFO has extensive responsibilities for internal and external reporting, particularly-

- a) All the financial information required for decision-making by the Board of Directors and Chief Executive Officer is processed and furnished by the CFO.
- b) External reporting requirement is fulfilled by CFO, the accounts and financial statements are signed by the CFO before they are sent to concerned authorities.

TERMS OF REFERENCE (TOR) FOR THE HEAD OF INTERNAL AUDIT (HOIA)

1. Appointment, Reporting Relationships and Accountability

The HOIA is an employee of the Bank who- Reports administratively to the Chief Executive Officer (CEO) and operationally to the Chairman of the Audit Committee;

Is also accountable to the Audit Committee; Is responsible primarily for giving assurance on the internal control arrangements in the Company and playing a key role in promoting good corporate governance;

Must have a broad understanding of the organization and its operations to effectively carry out his/her responsibilities.

2. Roles, Duties and Responsibilities

Roles, Duties and Responsibilities of the HOIA shall include-

(i) Audit Planning/Design

- To develop an annual audit plan using input from the team and stakeholders to identify priorities and resource requirements for the year to cover audit of all the activities of the Company;
- To meet with Directors and Managers to discuss needs and propose audits, to build stakeholder requirements into department plans;
- To ensure plan is developed to meet the Audit Committee's expectations;
- To schedule and assign audits to team members, ensuring effective and efficient use of resources;
- To ensure quality control of the team's audit plans on an ongoing basis by reviewing and approving plans as they are developed and communicated to clients;
- To ensure annual audit plans have contingency built in, to provide unexpected audits to clients as they may surface;
- To report to the Audit Committee at the required intervals on Internal Audit assignments including planned reviews, investigations, risk advisory work and any other ad-hoc activity as required.

(ii) Conducting Audits

- To oversee and provide quality control for the internal audits, to ensure departmental mandate and business goals are met and that professional standards are maintained at all times.
- To ensure completion of audit assignments to provide independent, objective assurance to the Audit Committee.
- To develop the team's engagement with and support of major business change programs thus ensuring that appropriate consideration of risk and control is given to all change.

(iii) Reporting

- To ensure that internal audit reports are prepared and finalized in a timely manner and the same are submitted before the Audit Committee;
- To ensure that internal audit reports are issued with all recommendations agreed and accepted by the audited individual/unit.

(iv) People Management & Development

- To manage and oversee team performance through performance planning, coaching and performance appraisals;
- To hold direct reports accountable for managing and developing their assignments to ensure the department's goals are achieved;
- To provide ongoing feedback to the team to ensure they develop the skills and competencies required for effective planning and individual professional and personal career growth;
- To motivate and inspire the team by providing them with the information and tools they need to do their jobs well and meet customer expectations;
- To deal with performance issues, discipline as necessary and address poor standards, ensuring department targets and customer satisfaction is not compromised;
- To manage the head count, recruiting and deploying resources as required, to ensure the department budget is balanced and the right mix of skills and strengths are being leveraged as effectively as possible.

(v) Improving the Practice of Audits/Championing Risk Management

- To build relationships with leaders across the organization to understand issues and identify areas for improvement for the organization as a whole;
- To support and encourage team members to be proactive in identifying opportunities to share best practice with Directors and Managers to improve the control environment;
- To develop new methodologies to improve the audit process, making it easier for the organization to request audits and implement recommendations;
- To provide assistance to the business in meeting regulatory requirements;
- To keep abreast of developments in Corporate Governance practices and advise the business accordingly.

(vi) General

To perform any other duties as are within the scope, spirit and purpose of the job, the title of the post and its grading as requested by the line manager or Head of Unit/ Section/ Department/ Division.

INDEPENDENT DIRECTOR

Pursuant to Condition # 1.2 (i) of the Corporate Governance Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) vide its Notification No. SEC/CMRRCD /2006158/134/ Admin/44 dated 07 August 2012, as on 31st December, 2017 and as per section 15(9) of the Bank Companies Act, 1991 (amendment upto-2013) Social Islami Bank Limited appointed required numbers of Independent Directors to the Board of Directors of the Bank. The Board of Directors of the Bank in its 405th meeting held on 13th November, 2017 appointed 2 (two) Independent Directors namely: Professor A J M Shafiul Alam Bhuiyan, Ph.D and Professor Mohammed Mizanur Rahman, Ph.D who has been working as Professor at the renowned University of Dhaka. As per compliance of condition 3.2 (i) of the said Notification Professor A J M Shafiul Alam Bhuiyan, Ph.D discharging his responsibilities as the Chairman of the Board Audit Committee of the Bank. He also nominated as an Independent Director of the SIBL Securities Limited (a subsidiary company of Social Islami Bank Limited) as per compliance of the condition 5 (ii) of the said Notification. The Independent Directors in the Board exerts independent views on the policy decisions and ensures that all decisions are unbiased and for the best interest of the bank. As per above corporate governance guidelines, no independent director of Social Islami Bank Limited-

- holds more than one percent shares of the total paid-up capital.
- is not a sponsor of SIBL and is connected with the Bank's any sponsor or director or shareholder who holds one percent (1%) or more share of the total paid-up capital on the basis of family relationship.

- does not have any other relationship, whether pecuniary or otherwise, with the Bank or its Subsidiaries namely SIBL Securities Limited and SIBL Investment Limited.
- is not a member, director or officer of any stock exchange.
- is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market.
- is not a partner or an executive or was not a partner or an executive during preceding 3 (three) years of the SIBL's statutory audit firm.
- is not an Independent Director more than 3(three) listed companies.
- has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a Bank or Non-Bank Financial Institute.
- has not been convicted for a criminal offence involving moral turpitude.

APPOINTMENT OF AUDITORS

M/S Syful Shamsul Alam & Co., Chartered Accountants, Dhaka was appointed as External Auditors of Social Islami Bank Limited by the Shareholders in its 21st Annual General Meeting at a fees of Taka 5,00,000/- for the year 2016. They also further appointed as External Auditors of the Bank by the Shareholders in its 22nd Annual General Meeting at a fees of Taka 5,00,000/- for the year 2017. As per regulation 15 (3) of the Dhaka and Chittagong Stock Exchange Listing Regulation-2015 M/S Syful Shamsul Alam & Co., Chartered Accountants, Dhaka is eligible to continue as an External Auditors for the year 2018 (consecutive period of 3 years) and has expressed their opinion.

INFORMATION AVAILABILITY ON WEBSITE

The full text of the Annual Report 2018 including other financial reports are available in the company's website www.siblb.com

INVESTOR'S COMPLAIN DESK

The bank has an Investor's Complain Desk to investigate any matters related to the Investors. Any aggrieved investor may submit his complain or query to the following address

Company Secretary & Head of Investor Complain Desk
City Center, Level-20
90/1 Motijheel C/A, Dhaka-1000
Phone: 88 02 09612001122
Fax: 88 02 9568098
email: info@sibl-bd.com

GRATITUDE

The member of the Board of Directors of SOCIAL ISLAMI BANK LTD. would like to place on record their gratitude to all the valued Shareholders, Clients, Patrons and Well-Wishers for their continued support and cooperation. We are also indebted to the Government of Bangladesh, Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC), Stock Exchanges, Central Depository Bangladesh Ltd. (CDBL), Other Banks & Financial institutions, Office of the Registrar of Joint Stock Companies & Firms and all other concerned for their continued and kind support. Finally, the Board would like to place on record their deepest appreciation for the dedicated services rendered by all the employees of the Bank.

Ma-assalam

On behalf of the Board of Directors



(Prof. Md. Anwarul Azim Arif)
Chairman

COMPLIANCE REPORT UNDER CONDITION NO 7.00 OF BSEC

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.	BOARD OF DIRECTORS	√		
1.1.0	Board's Size	√		
1.1	(Should not be less than 5 but not more than 20)	√		
1.2	INDEPENDENT DIRECTORS	√		
1.2 (i)	Independent Directors (At least 1/5th)*	√		
1.2 (ii) a)	who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company	√		
1.2 (ii) b)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company	√		
	Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family members			
1.2 (ii) c)	who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	√		
1.2 (ii) d)	who is not a member, director or officer of any stock exchange	√		
1.2 (ii) e)	who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	√		
1.2 (ii) f)	who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm	√		
1.2 (ii) g)	who shall not be an independent director in more than 3 (three) listed companies	√		
1.2 (ii) h)	who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI);	√		
1.2 (ii) i)	who has not been convicted for a criminal offence involving moral turpitude	√		
1.2 (iii)	the independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM)	√		
1.2 (iv)	the post of independent director(s) cannot remain vacant for more than 90 (ninety) days	√		

* Complied as per provision of section 15 (9) of Bank Companies Act, 1991 (amended up to 2018)

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.2 (v)	the Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	√		
1.2 (vi)	the tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.	√		
1.3	QUALIFICATION OF INDEPENDENT DIRECTOR(ID)	√		
1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	√		
1.3 (ii)	The person should be a Business Leader/ Corporate Leader / Bureaucrat / University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/ professional experiences	√		
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission	√		
1.4	CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER			
1.5	The Director's Report to Shareholders	√		
1.5 (i)	Industry outlook and possible future developments in the industry	√		
1.5 (ii)	Segment-wise or product-wise performance	√		
1.5 (iii)	Risks and concerns	√		
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	√		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	—		N/A
1.5 (vi)	Basis for related party transactions - a statement of all related party transactions should be disclosed in the annual report	√		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments	—		N/A
1.5 (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
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.5 (x)	Remuneration to directors including independent directors	√		
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity	√		
1.5 (xii)	Proper books of account of the issuer company have been maintained	√		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment	√		
1.5 (xiv)	International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed	√		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored	√		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed	√		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized	√		
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given	—		N/A
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed	√		
1.5 (xxi)	THE PATTERN OF SHAREHOLDING SHALL BE REPORTED TO DISCLOSE THE AGGREGATE NUMBER OF SHARES (ALONG WITH NAME WISE DETAILS WHERE STATED BELOW) HELD BY			
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details)	√		
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details)	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.5 (xxi) c)	Executives	√		
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details)	√		
1.5 (xxii)	IN CASE OF THE APPOINTMENT/RE-APPOINTMENT OF A DIRECTOR THE COMPANY SHALL DISCLOSE THE FOLLOWING INFORMATION TO THE SHAREHOLDERS			
1.5 (xxii) a)	a brief resume of the director	√		
1.5 (xxii) b)	nature of his/her expertise in specific functional areas	√		
1.5 (xxii) c)	names of companies in which the person also holds the directorship and the membership of committees of the board	√		
2.0	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY(CS)			
2.1	Appointment: The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√		
2.2	Requirement to attend the Board Meetings: The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	√		
3.	AUDIT COMMITTEE	√		
3(i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors	√		
3(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	√		
3(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing	√		
3.1	CONSTITUTE OF THE AUDIT COMMITTEE	√		
3.1(i)	Size of the Audit Committee (Should be at least 3 members.)	√		
3.1(ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
3.1(iii)	All members of the audit committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience	√		
3.1(iv)	When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee	–		N/A
3.1(v)	The company secretary shall act as the secretary of the Committee.	√		
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		
3.2	Chairman of the Audit Committee	√		
3.2(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director	√		
3.2(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM)	√		
3.3	Role of Audit Committee	√		
3.3(i)	Oversee the financial reporting process	√		
3.3(ii)	Monitor choice of accounting policies and principles	√		
3.3(iii)	Monitor Internal Control Risk management process	√		
3.3(iv)	Oversee hiring and performance of external auditors	√		
3.3(v)	Review along with the management, the annual financial statements before submission to the board for approval	√		
3.3(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval	√		
3.3(vii)	Review the adequacy of internal audit function	√		
3.3(viii)	Review statement of significant related party transactions submitted by the management	√		
3.3(ix)	Review Management Letters/Letter of Internal Control weakness issued by statutory auditors	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
3.3(x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus	√		
3.4	Reporting of the Audit Committee	√		
3.4.1	Reporting to the Board of Directors	√		
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors	√		
3.4.1(ii)a)	The Audit Committee shall immediately report to the Board of Directors on conflicts of interests	—		N/A
3.4.1(ii)b)	suspected or presumed fraud or irregularity or material defect in the internal control system	—		N/A
3.4.1(ii)c)	suspected infringement of laws, including securities related laws, rules and regulations	—		N/A
3.4.1(ii)d)	Any other matter which shall be disclosed to the Board of Directors immediately.	—		N/A
3.4.2	Reporting to the Authority	√		
3.5	Reporting to the Shareholders and General Investors	√		
4.	EXTERNAL/STATUTORY AUDITORS			
4.(i)	Appraisal or valuation services or fairness opinions	√		
4.(ii)	Financial information systems design and implementation	√		
4.(iii)	Book-keeping or other services related to the accounting records or financial statements	√		
4.(iv)	Broker-dealer services	√		
4.(v)	Actuarial services	√		
4.(vi)	Internal audit services	√		
4.(vii)	Any other service that the Audit Committee determines	√		
4.(viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5.	SUBSIDIARY COMPANY			
5.(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company	√		
5.(ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company	√		
5.(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company	√		
5.(iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also	√		
5.(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	√		
6.	DUTIES OF CHIEF EXECUTIVE OFFICER(CEO) AND CHIEF FINANCIAL OFFICER(CFO)			
6.(i)a)	The financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	√		
6.(i)b)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	√		
6.(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 violation of the company's code of conduct	√		
7.0	REPORTING AND COMPLAINE PEPORING OF CORPORATE GOVERNANCE			
7.(i)	The company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis	√		
7.(ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions	√		

REPORT ON GOING CONCERN

The board of Directors of the bank has made an annual assessment whether there exists a material uncertainty which may be an indicative of significant doubt about SIBL's ability to continue as going concern. In this regard, the Board of Directors of the bank has made appropriate inquiries, analysis, review and estimation in the backdrop of existing and future financial and operational strength of the bank. The Board of Directors are convinced and provide a reasonable assurance to the stakeholders as to SIBL's continuity as a going concern for the foreseeable future and accordingly the bank has been adopting the 'going concern' basis for preparing financial statements.

The financial performance of the bank was good and improving steadily over the years. While analyzing the 5 years comparative financial position of the bank, we find that all the basic indicators of the bank is positive and the bank is moving towards its way of 'Journey towards continuous excellence' leaving a growth curve.

- Gaining public confidence day by day. Both deposits and investment are maintaining upward trend over the previous years.
- Built an excellent regulatory compliance culture.
- Practicing best Corporate Governance.
- Introducing state-of-the-art Information & Technology.
- Invented IT-based diversified products and services that are tailored to different economic class of people of the society in order to bring the un-banked people into banking channels.
- Motivated employees, excellent working work force & team spirit, competitive pay scale & long term benefits.
- Outstanding Assets Liability Management for proper liquidity planning & management.
- Expanded area of operation from urban to rural.
- Effective Risk management system.
- Outstanding asset quality.
- Outstanding Credit Rating both in short term and long term.
- Excellent public communication, branding and media image.
- Paying dividend consistently.
- Positive key financial indicators.

Banking business involves a high degree of risk and SIBL is operating in an industry involving both external and internal risk factors having direct as well as indirect effects on the financial position. Here, the Board of Directors of the Bank has carefully analyzed the financial position of the bank and estimated the issue of continuity of the bank as going concern considering some risk factors that may seriously effects. If any of the following risks actually occur, business, results of operations and financial condition could suffer.

A) PROFIT RATE & FOREIGN CURRENCY RISKS

Volatility in money market both in local and foreign, increase in Investment demand, Increase Import and decrease exports, slow remittance etc. may raise the rate of profit on deposit & borrowings including foreign currency. The Bank's financing in different sectors is generally structured at fixed and variable rates for specified terms. A change in the Government's monetary policy also tends to increase the rates. Increase in profit rates or non-availability of Foreign Currency could adversely affect the bank's operations.

Perception

Although the consequences of unusual and abrupt increase in the deposit and borrowing rate cannot be avoided, Social Islami Bank Ltd. (SIBL) takes all the appropriate measures to minimize the negative consequences. For profit rate risks, the Bank currently pursues a policy under which profit rates can be revised for any unusual and abrupt change at its own discretion as and when required. Moreover, SIBL foreign exchange risk remains at minimum level as all of its foreign trade & remittance transactions are carried out on behalf of the customers and there is no direct selling or buying of foreign currency i.e. dealing room operation. The demand of foreign currency payment is mostly backed by Exports earnings and remittance. Treasury continuously monitors price movements of foreign exchange and uses various hedging techniques to manage its open position in such a way that minimizes risk and maximizes return.

B) NON-PAYMENT RISK

Non-payment risk can arise if the Bank becomes unable to repay to its depositors over the counter or on time due to the impacts of (i) global financial crisis (ii) pre-matures encashment (iii) economic recession (iv) natural calamity (v) international sanctions (vi) adverse classification of investments (vii) serious liquidity crunch (viii) assets liability mismatch (ix) limit less ID ratio etc. may have a direct negative impact on cash flow and profitability of the bank. The situation would fell the bank into serious trouble.

Perception

The management of SIBL is always concerned about the prevailing and upcoming future changes in the global financial policies and shall response appropriately and timely to safeguard its interest. The Bank has a very strong financial background as well as cash flow along with

diversified business package, that's why the risk is very negligible. Moreover, the bank has a clear policy to maintain its ID Ratio (Investment Deposit Ratio) to 89.30% and an ideal deposit mix. Structured liquidity profile of the bank shows that all assets and liabilities are being well managed and shaped. The bank has specific policy guidelines on 'stress liquidity management'. Besides that, ALCO (Asset Liability Committee) of the bank is a powerful committee entrusted with the overall liquidity management. So the bank believe that if for some unwanted situation excessive premature encashment occurs over the counter, capable to shape up things. In the history of operation, SIBL has not recorded a single case of 'Non-Payment'.

C) MANAGEMENTS RISK

There may arise Management Risk in the Bank, which associates ineffectiveness, conflict of interest, destructive, or under-performing management that may hamper the smooth operation of the Bank and fell the organization in a question of going concern.

Perception

Social Islami Bank Limited (SIBL) has a very effective and competent management, which consistently makes effective policy decision. Since inception up-to 31.12.2017, the Board of Directors of the Bank has discharged their duties and responsibilities through 353 number of board meeting. The Board of Detectors has formulated code of conducts including role and responsibilities for its Chairman, Board Member, Managing Director, Company Secretary, Chief Financial Officer & Head of Internal Control & Compliance Division of the Bank. The bank is a compliant of corporate governance system imposed by Bangladesh Securities and Exchange Commission (BSEC) and there is no such evidence recorded so far which amounts to-management risk.

D) OPERATIONAL RISK

Operational risk is the risk of potential losses from a breakdown in internal processes and systems, deficiencies in people and management or operational failure arising from external events which may seriously shake the entity towards its continuation as going concern.

Perception

The internal control and compliance division of the bank controls the operational procedure of the Bank. Internal Control and compliance division undertakes periodical and special audit of the Branches and departments at the Head

Office to review the operation and compliance of statutory requirements. The Audit Committee of the Board subsequently reviews the reports of the internal control and compliance division. So, the bank is aware about its operational risk and accordingly policies and procedures are regularly been reviewed by the Board of Directors of the bank to ensure risk free operation.

E) BUSINESS RISK

The bank may face business risk while doing their banking business. Business risk implies uncertainty in profit or danger of loss and the events that could pose a risk due to some unforeseen events in future, which causes business of SIBL to fail. Moreover, strong competitor in the industry may compel SIBL to squeeze its operations or may invite hard competitions

Perception

SIBL has a very good profitability record and the management is well aware about business risk. The Bank is operating in a highly competitive market as modern banking industry has brought greater business diversification. The Bank has a dedicated team to find new scope to expand its business. The risk management team is working to identify and manage different types of risk including business risk. SIBL Securities Limited and SIBL Investment Limited are the subsidiaries of SIBL incorporated with the objective to carry on the business of stock brokers, dealers in relation to shares and securities dealings, to underwrite, manage and distribute the issue of stocks etc. Thus, SIBL also reduces the industry risk by making versatile opportunity of business in the financial sector. Moreover, to make the operation competitive, the bank has implemented one of the best world class Information Technology platform in the bank to ensure faster and safer delivery of services to the customers on 24/7 basis. The bank has built up its alternative delivery channel infrastructure to offer the full suite of ATMs, POS, Internet Banking, and SMS banking for its customers. In order to support its growth strategies in future, the bank has made a strategic decision to change its core banking software to a more robust and internationally tested system. As its unique contribution to a truly broad-based and participatory electronic banking system in Bangladesh, SIBL currently has a wide coverage of 125 Branches, as on December 31, 2016. So, the board of directors estimated that there is no sign that the bank fall in trouble on the ground of business risk and hard competitions.

F) POTENTIAL OR EXISTING GOVERNMENT REGULATIONS

The Bank operates under the specific guidelines laid down by Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC) and other regulatory authorities. The Bank also operates under Companies Act 1994 and other related regulations, Bank Companies Act 1991, Income Tax Ordinance 1984, Value Added Tax (VAT) Act 1991 and Value Added Tax (VAT) Rules 1991. Any abrupt change of the policies made by the regulatory authorities may adversely affect the business of the Company.

Perception

Unless any policy change negatively and materially affects the industry as a whole, the business of the Bank is expected not to be affected significantly. Like all Scheduled Banks in Bangladesh, SIBL's asset growth and cost of CRR and SLR are adjustable as per requirement.

(G) POTENTIAL CHANGES IN GLOBAL/NATIONAL POLICIES

A financial institution's ability to operate a profitable business is directly related to the monetary and fiscal policy of the country at any given time. Imposition of restrictive monetary and/or fiscal policy by the government at any time may affect a company's profitability. Again, change in the existing global or national policies can have either positive or negative impacts for the Bank.

Perception

The management of SIBL is always concerned about the prevailing and upcoming future changes in the global or national policy and responds appropriately and timely to safeguard its interest.

(H) HISTORY OF NON-OPERATION

Is there any history for the Bank to become non-operative from its commercial operation.

Perception

The Social Islami Bank Limited (SIBL), a second-generation bank, was incorporated on November 05, 1995. SIBL started its commercial operation on November 22, 1995 and completed 23 (Twenty Three) year successful banking operation based on Shariah Principles without having any history of non-operation. SIBL has now 138 branches all over the Country with two subsidiary companies - SIBL Securities Ltd. & SIBL Investment Ltd. Targeting poverty, The Social Islami Bank Limited is indeed a concept of 21st century participatory three sector banking model in one. In the formal sector, it works as an Islamic participatory Commercial Bank with human face approach to credit and banking on the profit and loss sharing. The Bank is an independent body that is operated by its Memorandum & Articles of Association and other applicable laws implemented by the Government of Bangladesh. Besides, the Bank's financial strength is satisfactory. It has highly experienced Directors and Management team which makes the Bank more efficient and stronger for any commercial operations. So, the chance of becoming non-operative for the risk Bank is minimum.

(I) PORTFOLIO MANAGEMENT RISK

Poor quality of project appraisal, slack monitoring of outstanding debts, inadequate/inappropriate documentation and other forms of management efficiencies may affect the quality of SIBL portfolio.

Perception

Under the close supervision of SIBL's prudent shareholders and the Board of Directors, the management of SIBL has developed skills and ability to appraise a project efficiently, ascertain the

risk factors, address them and monitor performance closely.

(J) CREDIT/INVESTMENT RISK

Some of the customers or obligators may fail to meet the terms of any contract or otherwise fail to perform as agreed which will in turn reduce the profit of the Bank, decreasing shareholders' earning.

Management Perception

Considering the key elements of credit risk, the Bank has segregated duties of the officers/executives involved in credit related activities. Separate division for Corporate, SME and retail has been formed which are entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities etc. for transparency in the operation during the entire credit period-i) Investment Approval Committee, ii) Investment Administration Department, iii) Recovery Unit and iv) Impaired Asset management have been set up.

Based on the above discussion, Board of Directors of the bank anticipated that it is appropriate to adopt going concern assumptions and there is no material uncertainty in preparing financial statements.

Ma-assalam

On behalf of the Board of Directors



Prof. Md. Anwarul Azim Arif
Chairman

REPORT OF THE BOARD AUDIT COMMITTEE

The Audit Committee of the Board was duly constituted by the Board of Directors of the Bank and reconstituted in the 390th Board of Directors Meeting (emergency) held on 30.03.2017 in compliance with the Bangladesh Bank and Bangladesh Securities Exchange Commission Guidelines. The Audit Committee assists the Board in fulfilling its oversight responsibilities where accountability stands for financial reporting process, Internal Control System, Internal and External audit process, management of the risks of the Bank. The Committee review, monitor and assess the activities & performance of the Bank and establish the policies and procedures which comply with the existing laws & regulations.

Following Directors were the members of the Audit Committee for the Year 2017:

Sl. No.	Name	Status in the Bank	Status in the Committee
01	Mr. Md. Abdur Rahman	Independent Director	Chairman
02	Hakim Md. Yousuf Harun Bhuiyan	Director	Co-Chairman
03	Mr. Abdul Mohit	Independent Director	Member
04	Mr. Muinul Hasan	Independent Director	Member
05	Mrs. Nargis Mannan	Director	Member

The above committee has been reconstituted in the year 2018 following the 412th Board of Directors (BOD) meeting held on 21st March, 2018 as under:

Sl. No.	Name	Status in the Bank	Status in the Committee
01	Professor A J M Shafiul Alam Bhuiyan, Ph.D,	Director	Chairman
02	Mr. Md. Kamal Uddin	Director	Member
03	Dr. Md. Jahangir Hossain	Director	Member

The Board Audit Committee had 129 nos. (One hundred twenty nine) Meetings in the previous years since inception in the year 2003, out of which 10 Meetings were conducted in the Year 2017 and the attendance of the members was as follows:

Name	Tenure of Membership	No. of Meetings Held	No. of Meetings Attended
Mr. Md. Abdur Rahman	26.08.2013 to 13.11.2017	10	10
Mr. Hakim Md. Yousuf Harun Bhuiyan	29.06.2015 to 13.11.2017	10	10
Mr. Abdul Mohit	26.08.2013 to 13.11.2017	10	08
Mr. Muinul Hasan	13.04.2015 to 13.11.2017	10	08
Mr. Md. Abdur Razzaque	28.06.2014 to 30.03.2017	03	03
Mrs. Nargis Mannan	30.03.2017 to 20.03.2018	07	05

DISCLOSURE BY AUDIT COMMITTEE:

- The Committee reviewed the Quarterly Financial Statements as well as the yearly financial statements for the year-2017 of the Bank and subsequently recommended to the Board for consideration and approval.
- The Committee reviewed the integrity of the financial statements of the Bank to ensure that these reflect a true and fair view of the Bank's state of affairs.
- The Committee while reviewing the financial statements ensured that proper disclosure required under International Accounting Standards as adopted in Bangladesh have been made and also complied with the Companies Act and various other rules and regulations applicable for business.
- The Committee discussed with the statutory auditors about the nature and scope of audit as well as had post-audit discussions to address areas of concern.
- The Committee reviewed the Management Report submitted by the statutory auditors and suggested corrective measures and fixed time frame for their implementation.
- The Committee also reviewed the financial statements/investments of the subsidiaries: SIBL Securities Limited and SIBL Investment Limited.
- Pursuant to Condition No. 3.4.1 of the Corporate Governance Guidelines issued by BSEC, the Committee reviewed the Internal Control System and Financial Statements. The Committee observed that there was no conflict of interest or material defect in the internal control system of the Bank.
- The Committee reviewed the report on Management Information System (MIS) and management action in building effective computerized MIS in SIBL and advised the Management to implement all instructions given by the Bangladesh Bank and other regulators for establishing a global standard MIS environment in the whole banking arena of SIBL.
- The Committee approved the internal audit plan and gave direction to the internal auditors where appropriate for carrying out in depth audit to ensure that the company or its assets are not exposed to undue risk.
- The Committee reviewed the Internal Auditors Reports and suggested appropriate actions where needed. The Internal Auditors were advised to carryout audit of all the branches of the Bank.

- The Committee recognized the observations of the Internal Audit Division regarding internal control, activities and suggestions made to improve operational systems and procedures and their implementation.
- The Committee reviewed the compliance position, policies, regulations and applicable law in general.
- The Committee observed that risk management associated with the banking business was adequately controlled.

On behalf of the Board Audit Committee



Professor A J M Shafiul Alam Bhuiyan, Ph.D
Chairman
Board Audit Committee

REPORT ON NATIONAL INTEGRITY STRATEGY

Integrity means behavioral excellence influenced by morality and honesty and adherence to time-tested norms, values, customs and principles of a society. At the individual level, it means being duty-bound and honest.

National Integrity Strategy (NIS) is a living document of the Bangladesh Government towards the vision 2020 with the hope that this NIS will play its desired role in building the Bangladesh as "Golden Bengal".

Bangladesh Government has undertaken programs through NIS to establish a system of governance that creates trust among citizens. The NIS recognizes that the state's legal institutions require watchdogs within the general population to keep it accountable. For this reason, the strategy targets a broad audience like State and Non State Organizations with the vision to build this country as "Golden Bengal" where the mission is to establish good governance in the state institutions and society. Followings are the Challenges of NIS in State Organizations.

- Promulgation of Civil Service Act;
- Increased functional freedom of public service with stronger accountability;
- Enhanced efficiency and effectiveness in administrative activities;
- Establishing links between promotion, transfer, pay and emoluments with appraised performance;
- Introduction of a competitive pay and incentive structure;
- Overall reform by ensuring equitable opportunities for different cadre services;
- Building citizen-friendly enforcement agencies;
- Fair, neutral and visible decision-making in public administration.

NATIONAL INTEGRITY STRATEGY COMMERCIAL ORGANIZATIONS IN THE PRIVATE SECTOR-

The private sector is playing an increasingly important role in the socio-economic and contributing to wealth creation and value addition to meet the demand of the population. Integrity of this sector is of paramount importance. The culture of loan-default needs to be eliminated beside that 'Protection of Consumer Rights Act' has to be implemented properly. The main challenges in this regard are

- Addressing of the loan-default problem;
- Promotion of corporate governance;
- Awarding of performance-based fair salary and wages to the employees;

- Proper enforcement of the laws on consumer rights and bankruptcy;
- Prevention of collusive practices in business by enforcing the Competition Act;
- Promotion of a culture of self-control by Chambers and Associations.

To support the total activities of the Government of Bangladesh in establishing NIS, Social Islami Bank Limited has formed a 7 (seven) members Committee called "SIBL Integrity Committee" as per BRPD Circular No 21 dated 12 November 2013 headed by Additional Managing Director also determined a Focal Point Officer. The committee has undertaken the responsibilities to work closely with the Bangladesh Bank and Bangladesh Government to implement the NIS and in this regard work plans have also been finalized. The Prime objective of this committee is to prevent corruption and to establish integrity in every sphere of the bank as well as in the State and society.

Social Islami Bank Ltd (SIBL), a second-generation bank, operating since 22 November 1995 based on Shariah Principles, has now 138 branches all over the country with two subsidiary companies - SIBL Securities Ltd. & SIBL Investment Ltd. It is a prime goal and responsibility of the SIBL to secure fundamental human rights, and ensure equality of opportunity and dispensation of economic and social justice. SIBL is dedicated to ensuring employee's welfare.

We believe that the issue of integrity should not stop at the top level of institutions. Rather, each institution is expected to find mechanisms to implement institution-specific strategies at different tiers to implement National Integrity Strategy. During the under review, total 4 (four) nos. of SIBL Integrity Committee meeting were held.

STEPS SHOULD BE TAKEN FOR PROMOTION OF INTEGRITY

- To ensure the attainment of a just and egalitarian society, free from exploitation of man by man.
- To guarantee fundamental human rights and freedom.
- To respect human dignity and worth of the human person.
- To create equal opportunity for all citizens.
- To remove social and economic inequality between man and man and ensure equitable distribution of wealth and opportunities among citizens.
- To ensure participation of women in all spheres of national life.
- To pay everyone for his work on the basis of the principle "from each according to his abilities to each according to his work".

REPORT ON RISK MANAGEMENT

Financial services firms, like banks are in the business of accepting risk. Primary aims of any financial services firm are collect and manage risks on behalf of their customers and make a profit for its shareholders. We may define 'Risks' as uncertainties resulting in adverse outcome, adverse in relation to planned objective or expectations. In the financial arena, enterprise risks can be broadly categorized as credit risk, operational risk, market risk and other risk.

Risk management is the deliberate acceptance of risk for profit-making. It requires informed decisions on the tradeoff between risk and reward, and uses various financial and other tools to maximize risk-adjusted returns within pre-established limits. Risk-taking is an inherent element of the banking business and, indeed, profits are in part the reward for successful risk taking in business. On the other hand, excessive and poorly managed risk can lead to losses and thus endanger the safety of a bank's depositors. The objective of risk management system is to identify, assess, record and actively manage any internal or external risks that could pose a threat to the attainment of the Bank's corporate goals.

In this section we shall summarize the risk management framework, risk mitigation methodology and disclosure on risk reporting of Social Islami Bank Limited practiced internally and for regulatory purpose.

RISK MANAGEMENT FRAMEWORK

A 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.

ORGANIZATIONAL STRUCTURE:

Board of Directors and Risk Management Committee of BOD:

The Board is responsible for approving risk appetite which is the level of risk the Bank chooses to take in pursuit of its business objectives. It oversees the management of the most significant risks through the regular review of risk exposures and key controls.

In compliance with the Sub-section (3) of Section 15Kha of the Bank Company (Amended) Act, 2013 and the BRPD Circular No. 11 dated 27 October 2013 issued by Bangladesh Bank, "Risk Management Committee of the Board" has been formed. The Terms of Reference (ToR) of the

Committee is determined as per the guidelines/ circulars of Bangladesh Bank issued and in-force from time to time. As per the Terms of Reference (ToR), five (5) meetings of Risk Management Committee of the Board were held during 2017.

The role of Board of Directors in respect of risk management is as follows:

- a) Defining the risk appetite;
- b) Designing the organizational structure to manage risk within the bank;
- c) Understanding the inherent risks of the bank;
- d) Reviewing and approving risk management policies and re-reviewing at least annually;
- e) Enforcing and using adequate recordkeeping and reporting systems;
- f) Reviewing and approving limits and re-reviewing at least annually; and
- g) Monitoring compliance with overall risk management policies and limits

Management Level Risk Management Committee:

For smooth functioning of risk management activities of the Bank, a Board level and a Management level Risk Management Committee are parallel working in the Bank. The Management level Risk Management Committee is headed by the Chief Risk Officer of the Bank and formed as per the TOR of Bangladesh Bank and conduct minimum one monthly meeting to discuss the main agenda of the meeting- 'Monthly Risk Management Paper (MRMP)' which is specially designed by Bangladesh Bank and contains various analysis and information that covers a wide areas of the Bank's credit risk, market risk, operation risk including 'six core risks'. As per regulations of the Bangladesh Bank, this committee analyses all the information contained in MRMP and submit it to RMC for approval to submit the report to Bangladesh Bank and Bangladesh Bank monitors and instructs the bank on any particular risk issue of the report. Apart from MRMP, Comprehensive Risk Management Papers (CRMP) is prepared and placed to this committee on half yearly basis. Both MRMP and CRMP also submit to the board risk management committee for their review and approval before submission.

Functions of the committee are as under:

- Designing bank's overall risk management strategy;
- Establishing risk management policies and procedures;
- Developing and overseeing implementation of stress tests;
- Developing, testing, and observing use of models for measuring and monitoring risk;
- Informing the board about the appetite for risk across the bank;
- Communicating views of the board throughout the bank;
- Independently monitoring limits, in addition to the monitoring that is done by business units;
- Formulating guidelines on the handling of all property and liability claims involving the organization;
- Developing and implementing loss prevention/loss retention programs;
- Identifying and quantifying banks exposures to material

- loss;
- Securing and maintaining adequate loss coverage at the most reasonable cost;
- Adopting proper financial protection measures through risk transfer, risk avoidance, and risk retention programs;
- Determining the most cost-effective way to construct, refurbish, or improve the loss protection system of any facility leased, rented, purchased, or constructed by the bank;
- Managing claims for insured and uninsured losses; and
- Participating on all contract negotiations involving insurance, indemnity, or other pure risk assumptions or provisions prior to the execution of the contracts.

Risk Management Division:

As per instruction of Bangladesh Bank “Risk Management Unit” of the Bank was restructured as a fully functional division named as “Risk Management Division” duly approved by the board of directors of the bank in 285th board meeting held on 12.03.2013 for smooth operation and management of risk issues. The division has been staffed with some experienced officials headed by an Executive Vice President whereas a Deputy Managing Director (DMD) is acting as Chief Risk Officer (CRO). The division works with the capital management issues and risk management activities of the bank as per the guideline of Bangladesh Bank, Management level Risk Management Committee and Risk Management Committee of the Board.

The risk management of the Bank covers a wide spectrum of risk issues and the 6 (six) core risk areas of banking i.e. investment risk, foreign exchange risk, internal control & compliance risk, money laundering risk, ICT risk and asset liability management risk. SIBL is much concerned about the business risk and its proper management so that the risk and return could be optimized. Our policy envisages that the management would pay special attention to manage and reduce the risk to an acceptable level apart from prudent controls over the Banks assets. The functions of the Division are summarized as follows:

- Calculating Minimum Capital Requirement (MCR) under Basel III;
- Conducting Supervisory Review Process through Internal Capital Adequacy Assessment Process (ICAAP);
- Disclosing related information as per the instruction of Pillar III of Basel-III framework;
- Conducting Stress Testing
- Preparing Monthly and Comprehensive Risk Management Paper
- Co-ordination and Monitoring of the 6 core risks issues like:
 - Investment Risk Management including Environmental Risk Management
 - Asset-Liability Risk Management
 - Foreign Exchange Risk Management
 - Anti Money Laundering Risk Management
 - Internal Control & Compliance Risk Management
 - Information and Communication Technology Security Risk Management

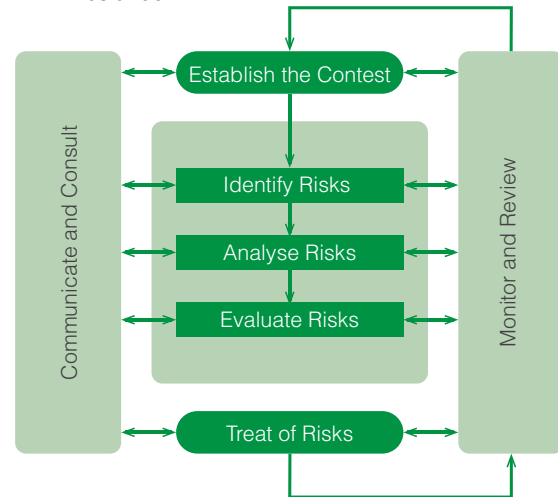
- o Co-operation with Credit Rating etc.

Risk Management Process:

The Risk Management process includes the following stages:

- Identification of the Risk
- Analyzing the risk
- Evaluation or Ranking the Risk
- Treatment of the Risk and finally
- Monitoring and Review the risk

The relation among the steps can be visualized as under:



Social Islami Bank Limited also follows the Three (3) Lines of Defense (LoD) approach of modern risk management for the Bank-wide comprehensive risk management. Three (3) LoD of DBBL is as under:

First Line of defense – Business and Operational Segment/Units: includes those functional divisions/ branches/units/segments who own the risks associated with their operational area/portfolio and primarily responsible for managing risks under the respective regulatory directives for day-to-day affairs of operations/ business of banks. Adequate managerial and supervisory controls have been in place to ensure compliance and to highlight control breakdown, inadequate processes, and unexpected events.

Second Line of defense–Risk Management division and other Back-Offices: includes those divisions/units/ segments of the operations who are responsible for managing risk and ensuring the compliance functions to help build and/or monitor the first line-of-defense controls. Top of the all functional divisions/units, Risk

Management Division (RMD) is entrusted to play a pivotal role for bank-wide risk management in coordination with all concerned of the Bank.

Third Line of defense – Internal Control & Compliance:

Internal auditors provide the Board/Senior Management with comprehensive assurance based on the highest level of independence and objectivity within the organization. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defense achieve risk management and control objectives.

RISK MITIGATION METHODOLOGY

Risk Mitigation is the process by which an organization introduces specific measures to minimize or eliminate unacceptable risks associated with its operations. Risk mitigation measures can be directed towards reducing the severity of risk consequences, reducing the probability of the risk materializing, or reducing the organizations exposure to the risk. The risk mitigation step involves development of mitigation plans designed to manage, eliminate, or reduce risk to an acceptable level. Once a plan is implemented, it is continually monitored to assess its efficacy with the intent of revising the course-of-action if needed.

General guidelines for applying risk mitigation handling options are shown in Figure below. These options are based on the assessed combination of the probability of occurrence and severity of the consequence for an identified risk. These guidelines are appropriate for many, but not all, projects and programs.

The bank obtains collateral against its Investment exposure wherever possible as secondary recourse to the borrowers while primary recourse being the cash flows of the business. These are carefully assessed in the light of issues such as legal certainty and enforceability, market valuation, possession and counterparty risk of the guarantor. Sufficient collateral is held to mitigate investment risk exposures and risk mitigation policies determine the eligibility of collateral types. Collateral types that are eligible for risk mitigation include: Cash and Bank deposit, residential, commercial as well as industrial property, fixed assets such as motor vehicles, machinery, marketable securities, guarantees etc. Regular valuation of collateral is a continuous process. Value of collateral is determined as per Bank's Collateral Valuation Policy.

DISCLOSURE OF RISK REPORTING

Social Islami Bank Limited has complied all regulatory risk reporting during the year 2017 such as

- Risk Appetite, Risk Limit and Risk Tolerance Statement
- Monthly Risk Management Papers
- Comprehensive Risk Management Paper
- ICAAP reporting
- Risk Based capital adequacy reporting
- Disclosure requirement under Pillar III of Basel III
- Stress testing

Moreover, to identify, manage and mitigate the risk all internal policy and procedures were followed.

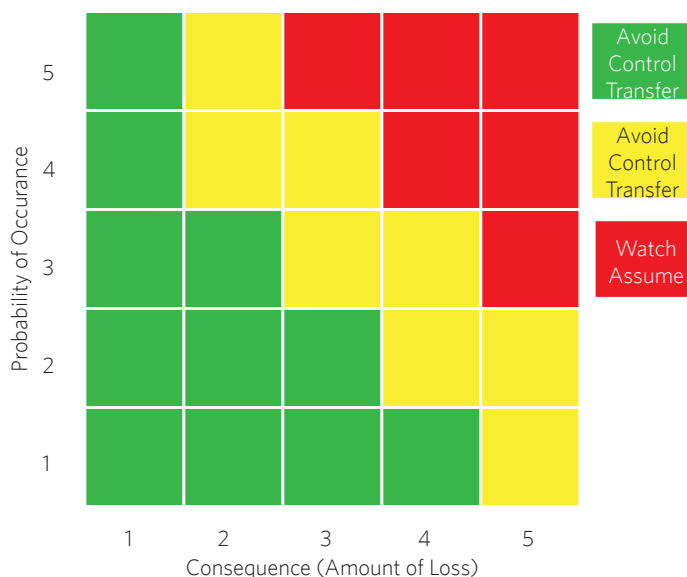


Fig: SIBL'S High Level Risk Management Strategy

MARKET DISCIPLINE

DISCLOSURE ON
RISK BASED CAPITAL ADEQUACY
UNDER PILLER-III OF BASEL-III

A) SCOPE OF APPLICATION

Qualitative Disclosure	
(a) The name of the top corporate entity in the group to which this guidelines applies	Social Islami Bank Limited
(b) An outline of difference in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (i) that are fully consolidated;(ii) that are given a deduction treatment; and (iii) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	The quantitative disclosures are made on the basis of both solo & consolidated basis. SIBL has two subsidiaries and an offshore banking unit; i) SIBL Securities Ltd & ii) SIBL Investment Ltd. Both solo & consolidated financial statements have been prepared under applicable financial reporting standard & related instructions/ circulars issued by Bangladesh Bank from time to time. The assets, liabilities, revenues & expenses of the Subsidiaries are combined with the parent company (SIBL) on consolidated basis. So assets of the subsidiaries & offshore banking unit are risk weighted and equities of the subsidiaries are crossed out with the investment of SIBL while consolidating.
(c) Any restrictions, or other major impediment, on transfer of funds or regulatory capital within the group.	Not applicable
(d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and name(s) of such subsidiaries.	Not applicable

B) CAPITAL STRUCTURE

Qualitative Disclosure	
a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier I (CET-1, AT-1) and Tier 2.	<p>As per Bangladesh Bank BASEL-III guidelines; Tier I capital is divided into:</p> <ul style="list-style-type: none"> a) Common Equity Tier I (CET-1) Capital b) Additional Tier I (AT-1) Capital <p>a) Common Equity Tier-I capital of the Bank consist of -</p> <p>Paid up capital: Issued, subscribed and fully paid up share capital of the Bank.</p> <p>Statutory reserve:As per Section 24 of the Bank Company Act, 1991(Amended upto 2013), an amount equivalent to 20% of the profit before taxes for each year of the Bank has been transferred to the Statutory Reserve Fund.</p> <p>Retained earnings: Amount of profit retained with the banking company after meeting up all expenses, provisions and appropriations.</p> <p>b) Additional Tier-I capital:</p> <p>Instruments issued by the banks that meet the qualifying criteria for AT1: Issued, subscribed and fully paid perpetual subordinated debt/ bond, or other instrument if any which meet the qualifying criteria for AT1 as stipulated in guidelines on RiskBased Capital Adequacy.</p>

Tier-II capital consists of -

General Provisions: As per Bangladesh Bank directive, amount of provision maintained against unclassified loans and off-balance sheet exposures as of the reporting date has been considered.

Subordinated debt / Instruments issued by the banks that meet the qualifying criteria for Tier 2 capital: Outstanding amount of subordinated debt as of the reporting date.

Assets revaluation reserves: As per Bangladesh Bank's instruction, until 31 December 2014, 50% of incremental value of Bank's assets has been considered. Revaluation Reserve (RR) based on the position as of 31 December 2014 will be deducted @ 20% on yearly basis from 2015 to 2019 under Basel III guideline.

Qualitative Disclosure

	As on December 31, 2017 (in million taka)	
	Solo	Consolidate
Tier-1 Capital (Going Concern Capital) :		
Common Equity Tier-1 (CET-1)		
Fully Paid-up Capital	7,382.99	7,382.99
Statutory Reserve	5,025.80	5,025.80
General Reserve	0	8.57
Retained Earnings	778.44	787.09
Total CET-1	13,187.23	13,204.44
Additional Tier-1 Capital (AT-1)	0	0
Total Admissible Tier-1 Capital	13,187.23	13,204.44
Tier-2 Capital (Gone Concern Capital) :	0	0
General Provision	2,886.72	2,886.72
Subordinated debt	5,440.00	5,440.00
Revaluation Reserves	211.14	211.14
Total Tier-2 Capital	8,537.85	8,537.85
Total Admissible Tier-2 Capital	8,537.85	8,537.85
Total Capital (1.20+4)	21,725.08	21,742.30
Regulatory Adjustments:	0	0
Total Eligible Capital	21,725.08	21,742.30

C) CAPITAL ADEQUACY

Qualitative Disclosure

- (a) (a) A summary discussion of the bank's approach to assess the adequacy of its capital to support current and future activities.
- SIBL has adopted standardized approach for computing capital charge for credit risk & market risk and basic indicator approach for operational risk. Assessment for capital adequacy is carried out in conjunction with the guidelines and regulations by Bangladesh Bank from time to time. Assessing regulatory capital in relation to overall risk exposures of a bank is an integrated and comprehensive process. SIBL, through its SRP team, is taking active measures to identify, quantify, manage and monitor all risks to which the Bank is exposed to. Assessment of Regulatory Capital will be in alignment with the findings of these exercises.

Quantitative Disclosures

Particulars	As on December 31, 2017 (in million taka)	
	Solo	Consolidated
b) Capital requirements for Investment (Credit) Risk	17002.42	16969.01
c) Capital requirements for Market Risk	393.341	393.341
d) Capital requirements for Operational Risk	1378.684	1389.391
Total capital requirement	1877.445	18751.74
e) Capital to Risk Weighted Asset Ratio	11.57%	11.59%
CET-1 Capital Ratio	7.02%	7.04%
Tier-I Capital Ratio	7.02%	7.04%
Tier-II Capital Ratio	4.55%	4.55%
f) Capital Conservation Buffer	As per BB roadmap for implementation of Basel III, creation of Capital Conservation Buffer (CCB) has been made effective from January, 2016. As on 31.12.2017 SIBL maintained the capital conservation buffer @1.25%.	
	Particulars	Solo Consolidated
	Required CCB	1.25% 1.25%
	Required CET-1 Ratio including CCB	5.75% 5.75%
	Maintained CET-1 Ratio	7.02% 7.04%
	Required CRAR Ratio including CCB	11.25% 11.25%
	Maintained CRAR Ratio	11.57% 11.57%
g) Available Capital under Pillar 2 Requirement	Solo	Consolidated
Total Eligible Regulatory Capital [A]	21,725.08	21,742.30
Minimum Capital Requirement under Pillar 1 [B]	18,774.45	18,751.74
Capital Conservation Buffer [C]*	2,346.81	2,343.97
Minimum Capital Requirement including Capital Conservation Buffer [D=B+C]	21,121.25	21,095.71
Available Capital for Pillar 2 [E=A-D]	603.83	646.59

D) INVESTMENT RISK

Qualitative Disclosure

a) The General Qualitative disclosures requirement with respect to credit Risk, including:

As per Bangladesh Bank guidelines, any investment if not paid within the fixed expiry date will be treated as Past due/ Overdue.

Bangladesh Bank issued circulars from time to time for strengthening Investment discipline. All Investments are categorized into four for the purpose of classification namely (i) Continuous Investment (ii) Demand Investment (iii) Fixed Term Investment and (iv) Short-term Agriculture & Micro Investment.

Classification rules for the above 4 categorized Investments are as under:

Continuous and Demand Investments are classified as:

'Sub-Standard'- if it is past due / overdue for 3 months or beyond but less than 6 months.

'Doubtful'- if it is past due / overdue for 6 months or beyond but less than 9 months.

'Bad/Loss'- if it is past due / overdue for 9 months or beyond from the date of expiry or claim by the bank or from the date of creation of forced investment.

Fixed Term Investments are classified as:

(a) In case of any Installment(s) or part of a Fixed Term Investment amounting up-to Taka 10 lac is not repaid within the due date, the amount of unpaid installment(s) will be termed as past due / overdue investment. In such a case following classification rules will be applied:

'Sub-Standard'- if the amount of past due/overdue installment(s) is equal or more than the amount of installment(s) due within 6 months; the entire Investment amount will be classified as 'Sub-Standard'.

'Doubtful'- if the amount of past due/overdue installment(s) is equal or more than the amount of installment(s) due within 9 months, the entire Investment amount will be classified as 'Doubtful'.

'Bad/Loss'- if the amount of past due/overdue installment(s) is equal or more than the amount of installment(s) due within 12 months, the entire Investment amount will be classified as 'Bad/loss'.

(b) In case of any Installment(s) or part of a Fixed Term Investment amounting more than Taka 10 lac is not repaid within the due date, the amount of unpaid installment(s) will be termed as past due / overdue investment. In such a case following classification rules will be applied:

'Sub-Standard'- if the amount of past due/overdue installment(s) is equal or more than the amount of installment(s) due within 3 months; the entire Investment amount will be classified as 'Sub-Standard'.

'Doubtful'- if the amount of past due/overdue installment(s) is equal or more than the amount of installment(s) due within 6 months; the entire Investment amount will be classified as 'Doubtful'.

'Bad/Loss'- if the amount of past due/overdue installment(s) is equal or more than the amount of installment(s) due within 9 months, the entire Investment amount will be classified as 'Bad/Loss'.

Short-term Agricultural and Micro-Investment are classified as under:

'Sub-Standard'-If the investment not repaid within the due date as stipulated in the agreement and if such irregular continues, the investment will be classified as 'Sub-Standard' after a period of 12 month, as 'Doubtful' after the period of 36 months and as "Bad/loss" after a period of 60 months from due date.

Continuous Investment, Demand Investment or Term Investment which will remain overdue for a period of 2 month or more will be put into 'Special Mention Account'.

The rates of provisions are as under:

a) General Provisions-will be maintained:

i) @ 0.25% against all unclassified investments of SME (Small and Medium Enterprise) as defined by Bangladesh Bank, @ 1.00% against all unclassified investments except Consumer Financing, Investment to Brokerage House-Merchant Banks-Stock Dealer.

ii) @ 1% on the Off Balance Sheet exposure.

iii) @5% on unclassified investment amount of consumer financing, @ 2% on unclassified investment amount of House building finance, Investment to professionals under consumer financing for setting up business, Investment to Brokerage House-Merchant Banks-Stock Dealer.

iv) @ 5% on the outstanding amount of 'Special Mention Account'.

b) Specific Provisions-will be maintained:

i) Sub-standard: @ 20%

ii) Doubtful: @ 50%

i) Bad /Loss: @ 100%

c) Provision for Short-term Agricultural and Micro Investment:

i) All Investment except bad/loss: 5%

ii) Bad/Loss: @ 100%

ii) Description of approaches followed for specific and general allowances and statistical method;

Social Islami Bank Limited has a well defined Investment Risk Management Manual duly approved its Board of Directors which is reviewed annually. Investment risk is one of the major risks faced by the bank and such investment risk management of the bank has been designed to address all risks associated with investments.

The Bank has segregated duties of the Officers / Executives involved in investment related activities. A separate Corporate Division has been formed at Head Office, which is entrusted with the duties of maintaining effective relationship with the customer, marketing of Investment products, exploring new business opportunities etc. Moreover, investment approval, administration, monitoring and recovery functions have been segregated. For this purpose, two separate units have been formed. These are (a) Investment Risk Management Division, (b) Investment Administration Division. Investment Administration Division includes investment monitoring unit. Investment Risk Management Unit is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy / strategy for lending operation etc.

A thorough assessment is done before sanctioning of investment facility at Investment Risk Management Unit. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed Investment facility etc. The assessment process starts at Corporate Division by the Relationship Manager/Officer and ends at Investment Risk Management Unit. Proposal beyond their delegation are approved / declined by the Executive Committee and / or the Management.

In determining single borrower / large investment limit, the Bangladesh Bank instructions are strictly followed. Internal audit is conducted on periodical interval to ensure compliance of Bank's and regulatory policies. Investments are classified as per Bangladesh Bank's guidelines.

Quantitative Disclosures

b) Total gross Investment/ Credit Risk exposures broken down by major types of Investment exposures.

In million Tk.

Musharaka	406.94
Murabaha	4,453.66
Mudaraba	6,593.47
Bai-Muazzal	126,947.35
Hire-Purchase Sirkatul Meelk	50,888.74
Installment Investment Scheme	-
Quard	9,213.89
Bai-Salam	596.29
Staff Loan	2,463.57
Ijarah	436.13
Visa Card	682.83
In land Bill Purchase	2,953.84
Foreign Bill Purchased	58.28
Murabaha Bill of Exchange	2,021.64
Baim-Wes bills	2,328.86
	210,045.51

c) Geographical Distribution of exposures, broken down in significant areas by major types of credit exposure.	In million Tk.	
	Name of the Division	As on 31.12.2017
	Dhaka	157,406.44
	Chittagong	34,593.47
	Sylhet	881.77
	Rajshahi	6,969.18
	Khulna	6,943.04
	Rangpur	2,201.35
	Barisal	1,050.27
	Total	210,045.51

d) Industry or counterparty type distribution of exposures, broken down by major types of Investment/credit exposure.	In million Tk.	
	Mode of Investment	As on 31.12.2017
	Commercial lending	50,639.32
	Export Financing	8,402.28
	House Building Investment	2,514.86
	Consumer Investment Scheme	1821.58
	Small and Medium Enterprises	56,884.27
	Micro Investment	220.96
	Other Investments	352.38
	Off-shore Banking Unit	6,593.47
	Allied concern of Directors of SIBL	71.95
	Executives & Staffs of SIBL	2,635.69
	Agricultural Industries	6,402.37
	Textile Industries	30,872.97
	Food & Allied Industries	7,167.33
	Pharmaceutical Industries	1,452.98
	Leather, Chemical, Cosmetic etc.	749.37
	Construction Industries	8,744.37
	Cement and Ceramic Industries	4,609.71
	Service Industries	9,842.02
	Transport and Communication Industries	2,967.14
	Other Industries	7,100.47
	Total	210,045.51

e) Residual contractual maturity break down of the whole portfolio, broken down by major types of investment/credit exposure.	In million Tk.
Particulars	As on 31.12.2017
Re-payable on Demand	30,798.89
Not more than 3 months	39,833.91
Over 3 months but not more than 1 year	96,331.71
Over 1 year but not more than 5 years	38,178.78
Over 5 years	4,902.24
Total	210,045.51
f) By major industry or counterparty type	Amount of impaired investments and if available, past due investments
Particulars	As on 31.12.2017
Past Due	-
Special Mentioned Account	1,182.08
Substandard	1,806.33
Doubtful	1,421.22
Bad or Loss	13,999.55
Total	18,409.18
Specific and general provisions:	
Specific Provisions	3,473.74
General Provision	2,886.72
Total	6,360.46
Charges for specific allowances and charge-offs during the period	
Provision on classified investment	2,377.09
Provision on unclassified investment	111.30
Provision on Off-Balance Sheet items	80.80
Other provisions	61.89
Total	2,631.08
g) Gross Non Performing Assets (NPA's)	Gross Non Performing Assets of the bank is 17,227.10Million
Non Performing assets to outstanding investment	Non Performing assets to outstanding investment is 8.20%
Movement of non performing assets	Opening balance 7,738.20
	Addition 10,346.69
	Reduction 857.79
	Closing Balance 17,227.10
Movement of Specific provisions for Non performing assets	Opening Balance 1,764.70
	Add: Provision made during the year 2,504.05
	Less: Write-off 795.01
	Add: Write back of excess provision -
	Closing balance 3,473.74

E. EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS

Qualitative Disclosure

a) The general Qualitative Disclosures requirement with respect to equity risk, including:

- | | |
|---|---|
| <p>a) Differences between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons ;and</p> | <p>Social Islami Bank limited has two categories of equity investments namely (i) Quoted Shares- traded in the secondary market of DSE & CSE like common stock, mutual fund, bond etc. and (ii) Unquoted Shares- currently not tradable in the secondary market.</p> <p>Unquoted shares include shares and securities which are characterized and categorized as (i) Held to maturity (ii) long term investment i.e. the Bank does not have any intention to sell securities immediately or in the near future (iii) Securities acquired under private placement which will be traded in the secondary market only after completion of required legal formalities with the BSEC (Bangladesh Securities & Exchange Commission), DSE, CSE as per prevailing laws etc.</p> |
| <p>b) Discussion of important policies covering the valuation and accounting of equity holdings in the banking book, This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.</p> | <p>Investment in Shares and Securities are for gaining dividend income or capital gain. Dividend income are recognized in the books of accounts of the bank as and when such dividend is received or right to receive such dividend is established.</p> <p>Both Quoted shares and unquoted shares are valued at cost and necessary provisions are maintained if the price falls below the cost. At the time of calculation of unrealized gain or loss of quoted shares, sufficient provisions on shares & securities are made in the books of accounts after netting off the values of the portfolios but however unrealized gains are not accounted for. As per Bangladesh bank guidelines, HTF (Held for Trading) securities are revalued once in a week using marking to market concept and all such securities are revalued once in a year according to the Bangladesh bank guidelines.</p> |

Quantitative Disclosures

As on December 31,2017 (In million taka)

Particulars	Solo	Consolidated
a) Value disclosed in the balance sheet of investments, as well as the fair value of those investments, for quoted securities a comparison to publicly quoted share values where the share price is materially different from fair value.	823.57	823.57
b) The cumulative realized gains (losses) arising from sales & liquidations in the reporting period.	-	-
c) Total unrealized gains (losses)	(.05)	(.05)
d) Total latent revaluation gains (losses)	-	-
Any amounts of the above included in tier-2 capital	-	-
e) Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.		
Specific Market Risk	82.35	82.35
General Market Risk	82.35	82.35

F. PROFIT RATE RISK IN THE BANKING BOOK

Qualitative Disclosure

- a) The general qualitative disclosure requirement including the nature of Profit Rate Risk in the Banking Book (PRRBB) and key assumptions, including assumptions regarding Investment prepayments and behavior of non-maturity deposits, and frequency of PRRBB measurement
- Profit rate risks in the banking book are taken into account as one of the most potential risk. Sources and types of profit rate risks in banking book are (i) Gap or mismatch risk (ii) basic risk (iii) Net position risk (iv) embedded option risk etc. Changes in Profit rate in the market may adversely affect the financial matters of a bank such as Current Earnings, Net Investment Income, Net Worth etc. In the long run, impact on cash flows of the earning assets is mostly visible which may lead to asset liability mismatch.
- (b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant)

Particulars	1-90 Days	Over 3 Month-Up to 6 Months	Over 6 Months - Up to 1 Year
RSA	80,429.00	28,337.00	39,108.90
RSL	94,179.30	25,339.50	46,885.30
Gap	(13,750.30)	2,997.50	(7,776.40)
Cumulative Gap	(13,750.30)	(10,752.80)	(18,529.20)
Adjusted Profit Rate Change (PRC)	1.00%	1.00%	1.00%
Earnings Impact (Cum. Gap*PRC)	(137.50)	(107.53)	(185.29)
Accumulated Earnings Impact to Date	(137.50)	(245.03)	(430.32)

G. MARKET RISK

Qualitative Disclosure

- a) i) Views of BOD on trading / investment activities
- The board of Directors of Social Islami bank Limited approves policies related to market risks by setting up limits and reviews of compliance status regularly.
- ii) Method used to measure market risk
- Standardized approach is being used to measure the market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category minimum capital requirement is measured in terms of two separately calculated capital charges for "specific risk" and "general market risk".
- iii) Market risk management system
- The Treasury Division manages market risk covering liquidity, profit rate and foreign exchange risks with oversight from asset-liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director. ALCO meets at least once a month.
- iv) Policies and processes for mitigating market risk
- There are approved limits for Investment deposit ratio, liquid assets to total assets ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market and foreign exchange position. The limits are monitored and enforced regularly to protect the market risks. The exchange rate of the Bank is monitored regularly and the prevailing market condition, exchange rate, foreign exchange position and transactions are reviewed to mitigate foreign exchange risks.

Quantitative Disclosures		
	Figure in Million	
	As on December 31, 2017	
b) The capital requirements for	Solo	Consolidated
Profit rate risk	-	-
Equity position risk	164.70	164.70
Foreign exchange risk	228.64	228.64
Commodity risk	-	-
Total Capital Requirement	393.34	393.34

H. OPERATIONAL RISK

Qualitative Disclosure	
i) Views of BOD on system to reduce operational risk	<p>Operational risk implies the risk of loss of harm resulting from inadequate or failure of internal processes, people and systems or from external events. Capability to carry out a large number of transactions effectively and accurately while complying with applicable laws and rules constitutes operational risk management activities of the bank.</p> <p>The policy for operational risks including internal control & compliance risk is approved by the board taking into account relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of internal control & Compliance to protect against all operational risk.</p>
ii) Performance gap of executive and staffs	SIBL has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. SIBL's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.
iii) Potential external events	No potential external events are expected to expose the Bank to significant operational risk.
iv) Policies and process for mitigating operational risk	The policy for operational risks including internal control & compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. Policy guidelines on Risk Based Internal Audit (RBIA) system is in operation. As per RBIA branches are rated according to their risk grading/ scoring audit procedure and required frequent audit to the Branches are operated by the Audit Division. In addition, there is a Vigilance Cell established in the Bank to reinforce operational risk management of the Bank and to minimize the same. Bank's anti-money laundering activities are headed by (Chief Anti Money Laundering Compliance Officer) CAMLCO and their activities are devoted to protect against all money laundering and terrorist finance related activities. Apart from that, there is adequate check & balance at every stage of operation, authorities are properly segregated and there is at least dual control on every transaction to protect against operational risk.
v) Approach to calculating capital charges for operational risk	Basic indicator Approach is used for calculating capital charge for operational risk as of the reporting date.

Qualitative Disclosure

As per risk based capital adequacy guidelines, capital charge for operational risk is equivalent to 15% of average annual gross income of three previous years where negative figures are excluded.

As per risk based capital adequacy guidelines Social Islami bank Limited follows the Basic Indicator Approach for computing capital charge for operational risk.

I. LIQUIDITY RATIO

In line with the provisions of liquidity risk management under Basel III, Bangladesh Bank on the basis of the relevant guideline of Bank for International Settlements (BIS) has identified the (i) Liquidity Coverage Ratio (LCR); (ii) Net Stable Funding Ratio (NSFR); and (iii) Leverage under the purview of 'Liquidity' ratio vide BRPD Circular No. 18 dated 21 December 2014 and DOS Circular No. 1 dated 1 January 2015.

Qualitative Disclosure

- a) i) Views of Board of Directors (BOD) on system to reduce Liquidity Risk

The Board of Directors reviews the liquidity risk of the Bank on quarterly rest while reviewing the Quarterly Financial Statements, Stress Testing Report etc. Besides, the EC of the Board also reviews the liquidity position while reviewing the management information system (MIS) report on monthly basis.

Upon reviewing the overall liquidity position along with the outlook of SIBL funding need, investment opportunity, market/industry trend, the Board takes its strategic decision regarding deposits, funding, investments, loans as well as interest rates policies etc.

The Board of SIBL always strives to maintain adequate liquidity to meet up Bank's overall funding need for the huge retail depositors, borrowers' requirements as well as maintain regulatory requirements comfortably.

- ii) Methods used to measure Liquidity Risk

The maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) are considered as the fundamental methods/tools to measure the liquidity position/risk of SIBL.

However, under Basel III, the following methods and tools are mandated for measuring the liquidity risk.

a) Liquidity coverage ratio (LCR): Liquidity Coverage Ratio ensures to maintain an adequate level of stock of high quality liquid assets that can be converted into cash to meet its liquidity needs (i.e. total net cash outflows) over the next 30 calendar days.

b) Net Stable Funding ratio (NSFR): Net Stable Funding Ratio aims to limit over-reliance on short-term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all on- and off-balance sheet items. The minimum acceptable value of this ratio is 100 percent, indicating that, available stable funding (ASF) should be at least equal to required stable funding (RSF).

ASF consists of various kinds of liabilities and capital with percentage weights attached given their perceived stability.

RSF consists of assets and off-balance sheet items, also with

	<p>percentage weights attached given the degree to which they are illiquid or “long-term” and therefore requires stable funding.</p> <p>In addition to the above, the following measures have been put in place to monitor the liquidity risk management position of the Bank on a continued manner:</p> <ul style="list-style-type: none">a) Asset-Liability Maturity Analysis (Liquidity profile);b) Whole sale borrowing capacity;c) Maximum Cumulative Outflow (MCO); <p>Besides the above, the following tools are also used for measuring liquidity risk:</p> <ul style="list-style-type: none">a) Stress Testing (Liquidity Stress);b) Net open position limit - to monitor the FX funding liquidity risk;									
iii) Liquidity risk management system	<p>In SIBL, at the management level, the liquidity risk is primarily managed by the Treasury Division (Front Office) under oversight of ALCO which is headed by the Managing Director & CEO along with other senior management.</p> <p>Treasury Division (Front Office) upon reviewing the overall funding requirements on daily basis sets their strategy to maintain a comfortable/adequate liquidity position taking into consideration of Bank's approved credit deposit ratio, liquid assets to total assets ratio, asset-liability maturity profile, Bank's earning/profitability as well as overall market behavior and sentiment etc.</p> <p>Apart from the above, Risk Management Division also monitors & measures the liquidity risk in line with the Basel III liquidity measurement tools, namely, LCR, NSFR, Leverage Ratio. RMD addresses the key issues and strategies to maintain the Basel III liquidity ratios to the respective division (s) on regular interval.</p>									
iv) Policies and processes for mitigating Liquidity Risk	<p>The Asset-Liability (ALCO) policy leads the process & procedures for mitigation of liquidity risk of SIBL.</p> <p>ALCO works under specific Terms of References (functions) approved by the Board.</p> <p>Treasury Division (Front Office) and ALM desk under regular supervision of Top Management reviews the overall liquidity position of SIBL and takes appropriate strategy, process in line with the industry position for managing liquidity risk of the Bank.</p>									
i) Liquidity Coverage Ratio (LCR)	<p>The Liquidity Coverage Ratio (LCR) under Liquidity Ratios of Basel III of Social Islami Bank Limited as of 31 December 2017 was as under:</p> <p>The Liquidity Coverage Ratio (LCR) under Liquidity Ratios of Basel III of Social Islami Bank Limited as of 31 December 2017 was as under:</p> <p>Liquidity Coverage Ratio (LCR) =Stock of High quality liquid assets /Net cash outflows over the next 30 calendar days</p> <table><tr><th>Particulars</th><th colspan="2">Ratio (%)</th></tr><tr><td></td><th>BB requirement</th><th>SIBL's position</th></tr><tr><td>Liquidity Coverage Ratio (LCR)</td><td>U 100%</td><td>106.66%</td></tr></table>	Particulars	Ratio (%)			BB requirement	SIBL's position	Liquidity Coverage Ratio (LCR)	U 100%	106.66%
Particulars	Ratio (%)									
	BB requirement	SIBL's position								
Liquidity Coverage Ratio (LCR)	U 100%	106.66%								

ii) Net Stable Funding Ratio (NSFR)	<p>The Net Stable Funding Ratio (NSFR) under Liquidity Ratios of Basel III of Social Islami Bank Limited as of 31 December 2017 was as under:</p> <p>Net Stable Funding Ratio (NSFR) = Available amount of stable funding (ASF) / Required amount of stable funding (RSF)</p> <table><tr><th>Particulars</th><th colspan="2">Ratio (%)</th></tr><tr><td></td><th>BB Requirement</th><th>SIBL's Position</th></tr><tr><td>Net Stable Funding Ratio (NSFR)</td><td>U100%</td><td>113.58%</td></tr></table>	Particulars	Ratio (%)			BB Requirement	SIBL's Position	Net Stable Funding Ratio (NSFR)	U100%	113.58%
Particulars	Ratio (%)									
	BB Requirement	SIBL's Position								
Net Stable Funding Ratio (NSFR)	U100%	113.58%								
iii) Stock of High Quality Liquid Assets (SHQLA)	As stipulated by BB vide DOS Circular Letter No. 1 dated 1 January 2015, the Stock of High Quality Liquid Assets (SHQLA) of Social Islami Bank Limited as of 31 December 2017 is Tk. 32,968.78 million.									
iv) Total net cash outflows over the next 30 calendar days	As stipulated by BB vide DOS Circular Letter No. 1 dated 1 January 2015, total net cash outflows over the next 30 calendar days of Social Islami Bank Limited based on the position as of 31 December 2017 is Tk. 30,909.96 million.									
v) Available amount of stable funding	<p>As stipulated by BB vide DOS Circular Letter No. 1 dated 1 January 2015, the available amount of stable funding (ASF) of Social Islami Bank Limited as of 31 December 2016 was as under:</p> <table><tr><th>Particulars</th><th>Amount (in million)</th></tr><tr><td>Available amount of Stable Funding (ASF)</td><td>2,21,972.45</td></tr><tr><td>Total</td><td>2,21,972.45</td></tr></table>	Particulars	Amount (in million)	Available amount of Stable Funding (ASF)	2,21,972.45	Total	2,21,972.45			
Particulars	Amount (in million)									
Available amount of Stable Funding (ASF)	2,21,972.45									
Total	2,21,972.45									
vi) Required amount of stable funding	<p>As stipulated by BB vide DOS Circular Letter No. 1 dated 1 January 2015, the required amount of stable funding (RSF) of Social Islami Bank Limited as of 31 December 2017 was as under</p> <table><tr><th>Particulars</th><th>Amount (in million)</th></tr><tr><td>Required amount of Stable Funding (RSF)</td><td>1,95,429.83</td></tr><tr><td>Total</td><td>1,95,429.83</td></tr></table>	Particulars	Amount (in million)	Required amount of Stable Funding (RSF)	1,95,429.83	Total	1,95,429.83			
Particulars	Amount (in million)									
Required amount of Stable Funding (RSF)	1,95,429.83									
Total	1,95,429.83									

J. LEVERAGE RATIO

Qualitative Disclosure

i) Views of BOD on system to reduce excessive leverage	<p>The Board of Directors of SIBL primarily views on the growth of On and Off balance sheet exposures commensurate with its expected capital growth so that the excessive leverage is reduced. Within the</p> <p>On-balance components, again, the Board emphasizes on the growth of the prime component i.e. the loans and advances and maintaining good asset quality so as to maximize the revenue as well as the capacity to generate capital internally (in the form of retained earnings) to trade-off the excessive leverage supposed to be caused by asset growth.</p> <p>At the outset of asset growth, the Board also views the growth of its sources of fund i.e. deposit growth taking into consideration of projected business growth so that the credit-deposit ratio is maintained at a sustainable basis as well as to reduce the mismatches of asset- liability gap within the tolerable limit to manage the liquidity risk.</p>
ii) Policies and processes for managing excessive on and off- balance sheet leverage	<p>First and foremost, Bank's policy is to maintain the Leverage Ratio (Tier 1 capital as proportion to total adjusted On and Off balance sheet asset) well above the regulatory requirement. To this end, the striking components of balance sheet, namely, the deposits & borrowing, loans & advances, other liquid assets (treasury bills, bonds, fund placements) are analyzed on monthly basis.</p> <p>Measures are taken to contain the growth of overall size of balance sheet (On and Off balance sheet exposures aggregately) considering short term outlook of the industry indicators as well as possible growth of equity (Tier 1 capital) of the Bank on quarterly rest.</p> <p>With regard to managing the excessive leverage, the regulatory stance through the monetary policy initiatives i.e. the scope of expected business potential (growth), estimated money supply, inflation, resulting the estimated overall liquidity of the industry as well as the Bank in particular is also considered.</p>
iii) Approach for calculating exposure/Leverage	<p>The exposures of balance sheet representing the overall position of the Bank as of the reporting date are calculated and presented in terms of applicable relevant accounting standards, i.e., IASs (BASs), IFRSs (BFRSs), etc.</p> <p>The accounting values of assets and liabilities are also presented and measured at gross. Netting of assets and liabilities are also made where permitted in compliance with the respective accounting standards and the regulatory instruction.</p> <p>For calculating "leverage", SIBL follows the 'Leverage Ratio' approach/method as suggested by Bangladesh Bank</p>

Qualitative Disclosure

i) Leverage Ratio	<p>Leverage Ratio (LR) under Basel III of Social Islami Bank Limited as of 31 December 2017 was as under:</p> <p>Leverage Ratio (LR) =Tier 1 Capital (after related adjustment)/Total Exposure (after related deductions)</p> <table><tr><th colspan="3">Ratio (%)</th></tr><tr><th>Particulars</th><th>BB requirement</th><th>SIBL's position</th></tr><tr><td>Leverage Ratio (LR)</td><td>>3%</td><td>4.43%</td></tr></table>	Ratio (%)			Particulars	BB requirement	SIBL's position	Leverage Ratio (LR)	>3%	4.43%
Ratio (%)										
Particulars	BB requirement	SIBL's position								
Leverage Ratio (LR)	>3%	4.43%								
ii) On balance sheet exposure	Total On-balance Sheet exposure for calculating Leverage Ratio under Basel III of Social Islami Bank Limited as of 31 December 2017 is Tk. 2,72,822.01 million.									
iii) Off balance sheet exposure	Total Off-balance Sheet exposure for calculating Leverage Ratio under Basel III of Social Islami Bank Limited as of 31 December 2017 is Tk 25,013.47 million.									
iv) Total exposure	Total Exposures for calculating Leverage Ratio under Basel III of Social Islami Bank Limited as of 31 December 2017 is Tk. 2,97,835.48 million.									

K. REMUNERATION**Qualitative Disclosure**

a Information relating to the bodies that oversee remuneration	Board of Directors of the Bank is actually the main body to oversee the remuneration. The Board, however, generally suggest the management to place proposal for revision of remuneration from time to time.
i) Name of the bodies that oversee remuneration	At the management level, primarily the Human Resources Division oversees the 'remuneration' in line with its HR management strategy/policy under direct supervision and guidance of Core Decision Making Committee (CDMC) of the Bank and the Board of Directors.
ii) Composition of the main body overseeing remuneration	<p>Board of Directors of the Bank form a special committee consisting of competent directors for reviewing the proposal of the CDMC regarding remuneration.</p> <p>The CDMC is headed and chaired by the Managing Director& CEO of the Bank; along with other members of top executive management (Additional Managing Directors and Deputy Managing Directors) and the Heads of different functional divisions of Head Office.</p>
iii) Mandate of the main body overseeing remuneration	The mandate of CDMC as the main body for overseeing the Bank's remuneration is to review the position of remuneration and associated matters and recommend to the Board of Directors for approval of its restructuring, rearrangement and modification commensurate with the industry best practices as per requirement.

iv)	External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.	The Bank has no External Consultant permanently regarding 'remuneration' and its process. However, experts' opinion may have been sought in case to case basis regarding income tax matter, lawyers' opinion for settlement of employees' dues in case of death, penalty etc. if required, by the management.
v)	A description of the scope of the bank's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.	The Bank does not differentiate the 'Pay Structure' and 'employee benefits' by regions.
vi)	A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.	We consider the members of the senior management, branch managers and the employees engaged in different functional divisions at Head Office (except the employees involved in internal control, risk management and compliance) as the material risk takers.
b	Information relating to the design and structure of remuneration processes.	
i)	An overview of the key features and objectives of remuneration policy.	Remuneration and other associated matters are guided by the Bank's Service Rule as well as instruction, guidance from the Board from time to time in line with the industry practice with the objectives of retention/hiring of experienced, talented workforce focusing on sustainable growth of the Bank.
ii)	Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that were made.	Yes. A committee was formed to review the bank's remuneration policy under supervision of board of directors to revise the pay scale in line with the industry practice and accordingly bank allowed a revised pay scale to the employee of SIBL with effect from 01.02.2017.
iii)	A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	The risk and compliance employees are carrying out the activities independently as per specific terms of references, job allocated to them. Regarding remuneration of the risk and compliance employees, Human Resources Division does not make any difference with other mainstream/ regular employees and sets the remuneration as per the prevailing rule of the Bank primarily governed by the employees' service rule of the Bank.
c	Description of the ways in which current and future risks are taken into account in the remuneration processes.	
i)	An overview of the key risks that the bank takes into account when implementing remuneration measures.	The business risk including credit/default risk, compliance & reputational risk are mostly considered when implementing the remuneration measures for each employee/group of employee. Financial and liquidity risk are also considered.

<p>ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.</p>	<p>Different set of measures are in practice based on the nature & type of business lines/segments etc. These measures are primarily focused on the business target/goals set for each area of operation, branch vis-à-vis the actual results achieved as of the reporting date. The most vital tools & indicators used for measuring the risks are the asset quality (NPL ratio), Net Interest Margin (NIM), provision coverage ratio, credit- deposit ratio, cost-income ratio, growth of net profit, as well the non-financial indicators, namely, the compliance status with the regulatory norms, instructions has been brought to all concerned of the Bank from time to time.</p> <p>While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered; and accordingly the result of the performance varies from one to another and thus affect the remuneration as well.</p>
<p>iii) A discussion of the ways in which these measures affect remuneration.</p>	<p>While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered; and accordingly the result of the performance varies from one to another and thus affect the remuneration as well.</p>
<p>iv) A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration</p>	<p>Considering industry practice and competitiveness the Board of Directors of the bank revised pay scale to the employee of SIBL with effect from 01.02.2017.</p>
<p>d Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.</p>	
<p>i) An overview of main performance metrics for bank, top-level business lines and individuals.</p>	<p>The Board sets the Key Performance Indicators (KPIs) while approving the business target/budget for each year for the Bank and business lines/segments. The management sets the appropriate tools, techniques and strategic planning (with due concurrence/approval of the Board) towards achieving those targets. The most common KPIs are the achievement of loan, deposit and profit target with the threshold of NPL ratio, cost-income ratio, cost of fund, yield on loans, provision coverage ratio, capital to risk weighted asset ratio (CRAR), ROE, ROA, liquidity position (maintenance of CRR and SLR) etc.</p>
<p>ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.</p>	<p>The remuneration of each employee is paid based on her/his individual performance evaluated as per set criteria. And, accordingly, the aggregate amount of remuneration of the Bank as a whole is linked/ impacted to the same extent.</p>
<p>iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining "weak" performance metrics.</p>	<p>The Bank follows remuneration process as per set criteria with no in general adjustment in the event of weak performance metrics/scorecard.</p>

e	Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	
i)	A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.	The Bank pays variable remuneration i.e. annual increment based on the yearly performance rating on cash basis with the monthly pay. While the value of longer term variable part of remuneration i.e. the amount of provident fund, gratuity fund are made provision on aggregate/individual employee basis; actual payment is made upon retirement, resignation etc. as the case may be, as per rule.
ii)	A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.	NotApplicable
f	Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.	
i)	An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms. A description of the elements corresponding to other forms of variable remuneration (if any) should be provided.	The Bank pays variable remuneration on cash basis (i.e. direct credit to the employee Bank account and/or Payment Order/ Cheque), as the case may be, as per rule/practice.
ii)	A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.	The following variable remuneration has been offered by SIBL to its employees: Annual Increment Bank provides annual increments based on performance to the employees with the view of medium to long term strategy and adherence to SIBL values.
g	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	There were 7 (Seven) meetings of the CDMC held during the year 2017. All the members of CDMC are from the core banking area/operation of the Bank. No additional remuneration was paid to the members of the CDMC for attending the meeting except their regular remuneration

h	i) Number of employees having received a variable remuneration award during the financial year.	The following Number of Employees were received a variable remuneration during the year 2017:	
		Particulars	Number
		Number of employees having received a variable remuneration award during the year 2017	Not Applicable
	ii) Number and total amount of guaranteed bonuses awarded during the financial year.	The following number and total amount of Guaranteed bonuses awarded during the year 2017: All employee of SIBL get two festival bonuses every year.	
	iii) Number and total amount of sign-on awards made during the financial year.	There was no sign-on awards made in 2017.	
	iv) Number and total amount of severance payments made during the financial year.	There was no severance payment made during the year 2017.	
i	i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Not Applicable	
	ii) Total amount of deferred remuneration paid out in the financial year.	Not Applicable	
J	Breakdown of amount of remuneration awards for the financial year to show:	i) Fixed and variable remuneration paid in 2017 are as follows:	
			Amount in Million Taka
		Fixed pay	2888.74
		Variable pay	-
	Total fixed and variable pay	2888.74	
		ii) Deferred and non-deferred (paid during the year). Not Applicable	
		iii) Different forms used (cash, shares and share linked instruments, other forms).Remuneration is paid on cash basis (i.e. direct credit to the employee Bank account and/or Payment Order/ Cheque), as the case may be, as per rule/practice.	
k	Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:		
	i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	NotApplicable	
	ii) Total amount of reductions during the financial year due to ex post explicit adjustments.	NotApplicable	
	iii) Total amount of reductions during the financial year due to ex post implicit adjustments.	NotApplicable	

SUSTAINABILITY PERFORMANCE

“WITH OUR DIVERSE PORTFOLIO OF PRODUCTS, WE PRACTICALLY TOUCH EVERY LIFE IN THE COUNTRY SOME WAY OR THE OTHER AND THIS IS A RESPONSIBILITY WE TAKE VERY SERIOUSLY. SUSTAINABILITY IS THEREFORE WOVEN INTO OUR CULTURE, PRACTICES, PROCESSES AND THE PRODUCTS WE OFFER. THE SUSTAINABILITY REPORT COVERS OUR SUSTAINABILITY STRATEGY, KEY PERFORMANCE INDICATORS, OUR ANNUAL AND LONG-TERM TARGETS AND THE WORK WE HAVE DONE SO FAR.”

ABOUT THE REPORT

We began voluntary reporting on sustainability for the first time in 2015 with the first report published along with the Annual Report covering the period 1 January 2015 to 31 December 2015. Now it starts as a regular effort on presenting a Sustainability Report.

REPORT BOUNDARY

This report covers only banking operation run by Social Islami Bank office, its branches, SME service centers and other direct networks in Bangladesh.

Employee data includes management and non-management staff. All monetary amounts in this Report are in BDT, unless otherwise indicated.

REPORTING PERIOD

The report for 2017 has been prepared for a year basis for the period of January to December 2017. Text and statistics in the Report cover sites owned and operated wholly by Social Islami Bank during the period 1 January 2017 to 31 December 2017.

Data has mainly been obtained from our financial management reporting systems, corporate HR information management system etc.

REPORT CONTENT

The content of this report has been decided upon by the Sustainability Council and has been developed in accordance with our Sustainability framework based on the line of economic, social and environmental parameters.

DATA COLLECTION

All our data is derived from our central database. A quarterly reporting cycle is in practice and all related information is gathered and entered by respective businesses and functions while the top level management reviews and manages the data for Social Islami Bank as a whole. Data pertaining to integrity management, employment practices, sourcing and community investment is compiled and monitored by the Sustainability Council members responsible for each area.

CONTACT US

We encourage feedback on our Sustainability Report. If you would like to comment on the report or find out more about our Sustainability strategy and program, please e-mail us at: sustainability@sibl-bd.com

A soft copy of this report and additional information on our business units and products is available on our website at www.sibl-bd.com. If you are unable to access these resources or need further information, please contact: 90/1 Motijheel C/A, City Center Dhaka-1000.

STAKEHOLDERS' ENGAGEMENT

“PROACTIVE ENGAGEMENT WITH OUR STAKEHOLDERS IS AN ESSENTIAL PART OF BEING A RESPONSIBLE COMPANY. SUSTAINABILITY IS A SHARED JOURNEY AND TO MOVE FORWARD WE NEED TO INVOLVE OUR STAKEHOLDERS IN EVERY STEP OF THE WAY. WE TRY TO ENGAGE OUR KEY STAKEHOLDERS SUCH AS OUR SHAREHOLDERS, REGULATORS, SUPPLIERS, CUSTOMERS, EMPLOYEES AND THE COMMUNITY ON A REGULAR BASIS BY LISTENING TO THEIR IDEAS, CONCERNS AND ADVICE.”

ENGAGING OUR STAKEHOLDERS

We intend to form tangible relations with our stakeholders. This is why our reporting perception has transitioned from an operation- oriented approach to a stakeholder-focused one. Such a focus is one of the purposes why we have mapped the possible effect that we have on various stakeholder groups before conclusions are made.

We engage with our stakeholders in many ways and at many levels, from the queries that reach us via our website to face-to-face meetings with government officials and regulators, customers, employees, community groups and others. Whilst focus on certain issues such as access to finance and customer satisfaction have increased over the years, most of the topics that stakeholders view as significant have remained consistent.

Moving forward, we expect to have better coordinated discussions with our stakeholders. While the concerns of our various stakeholder groups do not always overlap with each other or with the business objectives of the company, dealing with such dilemmas is an everyday part of doing business.

Stakeholder Group	Their Concern	Our Responsibilities
Shareholders and Analysts	<ul style="list-style-type: none"> Dividends and share value Performance and integrity of the Board and management Public goodwill and reputation of the Bank 	<ul style="list-style-type: none"> Generate profits and ensure optimal return on investment Proper oversight and control of the Board and management Bank's Code of Conduct, management oversight and response Public affairs management
Bangladesh Bank and other regulators	<ul style="list-style-type: none"> Good corporate governance and business ethics Legal compliance Support for government policy 	<ul style="list-style-type: none"> Develop and communicate a framework that promotes good governance and ethical behavior at all levels Ensure compliance at all times Providing timely and accurate information Immediate response to queries made by authorities Comply with rules and regulations
Customers	<ul style="list-style-type: none"> Dealing with SIBL is a positive experience Information provided by the Bank is accurate and reliable Customers' privacy is assured Promises to customers are kept 	<ul style="list-style-type: none"> Protect the privacy of our customers, including data protection and confidentiality Provide a positive customer experience Comply with company values and Code of Conduct
Employees	<ul style="list-style-type: none"> Health, safety and well being 	<ul style="list-style-type: none"> Ensure that we properly safeguard those who work for us and those who may be affected by our operations Promoting and maintaining an amicable relationship with all employees Shape future leaders Recognize exceptional performers Ensuring all employees have a proper work life balance Investment on Human Resource Information Systems
Society	<ul style="list-style-type: none"> Social Investment 	<ul style="list-style-type: none"> Do our part to improve the quality of life for all members of society Investment on citizens Investing in entrepreneurs Addressing rural youth Empowering women Encourage people for saving
Suppliers	<ul style="list-style-type: none"> Supply chain functions well Supply chain is sustainable 	<ul style="list-style-type: none"> Work with suppliers to address issues in the supply chain

SOCIAL RESPONSIBILITY INITIATIVES (CSR)

“CORPORATE SOCIAL RESPONSIBILITY IS AN INTEGRAL PART OF SOCIAL ISLAMI BANK. THROUGH DIFFERENT PROJECTS WE HOPE TO CONTRIBUTE TO THE COMMUNITY, BUT OUR MAIN FOCUS IS TO HELP THE UNDERPRIVILEGED COMMUNITY IN BANGLADESH. SIBL HAS ALWAYS BEEN ACTIVE IN SOCIAL RESPONSIBILITY PROJECTS SINCE THE BEGINNING. SIBL ALWAYS PRIORITIZES THE BANGLADESH BANK CSR GUIDELINE AND FOCUS ON LONG-TERM PROGRAMS RATHER THAN THE SHORT-TERM ONES THAT HAVE SUSTAINABLE IMPACT ON THE PEOPLE AND SOCIETY OF THE COUNTRY.”

CORPORATE SOCIAL RESPONSIBILITY OF SIBL

As part of Corporate Social Responsibility (CSR), welfare activities of Social Islami Bank Limited (SIBL) are being carried out mainly from-

- Profit of Cash Waqf Fund
- Compensation Fund
- Doubtful Income and
- Zakat Fund.

SIBL is a pioneer of Cash Waqf Program which has meanwhile achieved both local & international accreditation for its unique welfare approach. Cash Waqf Program of the Bank paved the way of doing welfare of mankind in various sectors such as-

- Family Rehabilitation,
- Education & Culture,
- Health & Sanitation and
- Social Utility and others in conformity with Shariah.

Cash Waqf is broadly categorized as-

- a. General Cash Waqf : Where the Waqif (Donor) doesn't mention the name of beneficiary (may be individual or organization) for receiving the profit of Cash Waqf fund, we call those General Cash Waqf.
- b. Specific Cash Waqf: In case of Specific Cash Waqf, the Waqif (Donor) specify the name of specific beneficiary (may be individual or organization). Profit of General Cash Waqf A/C are being sent to FAD, HO annually & profit of Specific Cash Waqf A/C are being sent to the specific beneficiary as per instruction of the Waqif once annually.

Social Islami Bank Ltd. is extending financial help to different orphanages, schools, madrasahs, social organizations & individuals who are suffering from fatal diseases like cancer, kidney failure, and heart diseases etc. from the fund which are being accumulated from the profit of Cash Waqf Fund, Compensation Fund, Doubtful Income and Zakat Fund.

Bangladesh Bank vide DOS Circular No. 01 dated 1 June, 2008 titled “Mainstreaming Corporate Social Responsibility (CSR) in banks and financial institutions” gave a comprehensive guideline on CSR.

We have been submitting quarterly CSR report to Bangladesh Bank as per format provided by them. The format has following dimensions:

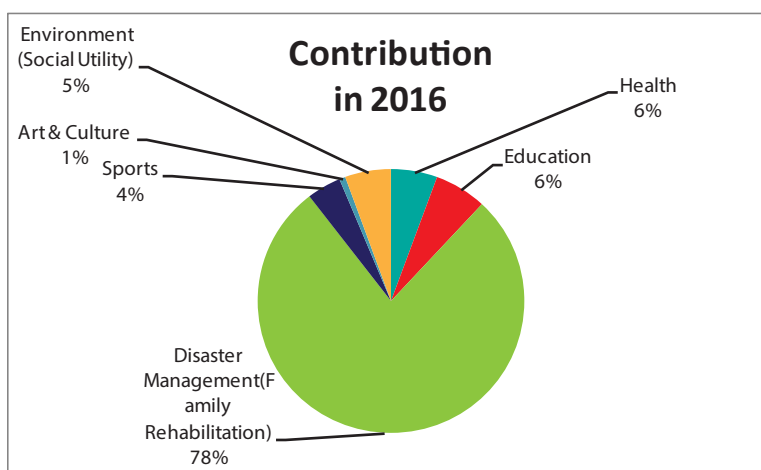
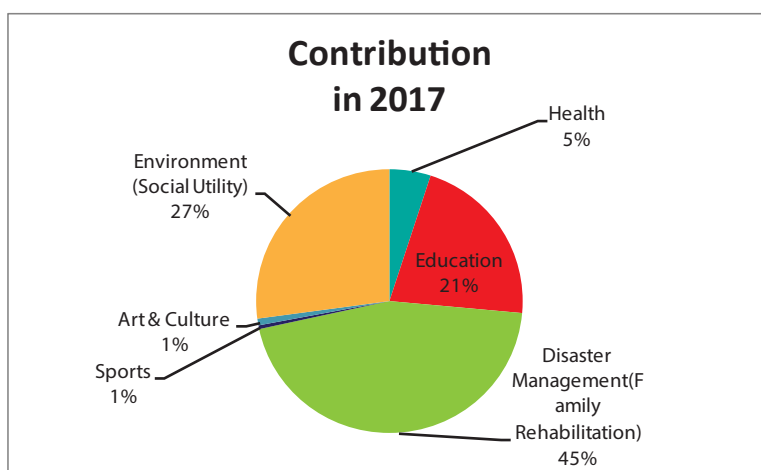
- (i) Financial Inclusion: In the form of financing to Agriculture, SME, Women Entrepreneur, Renewable Energy, Solar Irrigation etc.
- (ii) Donation to the individuals, covering: Education, Health, Disaster Management (Family Rehabilitation), Environment (Social Utility), Sports, Art & Culture, Others etc.
- (iii) Donation to NGO's: For supporting such welfare activities

CSR ACTIVITIES UNDER-TAKEN DURING 2017

SIBL has contributed a sum of total Tk.126.154 million in the field of Health, Education, Disaster Management (Family Rehabilitation), Sports, Art & Culture, Environment (Social Utility) & Others during year 2016, which are furnished hereunder:

(Figure in Taka)

Sectors	Contribution in 2017	Contribution in 2016
Health	6,312,000	6,137,200
Education	27,039,450	6,885,530
Disaster Management(Family Rehabilitation)	56,962,250	84,787,688
Sports	575,000	4,520,000
Art & Culture	1,043,000	808,300
Environment (Social Utility)	34,222,007	6,088,487
Others	-	-
Total	126,153,707	109,227,205



ENVIRONMENT RELATED INITIATIVES

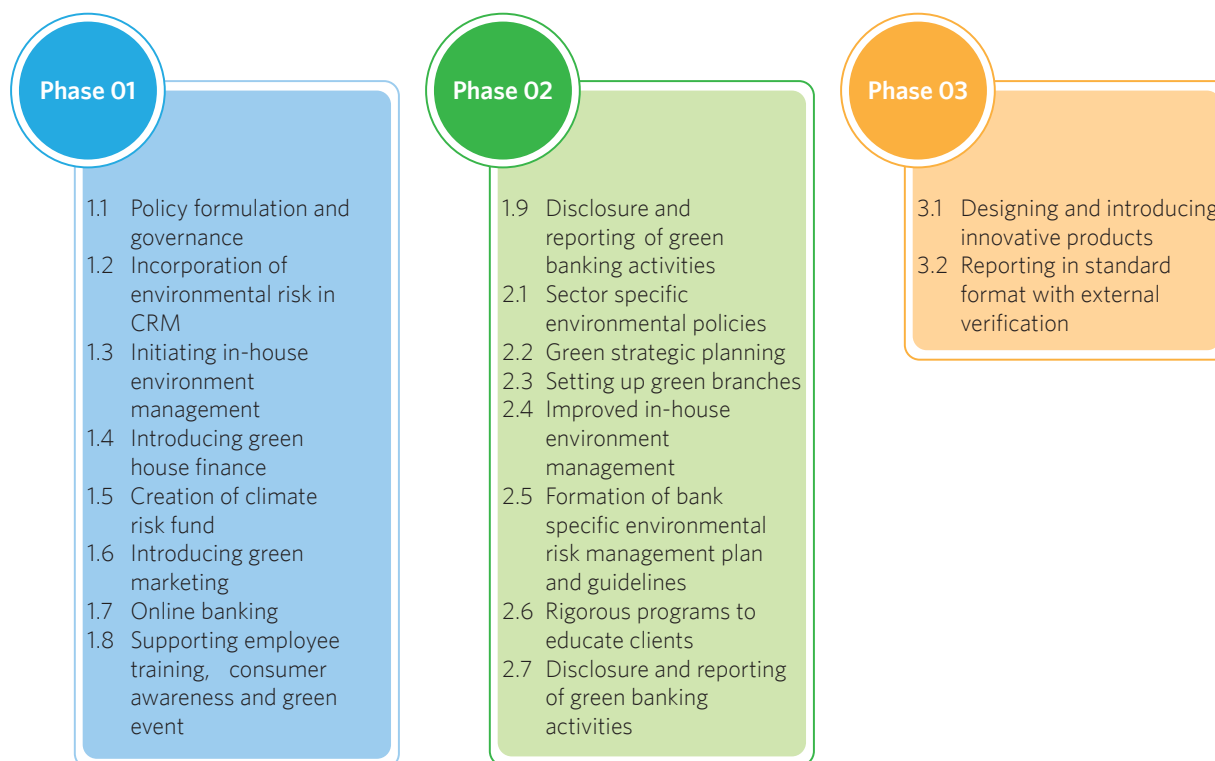
“SOCIAL ISLAMI BANK LIMITED BELIEVES IT IS IMPORTANT TO PROMOTE ENVIRONMENT-FRIENDLINESS IN SOCIETY AS A WHOLE THROUGH THE FINANCIAL PRODUCTS AND SERVICES IT OFFERS AS PART OF ITS CORE BUSINESS BASED ON THE KNOWLEDGE AND INSIGHT OF A GLOBAL FINANCIAL GROUP. FROM THIS PERSPECTIVE, SIBL IS DEVELOPING BUSINESSES THAT CONTRIBUTE TO THE ENVIRONMENT ACCORDING TO THE NATURE OF THEIR OWN OPERATIONS.”

GREEN BANKING

Green Banking is an emerging issue in the present banking arena. Green Banking is a holistic approach, which encourages environmental protection, sustainability, resource-savings and economic attitude in personal and professional life among others. Bangladesh Bank is emphasizing much on environment and environment-friendly project.

Green Banking issues are properly addressed at SIBL as per guidelines of Bangladesh Bank. Bangladesh Bank vide BRPD Circular no. 02 dated 27.02.2011 advised all banks to start Green Banking activities comprising a set of initiatives in 03 (three) phases with specific time frame.

STRATEGY FRAMEWORK OF GREEN BANKING



Social Islami Bank Limited takes environmental stewardship ahead of each year realizing the present generation's responsibility to the future. By adopting Environmental Risk Management (ERM) Guidelines for Banks and Financial Institutions in Bangladesh, Social Islami Bank Limited closely monitors the environmental impact of every steps and effectively mitigates any risks arise thereon. With more emphasis on environmental risk management programs, at Social Islami Bank Limited, a noticeable increase has occurred in the amount of screening and due diligence efforts to gather information on potential environmental risks. We take every effort to delight our clients being the growth partner in financing environment friendly products or initiatives.

Green Banking initiatives are multi-stake holder approach and are never ending process; the implementation is possible only when collective efforts of all are being made.

- Formation of Green Banking Unit
- Circulation of Environment Due Diligence (EDD)
- Circulation of Environment Risk Rating (ERR)
- Circulation of Green Office Guide
- Formation of Green Banking Policy
- Some Green Event

OUR FUTURE PLAN:

SIBL has the plan to focus on the following areas of operation for promoting Green Initiatives:

- To popularize Online Banking
- To increase Internet, SMS & Mobile Banking activities
- To popularize Video Conferencing
- To increase Efforts towards near paperless banking
- To promote Tree Plantation Campaign
- To promote Green Initiatives through advertisement in print/electronic media
- To rationalize use of consumption of paper, water, electricity and utilities
- To reduce Emission of Carbon
- To conserve Environment
- To protect Air/Water Pollution

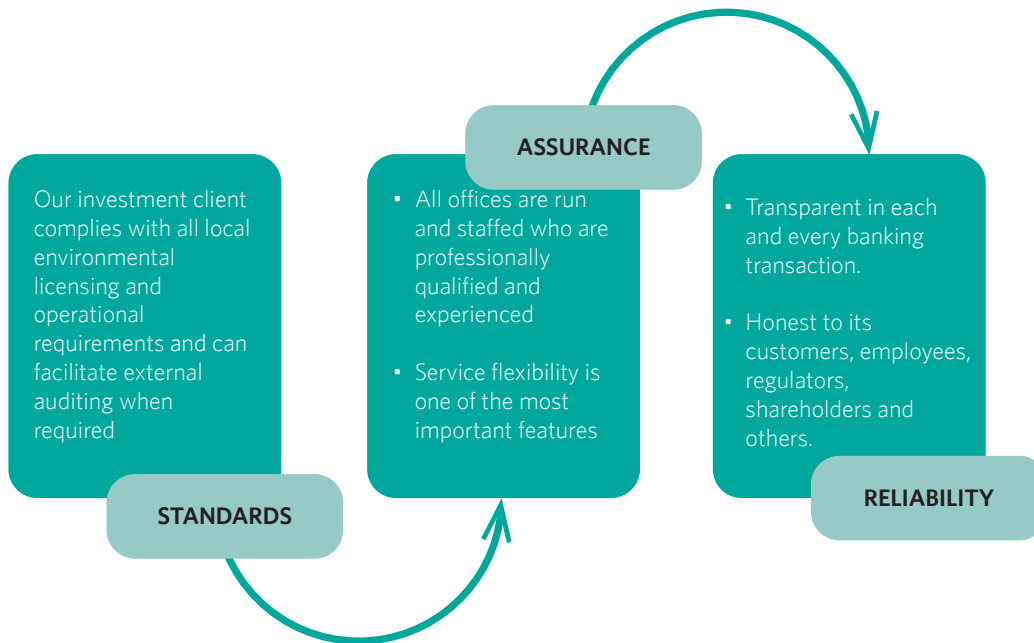
Saving our 'Mother Planet' has become the crucial issue now-a-days. To save our beloved abode (the earth) from all types of erosion and pollution we, as global citizens, obviously have some responsibilities to keep our mother planet green remaining in our individual position we belong to.

ENVIRONMENTAL & SOCIAL OBLIGATIONS

“WE ARE WELL AWARE OF THE SOCIAL AND ENVIRONMENTAL OBLIGATIONS WE HAVE TO OUR CUSTOMERS, OUR STAFF AND OUR PLANET. WE TAKE THESE RESPONSIBILITIES SERIOUSLY AND HAVE IMPLEMENTED A PROGRAM OF ONGOING ASSESSMENT OF WORKING PRACTICES, ADAPTING OUR OPERATIONS TO MEET THE FOLLOWING COMMITMENTS.”

SOCIAL OBLIGATIONS

SIBL actively participate in Corporate Social Responsibility (CSR) activities of the Bank. During the year SIBL spend Taka 126.154 under Health, Education, Sports, Disaster Management and Environmental programs which was Taka 109.23 million in 2016. This is a reaffirmation of the commitment of SIBL towards the society.



ENVIRONMENTAL OBLIGATIONS

ENERGY SAVINGS

Our new Corporate Office, where we have moved during the year 2011 has been designed to utilize maximum usage of natural lights, which reduces energy consumption substantially compared to other conventional building. Around a third of the bulbs being used in this office are of energy savings type. We are saving around 40% electricity (used for lighting purpose) by using the day light in our Corporate Office.

Our electronic mail system has been operational since 2005, which is being extensively used for internal as well as external communication. Electronic communication substantially reduces paper consumption thereby reduce deforestation.

ENERGY CONSUMPTION:

Energy Type	Million Taka
Electricity	73.1
Gas	-
Fuel	15.99

FINANCING RENEWABLE ENERGY AND CARBON OFFSET PROJECTS

We have installed Solar panels in our 17 branches located at Patherhat, Patkelghata, Akhaura, Dewanhat, Bibirhat, Shahzadpur, Gobindagonj, Naogaon, Dhamrai, Fenchugonj, Atorar Dipo, Hajigonj, Chowgacha, Chandaikona, Fakirhat, Shayedpur and Dupchachia branches. During 2017 we have disbursed Tk.3,791.58 million to 15 business entities, which helps sequestration of Carbon.

REDUCING ENERGY & RESOURCE CONSUMPTION

Instruments of Green Banking offered by Cards Division include E-Statement, SMS Banking, SMS Alert, Net Banking, E Fund Transfer and Digital Attendance and Paperless Board of Directors meeting, E Mail corresponding, Video Conference, Tele Conference, which help reducing printing paper.

- E-Statement
- SMS Banking
- SMS Alert
- Net Banking
- E Fund Transfer
- Digital Attendance
- E Mail corresponding
- Video Conference
- Tele Conference
- Paperless Board of Directors Meeting

SOLAR HOME SYSTEMS (SHS)

SIBL is committed to enlighten every rural home with green electricity. At present, only about 30% of the rural households in Bangladesh have access to grid electricity. For the rest of the areas are not connected to the national grid, life comes to almost a standstill there after sun-set. Giving priority in this sector, SiBL has been supporting to import and install Solar Home Systems in the off grid area. During the year 2017, we have provided BDT 30.03 million loan for setting up of Solar Home Systems in different rural off grid areas from Jan-Dec, 2017. This electrification program has benefited around 650 households.

REDUCING CARBON FOOTPRINT & WATER USAGE

As part of our commitment for our Green Economy we have refinance in Solar Energy, Bio- Gas, and Effluent Treatment Plant & Hybrid Hoffman Kiln (HHK).

During 2017, SIBL provided Tk. 66.24 million to New Generation Clay Bricks which envisages of setting of a modern, environment friendly & energy efficient Brick Manufacturing project utilizing Hybrid Hoffmann Kiln Technology with a capacity of 120,000 pieces auto bricks per day.

INTEGRATED REPORTING

SOCIAL ISLAMI BANK LIMITED AIMS TO CLEARLY AND CONCISELY TELL THE STORY OF THE SIBL, HOW IT CREATES VALUE, ITS STRATEGY, OPPORTUNITIES AND RISKS, ITS BUSINESS MODEL AND GOVERNANCE, AND THE PERFORMANCE AGAINST ITS STRATEGIC OBJECTIVES IN A WAY THAT GIVES STAKEHOLDERS A HOLISTIC VIEW OF THE COMPANY AND ITS FUTURE.”

Integrated reporting aims to give a holistic view of the organization by putting all the information related to Our Vision, Mission, Commitments, Strategic Objectives. It also includes SIBL Brand Values, Code of Conducts and ethical principles.

SIBL offers clear, comprehensible and correct information to its customers within the principle of reciprocal trust during services and transactions; and provide the customer services in a timely and complete manner. The bank always shows due diligence to support all kinds of social and cultural activities in the light of the principle of observing, aside from the profitability, the social benefit and respect environment.

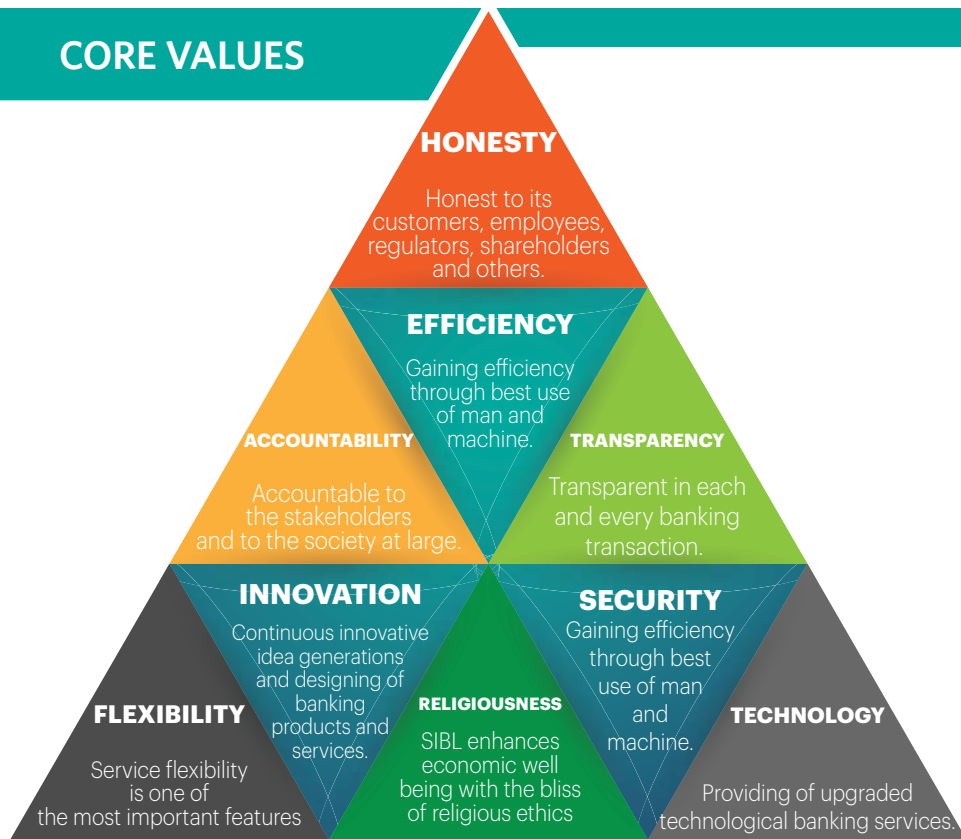
SIBL runs with a vision to minimize the poverty level in Bangladesh. In this regard, the inherent concept and credence of “Working together for a Caring Society” is always held high. To carry forward this commitment, the personnel of SIBL are imbued with the highest degree of enthusiasm, zeal and vigor to serve the society.

Mission of the bank are comprehended of-

- Establishing three sector banking model
- Transformation to a service oriented technology driven profit-earning bank.
- Fast, accurate and satisfactory customer service.
- Balanced & sustainable growth strategy.
- Optimum return on shareholders' equity.
- Introducing innovation islamic banking products.
- Attract and retain high quality human resources.
- Empowering real poor families and creating local income opportunities.
- Providing support for social benefit organizations by way of mobilizing funds and social services.

SIBL is committed to shariah, regulators, shareholders, nation, customers, employees, other stakeholder and environment.

CORE VALUES



OUR STRATEGIC OBJECTIVES

Transformation into a service-oriented technology-driven profit earning bank.
Ensure fast, accurate and best-in-class customer services with customers' satisfaction.
Balanced and sustainable growth strategy. Optimum return on shareholders' equity.
Introducing innovative Islamic Banking Products.
Attract, motivate and retain high quality human resources.
Empowering real poor families and create local income opportunities.
Providing support for social benefit organizations-by way of mobilizing funds and social services
To achieve global standards in Islamic Banking
To invest in the priority sector for the overall economic development
Ensure best CSR (Corporate Social Responsibilities) practices
Ensure Green Banking



SUSTAINABLE HR DEVELOPMENT

“HUMAN RESOURCE IS THE CORNER STONE FOR ACCELERATED AND SUSTAINED DEVELOPMENT OF ANY ORGANIZATION. THE BANK RECOGNIZES THE IMPORTANCE OF SKILLED HUMAN RESOURCES FOR OVERALL GROWTH OF THE BANK. THE MERITORIOUS AND TALENTED HUMAN RESOURCES TEAM IS THE KEY FOR CONTINUOUS DEVELOPMENT OF THE ORGANIZATION. SUPERIOR HUMAN RESOURCES ARE AN IMPORTANT SOURCE OF COMPETITIVE ADVANTAGE. TO ATTRACT TALENTED HUMAN RESOURCES TEAM AND TO CREATE BRAND IMAGE BANK HAVE FORMULATING AND EXECUTING HR SYSTEMS—HR POLICIES AND ACTIVITIES—THAT PRODUCE THE EMPLOYEE COMPETENCIES AND BEHAVIORS WHICH THE BANK NEEDS TO ACHIEVE. THE BANK HAS BEEN TRYING TO ENSURE MAXIMUM OUTPUT WITH MINIMUM RESOURCES. SO QUALITY MANPOWER WITH GOOD ACADEMIC BACKGROUND IS BEING RECRUITED IN ALL LEVELS OF THE BANK EVERY YEAR FOR RENDERING QUALITY SERVICES TO ITS CUSTOMERS.”

HUMAN RESOURCE ACCOUNTING

Human resource accounting is the process of identifying and reporting the Investments made in the Human Resources of an organization that are presently not accounted for in the conventional accounting practices.

Social Islami Bank Limited formally does not practice Human Resources Accounting but regularly works out and looks into some important areas for mathematical and co-relational understanding on the main business factors. Given below is the considerable index to the management on which human related decisions are taken:

Description	2017	2016	2015	2014	2013
Total number of employee	2599	2363	2130	1922	1802
Total number of Branches	138	125	111	100	94
Employee per branch (nos)	19	19	19	19	19
Deposit per employee (million Tk)	88.03	80.64	65.70	64.76	56.52
Investment per employee (millionTk)	80.82	73.72	61.36	56.11	47.65
Operating profit per employee (million Tk)	2.37	2.41	2.28	2.10	1.62
Salaries & Allowances per employee(millionTk)	1.12	1.03	1.03	0.87	0.83
Salaries & Allowances as percentage of Operating profit	47.02%	42.82%	45.61%	41.27%	51.47%

EMPLOYEE BENEFITS

Social Islami Bank Limited is very keen to establish and retain a very congenial working atmosphere. The bank has a competitive & unique pay structure for its employees and always keep track on the necessity of revision on the passage of time that matches with the living standards of the employees in one hand and competitive with other banks on the other hand.

At present, SIBL is offering three types of long term employee benefits of which Provident Fund and Gratuity Fund is approved by the Revenue Board and are funded liability for the bank. Sufficient provisions have been provided in the financial statements of the bank for these

two employee benefit funds as per International Accounting Standard 19 Accounting for Employee Benefit. Apart from these two, another welfare fund called "SIBL Employees' Superannuation Fund" has been maintaining solely for the purpose of welfare of the employees of the bank and also approved by NBR. All these funds are governed and maintained by separate trustee board and funds are investing in very safe mode. The nature of the Provident fund is 10% contributory from the both side of the employee and employer. The eligibility of such Provident fund is 5 years whereas the eligibility of the gratuity fund to the employee is equivalent to 1 basic pay for 5 years services & equivalent to 2 basic pay for 7 years services.

Given below is the position of the employee's benefit funds:

Particulars	2017	2016	2015
Social Islami Bank Profit Dependent Employee's Provident Fund	1,389.98	962.69	819.17
Social Islami Bank Employee's Gratuity Fund	781.77	447.14	364.57
SIBL employees' Superannuation Fund	133.20	90.14	74.19
Total	2,304.95	1,499.97	1,257.93

SIBL is an employee welfare-oriented organization. For this reason, the management of the Bank always tries to sort out all possible ways it deems beneficial to promote its employees' professional skill and efficiency. It is observed that the employees who were trained, render good performance. Social Islam Bank Training Institute always conduct foundation training courses for the fresh Officers and Training, workshops and Seminar on different contemporary issues related to banking industries where different Officers and executives have participated.

TRAINING CONDUCTED BY SOCIAL ISLAMI BANK TRAINING INSTITUTE FROM 1ST JANUARY, 2017 TO 31ST DECEMBER, 2017

SI No.	Title	Number	Total Participants
1	Sanction, Documentation & Disbursement of Investment	2	78
2	Foundation Course in Banking	6	240
3	Operational Procedure of Family Empowerment Islamic Microfinance Program (FEIMP) in core Banking Solution (ABABIL) of Bank	2	100
4	Refresher's Course in Banking for Mid-Level Officers	2	94
5	Islamic Banking Operations	3	115
6	Foreign Trade & Foreign Exchange	1	36
	Total	16	663

WORKSHOP CONDUCTED BY SOCIAL ISLAMI BANK TRAINING INSTITUTE FROM 1ST JANUARY, 2017 TO 31ST DECEMBER, 2017

SI No.	Title	Number	Total Participants
1	Finalization of Payment Confirmation in Pre-Registration System in Hajj-2017	1	50
2	IT Security & Fraud Prevention in Bank	3	120
3	Sustainable Banking	1	70
4	Bank Notes & its Security Features	1	58
5	AML & CFT with reference to trade based Money Laundering	4	212
6	Wage earners remittance Utilization at Branch level	6	282
7	Recovery of Classified & Written Investment	2	83
8	Business Development Conference for Unit In-Charge & Office of Agent Banking Outlets under Naayanganj, Mankganj, Narshingdi, Netrokona, Sunamganj, Kishoreganj, Mymensingh, Faridpur and Shariatpur	1	18
9	Integrated Supervision System (ISS) Reporting	1	40
10	National Integrity Strategy	3	106
11	Operational Procedure of Family Empowerment Islamic Microfinance Program (FEIMP) and its application in core Banking.	1	50
12	Investment Classification, Provisioning, CIB Reporting, CDLC and other Reporting related to Investment	1	62
13	Reporting through Online Foreign Exchange Transaction Monitoring System of Bangladesh Bank	1	33
14	Ababil BACPS Clearing Software for BACH in place of existing Software	4	195
Total		30	1379

Management of the bank has emphasized and specially focused on the development of employees and to bring out the persons' insider instinct into light, SIBL Training Institute (SIBL TI) has restructured aiming to create leaders.

SIBL is sincere to address its employee's health problem. The bank has appointed one full time doctor for the employees of Head Office and Dhaka city branches. SIBL placed First Aid Box in its premises to provide instant medical facility for all employees as and when needed. We have help desk, who are always besides to their ailing colleagues and their family members for proving all kinds of supports including pecuniary facility under SIBL Employees' Superannuation Fund and CSR.

In order to evaluate the level of efficiency, improve the healthy competition among the employees and in a way to generate motivation for the employees, Employees' Performance Evaluation and Key Performance Indicator (KPI) have been introduced from time to time. Upon the evaluation, the employees are motivated and awarded with promotion, accelerated promotion and other benefits. In addition to that, various types of drives are taken to keep and upgrade the standard of the Bank.

DEMOGRAPHIC DISTRIBUTION OF MANPOWER OF SIBL

SIBL always distribute manpower professionally. Here is the distribution of Gender breakdown by age group for permanent employees & Gender diversity among permanent employees:

Demographic distribution of manpower of SIBL (Gender breakdown of permanent employees) Breakdown by age group and gender:

Age range	Gender	2017	2016	2015	2014	2013
< 30 years	Male	380	382	413	384	393
	Female	135	115	104	95	97
30-50 years	Male	1640	1464	1275	1142	1043
	Female	336	293	251	218	196
> 50 years	Male	101	103	84	81	71
	Female	07	6	3	2	2
Total		2599	2363	2130	1922	1802

Breakdown by Seniority and gender:

Employee Category	Gender	2017	2016	2015	2014	2013
Entry level	Male	1151	984	965	915	901
	Female	309	248	214	189	177
Mid level	Male	824	804	695	581	506
	Female	158	157	138	121	114
Senior Management	Male	146	161	112	111	100
	Female	11	9	6	5	4
Total		2599	2363	2130	1922	1802

শরী'আহ সুপারভাইজরী কমিটির বার্ষিক প্রতিবেদন-২০১৭

لَحْمَدُ لِلَّهِ الْقَائِلِ فِي مُحْكَمِ التَّنْزِيلِ : (وَاحِلَ اللّٰهُ الْبَيْعَ وَحَرَّمَ الرِّبَا) وَالصَّلَاةُ وَالسَّلَامُ عَلَى النَّبِيِّ الْأَمِينِ
الَّذِي قَالَ : (لَعَنَ اللّٰهُ أَكِلَ الرِّبَا وَمُؤْكِلَهُ وَكَاتِبَهُ وَشَاهِدِيَهُ ، وَقَالَ هُمْ سَوَاءٌ) وَعَلَى آلِهِ وَأَصْحَابِهِ أَجْمَعِينَ .
أَمَّا بَعْدُ :

ব্যাংকের শরী'আহ সুপারভাইজরী কমিটি ২০১৭ইং সালে বিভিন্ন সভায় মিলিত হয়ে পরিচালনা পর্ষদ ও ব্যবস্থাপনা কর্তৃপক্ষের প্রেরিত বিষয়াদি ও ব্যাংকের সার্বিক কার্যক্রম পর্যালোচনাপূর্বক শরী'আহ বিষয়ক মতামত ও সিদ্ধান্ত প্রদান করে। ২০১৭ইং সালের বার্ষিক পরিকল্পনার আলোকে ব্যাংকের ১১৮টি শাখায় মুরাকীবিদের মাধ্যমে শরী'আহ অডিট এড ইন্সপেকশন সম্পন্ন করা হয়েছে, আল-হামদু-লিল্লাহ। শরী'আহ অডিট এড ইন্সপেকশন রিপোর্ট পর্যালোচনা করে ব্যাংকের ব্যবস্থাপনা কর্তৃপক্ষকে প্রয়োজনীয় দিক নির্দেশনা প্রদান করা হয়েছে। শরী'আহ সুপারভাইজরী কমিটির পরামর্শের প্রেক্ষিতে ব্যবস্থাপনা কর্তৃপক্ষ ব্যাংকে কর্মরত কর্মকর্তাদের শরী'আহ পরিপালনের কমিটিফেট ও আন্তরিকতা বৃদ্ধির লক্ষ্যে স্পেশাল ওয়ার্কশপ ও ট্রেনিং প্রদান করেছে, যার ফলস্রুতিতে ব্যাংকিং কার্যক্রমে শরী'আহ সংক্রান্ত অনিয়ম অনেকাংশে কমেছে। উল্লেখ্য, শরী'আহ সুপারভাইজরী কমিটির দায়িত্ব হলো ব্যাংকের সামগ্রিক কার্যাবলী পর্যবেক্ষণ ও মূল্যায়ন করে তার ভিত্তিতে শরয়ী' মতামত এবং প্রয়োজনীয় দিক নির্দেশনা প্রদান করা। অপরদিকে ব্যাংকের দৈনন্দিন যাবতীয় কার্যক্রমে ইসলামী শরী'আহ পরিপালন নিশ্চিত করা ব্যাংকের ব্যবস্থাপনা কর্তৃপক্ষের দায়িত্ব।

ব্যাংকের ২০১৭ইং সালের শরী'আহ অডিট এড ইন্সপেকশন রিপোর্ট এবং আর্থিক প্রতিবেদন তথা ব্যালান্স শীট, লাভ-ক্ষতি হিসাব ও অন্যান্য আয়-ব্যয় হিসাব (নিরীক্ষিত) পর্যালোচনাপূর্বক শরী'আহ সুপারভাইজরী কমিটি নিম্নরূপ অভিমত ও পরামর্শ প্রদান করছে:

অভিমতঃ

- ব্যবস্থাপনা কর্তৃপক্ষ কর্তৃক পেশকৃত রিপোর্টে প্রতীয়মান হয়েছে যে, মুদারাবা ডিপোজিটের বিপরীতে যে মুনাফা বর্টন করা হয়েছে, তা ইসলামী শরী'আহর মুদারাবা নীতিমালা ও সাহিবুল মাল তথা ডিপোজিটরদের সাথে ব্যাংকের চুক্তি অনুযায়ী করা হয়েছে।
- সোস্যাল ইসলামী ব্যাংক লিমিটেড এর আলোচ্য বছরের বিনিয়োগের ক্ষেত্রে সম্পাদিত চুক্তিপত্রসমূহ ইসলামী শরী'আহ অনুযায়ী সম্পন্ন করেছে বলে প্রতীয়মান হয়েছে।
- ব্যাংকের যাকাতযোগ্য সম্পদের ওপর প্রদেয় যাকাতের হিসাব ইসলামী শরী'আহর নির্ধারিত বিধি-বিধান অনুযায়ী সম্পাদন করা হয়েছে। উল্লেখ্য, ডিপোজিটর ও শেয়ার হোল্ডারদের হিসাব থেকে ব্যাংক যাকাত বাবদ কোন অর্থ কর্তন করে না। ডিপোজিট ও শেয়ারের বিপরীতে যাকাত প্রদান করা যথাক্রমে ডিপোজিটর ও শেয়ার হোল্ডারদের স্ব-স্ব দায়িত্ব।
- ব্যাংকের শরী'আহ অডিট এড ইন্সপেকশন রিপোর্টে চিহ্নিত সন্দেহজনক আয় বণ্টনযোগ্য আয় থেকে পৃথক করা হয়েছে।
- নিম্ন আয়ের মানুষের জীবনযাত্রার মান উন্নয়নে গ্রামাঞ্চলের শাখাসমূহে চালুকৃত “পারিবারিক ক্ষমতায়নে ইসলামী মাইক্রো-ফিন্যান্স কর্মসূচী” নিঃসন্দেহে একটি প্রসংশনীয় উদ্যোগ বলে কমিটি মনে করে, যা দেশের আর্থ-সামাজিক উন্নয়নে ইতিবাচক ভূমিকা রাখবে।



ড. মোহাম্মদ গিয়াস উদ্দীন তালুকদার
সদস্য-সচিব
শরী'আহ সুপারভাইজরী কমিটি

পরামর্শঃ

- বাই' বা ক্রয়-বিক্রয় পদ্ধতির বিনিয়োগের ক্ষেত্রে ব্যাংক কর্তৃক সরাসরি পণ্য ক্রয়পূর্বক পণ্যের ওপর ব্যাংকের মালিকানা ও দখল নিশ্চিত করে গ্রাহকের নিকট হস্তান্তরে আরো সতর্কতা অবলম্বন করতে হবে। সরাসরি পণ্য ক্রয়ে একান্ত অপারগতার ক্ষেত্রে ব্যাংক তৃতীয়পক্ষ বা বিনিয়োগ গ্রাহকে ক্রয় প্রতিনিধি নিয়োগ করতে পারে, সেক্ষেত্রে ক্রয় প্রতিনিধি কর্তৃক ক্রয়কৃত পণ্যের ওপর ব্যাংকের মালিকানা ও দখল নিশ্চিতকরণে অধিক সতর্ক হওয়া।
- ব্যাংক ও গ্রাহকদের সামগ্রিক কল্যাণ ও যুগোপযোগী চাহিদা পূরণের লক্ষ্যে লাভ-লোকসানের অংশীদারিত্বমূলক মুদারাবা ও মুশারাকা বিনিয়োগ চালু করার কার্যকরী পদক্ষেপ গ্রহণ করা দরকার।
- ব্যাংকের সর্বস্তরের জনশক্তিকে ইসলামী ব্যাংকিং বিষয়ক জ্ঞানে সমৃদ্ধ করা, দক্ষ জনশক্তি তৈরি এবং সকলের মধ্যে তাকুওয়া ও জবাবদিহিতার অনুভূতি বৃদ্ধির লক্ষ্যে ইসলামী ব্যাংকিং ও শরী'আহ বিষয়ে নিয়মিত প্রশিক্ষণ আরো বৃদ্ধি করা জরুরী।
- ইসলামী ব্যাংক ব্যবস্থার শ্রেষ্ঠত্ব ও কল্যাণকারিতা সম্পর্কে সর্বসাধারণকে অবহিত করা, বিশেষ করে ব্যাংকের সম্মানিত গ্রাহকদের মধ্যে শরী'আহ বিষয়ে সচেতনতা ও আন্তরিকতা সৃষ্টি করার লক্ষ্যে প্রধান কার্যালয়, জোন ও শাখা পর্যায়ে অধিক হারে গ্রাহক সমাবেশ, সেমিনার ও সিম্পোজিয়ামের আয়োজন করা দরকার।
- ‘মাকাসিদে শরী'আহ’ বা শরী'আহর উদ্দেশ্য ও লক্ষ্য বাস্তবায়নের লক্ষ্যে ব্যাংকের বিনিয়োগ খাতকে এমনভাবে বিন্যাস করতে হবে যাতে সমাজের মৌলিক চাহিদাগুলো অগ্রাধিকার ভিত্তিতে পূরণ হতে পারে।
- নিম্ন আয়ের মানুষের জীবনযাত্রার মান উন্নয়নে ব্যাংকের বিনিয়োগ খাতকে বহুমুখীকরণের লক্ষ্যে এসএমই ও কৃষি বিনিয়োগ এর পাশাপাশি বিদ্যমান “পারিবারিক ক্ষমতায়নে ইসলামী মাইক্রো-ফিন্যান্স কর্মসূচী” সকল শাখায় চালু করা।
- সিএসআর কার্যক্রমের আওতায় সোস্যাল ইসলামী ব্যাংক ফাউন্ডেশন এর অধীনে স্কুল, কলেজ, মাদ্রাসা ও মেডিকেল কলেজ প্রতিষ্ঠার মাধ্যমে অসম্পূর্ণ গরিব, মেধাবী, দুঃস্থ ও রোগগ্রস্তদের বিনামূল্যে বা কম খরচে শিক্ষা ও চিকিৎসা সেবা প্রদান এবং অসহায় ও বেকার মানুষদের কর্মসংস্থান সৃষ্টি করার কর্মসূচি প্রণয়ন ও বাস্তবায়ন করা প্রয়োজন বলে শরী'আহ সুপারভাইজরী কমিটি মনে করে।

আল্লাহ রাব্বুল আলামীন আমাদের জীবনের সর্বক্ষেত্রে ইসলামী শরী'আহ পরিপালনের মাধ্যমে তাঁর সন্তুষ্টি অর্জনে সচেষ্ট হওয়ার তাওফীক দান করুন।
আমীন।



প্রফেসর ড. আবু রেজা মুহাম্মদ নেজামুদ্দিন নন্দজী, এমপি
চেয়ারম্যান
শরী'আহ সুপারভাইজরী কমিটি