

TO EVERYONE'S



ANNUAL REPORT 2019





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DIRECTORS' REPORT





Dear respected Shareholders,

It is my great pleasure to welcome you all on behalf of the Board of Directors to the 25th 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 2019 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 2019 including Bangladesh economy.

GLOBAL ECONOMIC OUTLOOK

World Economy

According to IMF's World Economic Outlook April 2020, The COVID-19 pandemic is inflicting high and rising human costs worldwide. Protecting lives and allowing health care systems to cope have required isolation, lockdowns, and widespread closures to slow the spread of the virus. The health crisis is therefore having a severe impact on economic activity. As a result of the pandemic, the global economy is projected to contract sharply by 3 percent in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support. There is extreme uncertainty around the global growth forecast. The economic fallout depends on factors that interact in ways that are hard to predict, including the pathway of the pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioral changes (such as people avoiding shopping malls and public transportation), confidence effects, and volatile commodity prices. Many countries face a multi-layered crisis comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals, and a collapse in commodity prices. Risks of a worse outcome predominate.

Global growth is forecast at 3.0 percent for 2019, its lowest level since 2008–09 and a 0.3 percentage point downgrade from the April 2019 World Economic Outlook. Growth is projected to pick up to 3.4 percent in 2020 (a 0.2 percentage point downward revision compared with April), reflecting primarily a projected improvement in economic performance in a number of emerging markets in Latin America, the Middle East, and emerging and developing Europe that are under macroeconomic strain. Yet, with uncertainty about prospects for several of these countries, a projected slowdown in China and the United States, and prominent downside risks, a much more subdued pace of global activity could well materialize. To forestall such an outcome, policies should decisively aim at defusing trade tensions, reinvigorating multilateral cooperation, and providing timely support to economic activity where needed. To

strengthen resilience, policymakers should address financial vulnerabilities that pose risks to growth in the medium term. Making growth more inclusive, which is essential for securing better economic prospects for all, should remain an overarching goal.

After a sharp slowdown during the last three quarters of 2018, global growth stabilized at a weak pace in the first half of 2019. Trade tensions, which had abated earlier in the year, have risen again sharply, resulting in significant tariff increases between the United States and China and hurting business sentiment and confidence globally. While financial market sentiment has been undermined by these developments, a shift toward increased monetary policy accommodation in the United States and many other advanced and emerging market economies has been a counterbalancing force. As a result, financial conditions remain generally accommodative and, in the case of advanced economies, more so than in the spring.

The world economy is projected to grow at 3.0 percent in 2019—a significant drop from 2017–18 for emerging market and developing economies as well as advanced economies—before recovering to 3.4 percent in 2020. A slightly higher growth rate is projected for 2021–24. This global growth pattern reflects a major downturn and projected recovery in a group of emerging market economies. By contrast, growth is expected to moderate into 2020 and beyond for a group of systemic economies comprising the United States, euro area, China, and Japan—which together account for close to half of global GDP.

The growth forecast is marked down by more than 6 percentage points relative to the October 2019 WEO and January 2020 WEO Update projections—an extraordinary revision over such a short period of time. Growth in the advanced economy group—where several economies are experiencing widespread outbreaks and deploying containment measures—is projected at –6.1 percent in 2020. Most economies in the group are forecast to contract this year, including the United States (–5.9 percent), Japan (–5.2 percent), the United Kingdom (–6.5 percent), Germany (–7.0 percent), France (–7.2 percent), Italy (–9.1 percent), and Spain (–8.0 percent). In parts of Europe, the outbreak has been as severe as in China's Hubei province. Although essential to contain the virus, lockdowns and restrictions on mobility are extracting a sizable toll on economic activity. Adverse confidence effects are likely to further weigh on economic prospects. The markets seem to face some hard times in 2020, largely due to the global

uncertainties and economic slowdown resulted from the ongoing COVID-19 pandemic. Since financial markets are inter-linked, this may pose substantial spillover risks for the emerging economies including Bangladesh.

BANGLADESH ECONOMIC REVIEW

Economic growth

Bangladesh sustained a well-paced GDP growth, ending up with 8.15 percent in FY19 on the back of strong domestic demand. Domestic demand, comprising of consumption and investment, increased by 11 percent, and export and remittance rose by 10.5 percent and 9.6 percent respectively in FY19. During the period, agriculture, industry and service sectors grew by 3.9 percent, 12.7 percent, and 6.8 percent respectively on an individual basis. The corresponding figures in FY18 were 4.2 percent, 12.1 percent, and 6.4 percent respectively. In terms of sector-wise performance, the contribution of service and industry sectors remained the key drivers of the Gross Value Added (GVA). Pertinently, the significant contribution of the industry sector in the GVA was mainly attributed to manufacturing, energy, and construction sub-sectors. Besides, it reveals that the real GDP growth of Bangladesh remained the highest among the peer countries.

The domestic macroeconomic situation was mostly stable. The credit-to-GDP gap narrowed further signifying no excessive credit growth and thus no apparent threat to the stability of the financial system emanating there from. At end-December-2019, though food inflation declined, the annual average inflation increased marginally due to rise in non-food inflation. Export and wage-earners' remittance also recorded a notable increase while import growth declined in FY19, helping to improve the country's current account balance as well as the balance of payments (BOP) situation moderately. Net FDI inflow maintained the uptrend, which reflects increasing confidence of foreign investors towards Bangladesh. Accordingly, gross foreign exchange reserves stood at a sizeable amount of USD 32.7 billion at end-December 2019. The reserve appeared to be adequate to cover short-term foreign debt with ease while majority of the country's external debt was long-term in nature and considered to be of low risk. Pertinently, external debt to GDP ratio of 20 percent in December 2019 seems to be low

both in comparison with major SAARC countries and international standard. Nevertheless, the economy may face some challenges due to implementation of mega projects, emergence of 4th industrial revolution globally and the country's graduation to middle income country. Moreover, the shattering effects of COVID-19 pandemic across the globe are likely to affect the domestic economy considerably in the coming days.

Savings and Investment

During FY2017-19, domestic savings increased to 23.93 percent of GDP, which was 22.83 percent in the previous year. Likewise, national savings as percent of GDP increased to 28.41 percent from 27.42 percent. Both public and private investment increased as percent of GDP in FY2018-19 from previous fiscal year. The total investment rose to 31.56 percent in FY2018-19, which was 31.23 percent of GDP in FY2017-18. Public sector and private sector investment increased to 8.17 percent and 23.40 percent of GDP respectively in FY2018-19; which were 7.97 percent and 23.26 percent of GDP respectively in preceding fiscal year.

Inflation

The annual average CPI inflation (base: FY06=100) in Bangladesh posted at 5.59 percent, increasing by 0.05 percentage point from 5.54 percent of end-CY18, largely attributed to rise in non-food inflation. During the period, the annual average food inflation declined to 5.56 percent from 6.21 percent of end-CY18 driven by a good harvest of boro-rice and waning in the prices of vegetables and fish. However, annual average non-food inflation rose to 5.64 percent at end-CY19 from 4.51 percent of end-CY18 largely due to strong domestic demand. When the monthly scenario is taken into account, food inflation recorded a slight decline in the second half of the year 2019 compared to the first half. The reverse was observed in the case of non-food inflation while general inflation remained mostly stable throughout the year. In sum, no stability risk was observed in CY19 from an inflationary point of view.

Policy Interest Rates

The weighted average lending rate of commercial banks was 9.77 percent at the end of February 2017, decreased to 9.55 percent at end of February 2018 and further decreased to 9.40 percent at the end of February 2019. On the other hand, the deposit rate was 5.08 percent at the end of February 2017 which

increased to 5.18 percent at the end of February 2018 and further increased to 5.34 percent at the end of February 2019. The interest rate spread decreased to 4.06 percent at the end of February 2019 from 4.37 percent of February 2018 as well.

Revenue Mobilisation

In FY2018-19, revised target for revenue receipt was set at Tk.3,16,599.00 crore (12.48% of GDP), of which tax revenue from NBR sources was marked at Tk.2,80,000.00 crore (11.04% of GDP), tax revenue from non-NBR sources at Tk.9,600.00 crore (0.38% of GDP) and non-tax revenue at Tk.27,000.00 crore (1.06% of GDP). Against these targets as per the provisional estimates of Integrated Budget and Accounting System (iBAS++), tax revenues received during the concerned year amounted to Tk.1,38,275.00 crore, up by 8.88 percent from the previous year. At the same time, the amount of non-tax revenue raised to Tk.17,861.00 crore, which is 20.15 percent more than the same period of last fiscal year. In the first eight months of the current fiscal (July-February 2019) total revenue receipt stood at Tk.1,56,136.00 crore, which is 49.32 percent of the revised target of total revenue receipt and 10.06 percent more than the same period in the preceding fiscal year. During July-February in FY2018-19, tax revenue receipts from NBR sources amounted to Tk1,33,371.00 crore which was 9.36 percent higher than the same period in previous year. Among the NBR sources of revenue, taxes on income and profit stood at 12.43 percent, Value Added Tax (VAT) at 15.29 percent, supplementary duties at 0.67 percent and import duties at (-)1.88 percent. During this period the tax revenues from Non-NBR sources decelerated to 3.3 percent amounting Tk.4,871 crore.

External Sector Developments

Country's export earnings stood at US\$30,903 million during July-March of FY2018-19, which is 12.57 percent higher than the export earnings in the same period of FY2017-18. Significant contribution of ready-made garments and knitwear made for the country's total export earnings continued during FY2018-19. Export earnings from petroleum products, agricultural product and chemical products, handicraft products, ready-made garments and knitwear have increased over the same period of last fiscal year. On the other hand, export earnings from jute goods, raw jute, and leather have decreased during the same period. USA is the main destination of our export. In FY2018-19, USA secured the top position in respect of importing commodities from Bangladesh. Export earnings from USA stood at US\$4,593.72 million in FY2017-18 (July-

February), which is 16.67 percent of country's total export earnings. The major commodities exported to USA are woven garments, knitwear, home textile, cap, frozen food etc. The other major destinations of our exports are Germany, UK and France.

Country's total import payments (c&f) stood at US\$40,895 million in FY2018-19 (July-February), which is 5.63 percent higher than the import payments of the same period of the preceding year. China secured the first position for our import up to February 2019. During this period 29.43 percent of the total imported commodities came from China. India (13.49%) was the second largest source of import while Singapore (3.62%) held the third position.

Capital Market Developments

The capital market in Bangladesh was bearish in CY19 as has been evident from movements in major market indicators like index value, market capitalization, daily average turnover, number of companies that declared dividends, and foreign portfolio investment in the Dhaka Stock Exchange (DSE), the prime bourse in Bangladesh. The DSE Broad Index (DSEX) decreased by 17.3 percent in 2019. Likewise, the market capitalization of DSE declined by 12.3 percent. The turnover velocity ratio also decreased to 33.5 percent in 2019, from 34.4 percent in 2018. Though dividend yield has improved considerably, the number of companies that did not declare dividends has increased. Further, the net foreign portfolio investment became negative. Low confidence of the investors in the market might have been a key reason behind this bearish development of the stock market in 2019.

DSEX stood at 4452.9 in end-December 2019 from 5385.6 in end-December 2018; and thereby, lost 932.7 index points during this year. The market capitalization of DSE also decreased gradually throughout the review year and reached to BDT 3,395.5 billion at the end of 2019 from BDT 3,872.9 billion at the end of 2018. The falling index coupled with the decreased market capitalization indicates the bearish capital market during the review year. The DSEX Index which reveals the investors' sentiments and behaviors from the different patterns of the opening index, highest index, lowest index and closing index. Lower market confidence of the investors is reflected in the consecutive second long red candle since CY18. Notably, the difference between the highest and lowest index was highest in 2019 since the starting year of the DSEX index (2013) and the yearly closing index was the lowest in the last five years.

Total market capitalization as a percentage of GDP is a vital indicator that indicates the extent of deepening of a country's stock market. Chart 6.9 shows that the market capitalization-to-GDP ratio is gradually falling and plunged at 14.1 percent in 2019. The divergence in the growth direction of market capitalization and the GDP is the reason behind this scenario. The declining ratio also refers to the diminishing contribution of the stock market towards the economic growth in Bangladesh. More high-quality stocks should be promoted and listed to provide additional depth into this market so that it could not only facilitate the long-term financing demand but also ensure a strong footing for the financial stability of Bangladesh.

Traded turnover to market capitalization, also known as turnover velocity ratio, is an indication of liquidity available in the stock market. Higher the turnover velocity ratio, the more the liquidity available for the investors. The turnover velocity ratio slightly decreased to 33.5 percent in 2019 from 34.4 percent in 2018 which implies that liquidity got further tighter in 2019. Consequently, cost and price volatility were adversely impacted. The daily average turnover decreased to BDT 4.8 billion in 2019 from BDT 5.5 billion in 2018; reflecting a slight diminution in liquidity in the market. Turnover to market capitalization ratio in chart 6.12 exhibits that market liquidity was gradually deteriorating from January to April and remained low thereafter throughout the review year. The highest and the lowest value of the turnover to market capitalization ratio in 2019 was 0.29 percent and 0.07 percent respectively.

Money and Credit Market Developments

Bangladesh Bank (BB) issued 7-days BB bills worth BDT 4.75 billion in 2019. Notably, bills with maturities of 07, 14 and 30-days amounting a total of BDT 4,573.18 billion were issued in 2018.⁷⁶ The government issued treasury bills (T-bills) with different maturities worth BDT 1036.57 billion in 2019 for better matching of the public financing, which was 94.77 percent higher than that of the previous year. T-bills with maturities of 14, 91, 182, and 364 days' worth BDT 143.98 billion, BDT 432.69 billion, BDT 218.18 billion and BDT 241.71 billion respectively were issued in 2019. A decline in sales of the National Savings Certificate (NSC), due largely to stringent regulations, might be a possible reason for such rapid growth in T-bills issuance. A small amount of BB bills was issued during the CY19. The issuance of T-bills was increased mostly from June, it was at the highest level in July, finally waved in increasing trend in the last quarter of CY19.

The volume of interbank repo transactions in 2019 was BDT 4349.18 billion which was 183 percent higher than the amount of BDT 1537.80 billion in 2018. Moreover, the interbank repo rate showed moderate fluctuation throughout the year and reached to 4.28 percent in December 2019. The rate was 5.2 percent in December 2018. In terms of total transaction volume, the call money borrowing was BDT 845.65 billion in 2019 which was 2.4 percent higher than that of 2018 (BDT 826.2 billion). The contribution of the banks stood at BDT 703.70 billion from BDT 664.7 billion of 2018, recording an increase of 5.9 percent. The increased demand for the fund in 2019 can be attributed to a number of factors.

In CY19, the private sector credit growth edged down considerably, while the growth in the public sector⁴ was prominent. The public sector credit rose by 54.3 percent as opposed to 9.8 percent growth recorded in private sector credit. The ratio of private sector credit to public sector credit came down to 5.6 in 2019 from 7.9 in 2018. A slowdown in the revenue collection and a fall in the sale of national saving certificates may have prompted the government to take increased credit support from the domestic banking system. On the other hand, the slowdown in private investment as indicated by reduced import, especially of capital machinery and major intermediate goods of the apparel sector, explained much of the reason for sluggish demand of credit by the private sector. On the supply-side, the higher perceived risk among banks might have discouraged banks to expand credit to the private sector.

The credit-to-GDP gap has been estimated using the Hodrick-Prescott filter approach following the guidance of the Basel Committee on Banking Supervision (BCBS). The estimated credit-to-GDP gap data implies that there had been no significant excessive credit growth in the financial system of Bangladesh during the period of FY1980-2018⁶. In most of the estimation period, the credit-to-GDP gap remained well below 5 percent except the period of FY2010-2011 when it crossed the level of 5 percentage points. Moreover, compared to FY17, the credit-to-GDP gap narrowed further in FY18, signifying no apparent sign of stability threat to the financial system stability emanating from domestic credit flow to the private sector.

Sustainable Finance

As per Sustainable Finance Department of Bangladesh Bank circular no.01/2019, all the investment of banks and FIs in impact fund registered under Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015 and has been established for Specific sectors/purposes such as resource efficiency, air emission and quality efficiency, resource recycling, waste management, renewable energy, land contamination prevention/mitigation, energy efficiency, land acquisition etc will get the treatment of Green Finance. To overcome the effect of the flood and dengue fever, Bangladesh Bank has instructed banks and financial institutions to provide necessary assistance (financial & non-financial) to the flood and dengue affected people under their corporate social responsibility (CSR) program.

Green banking is a genre of banking practices which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources. It is also called as ethical banking or sustainable banking. The banking sector is one of the major sources of financing industrial projects such as steel, paper, cement, chemicals, fertilizers, power, textiles, etc., which cause maximum carbon emission. Therefore, the banking sector can play an intermediary role between economic & social development and environmental protection, for promoting environmentally sustainable and socially responsible investment. Green banking refers to the banking business conducted in such areas and in such a manner that help the overall reduction of external carbon emission and internal carbon footprint.

‘Go-green’ approach in banking sector has basically two forms. Firstly, through adoption of environmental and social responsibility in bank’s day to day operations like wise use of paper, energy conservation etc. and secondly, by including sustainability in to banks’ products and strategies like green lending, etc. Bangladesh Bank (BB) has set examples for others by pioneering green banking initiatives by guiding proactively the banks and NBFIs since 2011. In such aspect, green banking initiatives of BB broadly categorized into the following aspects: policy initiatives, monitoring of green banking activities of banks and NBFIs, refinance support from BB in diverse green products/ sectors, and BB’s own initiatives for environmental management.

To broaden the financing avenue for green products like solar energy, bio-gas plant and effluent treatment plant, etc., BB established a revolving refinance

scheme amounting to Taka 2 billion (200 crore) from its own fund for solar energy, Bio-gas and Effluent Treatment Plant (ETP) in 2009. The product line has been enhanced to 51 under 08 categories. Since inception, total amount of Tk. 4,149.10 million has been disbursed as refinance facility from the fund till September 30, 2019. The facility is extended to the participating Banks and Financial Institutions (PFIs)³, those who have signed agreement with Bangladesh Bank to avail the fund.

NBR Tax Revenue

Tax is the principal source of government revenue. The rest of the revenue comes from non-tax sources like fees, charges, tolls etc. The tax-GDP ratio is one of the recognized criteria for judging the level of development of a country. In FY2010-11, revenue-GDP ratio was 10.39 percent, which rose to 11.66 percent in FY2013-14. But there was decreasing trends from FY2014-15 to FY2016-17. Again increasing trends is shown from FY2017-18 and rose to 12.48 percent in FY2018-19. The lion share (more than 90 percent) of revenue comes from tax revenue which consists of mainly two types of tax such as direct tax and indirect tax. Rest of the revenue is collected from different non-tax sources.

REVIEW OF BANGLADESH BANKING SECTOR

The banking system in Bangladesh appeared to be mostly resilient in 2019. A modest asset growth, primarily supported by considerable growth in deposit, was observed during the review year. The deposit growth, aided by accelerated remittance inflow and various other policy initiatives, outpaced loan growth, which eased the liquidity scenario and provided the required stability to the banking sector’s deposit base. The asset quality of the banking sector improved during the latter part of CY19 primarily due to the restructuring of loans under a new policy aimed at reducing debt servicing burden of good borrowers. Despite the recent improvement, the proper monitoring of rescheduled loans amid the COVID-19 pandemic remains a critical challenge for the banking industry. The banking sector also demonstrated a moderate increase in net profit after taxes during the review year. Both capital to risk-weighted assets ratio (CRAR) and Tier-1 capital ratio of the banking industry increased in CY19. However, though the CRAR was still inadequate to totally cover

the Capital Conservation Buffer (CCB) requirement, it remained well above the regulatory minimum requirement. The banking industry also maintained Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) well above the regulatory benchmarks. In CY20, most of the banking sector indicators might be affected due to the impact of COVID-19 pandemic. However, the bulk amount of government's stimulus credit package augmented by Central bank's refinancing schemes should help the banking sector in combating the COVID-19 pandemic.

The banking sector assets reached BDT 16,288.7 billion in CY19, registering a moderate growth of 11.8 percent from that of CY18. Indeed, the asset growth showed uptrend in CY19, after recording a steady deceleration in recent years. The primary reason for this growth can be attributed to elevated deposit growth. Among the different banking clusters, PCBs and SDBs had higher asset growth compared to CY18 while the rate of growth slowed down in SCBs and FCBs. Since PCBs accounted for major portion of the banking sector assets (67.8 percent in CY19), the higher growth in PCBs (13.2 percent in CY19 compared to 11.5 percent in CY18) boosted the growth of industry asset at a faster rate than that of CY18.

Considering the asset structure in CY19, loans and advances constituted the highest share of banking sector assets followed by investment. Loans and advances accounted for 66.5 percent (same in CY18) of total assets while investment constituted 15.4 percent (13.4 percent in CY18) and it shows that growth of loans and advances moderated in CY19. Following high double-digit growths in recent years, loans and advances grew by a moderate 11.9 percent in CY19 (14.1 percent in CY18). Demand-side constraints from the higher rate on lending, lower import-based loan demand due to lower private sector investment, prevailing higher ADR in many PCBs and the need to adjust the imbalance between deposit and loan growth in recent years, among others, might have slowed down the loan growth in CY19. Nevertheless, steps have been taken to rationalize the lending rate which might boost up loan growth in near future. Though loans and advances remained the dominant asset type, the banking industry increased its exposure to investment in Government and other securities, which registered an extensive growth of 28.1 percent in CY19 (2.0 percent in CY18). Particularly, investment in Government securities increased by around 44.3 percent compared to the previous year. The Government's higher reliance on

bank-based budget financing, safety and security offered by the instruments along with rising yield in the Government securities might have induced banks to invest heavily in these instruments. However, if these investments continue to soar in the future, there might be a possibility of crowding out of credit for the private sector. Banks should aim to increase their deposit base so that such a situation does not materialize.

The gross nonperforming loan (NPL) ratio in the banking sector showed an upward trend during the earlier quarters of CY19 followed by a considerable improvement in December quarter. The ratio reached 9.3 percent in CY19 from 10.3 percent in CY18. The amount of gross NPL increased by BDT 4.2 billion to reach BDT 943.3 billion in CY19. High cost of debt servicing, and moral hazard problem of some borrowers anticipating potential benefits from the expected special loan restructuring policy could have been some of the key reasons behind the elevated NPLs till September 2019. However, the significant decline in NPL ratio in December quarter could partially be attributed to stringent supervision by BB, improved monitoring from banks, and restructuring of loans under a new policy aimed at reducing debt servicing burden of good borrowers. Despite the recent improvement, the proper monitoring of rescheduled loans amid the COVID-19 pandemic will be a critical challenge for the banking industry. The expected sluggish business condition due to the Corona virus outbreak could severely affect the debt-servicing capacity of the borrowers and future non-performance of the rescheduled as well as regular loans could increase the industry NPL. BB has already extended necessary policy supports to help the borrowers/banks and minimize the impact of the ongoing virus outbreak.

Deposits constituted the largest share of funds in the banking sector. At end-December 2019, total deposits increased by 11.3 percent (10.5 percent in CY18). However, after netting off interbank deposit, deposit growth stood at 12.4 percent. This non-interbank deposit growth picked up in CY19 after a continuous deceleration since CY15. Policy supports for remittance inflow, rationalization of yield on National Savings Certificates (NSCs), decline in NSC sale, channelizing investment in NSCs through banking channel and reduction in service charges on deposit products, among others, were some of the key reasons behind the rise in deposits. Higher deposit growth supported a higher asset growth and also provided banks with enough cushion to manage

their liquidity. The deposit growth in the banking sector, however, might decline in near future due to the impact of COVID-19 outbreak. This might happen because weaker economic activities accompanied by lower demand for labor force in remittance originating countries might induce slowdown in foreign remittance inflow and demand for holding excess cash may also increase due to uncertainty associated with the pandemic. However, both BB and government have declared a bulk amount of stimulus credit package to maintain current growth momentum and also to boost up liquidity in the banking system, which should help the banks to overcome the difficulties caused by COVID-19 pandemic.

Banking sector's operating profit increased to BDT 284.5 billion in CY19 from BDT 266.4 billion in CY18, recording an increase of 6.8 percent. Net profit increased by 87.6 percent from BDT 40.4 billion in CY18 to BDT 75.8 billion in CY19. It is noteworthy that the total maintained provisions decreased to BDT 114.8 billion in CY19 compared to BDT 146.2 billion in CY18, registering a decrease of 21.5 percent during the review year. The rise in net profit during CY19 could be attributed to lower provision requirements due to rescheduling and restructuring of non-performing loans.

Return on Asset (ROA) increased to 0.5 percent at end-December 2019 from 0.3 percent at end-December 2018. In addition to that, the return on equity (ROE) increased by 3.0 percentage points and reached to 7.4 percent in CY19 from 4.4 percent in CY18. In the review year, ROA of 20 banks increased, the position of 19 banks remained unchanged while the same of 18 banks declined. Similarly, ROE of 27 banks increased, the position of 9 banks registered no change and 21 banks' ROE declined slightly. Notably, 93.1 percent of the banks had ROA of up to 2 percent and 51.7 percent of the banks had ROE higher than 10 percent. Total interest income and interest expense increased by 15.2 and 17.7 percent respectively in CY19 from those of CY18. On the other hand, non-interest income increased by 7.4 percent in the review year, compared to the preceding year, indicating rising investment income due to higher yields on the government securities.

The weighted average interest rate spread for the banks decreased from 4.2 percent in December 2018 to 4.0 percent in December 2019. However, the weighted average lending rate increased from 9.5 percent in December 2018 to 9.7 percent in December 2019. The weighted average deposit

rate also recorded an increase from 5.3 percent to 5.7 percent during the same period. The weighted average interest rate spread of the banking sector was hovering around 4.0 percent throughout the CY19. Spreads of SCBs and SDBs were well below 3.0 percent and they were compliant in bringing down lending rate within 9 percent during the review year, while the spread of PCBs remained just over 4.0 percent. On the other hand, for FCBs, the spread continued to remain higher than other bank clusters as they were extending consumer finance and credit card operation with an interest rate higher than the market rates.

Both capital to risk-weighted assets ratio (CRAR) and Tier-1 capital ratio of the banking industry increased at end-December 2019 over the previous period largely due to improved capital position of SCBs and PCBs. Specially, reduction in provision requirement and some recovery made against defaulted loan led to the increased capital base of SCBs and PCBs. CRAR of the banking industry stood at 11.6 percent at end-December 2019, which was 10.5 percent at end-December 2018. It was well above the minimum regulatory requirement of 10.0 percent in line with the Basel III capital framework issued by Bangladesh Bank in December 2014. The rising CRAR provides further resilience to banking sector of the country to withstand any endogenous or exogenous shock. Out of 58 scheduled banks, 48 banks maintained a CRAR of 10.0 percent or higher as of end-December 2019. Though the number of CRAR compliant banks remained the same as of end-December 2018, the aggregate asset share of the CRAR compliant banks decreased marginally from 73.2 percent to 73.0 percent at end-December 2019.

In line with the Basel III framework, banks are required to maintain a Capital Conservation Buffer (CCB) above the regulatory MCR of 10.0 percent. Against the CCB requirement of 2.5 percent for CY19, the banking industry maintained a CCB of 1.6 percent as of end-December 2019. It was 0.5 percent at end-December 2018 against the regulatory requirement of 1.875 percent for CY18. During the review period, 38 out of 58 banks were able to maintain the minimum required CCB. PCBs and FCBs maintained CCB above the minimum requirement as of end-December 2019. PCBs' CCB increased at end-December 2019 while FCBs' CCB recorded a decrease. SCBs and SDBs could not maintain CCB as they even failed to meet MCR of 10.0 percent. However, it is a good sign that one SCB was able to maintain the CCB requirement at the end of the review year.

The banking sector maintained a leverage ratio well above the regulatory minimum requirement level led mainly by high leverage ratios of PCBs and FCBs. This indicates the financial strength of the banking sector to withstand probable systemic risks in future. However, over-leveraged position of SCBs in relation to their weak capital base remains a concern for financial stability. In order to restrict the build-up of excessive on- and off-balance sheet leverage in the banking system, the Basel III framework introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital framework. Against the regulatory minimum requirement of 3.0 percent, banking sector maintained a leverage ratio of 4.6 percent at end-December 2019, which is higher than 4.1 percent maintained at end-December 2018. FCBs maintained the highest leverage ratio of 13.1 percent followed by PCBs' 5.7 percent in the review year. SCBs' leverage ratio, though turned positive during the period, remained below the minimum requirement. Since SCBs accounted for substantial banking sector exposures, their weaker leverage ratio raises concern for financial stability. However, the number of non-compliant banks in terms of leverage ratio decreased in the review period.

In order to implement the Pillar 2 of Basel III framework, BB has been conducting supervisory review of scheduled banks' capital adequacy for covering all material risks through evaluating their Internal Capital Adequacy Assessment Process (ICAAP). Banks usually prepare ICAAP reports annually and submit the same to BB along with supplementary documents to be reviewed by BB. Under ICAAP, banks need to calculate capital charges against various risks, e.g. residual risk, concentration risk, liquidity risk, reputation risk, strategic risk, settlement risk, appraisal of core risk management practice, environmental and climate change risk and other material risks, which are generally not covered under pillar 1. Based on the findings of the ICAAP reports as of December 2018, the majority of the banks were found to maintain the capital charges required for Pillar 2 risks based on their banks' own estimation. It was observed that the estimated additional capital requirement for residual risk mainly due to error in documentation was the highest among the Pillar 2 risks. Besides, strategic risks and appraisal of core risk management practices were the other major concerns for banks. Building up additional capital against such major risks under Pillar 2 would help further strengthen the capital position of the banking sector and in turn, bolster financial stability.

The banking sector liquidity demonstrated a mixed trend in CY19 compared to the preceding year as evident from the movement in the advance-to-deposit ratio (ADR) and call money borrowing rate. The aggregate ADR of the banking industry slightly decreased to 77.3 percent at end-December 2019 from 77.6 percent at end-December 2018 as the growth of deposits (excluding interbank deposits) outpaced the growth of loans and advances during the review year. Accordingly, the ADR of the banking industry remained below the allowable limit set by BB.

Among the seven overseas bank branches, one SCB with its four branches has been operating in the United Arab Emirates (UAE). Another SCB with its two branches and one PCB with a single branch have been operating in India. These overseas branches are focusing mostly on facilitating businesses and wage-earners' remittances. They also collect deposits and provide lending along with other banking services e.g., funds transfer, buying or selling foreign exchange, investment in securities and ancillary services. The Exchange houses and other subsidiary companies are permitted by BB to serve the Bangladeshi migrant workers having account with any bank in Bangladesh to repatriate remittances. Moreover, these institutions are significantly contributing in providing trade benefits to Bangladeshi importers and exporters and also non-resident Bangladeshis (NRBs).

Monetary Policy

As on date of report, Monetary Policy Statement (MPS) Fiscal Year 2019-20 (for the second half of FY 2019) has been declared by Bangladesh Bank and the highlights of MPS are:

- The monetary policy pursued during FY2018-19 aimed at attaining expected economic growth and limiting inflation within tolerable level through emphasis on inclusive, investment and employment supportive and environment-friendly green initiatives. The monetary policy strategy for FY2018-19 was targeted to maintain an annual average inflation rate below 5.6 percent. To keep inflation within desired level the Monetary Policy Statement (MPS) for FY2018-19 set targets for broad money and reserve money growth at 12.0 percent and 7.0 percent respectively. However, at the end of February 2019, broad money and reserve money growth stood at 10.37 percent and 7.69 percent against 9.78 percent and 10.09 percent

increase in the same month of the previous fiscal year respectively. At the end of February 2019, the growth of internal debt and private sector credit growth stood at 13.74 percent and 12.54 percent, respectively, against 14.22 percent and 18.49 percent at the same time of the previous year respectively.

- The interest rate spread slid down to 4.06 percent at the end of February 2019 from 4.37 percent of February 2018 due to the continuous rise in deposit rate and the continuous reduction in lending rate. The volume of the broad money is increasing gradually in the ratio of GDP, which stood at 51.57 percent at the end of FY2017-18. Besides emphasizing on financial inclusion a broad range of activities to bring a large number of financially excluded people under the umbrella of conventional financial services have been undertaken by the Government. In the FY2018-19, both stock markets (Dhaka Stock Exchange and Chattogram Stock Exchange) noticed some unrest, but overall both the price index and market capitalisation increased. For ensuring stable and smooth operation of the capital market and restoring the confidence of general investors several restructuring activities were carried out during this period.
- The two key monetary policy objectives (inflation containment within targeted ceiling and supporting attainment of targeted real GDP growth) were well achieved in FY19 (July 2018-June 2019); with end June 2019 CPI inflation at 5.47 percent (below the targeted 5.60 percent ceiling), and strong 8.13 percent real GDP growth (against target of 7.80 percent). The urgency of narrowing the sudden spiking (3.2 percent of GDP) in FY18 bop current account deficit was also handled successfully (1.7 percent of GDP in FY19). Policy actions in FY19 also eased off lingering stresses from the FY18 liquidity crunch in private sector banks, restoring full normalcy in interbank Taka and USD money markets.
- FY19 growth in broad money, domestic credit and its private sector component moved along programmed directions but with significantly lower trajectories, in close alignment with those in other fast growing East Asian and South Asian economies. Attainment of high real GDP growth with moderating broad money and domestic credit growth indicates a welcome decline in frothiness of unproductive dubious quality lending in the domestic credit market,

signifying turn towards maturation of the credit market in its role more typical of middle income economies.

- Even as headline 12-month average CPI inflation was declining in FY19, its 'core' (non-food, non-energy) component crept up to 5.48 percent by June 2019; BB's in-house projections and public perception revealed in quarterly inflation expectation surveys signify persistence of inflationary pressure, leaving no room for complacency.
- In this context, BB's FY20 monetary policy stance and monetary program will as always cautiously accommodate monetary and credit expansion needs of all productive pursuits for attaining the FY20 real GDP growth target of 8.2 percent while also keeping CPI inflation contained within the targeted ceiling of 5.5 percent.
- As always, BB will in FY20 be closely monitoring both magnitude and direction of credit flows to diverse sectors and subsectors of the economy, and continues promotion and support for inclusive, adequate credit flows to under-served sectors/niches promising for job creation in productive pursuits. Priority of green transition of output practices for environmental sustainability will also continue to be in focus. BB's refinance support lines for promotion of these priorities in lending will be replenished and expanded as necessary, within the monetary and credit expansion envelope of FY20 monetary program.
- Risk factors to attainment of FY20 monetary program objectives will be closely monitored and addressed if and when the need arises.

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 60 banks in Bangladesh, 8 full fledged Islamic Banks and 19 Islamic Banking branches of 9 conventional banks 25 Islamic banking windows of 7 conventional commercial banks are also providing Islamic financial services in Bangladesh. 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 finance industry. Bangladesh was not indifferent to this turning move. 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 6 (six) 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 (v) Bank Asia Limited and (vi) 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 06 (six) conventional banks of Islamic banking Branches are the member of CSBIB. 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 1,00,000/- (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 31.12.2019 total outstanding buy amount (principal amount) of this bond stood at Taka 13 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 percent 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.

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 2018 to be the compliant in one hand and to serve our client more efficiently and effectively on the other.

INTERNAL CONTROL AND COMPLIANCE

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. An individual Report on Internal Control System is Annexed with this report in the page no. 73.

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 as on 31st December 2019, it has built a total Capital of Taka 27,901.80 million using the external and internal sources.

Given below table is the last 5 years history of SIBL towards its capital journey efforts:

Fig in million Taka

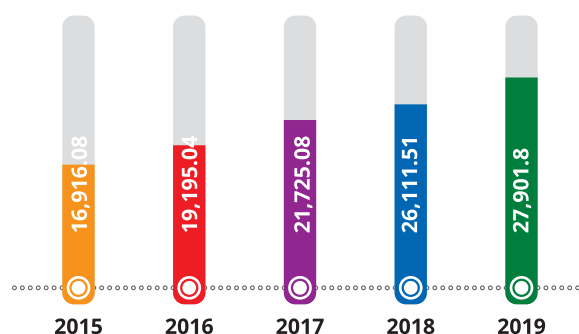
| Year | Paid up Capital | Total Capital | Growth (Over the previous year) | Source of Capital |
|------|-----------------|---------------|---------------------------------|---------------------|
| 2015 | 7,031.42 | 16,916.08 | 29.34% | Internal generation |
| 2016 | 7,385.99 | 19,195.04 | 13.47% | Internal generation |
| 2017 | 7,385.99 | 21,725.08 | 13.18% | Internal generation |
| 2018 | 8,121.29 | 26,111.51 | 20.19% | Internal generation |
| 2019 | 8,933.41 | 27,901.80 | 6.86% | 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 2019 stood at (a) paid-up capital Taka 8,933.41 million (b) total capital (as per BASEL-III) Taka 27,901.80 million.

Total Eligible Capital

(Taka in Million)



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. From the year 2019 all bank operating in Bangladesh are required to maintain the minimum capital to risk weighted assets ratio (CRAR) @ 12.50% 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) Subordinated Bond. As per requirements of the guideline, it is mandatory to maintain the CET-1 @ 7.00% 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 2019 stood at Tk. 27,901.80 million as against Tk. 26,111.52 million as on 31st December 2018. As per BASEL-III, the Comparative position of Capital Base of the year 2019 and 2018 is given as under:

Fig in million Taka

| Particulars | 2019 | 2018 |
|---|------------------|------------------|
| Tier-I Capital | | |
| CET-1 Capital | | |
| 1. Paid up Capital | 8,933.41 | 8,121.29 |
| 2. Statutory Reserve | 6,422.26 | 5,795.46 |
| 3. Retained Earnings | 984.28 | 878.14 |
| Sub-total | 16,339.95 | 14,794.88 |
| AT-1 | - | - |
| Total Tier I Capital | 16,339.95 | 14,794.88 |
| Tier-II Capital | | |
| 1. 1% provision on unclassified investment | 4,401.85 | 2,291.06 |
| 2. 50% of Revaluation surplus on Fixed Assets (as per phaseout program) | - | 105.57 |
| 3. SIBL Mudaraba Subordinated Bond | 7,160.00 | 8920.00 |
| Sub-total | 11,561.85 | 11,316.63 |
| Total | 27,901.80 | 26,111.51 |
| Capital Adequacy Ratios | | |
| i. CET-1 Capital Adequacy Ratio | 8.07% | 8.08% |
| ii. Tier -II Capital Adequacy Ratio | 5.71% | 6.18% |
| iii. Capital to Risk Weighted Asset Ratio (CRAR) | 13.78% | 14.27% |

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 2019 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.

SIBL MUDARABA SUBORDINATED BOND RELATED INFORMATION

Social Islami Bank Limited issued three subordinated bond to support and strengthen Tier-II capital base of the bank under Basel-III capital regulation of Bangladesh Bank. The details of SIBL Mudaraba Subordinated Bonds are presented below:

Figure in Million Taka

| SL | Name of the Bond | Issue Date | Issued Amount | Outstanding Amount as on 31.12.2019 |
|--------------|-------------------------------------|------------|---------------|-------------------------------------|
| 1 | SIBL Mudaraba Subordinated Bond | 31/03/2015 | 3,000 | 1,200 |
| 2 | SIBL 2nd Mudaraba Subordinated Bond | 20/06/2016 | 4,000 | 3,200 |
| 3 | SIBL 3rd Mudaraba Subordinated Bond | 27/12/2018 | 5,000 | 5,000 |
| Total | | | 12,000 | 9,400 |

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 12 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.

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 :

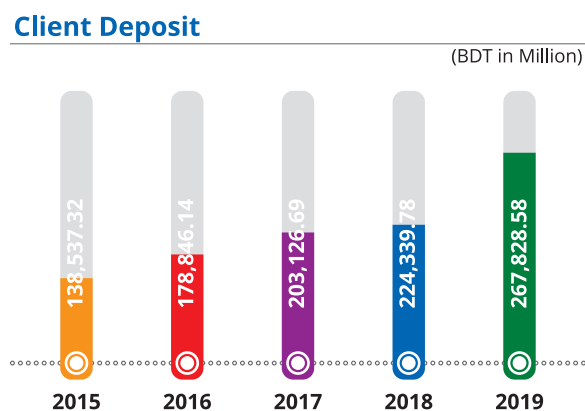
Placement of fund with the other Banks and Financial Institutions in the form of Savings, Notice and Term deposit Since the funding of Shariah banks are restricted to some extent, the bank always keep room in its ID ratios maximum to 90.00% and such the surplus funds keep with other Islami Banks or with 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.

Borrowings of fund from Bangladesh Govt. Mudaraba Bond SIBL borrows fund from Bangladesh Govt. Mudaraba Bond against the lien marking of

- Instruments of Investment in Bangladesh Govt. Mudaraba Bond
- IBP Instruments
- MTDR receipts with other Bank's Investment

DEPOSITS

During the year 2019, the bank drew-up a series of action plan both short term and long term to raise the deposit base of the Bank in line with the Directives of the Bangladesh Bank. The short-term action plan included launching of special drives like deposit mobilization months during 2019. The following graph shows the deposit trend of the Bank :



COMPARATIVE DEPOSIT MIX

Fig in million Taka

| Deposit mix | Year-2019 | Year-2018 | Growth |
|------------------------------------|-------------------|-------------------|---------------|
| Al-Wadeeah Current & Other Deposit | 32,054.93 | 28,721.09 | 11.61% |
| Mudaraba Savings deposit | 25,739.18 | 19,621.56 | 31.18% |
| Mudaraba Term deposit | 165,687.51 | 156,095.70 | 6.14% |
| Other Mudaraba deposit | 64,112.32 | 43,569.09 | 47.15% |
| Cash Wqf. | 342.71 | 317.05 | 8.09% |
| Total | 287,936.65 | 248,324.49 | 15.95% |

Profit Paid to Depositors

The bank has distributed Tk. 18,428.55 million among the Mudaraba Depositors as profit in 2019 as against Tk. 16,063.98 million in 2018.

Profit paid in 2019 among the various types of mudaraba depositors at the following rate:

Mudaraba Term Deposit

| Sl | Particulars | 2019 | 2018 |
|----|----------------|-------|-------|
| 1 | 1 Month | 5.00% | 5.00% |
| 2 | 3 Month | 7.00% | 6.00% |
| 3 | 6 Month | 8.50% | 7.00% |
| 4 | 1 Year & Above | 9.50% | 8.00% |

Mudaraba Savings Deposit

| Sl | Particulars | 2019 | 2018 |
|----|--|--------|-------|
| 1 | Mudaraba Savings Deposit | 4.00% | 4.00% |
| 2 | SIBL Youngster Account | 6.50% | 6.50% |
| 3 | Super Savings Account | 5.00% | 5.00% |
| 4 | Sanchita Special Deposit Scheme | 4.50% | 4.50% |
| 5 | Proshanti (Mudaraba Zakat Savings Account) | 9.00% | 9.00% |
| 6 | Mudaraba Cash Waqf Savings Account | 10.50% | 9.00% |

Mudaraba Special Notice Deposit

| Sl | Particulars | 2019 | 2018 |
|----|--|-------|-------|
| 1 | Less than 1 crore | 3.50% | 3.50% |
| 2 | Equal to or more than 1 crore but less than 25 crore | 4.00% | 4.00% |
| 3 | Equal to or more than 25 crore but less than 50 crore | 4.50% | 4.50% |
| 4 | Equal to or more than 50 crore but less than 100 crore | 5.00% | 5.00% |
| 5 | Equal to or more than 100 crore | 6.00% | 5.50% |

Mudaraba Scheme Deposits:

| No. | Particulars | 2019 | 2018 |
|--|---|--------------|-------------|
| Group A: mudaraba monthly profit scheme | | | |
| 1. | Mudaraba Monthly Profit Deposit Scheme(3 Year) | 8.50% | 8.50% |
| 2. | Shachanda Protidin | 8.50% | 8.50% |
| 3. | Shuborno Lata | 8.50% | 8.50% |
| 4. | Shobuj Chaya | 8.50% | 8.50% |
| 5. | Mudaraba Monthly Profit Deposit Scheme (1 Year) | 8.00% | 8.00% |
| 6. | SIBL Astha(one year) | 10.50% | - |
| Group B: Mudaraba Deposit Pension Scheme | | | |
| 1. | Mudaraba Special Deposit Pension Scheme | 8.50%-9.00% | 8.50%-9.00% |
| 2. | Sonali Din | 8.50%-9.00% | 8.50%-9.00% |
| 3. | Shukher Thikana | 8.50%-9.00% | 8.50%-9.00% |
| 4. | Suborno Rekha | 8.50%-9.00% | 8.50%-9.00% |
| 5. | Shobuj Shayanho | 8.50%-9.00% | 8.50%-9.00% |
| 6. | SIBL Super DPS | 9.25%-10.00% | |
| Group C: Mudaraba Hajj Scheme | | | |
| 1. | Kafela | 9.00% | 9.00% |
| Group D: Mudaraba Lakhopoti, Millionaire & Billionaire Scheme | | | |
| 1. | Shopner Shiri (Lakhopoti) | 8.25%-9.00% | 8.25%-9.00% |
| 2. | Suborno Digonto (Millionaire) | 8.25%-9.00% | 8.25%-9.00% |
| 3. | Shorno Shikhor (Billinior) | 8.25%-9.00% | 8.25%-9.00% |
| Group E: Other Schemes | | | |
| 1. | Cash Waqf Deposit Scheme | 10.50% | 9.00% |
| 2. | Cash Waqf Monthly Profit Scheme | 10.50% | 8.50% |
| 3. | Mudaraba Marriage Savings Scheme | 8.50% | 8.50% |
| 4. | Mudaraba Mohorana Savings A/C | 8.75%-9.00% | 8.75%-9.00% |
| 5. | Mudaraba Education Deposit Scheme | 8.50%-9.00% | 8.50%-9.00% |
| 6. | Mudaraba Bashsthan Savings Scheme | 8.50%-9.00% | 8.50%-9.00% |
| 7. | Mudaraba Double Benefit Scheme | 11.25% | 8.00% |

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 investment client 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, Documentary Credits etc. 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.

In order to excel in investment risk management, SIBL has devised, nurse and ensured compliance on core investment values to cultivate and drive behavior towards highly efficient and quality investment functions. Here, 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 and Agricultural sector. Our continuous effort will be to ensure asset quality and cross selling of investment as well as deposit products in line with the Shariah principles.

The bank has exerted its best efforts towards implementation of Core Risk Management Guidelines

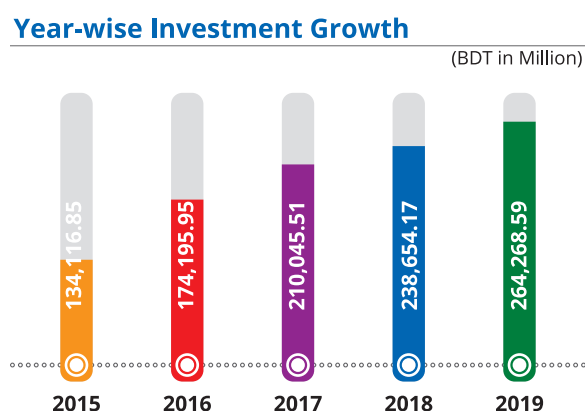
in Investment Risk Management. Investment Risk Management Division, Trade Finance & RMG Division, SME & Agricultural Finance Division are also very much aware about the upcoming risk factors involved in banking industry. As a result, we are now more cautious about implementing various risk mitigating factors in line with the directives of Bangladesh Bank and GoB. We are following BASEL-III guidelines and subsequent developments in this regard and other regulatory guidelines meticulously. Our strong persuasion and initiatives are 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 2019 showed a favorable growth. The total investments of the Bank stood at Tk. 264268.59 million in various sectors as at 31st December 2019 against Tk. 238654.17 million as on 31st December 2018 registering a growth 10.73% (Net increase by Tk. 25614.42 million as compared to 2018) that is the sign of the confidence of the clients on the Bank. 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, Runner Automobiles Ltd., Runner Motors Ltd., NZ Group, Base Group, ACME, Pran RFL Group, Abul Khair Group, Nitol Motors, AMBAR Group, Shikder 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.

Consumer Investment Division of our business is focusing more on retail and card investment with a view to diversify 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 68 (Sixty Eight) Branches of SIBL are in operation of this program and the management of our bank also selected and approved another 12 (Twelve) branches for this service. 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 2015:



Percentage of Non-performing assets (NPA) of SIBL has decreased from 7.69% (in the year 2018) to 6.63% (in the year 2019). To keep the Non-Performing Investment (NPI) at a reasonable level SIBL has taken vigorous drives towards recovery of NPI and ensuring quality disbursement of fresh investments. Out of Investment of Tk. 264268.59 million, Tk. 17533.30 million has become classified as on 31.12.2019.

Provision composition against funded investment for the year 2019 and 2018 is furnished hereunder:

(Figure in million Tk.)

| Status | Provision Rate | 2019 | | 2018 | |
|-------------------------------|---|------------------|------------------|-----------------|------------------|
| | | Amount | Composition in % | Amount | Composition in % |
| Unclassified investment | 0.25%, 1%, 2%, 5% & General Provision against RSDL under BRPD Circular No. 05, dt. 16.05.2019 | 3,855.38 | 20.53% | 1,813.43 | 22.05% |
| Special Mention Account (SMA) | | 56.17 | 0.58% | 12.67 | 0.15% |
| Su-Standard investment (SS) | 20% | 101.86 | 1.06% | 82.31 | 1.00% |
| Doubtful Investment (DF) | 50% | 39.46 | 0.41% | 272.20 | 3.31% |
| Bad /Loss Investment (BL) | 100% | 7,454.24 | 77.42% | 6043.50 | 73.49% |
| Total | | 11,507.11 | 100.00% | 8,224.11 | 100.00% |

INVESTMENT PLAN FOR 2020

SIBL has set investment target to Tk. 293,450.00 million Starting from Tk. 264,268.59 million with the focus of service excellence and diversifying the portfolio.

SIBL is looking forward to finance in Power sector, Ship building industry, Pharmaceuticals, RMG & Textiles, Made-up textiles, Food manufacturing,

Chemical manufacturing, Paper and Paper processing industries to ensure the industrial growth of the country along with growth in profitability of the bank. SIBL is also increasing focus on investment in Retail, Card, SME and micro investment sectors and cottage industries.

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.

In achieving the target we plan to diversify our portfolio to cover the marginal & peripheral enterprise. In doing so the effect of the investment will be multiplied in development of the economy of the country. We set priorities to labor intensive industries and medium & small enterprise to create employment so the national GDP growth will be accompanied with the growth of UN Human Development Index. Also SIBL always welcome investment in construction sector to ensure continuous infrastructural development in the country.

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.

As per Bangladesh Bank guideline, the existing CSR Unit and Green Banking Unit (working under SME & Agricultural Finance Division) already abolished. The separate "Sustainable Finance Department" already established and headed by the Head of Investment Risk Management Division. Initially, at least 05 (five) regular employees posted in the Department excluding the Head of the Department.

As such, Mr. Abdul Mamun Bhuiyan, FAVP & In-charge of existing CSR Unit and Green Banking Unit along with one dealing officer namely Mr. Md. Nazmul Hasan, SEO has started working under the "Sustainable Finance Department" headed by Head of Investment Risk Management Division (IRMD) to carry out the CSR activities and Green Banking activities of the Bank in line with the Bangladesh Bank guidelines and Bank's Policy in this regard.

Bangladesh Bank has given the organizational structure along with the specific Terms of References (ToRs) of (1) Sustainable Finance Department, (2) Sustainable Finance Committee. Bangladesh Bank also instructed that Risk Management Committee (RMC) of the Board of Directors of the Bank shall guide & oversee the overall activities of Sustainable Finance Department and Sustainable Finance Committee. Accordingly a Term of Reference (ToR) of "Sustainable Finance Department" and "Sustainable Finance Committee" have been proposed as under:

Terms of Reference (ToR) of “Sustainable Finance Department”:

1. To perform the following activities of the Bank related to policy formulations, revisions, amendments, renewals & ensuring implementation:

- 1.1 Green Banking
- 1.2 Corporate Social Responsibility (CSR)
- 1.3 Environmental & Social Risk Management Guideline and Sector-wise Environmental & Social Risk Management (to be developed in collaboration with IRMD)
- 1.4 Green Office Guide
- 1.5 Green Strategic Planning
- 1.6 Gender Parity

2. To perform the following activities of the Bank related to policy formulations, revisions, amendments, renewals & ensuring implementation:

- 2.1 Carbon Footprint Measurement (to be done annually)
- 2.2 Creating Climate Risk Fund and Management of the Fund
- 2.3 Green Marketing (to be done in collaboration with Branding & Communication Department)

3. To implement collaborative CSR activities in Financial Sector (e.g. Common Child Day Care Center),

4. To take initiatives regarding approval of Green Branch from Bangladesh Bank and perform all other activities related to establishment of Green Branch,

5. To integrate activities related to Sustainability Reporting [to be done in collaboration with Financial Administration Division (FAD)],

6. To ensure implementation of SFD circular no. 01/2016 of Bangladesh Bank,

7. To comply with the guidelines given time to time by Bangladesh Government and Bangladesh Bank regarding Sustainable Development Goals declared by United Nations (UN),

8. To implement the instructions given time to time by Bangladesh Government and Bangladesh Bank regarding Green Banking, CSR, Sustainable Banking & Sustainable Finance,

9. To submit all the prescribed statements regularly to Bangladesh Bank regarding Green Banking and CSR activities of the Bank and coordinate all activities of Sustainable Finance Department & maintain liaison with Bangladesh Bank,

10. To apply for signing participation agreement for all kinds of On-Lending/On-Blending (Refinance/Pre-finance/Reimbursement) Scheme/Fund/Facility/Project and all other activities in this regard,

11. To develop new product & financial instrument related to Sustainable Finance & Green Finance and take necessary initiatives for Bangladesh Bank approval related functions,

12. To submit progress report on the activities of Sustainable Finance Department at least monthly basis to the Sustainable Finance Committee of the Bank and implement the recommendations of the aforesaid Committee,

13. To prepare the budgets for Green Finance, CSR, Climate Risk Fund and Green Marketing of the Bank and take necessary steps to accord approval of those budgets from the Risk Management Committee of the Bank,

14. To submit progress report on the activities of Sustainable Finance Department at least quarterly basis to the Risk Management Committee of the Bank and implement the recommendations of the aforesaid Committee,

15. To arrange necessary training on Green Banking, CSR, Sustainable Banking & Sustainable Finance for the Officials/Staffs of the Bank,

16. To conduct planning & strategic decision making and to take necessary initiatives for extending the coverage, utilization and amount of Green Finance, Climate Risk Fund, CSR respectively and accord approval of those expansion activities from the Hon'ble Board of Directors through the Sustainable Finance Committee.

17. To provide necessary assistance to Bangladesh Bank Inspection Team and Bank's Internal Control & Compliance Division for conducting audit on Green Banking, CSR, Sustainable Banking & Sustainable Finance activities.

7. Terms of Reference (ToR) of "Sustainable Finance Committee":

1. To provide approval of regular activities done by Sustainable Finance Department as well as conduct monitoring & evaluation of the activities of Department at Management level.
2. To set yearly budgets of Sustainable Finance Department and to evaluate the achievements against the set budgets.
3. To ensure coordination and cooperation of all concerned Departments for implementing the activities of Sustainable Finance Department.

8. Terms of Reference (ToR) of "Risk Management Committee" of the Board of Directors:

1. To formulate policy, provide guidance & approval and monitor & evaluate the activities of Sustainable Finance Department and Sustainable Finance Committee.
2. To approve budgets proposed by Sustainable Finance Department.
3. To approve the formation of Sustainable Finance Department and Sustainable Finance Committee.

9. Formation of Sustainable Finance Committee:

Bangladesh Bank has given guideline to form a Committee headed by the most senior Deputy Managing Director. Other members include: Head of Investment Risk Management Division, Head of Investment Administration Division, Head of Special Asset Management Division, Head of Corporate Banking Division, Head of Retail Banking Division, Head of International Division, Head of Risk Management Division, Head of Human Resources Division, Head of Financial Administration Division, Head of Internal Control & Compliance, Head of Card Division, Head of Logistic Support & Services Division, Head of Branches & Establishment Division, Head of Marketing & Communications, Head of Information & Communication Technology Division and One Official from Sustainable Finance Department.

GREEN BANKING

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 2019, as part of our Green Banking initiative SIBL has spent significant amount for Green establishment, installation of solar panels, environment friendly brick plant based on HHK (Hybrid Hoffman Klin) technology etc.

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.

| Sl. | Name | Achievement |
|-----|--|---|
| 01. | Formation of Sustainable Finance Department | Sustainable Finance Department has been restructured on 15.01.2017 for smooth functioning of Green activities. |
| 02. | Circulation of Environment & Social Due Diligence (ESDD) | Environment Due Diligence (EDD) checklist is being Circulated and practiced. |
| 03. | Circulation of Environment & Social Risk Rating (ESRR) | Environment Risk Rating (ERR) is being circulated and practiced. |
| 04. | Circulation of Green Office Guide | Green Office Guide checklist is being monitored regularly. |
| 05. | Formation of Green Banking Policy | Green Banking Policy of SIBL has been approved by the Board of Directors of the Bank. |
| 06. | Circulation of Environment and Social Risk Management (ESRM) | Environment and Social Risk Management (ESRM) is being circulated and practiced. |
| 07. | 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)

| Status | Year 2019 | | Year 2018 | |
|---|------------------|------------------|-----------------|-----------------|
| | Disbursement | Outstanding | Disbursement | Outstanding |
| ETP | | | | |
| Finance for installation of ETP | - | - | - | - |
| Projects financed having ETP | 1,842.05 | 2,842.59 | 21,687.24 | 10,712.43 |
| Bio-gas Plant | 47.00 | 67.18 | 159.75 | 50.65 |
| Solar Panel/Renewable Energy Plant | 11.44 | 17.24 | 902.65 | 2,732.01 |
| Hybrid Hoffman Klin (HHK) | - | - | 870.78 | 249.77 |
| Projects financed in Brick fields having Zigzag & Improved technology | 3,099.54 | 1,937.19 | 3,853.06 | 937.19 |
| Hazardous waste treatment facility | - | - | - | - |
| Waste Water Treatment Plant | 3,667.49 | 1,819.68 | - | - |
| Plastic Waste Recycling Plant (PVC, PP, LDPE, HDPE,PS) | 27.00 | 47.52 | 7,399.82 | 3,816.65 |
| Green Establishment | 1,076.5 | 3,409.07 | - | - |
| Others | 2,869.44 | - | - | - |
| Total | 12,640.46 | 10,140.47 | 34,873.3 | 18,498.7 |

GREEN BANKING INITIATIVES OF THE BANK

| Green Banking Initiatives | Yr-2019 | Yr-2018 |
|---|------------|------------|
| ATM (Number) | 108 | 77 |
| No. of Own ATM | 108 | 77 |
| No. of Shared ATM | Under NPSB | Under NPSB |
| Online Banking | | |
| No. of Total Branches | 161 | 155 |
| No. of Branches with online coverage | 161 | 155 |
| Internet Banking | | |
| No. of Accounts facilitated with Internet Banking | 8,116 | 4,906 |
| % of Accounts facilitated with Internet Banking | 2.42% | 0.38% |
| No. of Accounts facilitated with Mobile Banking/SMS Alert Banking | 114807 | 217941 |
| % of Accounts facilitated with Mobile Banking/SMS Alert Banking | 34.18% | 17.00% |
| No. of Training Programs/Seminars/ Workshops/Awareness Programs Exclusively conducted for Green Banking | 14 | 9 |
| Employees | 584 | 305 |
| Customer | - | - |

PROGRESS OF GREEN FINANCE:

(Figure in Million)

| Green Banking Initiatives | Year-2019 | Year-2018 |
|--|------------|------------|
| Total Loan Disbursed (Funded) | 292,376.79 | 481,911.63 |
| Direct Green Finance (Disbursed) | 12640.46 | 13186.06 |
| Indirect Green Finance (Disbursed) | 0.00 | 21,687.24 |
| Total Green Finance (Disbursed) | 12,640.46 | 34,873.30 |
| Direct Green Finance as % of Total Loan Disbursement | 4.32% | 2.74% |

Online Banking

SIBL has been one of the pioneers in introducing Online Banking. SIBL is the 1st Islami Bank, who introduced Online Banking Service to our clients and it covers all our 161 branches, 108 own ATMs, 2295 shared ATMs. Clients can also have access to their accounts through Internet & Mobile Banking. Online banking system is a great way to reduce wastage of paper.

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
- 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.
- To establish green building/project.

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 Division (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/ written-off investments under the legal framework of the country and settles matters 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 2019 recovery from written-off investment was Taka 256 million compared to Taka 503 million during the year 2018. Till 2019 total 1225 cases/suits are decreed/disposed of favor of the Bank against investments of Taka 12251.94 million. In 2019 total amount of Taka 904 million recovered from classified investments.

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.

Non-performing assets/investments are like cancer for any Bank. The branch-wise target for recovery of classified and written-off investments are set every year. In all cases SAMD approves rescheduling/ restructuring only in accordance with Bangladesh Bank directives from time to time.

To decrease NPL of our Bank we have formed 03 (three) Special Assignment Committees (SAC), two for Dhaka Region and 01 (one) for Chattogram Region to find out untraceable clients, realizable assets of the defaulter clients for attachment of those in the suit already filed against the clients. The works of SAC is being monitored from Head Office for better results. Debt Collection Unit (DCU) has also been formed to look after and strengthen recovery from NPL.

INVESTMENT INCOME

The bank has registered an income from investment of Taka 27,797.43 million under different mode of investment accounts in the year. A comparative position on income received from different mode of investment in the year 2019 and 2018 is given below-

(Figure in Million Tk.)

| Mode | Year 2019 | Year 2018 | Growth |
|--|------------------|------------------|---------------|
| Profit on Murabaha | 206.04 | 195.44 | 5.42% |
| Profit on Bai-Muazzal | 18,263.67 | 15,878.29 | 15.02% |
| Profit on Hire-Purchase | 6,379.69 | 6,275.72 | 1.66% |
| Profit on Musharka | 32.44 | 38.16 | -15.01% |
| Profit on Bai-Salam | 83.03 | 69.78 | 18.99% |
| Profit on Quard against MTDR, Scheme and others | 532.99 | 533.59 | -0.11% |
| Profit on Inland Document Bill Purchased | 392.54 | 381.91 | 2.78% |
| Profit on Foreign Document Bill Purchased | 931.36 | 442.94 | 110.27% |
| Profit on Ijarah | 79.42 | 55.32 | 43.55% |
| Profit on Investment against Mudaraba Deposit with other banks and NBFIs | 658.71 | 751.60 | -12.36% |
| Profit on other investments (Card, Wakalat fee etc.) | 213.65 | 235.66 | -9.34% |
| Profit on Mudaraba | 23.88 | 97.46 | -75.50% |
| Total | 27,797.43 | 24,955.87 | 11.39% |

CAPITAL EXPENDITURE

During the year under review, the total capital expenditure on acquisition of fixed assets was Taka 3,606.50 million which includes Taka 791.06 million towards Furniture & Fixtures, Taka 865.11 million for Office Equipment & Computers Software and Taka 20.67 million towards purchase of vehicles and Taka 0.71 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 2019. The Bank undertook a target on foreign exchange business for the year 2019 for Taka 250,000.00 million and accordingly achieved 159,583.03 million. The bank successfully managed to earn a commission & exchange income of Tk. 1,465.83 million in 2019 against Tk. 1,600.66 million of 2018. Despite the volatility of foreign currency throughout the year 2019, the bank accumulated an exchange gain of Taka 783.40 million against Taka 920.93 million of 2018.

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 19,118.98 million in Quoted & Unquoted Shares, Preference Share, Bond & Government Security. This year earnings from this segment has been recorded Taka 760.57 million against Taka 462.80 million in 2018.

Significant variance in operating results between Quarterly and Annually

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 2019 are given below with remarks:

(Figure in Million Tk.)

| SI | Accounting Head | (Un-audited & published) | | | Audited |
|----|---|--------------------------|----------|----------|-----------|
| | | 31.03.19 | 30.06.19 | 30.09.19 | 31.12.19 |
| 1 | Investment Income | 6351.05 | 12930.51 | 19563.99 | 27,797.43 |
| 2 | Profit Paid on deposits | 4383.34 | 8862.59 | 13869.28 | 18,428.55 |
| 3 | Net Investment Income | 1,967.71 | 4,067.92 | 5,694.71 | 9,368.88 |
| 4 | Income from Investment in Shares & Securities | 29.93 | 211.33 | 408.25 | 760.57 |
| 5 | Commission, Exchange & Brokerage | 415.82 | 784.21 | 1,088.49 | 1,465.83 |
| 6 | Other Operating Income | 104.56 | 346.30 | 442.01 | 687.30 |
| 7 | Total Operating Income | 2,518.02 | 5,409.76 | 7,633.46 | 12,282.58 |
| 8 | Operating Expenses | 499.18 | 1,057.81 | 1,691.06 | 2,544.89 |
| 9 | Salaries & Allowances | 769.61 | 1,675.57 | 2,583.23 | 3,395.57 |
| 10 | Other Operating Expenses | 1,268.79 | 2,733.38 | 4,274.29 | 5,940.46 |
| 11 | Operating Profit before provisions & taxes | 1,249.23 | 2,676.38 | 3,359.17 | 6,342.12 |

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 2019, the company has made a profit after tax 5.10 million Taka as against Taka 18.15 million in 2018. 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.

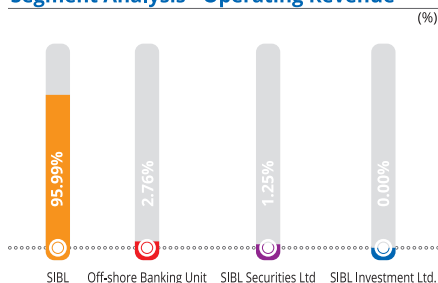
| SI | Name of Subsidiary Companies | % of holding of shares by the Bank |
|----|------------------------------|------------------------------------|
| 1. | SIBL Securities Ltd. | 99.99% |
| 2. | SIBL Investment Ltd. | 99.99% |

SEGMENT ANALYSIS - BUSINESS SEGMENT

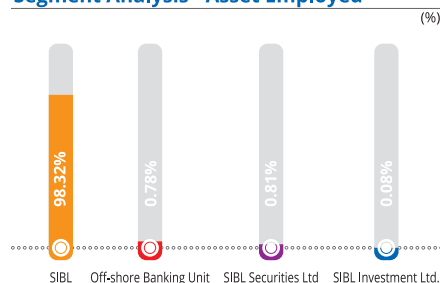
(Figure in Million Tk.)

| Particulars | SIBL | Off-shore Banking Unit | SIBL Securities Ltd. | SIBL Investment Ltd. | Total |
|---|------------|------------------------|----------------------|----------------------|------------|
| Income | 12,176.34 | 106.29 | 75.57 | 2.51 | 12,360.71 |
| Less: Inter-segmental Income | - | - | - | 0 | - |
| Total Income | 12,176.34 | 106.29 | 75.57 | 2.51 | 12,360.71 |
| Operating profit (Profit before Unallocated expenses and tax) | 12,176.34 | 106.29 | 75.57 | 2.51 | 12,360.71 |
| Allocated expenses | 5,934.87 | 5.66 | 53.13 | 0.06 | 5,993.72 |
| Provision against loans and | 3,208.09 | 0 | 5.24 | 2.66 | 3,215.99 |
| Profit / (loss) before tax | 3,033.38 | 100.63 | 17.2 | -0.21 | 3,151.00 |
| Income tax including deferred tax | 1,612.58 | 0 | 12.09 | 0.66 | 1,625.33 |
| Net profit | 1,420.80 | 100.63 | 5.11 | -0.87 | 1,525.67 |
| Segment assets | 339,878.56 | 2,360.03 | 2,694.41 | 252.36 | 345,185.36 |
| Segment liabilities | 339,878.56 | 2,360.03 | 2,694.41 | 252.36 | 345,185.36 |

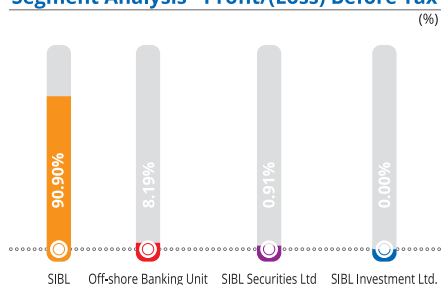
Segment Analysis - Operating Revenue



Segment Analysis - Asset Employed



Segment Analysis - Profit/(Loss) Before Tax



CONTRIBUTION TO THE NATIONAL EXCHEQUER

During the year under report, an amount of Taka 4,373.38 million was contributed to the national exchequer against Taka 4,622.74 million in the year 2018.

(Figure in Million Tk.)

| Particulars | Year 2019 | Year 2018 |
|---------------------------|-----------------|-----------------|
| Corporate Income Tax | 1612.58 | 2,264.86 |
| VAT Collection at Sources | 300.75 | 282.27 |
| Tax Collection at Source | 2187.02 | 1831.63 |
| Excise Duty | 273.03 | 243.98 |
| Total | 4,373.38 | 4,622.74 |

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 regularly. A Risk Management Committee (RMC) was formed 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. 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 Division (IRMD), Investment Administration Division (IAD) and Special Asset Management Division (SAMD).

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 Control and Compliance Division (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 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.

Various Risks and approaches

Risk Management has become the most challenging job for any Bank operating now a day. SIBL has broadened its risk management coverage and enhanced its risk management function. Similar to regulatory reforms, the bank revised its risk management approach, and we are already in the process of restructuring the RMD's operational components to comply with Bangladesh Bank's guidelines. By prioritizing risk management effectiveness, new staffs were appointed to boost capacity. Looking at strategic boundaries, the bounds of our risk appetite are defined with all stakeholders in mind. The bank's wide-ranging risk management expertise enables it to delegate responsibility regularly. Moreover, the bank can delegate authority to suitably handle all aspects of risk. The matters in relation to risks associated with banking business are placed to before the Board of Risk Management on a regular basis.

PREPARING THE ANNUAL FINANCIAL STATEMENTS

SIBL emphasizes mostly on the integrity and quality of its financial statements. Suitable accounting policies have been consistently followed for all financial statements, while the accounting estimates are founded upon reasonable and prudent assessment. International financial reporting standards (IFRSs) applicable in Bangladesh are adhered to in the preparation of financial statements, unless otherwise stated.

Going Concern Estimation

The preparation of financial statements has been undertaken on the understanding that the bank operates on a going concern basis. Looking at the bank's financial performance, business portfolio and operational process, the bank can clearly be considered a going concern. An individual report on Going Concern is Annexed with this report in the page no. 161.

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 proper and adequate corresponding channel with banks all over the world. 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 arrangements in all major currencies in the locations of international business concentration. The bank maintains 24 Nostro accounts in major countries and with reputed international banks for the settlement of all 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

In today's modern world Credit Card is a very extensively used mode of financial transaction and it is widely known as "Plastic Money". It has created an immense impact in the life of the people all over the world. The same trend is being followed in Bangladesh too. Nowadays the popularity of Islamic Credit Cards in Bangladesh is growing by leaps and bounds as domestic and foreign banks are earning substantial profit through this product. An increased use of both local Dual Currency Islamic Credit Card is taking place side by side with the expansion of personal banking service. Cross-border business and travels are also helping the expansion. To provide advanced and technology based banking service, SIBL has issued below mentioned Card products for its customer:

VISA Islami Credit Card Products:

- Domestic Classic
- International Classic
- Domestic Gold
- International Gold
- International Platinum

VISA Islami Prepaid Card Products:

- Hajj Card
- Travel Card
- Student Card
- Prepaid Card

VISA Islami Debit Card Products:

- VISA Islami Zameel Card

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

SIBL is always willing to offer new and Islami Shariah compliant financial products to its clients. Though SIBL is making late entrance in the card market, still we are the market leader (holding 52% of total Islami credit card) for issuance of Islami Credit Card in the Islami banking arena. Our Achievement, Planning, Requirement and Challenges for issuance of SIBL VISA Islami Card are furnished below:

Achievement for the year 2019

| | | |
|-----|---|--|
| 1. | Credit Card issued in 2019 | 2,852 Cards |
| 2. | Number of issued Credit Card as on 31.12.2019 | 16,327 Cards |
| 3. | Debit Card issued in 2019 | 24,435 Cards |
| 4. | Number of issued Debit Card as on 31.12.2019 | 97,515 Cards |
| 5. | Number of Prepaid Card issued as on 31.12.2019 | 1,391 Cards |
| 6. | Profit from Jan'19 to Dec'19 | 4.40 crore |
| 7. | Sanction Credit limit as on 31.12.2019 (BDT 183.74crore + USD 0.34 crore) | Tk.212.18 crore |
| 8. | Outstanding as on 31.12.2019 | Tk.72.00 crore |
| 9. | Discount Partners in 2019 | 39 Merchants |
| 10. | Total Discount Partners as on 31.12.2019 | 152 Merchants |
| 11. | EMI Partners in 2019 | 37 Merchants |
| 12. | Total EMI Partners as on 31.12.2019 | 71 Merchants |
| 13. | Deposit Mobilization | i. Target: 20 crore ii. Achievement: 23 crore |
| 14. | Campaign (Discount facility & Buy one get one offer) | i. Pohela Boishakh ii. Ramadan iii. EID ul Fitr iv. EID ul Azha |
| 15. | Prepaid Dual Card Issuance | i. Hajj Card ii. Student Card iii. Travel Card |

Plan of Card Department for the year 2020

| | | | |
|-----|---|---|--------------|
| 1. | Credit Card will be issue | : | 3,000 Cards |
| 2. | Debit Card will be issue | : | 50,000 Cards |
| 3. | Profit Target | : | 8 crore |
| 4. | Total Sanction Credit limit | : | Tk.220 crore |
| 5. | Total Outstanding | : | Tk.80 crore |
| 6. | Discount Partner | : | 40 Merchants |
| 7. | EMI Partner | : | 30 Merchants |
| 8. | Reward Redemption Program for Credit Card | | |
| 9. | Implementation of Fund Transfer process through ATM | | |
| 10. | Issuance of Dual Debit Card | | |

Requirements

- Credit Card Background Skilled manpower
- New Sales Executives
- Transport facility for roster duty officers

Challenges

- Fraud Control: Fraud Control & Monitoring Software Setup
- Technological Advancement: Card Management Software Accusation
- Smooth Customer Service: Call Center Setup

Year wise summary

| Particulars | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------|--------|--------|--------|--------|--------|
| Number of Debit Card | 19868 | 40280 | 50151 | 74090 | 97,515 |
| Number of Credit Card | 6273 | 11417 | 14236 | 14567 | 16,327 |
| Sanction Limit (crore) | 114.55 | 162.35 | 195.95 | 199.65 | 212.18 |
| Outstanding (crore) | 27.58 | 48.15 | 70.99 | 93.95 | 72.00 |
| Income (crore) | 4.75 | 11.35 | 15.91 | 18.94 | 17.03 |
| Expenditure (crore) | 3.61 | 8.24 | 10.85 | 10.93 | 12.63 |
| Net Profit (crore) | 1.28 | 3.11 | 5.06 | 8.01 | 4.40 |

CENTRALIZED REMITTANCE PROCESSING UNIT (CRPU)

SIBL's Foreign Remittance service caters the customer needs for fast, secure & easy money transfers to an extensive range of destinations. Standing by our commitment, we go all the lengths to remit your hard earned money safely to your loved ones. With us not only you get a range of high-class modern remittance solutions but also you will get peace of mind which we believe counts to most.

Social Islami Bank Limited established its Centralized Remittance Processing unit on March 2008. The main purpose to establish this specialized unit was to encourage wage earner's remittance through banking channel and to facilitate the distribution of such remittance to the ultimate beneficiary throughout the country within shortest possible time. Social Islami Bank Limited is now maintaining agency agreement with various Exchange houses in USA, UK, Qatar, Oman, SPAIN, Australia, Bahrain, Malaysia, and with Money gram, Western Union, Xpress Money, Ria who has network throughout the world. Bangladeshi Nationals working abroad can easily remit their hard earned money to the intended beneficiary in Bangladesh. SIBL is committed to provide best and hassle free service in this regard. Inward remittance drawing agreement with Paypal Inc, USA (Xoom) and other emerging Fintech companies like WorldRemit

ltd, Freelancers of ICT industry and other Service Exporters can easily receive their hard earned money from SIBL in CASH instantly or in their Bank account. Consequences upon different initiatives taken by last one year, SIBL's Foreign Remittance business volume was 10,591.90 million BDT in the year 2019

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 2019, the OBU has accumulated a Profit after Tax of Taka 100.63 million against Taka 318.09 million in 2018.

PAYMENT SYSTEMS DEPARTMENT (PSD)

Payment Systems Department (PSD) is the overall system and facility that supports the Exchange and settlement of payment between Participating Banks and Bangladesh Bank. PSD endeavors for promoting new payments, clearing and settlement systems to ease financial transactions ensuring circulation of

money in the economy. At present PSD, SIBL has provided the following services-

- BACPS- Bangladesh Automated Cheque Processing System (BACPS).
- BEFTN- Bangladesh Electronic Funds Transfer Network (BEFTN).
- RTGS- Real Time Gross Settlement (RTGS).

BACH is the first ever electronic clearing house which has started live operation in Dhaka from October 7th, 2010 for Bangladesh Automated Cheque Processing System (BACPS). Later Bangladesh Electronic Funds Transfer Network (BEFTN) is introduced in order to make charge free quick remittances in the whole Bangladesh on 28th February, 2011. Gradually Bangladesh Bank introduced Real Time Gross Settlement (RTGS) system on 29th October 2015 for transferring funds from one account of a bank to other bank account on real-time basis.

Since its inauguration, Social Islami Bank Limited participated in BACH successfully with the cooperation of Bangladesh Bank. SIBL formed an independent unit on November 2011 under the control of Head Office named as Centralized Clearing Unit (CCU). Later CCU formed as an individual Department of Head Office as Payment Systems Department (PSD) in 2016 where some sincere and dedicated officials are working efficiently to uphold the better service.

At present all the 161 branches of SIBL under BACPS, BEFTN & RTGS network. PSD will start BACH-II Live operation with Bangladesh Bank soon. Clearing & BEFTN of BACH-II also facilitated with foreign currency transactions i.e. USD, CAD, JPY, GBP, and EURO along with BDT. Multi session of BEFTN transaction can happen under BACH-II for smoother & faster financial transactions.

Mentionable here, all the transactions of BACPS, BEFTN & RTGS are process centrally and settled & monitored by PSD. Constant efforts are continuing by the PSD, SIBL to boost up 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 members of such entity or individuals who have substantial influencing power in management of a particular organization. Whereas related party transaction refers to those transaction

with the entity/person as stated by way of transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

IAS 24 Related Party Disclosures requires disclosures about transactions and outstanding balances with an entity's related parties. The standard defines various classes of entities and people as related parties and sets out the disclosures required in respect of those parties, including the compensation of key management personnel. For the above purposes Social Islami Bank Ltd has provided following disclosures in the financial statements:

Relationships between Parents And Subsidiaries

Disclosure between the transaction between SIBL and subsidiaries is mention in note 48.3 of audited accounts whereas it is mentioned that Tk. 800.00 million was related to SIBL subsidiary company called SIBL Securities Ltd and of Tk. 1004.58 million was related to SIBL Foundation Hospital and Diagnostic center.

MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity. [IAS 24.9] For this purpose relevant disclosures are given in note 30 and 31 of financial statements and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity. [IAS 24.9] For this purpose relevant disclosures are given in note 30 and 31 of financial statements.

CREDIT RATING OF SIBL

Rating Conducted by Emerging Credit Rating Limited (ECRL)

Emerging Credit Rating Limited (ECRL) has affirmed AA (Pronounced as double A) long term credit rating and ST- 2 short term credit rating to the Social Islami Bank Limited based on audited financials of 2019 and other available information up to the date of rating declaration. 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 | Rating Action | Long Term Rating | Short Term Rating |
|---------------------|-------------|---------------|------------------|-------------------|
| 22-Apr-14 | 21-Apr-2015 | Surveillance | AA- | ST-2 |
| 16-Mar-15 | 15-Mar-2016 | Surveillance | AA- | ST-2 |
| 16-Mar-16 | 15-Mar-2017 | Surveillance | AA- | ST-2 |
| 08-Mar-17 | 07-Mar-2018 | Surveillance | AA- | ST-2 |
| 08-Mar-18 | 07-Mar-2019 | Surveillance | AA- | ST-2 |
| 08-Mar-19 | 07-Mar-2020 | Surveillance | AA | ST-2 |
| 08-Mar-2020 | 07-Mar-2021 | Surveillance | AA | ST-2 |

RATING CONDUCTED BY MOODY'S

On 21 November, 2019, SIBL was assigned b2 long-term local and foreign currency deposit and issuer ratings by Moody's. The rating action follows the downgrade of Bangladesh's Macro Profile to Weak- from Weak. The b3 Baseline Credit Assessment (BCA) reflects the bank's (1) weak asset quality, with risks arising from credit concentration and elevated level of rescheduled investments (loans); (2) modest capital, which improved after the bank slowed growth and froze cash dividends; (3) weak profitability, because of its poor asset quality and reliance on expensive time deposits for funding; and (4) tight funding and liquidity, as Islamic banks are subject to less stringent liquidity requirements than conventional banks.

| Category | Moody's Rating |
|-------------------------------------|----------------|
| Counterparty Risk Rating | B1/NP |
| Bank Deposits | B2/NP |
| Baseline Credit Assessment | b3 |
| Adjusted Baseline Credit Assessment | b3 |
| Counterparty Risk Assessment | B1(cr)/NP(cr) |
| Issuer Rating | B2 |
| ST Issuer Rating | NP |

Disclosure of ratings given by various rating agencies for instruments issued by the bank:

SIBL issued the following subordinated bond to support and strengthen Tier-II capital base of the bank under Basel-III capital regulation of Bangladesh Bank. 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 |
|-------------------------------------|---------------------|-------------|---------------|------------------|-------------------|
| Entity | 08-Mar-2020 | 07-Mar-2021 | Surveillance | AA | ST-2 |
| SIBL Mudaraba Subordinated Bond | 22-Apr-2020 | 21-Apr-2021 | Surveillance | AA- | N/A |
| SIBL 2nd Mudaraba Subordinated Bond | 06-Sep-2019 | 05-Sep-2020 | Surveillance | AA- | N/A |
| SIBL 3rd Mudaraba Subordinated Bond | 30-Apr-2020 | 29-Apr-2021 | Surveillance | AA- | N/A |

FOREIGN EXCHANGE BUSINESS

Foreign Exchange Business stood at Tk. 159,583.03 million in 2019 against Tk. 178,590.50 million in 2018. The break-up of this foreign exchange business is as under-

(Fig in million Taka)

| Particulars | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------|------------|------------|------------|------------|------------|
| Import | 84,906.70 | 104,270.60 | 121,809.50 | 93,002.80 | 88,911.60 |
| Export | 54,121.20 | 49,766.00 | 58,315.90 | 63,065.90 | 60,079.50 |
| Remittance | 10,164.50 | 13,345.70 | 21,911.60 | 22,521.80 | 10,591.90 |
| Total | 149,192.40 | 167,382.30 | 202,037.00 | 178,590.50 | 159,583.03 |

INTERNATIONAL TRADE FINANCING (EXPORT & IMPORT)

In order to facilitate the Foreign Exchange (FX), Foreign Trade and Other Foreign Currency (FCY) Business and Transactions, International Division of the bank maintains proper and adequate corresponding channel with banks all over the world. 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 arrangements in all major currencies in the locations of international business concentration. The bank maintains 24 Nostro accounts in major countries and with reputed international banks for the settlement of all 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.

SIBL is highly committed to ensure compliance in the foreign exchange regime. Therefore quick responses to regulatory queries have been made and compliance of guidelines, policies, procedures and other instructions of the Central Bank have been ensured in conducting foreign exchange businesses. Besides, continuous relationship with regulatory bodies have been maintained for obtaining earliest disposal for special kind of foreign exchange transactions, so that the bank can address special kind of foreign exchange business requirement of the clients.

International Division is in continuous effort to encourage expatriate Bangladeshis living abroad for remitting funds through banking channel and has established remittance drawing arrangements

with reputed exchange houses/money transfer companies around the world. At present the bank has remittance drawing arrangements with 31 internationally reputed exchange houses spread all over the world for this service. The Division is continuously endeavoring to increase its remittance network and to connect new destinations of concentration of expatriate Bangladeshis. Besides, a Centralized Remittance Processing Unit (CRPU), equipped with skilled and experienced work team along with modern and sophisticated software, has been working relentlessly to improvise and monitor the remittance service.

Foreign Exchange Business Of SIBL:

One of the core activities of the bank is to facilitate International Trade through export and import financing. Besides, International Division is in continuous effort to encourage expatriate Bangladeshis living abroad for remitting funds through banking channel and has established remittance drawing arrangements with reputed exchange houses/money transfer companies around the world. At present the bank has remittance drawing arrangements with 31 internationally reputed exchange houses spread all over the world for this service. The Division is continuously endeavoring to increase its remittance network and to connect new destinations of concentration of expatriate Bangladeshis. A Centralized Remittance Processing Unit (CRPU), equipped with skilled and experienced work team along with modern and sophisticated software, has been working relentlessly to improvise and monitor the remittance service.

Over the last few years, the foreign trade business of the bank has gained a stable expansion. However, strategically the bank is concentrating on minimizing the trade gap by careful selection of import business and stimulation of diversified export businesses. Presently, SIBL has 22 AD branches and two Centralized Trade Processing Units, through which

the bank has handled total foreign trade of Tk. 159,583.00 million during the year 2019 as against Tk. 178,590 million in the previous year. The sluggish trend in the foreign Exchange business in 2019 is due to bank's strategically reduction of its import portfolio. Target for foreign exchange business for the year 2020 has been fixed at Tk. 207,250 million with 30% growth from 2019 achievement.

SIBL is highly committed to conduct its foreign exchange business by ensuring compliance in the foreign exchange regime. Therefore compliance of guidelines, policies, procedures and other instructions of the Central Bank have been ensured in conducting foreign exchange businesses. Besides, continuous relationship with regulatory bodies have been maintained for obtaining earliest disposal for special kind of foreign exchange transactions, so that the bank can address special kind of foreign exchange business requirement of the clients.

Import Business:

Total Import business of the bank stood at Tk. 88,912 million during the year 2019 as against Tk. 93,003 million and Tk. 121,810 million in the year 2018 and 2017 respectively. Bank has substantially reduced facilitating import business based on deferred payment to improve its asset quality. Besides, the bank's strategic decision to reduce its import business is mainly driven by its aim to reduce trade gap and achieve ability to support its foreign currency demand from own source. Therefore to achieve this goal, target of import business of the bank for 2020 is set at Tk. 115,250 million.

Export Business:

Total Export Business of the bank stood at Tk. 60,080 million during the year 2019 as against 63,066 million and Tk. 58,316 million in the previous year 2018 and 2017 respectively. Achievement of our export business was 73% in 2019 compared to that of 71% in 2018. Our target for export business during the year 2020 has been fixed at 30% higher to Tk. 78,000 million.

Remittance Business:

Total remittance of the bank stood at Tk. 10,592 million during the year 2019 as against Tk. 22,522 million in the previous year 2018. The Target for our remittance business during the year 2020 has been fixed at Tk. 14,000 million with an anticipated growth of 32%.

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 to continuous development of the organization. Qualified human resources are an important source of competitive advantage. To attract talented human resources team and to create brand image the Bank has formulating and executing HR systems—HR policies and activities—that produce the employee competencies and behaviours 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 20 (twenty) sub branches and 06 (six) new branches in the year 2019. Now SIBL has become a Bank of 161 Branches. For this reason a good time was spent upon the recruitment of experienced bankers and entry level employees like Probationary Officers, Trainee Officers & Junior Level Officers. The total manpower strength of the Bank was 2947 as on 31st December 2019.

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 2604 employees last year. Eminent Bankers, scholars, and other resource persons were invited to deliver lectures. Besides, a good number 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 in 2019. 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 04 (Four) foundation training courses for 160 fresh Officers and 44 Training, workshops and Seminar on different contemporary issues related to banking industries where 2444 different Officers and Executives had participated.

Training of Staff conducted by Social Islami Bank Training Institute from 01st January, 2019 to 31st December, 2019:

| SL | Name of the Training | Number | Participant Number |
|----|---|-----------|--------------------|
| 01 | Training on " Foundation Course in Banking for Assistant Officers (Cash)" | 01 | 40 |
| 02 | Training on " Foundation Course in Banking for Juniors Officers and Assistant Officers" | 01 | 40 |
| 03 | Training on " Investment Management" | 02 | 80 |
| 04 | Training on " Branch Management & Leadership Development" | 02 | 80 |
| 05 | Training on "Enhancing services quality and product marketing in Bank" | 01 | 40 |
| 06 | Training on " Foreign Exchange and Foreign Trade" | 01 | 40 |
| 07 | Training on " Foundation Course in Banking for Probationary Officers" | 01 | 40 |
| 08 | Training on " Foundation Course in Banking for Assistant Officers" | 01 | 40 |
| 09 | Training on "Risk Management in Bank" | 01 | 40 |
| | Total | 11 | 440 |

Workshop of Staff conducted by Social Islami Bank Training Institute from 01st January, 2019 to 31st December, 2019:

| SL | Name of the Training | Number | Participant Number |
|----|---|-----------|--------------------|
| 01 | Workshop on " ISS Reporting" | 02 | 155 |
| 02 | Workshop on " Integration of New Ababil (Software in BEFTN)" | 02 | 138 |
| 03 | Workshop on "AML & CFT with special session on Trade Based ML Prevention Procedures" | 10 | 594 |
| 04 | Workshop on "Recovery of Overdue, Classified, Written off Investments & Provisioning" | 03 | 120 |
| 05 | Workshop on " ICRR System" | 03 | 224 |
| 06 | Refresher programme on "Operational procedure of FEIMP and its Application " (Khulna) | 01 | 35 |
| 07 | Workshop on "Banking services under Shariah" | 04 | 244 |
| 08 | Workshop on "BAMLCO open discussion Meeting" | 01 | 54 |
| 09 | Workshop on "Sanction, documentation and disbursement of Investment" | 01 | 40 |
| 10 | Workshop on "Internal Audit and Inspection" | 01 | 40 |
| 11 | Workshop on "Internet Mobile Application, SIBL NOW and ICT awareness issues" | 01 | 54 |
| 12 | Workshop on " Foreign Exchange Transaction Reporting to B Bank" | 02 | 98 |
| 13 | Workshop on " Agent Banking Operation" | 01 | 43 |
| 14 | Workshop on " SBS2 and ISS reporting" | 02 | 165 |
| 15 | Workshop on " SBS3 and ISS reporting" | 02 | 160 |
| | Total | 36 | 2164 |

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 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--------------|--------|--------------|--------------|--------------|--------------|--------------|
| < 30 years | Male | 502 | 502 | 380 | 382 | 413 |
| | Female | 169 | 163 | 135 | 115 | 104 |
| 30-50 years | Male | 1734 | 1687 | 1640 | 1464 | 1275 |
| | Female | 394 | 363 | 336 | 293 | 251 |
| > 50 years | Male | 137 | 119 | 101 | 103 | 84 |
| | Female | 11 | 10 | 07 | 6 | 3 |
| Total | | 2,947 | 2,844 | 2,599 | 2,363 | 2,130 |

Gender diversity among permanent employees:

| Employee Category | Gender | 2019 | 2018 | 2017 | 2016 | 2015 |
|-------------------|--------|--------------|--------------|--------------|--------------|--------------|
| Entry level | Male | 1374 | 1352 | 1151 | 984 | 965 |
| | Female | 396 | 363 | 309 | 248 | 214 |
| Mid-level | Male | 961 | 921 | 824 | 804 | 695 |
| | Female | 176 | 171 | 158 | 157 | 138 |
| Senior Management | Male | 38 | 35 | 146 | 161 | 112 |
| | Female | 02 | 02 | 11 | 9 | 6 |
| Total | | 2,947 | 2,844 | 2,599 | 2,363 | 2,130 |

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-2019 | Yr-2018 | Yr-2017 | Yr-2016 | Yr-2015 |
|---|---------|---------|---------|---------|---------|
| Total number of employees | 2,947 | 2,844 | 2,599 | 2,363 | 2,130 |
| Total number of Branches | 161 | 155 | 138 | 125 | 111 |
| Employee Per Branch (nos) | 18 | 18 | 19 | 19 | 19 |
| Deposit per employee (million Tk) | 97.71 | 87.32 | 88.03 | 80.64 | 65.7 |
| Investment per employee (millionTk) | 89.67 | 83.91 | 80.82 | 73.72 | 61.36 |
| Operating profit per employee (million Tk) | 2.15 | 2.16 | 2.37 | 2.41 | 2.28 |
| Salaries & Allowances per employee (million Tk) | 1.15 | 1.11 | 1.12 | 1.03 | 1.03 |
| Salaries & Allowances as percentage of Operating profit | 53.54% | 51.21% | 47.02% | 42.82% | 45.61% |

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. 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:

(Figure in Million Tk.)

| Particulars | 2019 | 2018 |
|---|-----------------|-----------------|
| Social Islami Bank Profit Dependent Employee's Provident Fund | 2,095.99 | 1,749.09 |
| Social Islami Bank Employee's Gratuity Fund | 1,105.37 | 953.30 |
| SIBL employees' Superannuation Fund | 208.12 | 173.89 |
| Total | 3,409.48 | 2,876.28 |

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.

ICT SERVICES

SIBL always strives to provide quality of service towards valued clients with state of the art digital technology. Centralized Core Banking (CBS) solution based on Islamic Shariah principle has been implemented to provide modern Islamic Banking with online service. Customers gets any-branch banking service in all branches of SIBL under online banking and they can deposit/withdraw money to/from any SIBL branch without additional transaction fees per transaction for the online service. Agent banking, BACH, BEFTN, RTGS etc services are introduced for allowing smooth and easy banking to meet user requirements at current age. The bank is providing 24/7 round the clock banking facility through Internet banking, Mobile App, ATM network.

The bank has secured client information by implementing modern cyber defense system. Our accountability to the clients is strong enough to build a relationship of trust. Customers get SMS notification for any transaction in SIBL accounts. The ICT operation of the bank is always adopting latest technology for providing quality of service and reaching banking facility at customer doorstep. Centralized core banking (CBS) solution has been implemented based on Islamic Shariah principle which allows 24/7 online banking support through internet banking, Mobile App, e-commerce, ATM network. Clients can make banking from any branch for deposit/withdraw, interbank transaction through BACH, BEFTN, RTGS services over the centralized system. The bank has secured client information by implementing modern cyber defence system. The bank has implemented centralized Document Management System for reducing paper work as a green banking initiative by digitizing internal

activities. Proposals being approved in digital workflow process with eliminating a lot of paper works. Machine readable account opening forms are being implemented for ensuring transparency.

EXTENDING BANKING SERVICES

Customers gets online banking service from any SIBL branch including deposit/withdrawal facility without per transaction service fees. Sub-branches are established to extend branch support at remote areas around the country which are operated by the Bank officials under the controlling branches cost effectively. SIBL provides Agent Banking service to facilitate banking service to unbanked people in remote areas. There exists 107 agent banking outlets of SIBL at the moment and it has plan for opening many new outlets at several corner of the country in new future.

ANYTIME ANY WHERE BANKING

Internet Banking and “SIBL NOW” mobile app of SIBL brings anytime anywhere banking facility over internet. This supports fund transfer (same bank & inter bank), utility bill payment, mobile bill payment, credit card bill payment, account statement view, location view of branches/booths etc services for clients.

SIBL cards provide e-commerce/online shopping facilities to purchase goods and services over Internet. Customers can withdraw cash and pay bill of cell phone operators using SIBL cards through own 108 ATM booths of SIBL and more than two thousand shared ATM booths of Q-cash members. SIBL is working for enhancement of ATM service for allowing fund transfer, utility bill payment etc features from ATM booths.

AGENT BANKING

SIBL provides Agent Banking service in remote areas to facilitate banking service to unbanked people. There are 107 agent banking outlets at several corner of the country at present and the number of outlets are increasing day by day.

REMITTANCE PAYMENT AND UTILITY BILL COLLECTION

SIBL is connected with XOOM, Western Union, World Remit, Placid Express, MoneyGram, Ria, Instant Cash and many other international exchange houses to allow remittance payment service. Moreover, SIBL has developed integrated system with several organizations/institutes like WASA, DESCO, DPDC, PDB, Titas Gas, Bakhraabad Gas, Karnaphuli Gas, Dept of Shipping, BAR Council, Asisan University, Wills Little Flower School, Pran-RFL, e-tendering etc for collecting fees/bills in favor of them and customers can easily pay their bills at SIBL branches. In 2019 SIBL able to collect funds of two thousand crore taka approximately through these systems.

PAYMENT CARDS AND ATM SYSTEM

SIBL cards provide e-commerce/online shopping facilities to purchase goods and services over Internet. Customers can withdraw cash and pay bill of cell phone operators using SIBL cards through 108 ATM booths of SIBL and thousands of ATM booths of other banks under Q-cash network. SIBL is working for enhancement of ATM service for allowing fund transfer, utility bill payment etc features from ATM booths.

MODERN TECHNOLOGY FOR CORPORATE COMMUNICATION

SIBL implemented modern communication systems for developing effective communication. The bank installed IP Telephony solutions to establish lowcost and easy communication system around the bank. Microsoft Exchange Mail Server has been implemented for efficient usage of corporate email system. Smart phone devices are provided for all branch managers and divisional heads in head office/regional office with dedicated corporate SIM for keeping them connected.

INTER BANK TRANSACTION

Inter bank transaction facility is available in all SIBL branches using BEFTN (Bangladesh Electronic Fund Transfer Network), BACH (Bangladesh Automated Cheque Clearing) and RTGS (Real Time Gross Settlement) systems.

Inter bank transaction facility is available in all SIBL branches using BEFTN (Bangladesh Electronic Fund Transfer Network), BACH (Bangladesh Automated Cheque Clearing) and RTGS (Real Time Gross Settlement) systems.

BUSINESS CONTINUITY PLAN

SIBL established three layer Data Center (DC) structure for ensuring business continuation and resilience of critical services on unexpected disaster. The CBS system in primary Data Center (DC) is synchronized at Near DC and Far DC through Real Application Cluster (RAC) and Active Data Guard is implemented for high availability, data protection, and disaster recovery for enterprise data. The Far DC is established at different seismic zone at Khulna.

MANAGING CYBER SECURITY AND ICT RISK

State of art security solutions has been implemented for protecting the information assets of SIBL. SIBL has a continuous efforts for preventing cyber security threats. SIBL has implemented world class screening solution for scrutinising SWIFT messages and clients information automatically. Barracuda Email Security Gateway has been implemented for protecting against inbound malware, spam, phishing, and Denial of Service attacks and ensuring that business productivity isn't impacted by attacks through the email system. Our accountability to the clients is strong enough to build a relationship of trust. SIBL introduced SMS Banking for sending transaction notification alerts, account balance and dynamic password (OTP) for internet banking access.

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 SIBL's 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 diversified products designed for this purpose.

SIBL has been achieving a continuous and upward growth in its SME portfolio. As of December 2019, SME portfolio holds 24% share of the total investment portfolio of the Bank amounting to Tk.63,698.70 million whereas the outstanding balance in the year 2009 was only Tk.515.40 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 effort.

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

| Particulars | SME Outstanding (Fig. in millions) |
|-------------|---------------------------------------|
| 31/12/2015 | 29,198.70 |
| 31/12/2016 | 40,507.30 |
| 31/12/2017 | 56,884.30 |
| 31/12/2018 | 55,648.40 |
| 31/12/2019 | 63,698.70 |

SME Outstanding

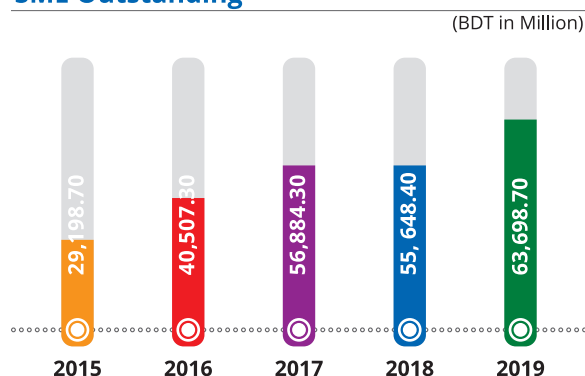


Figure 1: SME Investment Outstanding of the Bank (2015-2019)

The present SME investment outstanding is Tk.63,698.70 million (24%) in comparison with total investment outstanding of the Bank which is BDT.264,268.50 million. The composition of Investment portfolio of the Bank is shown in Figure 2 below:

Composition of SME Investment Outstanding of the Bank (December, 2019)

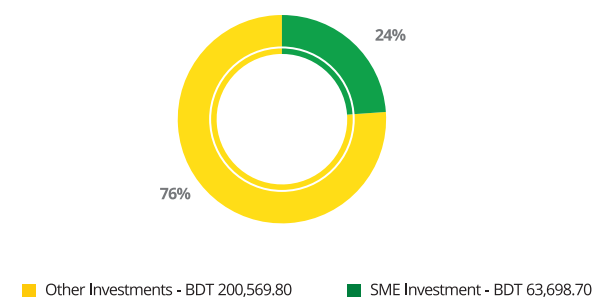


Figure 2: Composition of SME Investment Outstanding of the Bank (December, 2019)

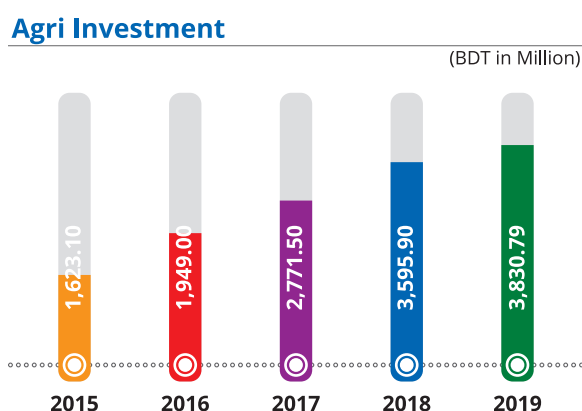
SIBL has been able to create job opportunities among the significant Micro and SME borrowers. Many of them have been able to establish themselves as successful entrepreneurs. Graduate of Micro-Enterprise program and successful SME graduates

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 emphasize on green initiatives and sustainable development within a framework of Bangladesh Bank's guidelines.

AGRI INVESTMENT

SIBL has been continuously financing in different agricultural businesses & projects in addition to provide financing to the farmers through its entire branch network spread over the country. Earlier, the Bank has received 'Letter of Appreciation' from Bangladesh Bank for achieving agricultural Investment disbursement target of FY 2011-12 & FY 2014-15. In the FY 2018-2019, SIBL has disbursed Tk.3,830.79 million Agri Investments outstanding of which is Tk.2,016.20 million. In 2019-2020, we have a target to disburse Tk.4,430.00 million Agri Investments set by Bangladesh Bank.

The trend in Agricultural Investment disbursement of the Bank since FY 2014-15 is shown below:



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

NON-FORMAL SECTOR

Background:

Since inception in 1995, SIBL has been working in Voluntary and Non-Formal sectors in addition to Formal Banking for achieving a goal of participatory economy for a caring society. "Targeting poverty" is one of the main focus of SIBL with a view to uplift the socio-economic condition of the poor and marginal people through family empowerment. SIBL has restructured its micro-finance operations in the name "Family Empowerment Islamic Micro-finance Program (FEIMP)". In line with the Board of Directors

approval in its 321st meeting held on 29th September 2014, we have initially started Family Empowerment Islamic Microfinance Program (FEIMP) in 4 designated Branches and gradually which is successfully expanded to 68 branches all over country till now.

Policies and Objectives:

The goal of "Family Empowerment Islamic Micro-finance Program (FEIMP)" is to empower the family as a basic unit and involve both man and woman participatory basis in poverty alleviation program. With this view, the bank has designed Islamic Micro-finance Program with the following specific objectives:

- Financial inclusion through financing facilities to poor and marginal households.
- Extend financing facilities for Agricultural investment.
- Upgrade Microfinance graduates to Micro-enterprise and SME.
- To encourage poor population to save for accumulation of capital to invest in productive activities leading to self-sufficiency.
- To improve Socio-economic situation of poor and marginal people.

Salient Features:

The key features of FEIMP which make it distinct from other micro-finance providers in the country are as follows:

- Empowers the family as a whole, rather than man or woman individually;
- Group-based lending program for the poor segment of the society who are not able to provide collateral security;
- Investment ceiling ranges from Tk. 20,000 to Tk. 2,00,000;
- Offers investment opportunities at a lower rate of profit
- Equal bi-weekly installment;
- Facility to migrate Bank's SME/Corporate investment sectors.

Organization:

To implement the program effectively and efficiently, a separate unit has been set up at the Head Office under Non-Formal and Voluntary Banking Division of SIBL. It is equipped with adequate manpower having practical working expertise in field. Social Officers (the key manpower of the program) are monitored and supervised by the dedicated officers/ investment In-charge of the branches under overall guidance of Branch Managers.

Program operations:

At present, we are operating the program in 68 SIBL branches through 109 Islamic Microfinance Social Officers. They have collected a total savings deposit of Tk. 26.41 crore from 29,648 members (including 10,661 numbers of members who are maintaining DPS A/Cs amounting to Tk. 15.30 crore). Meanwhile, we have disbursed a sum of Tk. 145.16 crore among 28,945 clients with a total outstanding of Tk. 39.53 crore among 9,978 borrowers having Risk Fund Tk. 2.84 crore against the investment portfolio. The recovery rate for the invested amount was 99% during the reporting year. The summary of the FEIMP portfolio as on 31st December 2019 is presented in Table 1 below, while investment outstanding, group savings and sectoral distribution of disbursed amount are portrayed in Figure 1, 2 & 3 respectively:

The summary of the program as on December 31, 2019 is furnished hereunder:

Amount in Taka

| SI | Particulars | Year 2019 | Year 2018 | Rate of Growth |
|----|---|---------------|-------------|----------------|
| 01 | No. of branches having Microfinance Program | 68 | 62 | 9.68% |
| 02 | No. of Social Officers | 109 | 125 | -12.80% |
| 03 | No. of Family Clusters | 1,835 | 1,619 | 13.34% |
| 04 | No. of Members enrolled | 29,648 | 23,074 | 28.49% |
| 05 | No. of Savings A/Cs | 56,841 | 41,136 | 38.18% |
| 06 | Amount of deposited savings | 264,107,402 | 126,155,716 | 109.35% |
| 07 | Amount of Risk Fund balance | 28,477,950 | 14,916,057 | 90.92% |
| 08 | No. of disbursement (cumulative) | 28,945 | 19,889 | 45.53% |
| 09 | Disbursed amount(cumulative) | 1,451,628,000 | 929,558,000 | 56.16% |
| 10 | No. of borrowers | 9,978 | 7,709 | 29.43% |
| 11 | Investment outstanding | 395,304,362 | 285,510,434 | 38.46% |

Savings Mobilization of Microfinance Clients as on December 2019

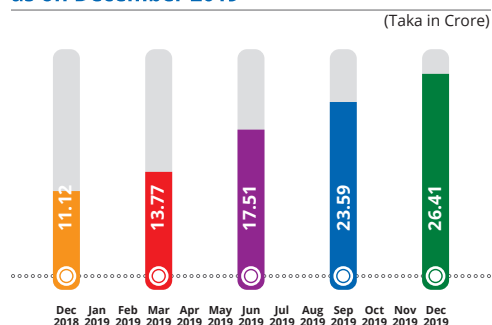


Figure-1: Savings Mobilization of Microfinance Clients as on December 2019

Investment Outstanding

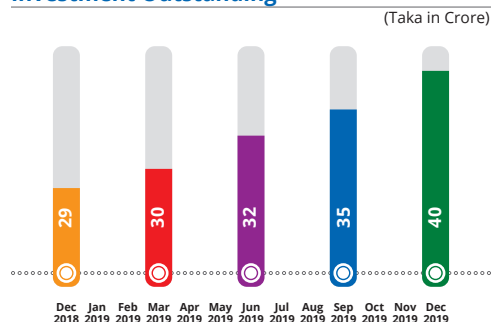


Figure 2: Trend of Investment Outstanding as on December 2019

Sector wise Disbursement Amount Under FEIMP in the Year-2019

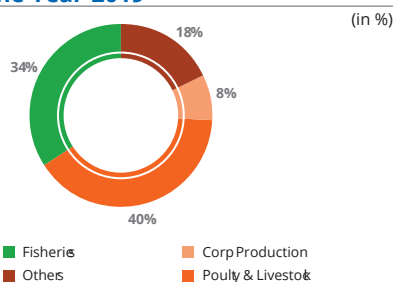


Figure 3: Sectoral Distribution of Disbursed Amount as on December 2019

Expanding Outreach:

Initially, FEIMP started in 04 (four) SIBL branches in the northern part of the country. In order to widen its outreach, the program was introduced in another 20 branches in 2016. Thus total number of branches offering micro-finance facilities reached at 68 as end of 2019. SIBL has a strong rural branch network to provide micro-finance products/services to the rural poor. It is in the process of expanding micro-finance activities through its 80 rural branches and ultimately through all SIBL branches (both rural and urban) spread over the country.

Future Plans:

SIBL will continue its efforts towards family empowerment by adopting innovative products and services for its micro-finance clients, focusing on increase client's need and identifying unbanked areas over the country. The Board of Directors (BOD) of SIBL has approved expansion of microfinance program in its 445th meeting held on 26th December, 2019 through its sub-branches and Agent Banking outlets over the country.

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. 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 are given below-

- 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.
- Purposes of Cash Waqfs program can be break under some major fields like –
 1. Family Rehabilitation
 2. Education & Culture
 3. Health & Sanitation
 4. Social Utility
 5. Others
- 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 of Cash Waqf.
- 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. 1,00,000/= (One Lac) & 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.

CORPORATE SOCIAL RESPONSIBILITY

SIBL has been responding spontaneously to its social commitment. 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 (4) Zakat Fund and (5) Others

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, 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 Agriculture, SME, Women Entrepreneur, Renewable Energy Finance, 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

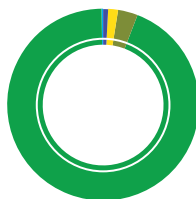
CSR activities undertaken during 2019

SIBL has contributed a sum of total Tk. 297.33 million in the field of Health, Education, Disaster Management (Family Rehabilitation), Sports, Art & Culture, Environment (Social Utility) & Others during year 2019, which are furnished hereunder:

| Sectors | (Jan – Jun' 19) | (Jul – Dec'19) | Total Contribution |
|---|-----------------|-----------------|--------------------|
| Health | 6,51,900.00 | 23,17,970.00 | 29,69,871.00 |
| Education | 19,34,300.00 | 2,767,000.00 | 47,01,300.00 |
| Disaster Management (Family Rehabilitation) | - | 1,00,00,000.00 | 1,00,00,000.00 |
| Sports | 1,57,500.00 | - | 1,57,500.00 |
| Art & Culture | 2,76,750.00 | - | 2,76,750.00 |
| Environment | 14,916,057.00 | 28,477,950.00 | 90.92% |
| (Social Utility) | 1,92,34,950.00 | 25,99,45,000.00 | 27,91,79,950.00 |
| Others | 47,250.00 | - | 47,250.00 |
| Total | 2,23,02,650.00 | 27,50,29,970.00 | 29,73,32,621.00 |

Sector-wise CSR Contribution (Year 2019)

(Taka)



| | |
|---|---------------------|
| Environment (Social Utility) | Tk. 27,91,79,950.00 |
| Disaster Management (Family Rehabilitation) | Tk. 1,00,00,000.00 |
| Education | Tk. 47,01,300.00 |
| Health | Tk. 29,69,870.50 |
| Art & Culture | Tk. 2,76,750.00 |
| Sports | Tk. 1,57,500.00 |
| Others | Tk. 47,250.00 |

Sector-wise CSR Contribution (Year 2019) CSR Activities of the Bank during 2019 at a glance:

| Sl | Events | Particulars |
|----|---|---|
| 1. | Donation to the Prime Minister's relief fund | During the period the Board of Directors of the Bank approved Tk. 157.50 lac as donation to the Prime Minister's Relief Fund for distributing winter blanket among poor and distressed people suffering from severe cold to be paid from Compensation Fund. |
| 2. | Donation to Biddya Niketon high school, 2 (new) West Deobogh ,Narayanganj-1400. | During the period the Board of Directors of the Bank approved Tk. 5.00 lac as donation to Biddya Niketon high school, 2 (new) West Deobogh, Narayanganj-1400 for construction and salary and study exp. to be paid from Compensation Fund. |
| 3. | Donation to "Desh akti Sommilito Uchcharan | During the period the Board of Directors of the Bank approved Tk. 5.00 lac as donation to "Desh akti sommilito Uchcharan for publishing a book named " Bangla theke Bangladesh" to be paid from Compensation Fund. |
| 4. | Donation to Little Flower School and College, Dhaka | During the period the Board of Directors of the Bank approved Tk. 18.00 lac as donation to Little flower school and college, Dhaka for purchasing a 01 unit lift for their new 10 storied school building to be paid from Compensation Fund. |
| 5. | Donation to the Nurkazi halimia Mohila Dakhil Madrasha | During the period the Board of Directors of the Bank approved Tk. 3.00 lac as donation to the Nurkazi halimia Mohila Dakhil Madrasha for construction Works to be paid Profit On Cash Waqf . |
| 6. | Donation to Begum Anowra nurani hafezia madrasha | During the period the Board of Directors of the Bank approved Tk. 2.00 lac as donation to Begum Anowra nurani hafezia madrasha for construction work to be paid from Profit On Cash Waqf . |
| 7. | Donation to Muhammadpur Abashik Alaka Jame Masjid | During the period the Board of Directors of the Bank approved Tk. 2.00 lac as donation to Muhammadpur Abashik Alaka jame masjid for financial support for development activities and purchasing 04 air conditioners for the masjid Profit On Cash Waqf . |
| 8. | Donation to Mr. Imam Mohammed Sadid | During the period the Board of Directors of the Bank approved Tk. 2.00 lac as donation to Imam Mohammed Sadid for his Pancreatitis Dysfunction disease to be paid from Compensation Fund. |

| Sl | Events | Particulars |
|-----|---|--|
| 9. | Donation to Mr.Md. Abdul Munna | During the period the Board of Directors of the Bank approved Tk. 1.35 lac as donation for the Nerve System damage treatment of Md. Abdul Munna to be paid from Compensation Fund. |
| 10 | Donation to Cantonment Board Jame Masjid | During the period the Board of Directors of the Bank approved Tk. 50.00 lac as donation to Cantonment Board Jame Masjid for reconstruction work" to be paid from CSR Fund. |
| 11. | Donation to Md. Soayed Nur | During the period the Board of Directors of the Bank approved Tk. 2.00 lac as donation for the complex lungs treatment of Md. Soayed Nur to be paid from Compensation Fund. |
| 12. | Donation to Mokhlesur Rahman Moukul (Driver, Foreman Bangladesh Bank) | During the period the Board of Directors of the Bank approved Tk.5.00 Lac as donation to Mokhlesur Rahman Moukul (Driver, Foreman Bangladesh Bank) for his Brain Tumour Treatment to be paid from Compensation Fund. |
| 13. | Donation to Law and Order Co-Ordination Committee | During the period the Board of Directors of the Bank approved Tk. 30.00 Lac- as donation to Law and Order Co-Ordination Committee (CCTV-Camera Surveillance Project) as decision of BAB to be paid from Compensation Fund. |
| 14. | Donation to Bangladesh Muktijuddah Jadughar | During the period the Board of Directors of the Bank approved Tk 2500.00 Lac for development of Muktijuddah Jadughar from Other Expenditure Fund as part of Corporate Social Responsibility (CSR). |
| 15. | Donation to Child Day Care Center Motijheel | During the period the Board of Directors of the Bank approved Tk.12.00 Lac as donation to Child Day Care Center Motijheel (leading by Private Banks) to be paid from Compensation Fund. |
| 16. | Donation to 'Prime Ministers Relief Fund" | During the period the Board of Directors of the Bank approved Tk. 100.00 Lac as donation to 'Prime Ministers Relief Fund for the purpose of 'Fire Victims of Churhatta" to be paid from Compensation Fund. |
| 17. | Donation to Cure and Smile Bangladesh Foundation" | During the period the Board of Directors of the Bank approved Tk. 40.00 Lac as donation to Cure and Smile Bangladesh Foundation" to be paid from CSR Expenditure. |

ON GOING CSR ACTIVITIES OF THE BANK

| Sl | Events | Particulars |
|----|---------------------------------------|---|
| 1. | UCEP Bangladesh (Supported by SIBL) | Implementation of UCEP & SIBL Skills Training Project at UCEP Jatrabari Technical School, Dhaka & UCEP Ambagan Technical School, Chattogram. SIBL involving total Tk. 50.00 lac (Per quarter installment @Tk. 12.50 lac) for 01 (One) year. |
| 2. | Stipend to poor & meritorious student | SIBL is sponsoring financial support to the poor & meritorious student. In the year 2019, we have donated Tk. 47.01 lac favoring 55 (Fifty Five) students of different college & university around the country. |

A short list of our stakeholders:

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

THIS REPORT ALSO STATES

The financial statements prepared as on 31.12.2019 by the Bank, presented fairly its state of affairs, the results of its operation, cash flows and changes in equity;

- The financial statements prepared as on 31.12.2019 by the Bank, presented fairly its state of affairs, the results of its operation, cash flows and changes in equity;
- There is no significant variance occurred between quarterly financial performances and Annual Financial Performances of 2019;
- Director's remuneration including Independent Director of Social Islami Bank Limited during the year 2019;
- The Bank has been maintained proper books of accounts;
- 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.
- i. No Changes in Accounting policies and estimates have been applied for preparation of financial statements.
- j. The appointment or reappointment of Directors including their resume and expertise has been described in separate sections of this Annual Report.
- k. As per provision of Companies Act and guidelines of other Regulatory Authorities, the Bank holds its Annual General Meeting every year wherein shareholders can express their opinion and also approve the decisions taken for the interest of the shareholders by the controlling shareholders (Board of Directors). On the other hand, all sorts of information is been disclosed in the Annual Report of the Bank published in every year which is also available in the website of the Bank. The minutes of decision taken by the controlling shareholders in the Board Meeting are being communicated with the Bangladesh Bank within seven days of holding the meeting. As such, there is no scope for the controlling shareholders to take abusive actions against the interest of the minority shareholders.
- l. The Board has not declared any interim dividend for its shareholders in the form of stock dividend and there is no scope to declare such dividend in future as per guidelines of Regulatory bodies.

OPERATING RESULT & PROFIT

Total Operating Income of the Bank as on 31st December 2019 stood at Tk. 12,282.58 million against Tk. 11,551.54 million of the preceding year. The Bank made an operating profit of Tk. 6342.12 million in 2019 against Tk. 6,143.12 million of 2018.

A summary of operating result of the Bank is shown below

| (Taka in Million) | | | |
|--|-----------|-----------|-------------|
| Particulars | 2019 | 2018 | Growth Rate |
| Income on Investment | 27,797.43 | 24,955.87 | 11.39% |
| Profit paid to the Depositors | 18,428.55 | 16,063.98 | 14.72% |
| Net Investment Income | 9,368.88 | 8,891.89 | 5.36% |
| Commission, Exchange, Shares & Securities and Other Income | 2,913.70 | 2,659.65 | 9.55% |
| Total Operating Income | 12,282.58 | 11,551.54 | 6.33% |
| Operating Expenses | 5,940.46 | 5,408.42 | 9.84% |
| Profit before Provision | 6,342.12 | 6,143.12 | 3.24% |
| Provision against Investment & Others | 3,208.08 | 2,294.82 | 39.80% |
| Profit before Tax | 3,134.04 | 3,848.30 | -18.56% |

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. 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.

| Particulars | 2019 | 2018 |
|-------------------------------------|----------|----------|
| Net Investment Income Margin (NIIM) | 3.40% | 3.60% |
| Return on Assets (ROA) | 0.47% | 0.54% |
| Return on Equity (ROE) | 9.21% | 10.05% |
| Earning per Share (Restated) | Tk. 1.70 | Tk. 1.77 |

CORPORATE GOVERNANCE

Corporate Governance means a structure for transparent, fair, timely and decisive decision making by companies with due attention to the needs and perspectives of shareholders as well as Stakeholders. SIBL 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, Audit Committee, Risk Management Committee, MANCOM and other Committees of the management perform their respective tasks with accountability and transparency. SIBL has been complied all corporate issues As per guidelines laid down in the BRPD Circular Number 12 dated December 23, 2002 of Bangladesh Bank. On the other hand, Bangladesh

Securities and Exchange Commission (BSEC) has revised the Corporate Governance Guideline and established 'Corporate Governance Code' vide its notification dated June 03, 2018. To comply the said Code SIBL has been maintained the Board size consisting of 12 (twelve) members including 2 (two) Independent Directors. The qualification and experience of the Independent Directors are more sophisticated who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business. Besides, to support and enhance the practice of corporate governance, the Audit Committee of the bank was duly constituted by the Board of Directors with a view to evaluating the activities of the Bank.

Compliance Status of Corporate Governance Code issued by Bangladesh Securities & Exchange Commission (BSEC) vide its Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 3rd June, 2018 under condition no: 1.5 (xxii) and (xxiii):

Compliance of another conditions of 1.5 are summarized in the preface of this report.

Compliance of condition 1.5 (xxii)

Board Meeting Held During the Year 2019 and Attended by Each Director:

| SI | Name of Director | Board Meetings in 2019 | | Remarks |
|-----|---|------------------------|----------|---------|
| | | Held | Attended | |
| 01. | Professor Md. Anwarul Azim Arif, Chairman (Representative of Hasan Abasan (Pvt.) Ltd.) | 17 | 16 | |
| 02. | Mr. Belal Ahmed, Vice Chairman (Representative of Unitex Steel Mills Ltd.) | 17 | 11 | |
| 03. | Mr. Md. Sayedur Rahman, Vice Chairman (Representative of Prasad Paradise Resorts Ltd.) | 17 | 17 | |
| 04. | Mr. Md. Kamal Uddin, Director (Representative of Lion Securities and Investment Ltd.) | 17 | 17 | |
| 05. | Mrs. Nargis Mannan, Director | 17 | 07 | |
| 06. | Dr. Md. Jahangir Hossain, Director (Representative of Reliable Entrepreneurs Limited) | 17 | 17 | |
| 07. | Mrs. Jebunnesa Akbar, Director (Representative of Unitex Cement Limited) | 17 | 14 | |
| 08. | Mr. Arshadul Alam, Director (Representative of Leader Business Enterprise Ltd.) | 17 | 15 | |
| 09. | Mr. Ali Hasan Md. Mahmud Ribon, Director (Representative of Dynamic Ventures Ltd.) | 17 | 15 | |
| 10. | Mr. Md. Faysal Ahmed Patwary, Director (Representative of Global Trading Corporation Ltd.) | 17 | 16 | |
| 11. | Professor A J M Shafiul Alam Bhuiyan, Ph.D Independent Director | 17 | 17 | |
| 12. | Professor Mohammed Mizanur Rahman, Ph.D Independent Director | 17 | 17 | |

Compliance of condition 1.5 (xxiii): Pattern of shareholding

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

Statement in compliance with Condition 1.5(xxiii b)

b (i):Shareholding Position of Directors of SIBL with their Spouse and Minor Children as on 31.12.2019

| SI | 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 | 1,84,10,150 | 1,84,10,150 | 2.0608 |
| 2 | Mr. Belal Ahmed Representative of Unitek Steel Mills Ltd | Vice Chairman | 18,404,100 | 1,84,04,100 | 2.0601 |
| 3 | Mr. Md. Sayedur Rahman Representative of Prasad Paradise Resorts Ltd. | Vice Chairman | 18,410,150 | 36,282,975 | 4.0615 |
| | Mr. Md. Sayedur Rahman | (Own) | 1,78,72,825 | | |
| 4 | Mrs. Nargis Mannan Prof. Dr. M. A. Mannan | Director Husband | 1,78,67,314 15,51,900 | 1,94,19,214 | 2.1738 |
| 5 | Dr. Md. Jahangir Hossain Representative of Reliable Entrepreneurs Ltd. | Director | 1,84,03,233 | 1,86,39,158 | 2.0865 |
| | Dr. Md. Jahangir Hossain | (Own) | 2,35,925 | | |
| 6 | Mr. M. Kamal Uddin Representative of Sifang Securities Ltd. | Director | 1,84,02,841 | 1,84,06,652 | 2.0604 |
| | Mr. M. Kamal Uddin | (Own) | 3811 | | |
| 7 | Mr. Arshadul Alam Representative of Leader Business Enterprise Ltd. | Director | 1,84,10,150 | 1,84,18,535 | 2.0618 |
| | Mr. Arshadul Alam | (Own) | 8385 | | |
| 8 | Mr. Ali Hasan Md. Mahmud Ribon Representative of Dynamic Ventures Ltd. | Director | 1,84,08,940 | 1,84,08,940 | 2.0607 |
| 9 | Mr. Md. Faysal Ahmed Patwary Representative of Global Trading Corporation Ltd. | Director | 1,83,14,227 | 1,83,14,227 | 2.0501 |
| 10 | Mrs. Jebunnesa Akbar Representative of Global Trading Corporation Ltd. | Director | 1,84,04,100 | 1,84,04,100 | 2.0601 |

1.5 (xxiii 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).

| SI | 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. Md. Giash Uddin Bhuiyan EVP & Head of Internal Audit | NIL |

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

| SI | Name | Nos. of Share(s) held |
|-----|--|-----------------------|
| 01. | Mr. Kazi Towhidul Alam, Additional Managing Director | NIL |
| 02. | Mr Abu Naser Chowdhury, Deputy Managing Director | NIL |
| 03. | Mr. Md. Sirajul Hoque, Deputy Managing Director | NIL |
| 04. | Mr. Ziauddin Sawlet Ghani, Senior Executive Vice President | NIL |
| 05. | Mr. Mohammad Forkanullah, Senior Executive Vice President | NIL |

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

DECLARATION BY THE CHIEF EXECUTIVE OFFICER & CHIEF FINANCIAL OFFICER TO THE BOARD

June 25, 2020

The Board of Directors

Social Islami Bank Limited
City Center, 90/1 Motijheel C/A
Dhaka-1000

Sub: Certification by Managing Director & CEO and Chief Financial Officer (CFO) regarding Financial Statements for the year ended on 31st December, 2019

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

1. The Financial Statements of Social Islami Bank Limited for the year ended on December 31, 2019 have been prepared in compliance with International Accounting Standards (ISA) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there has been adequately disclosed;
2. The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order to the financial statements to reveal a true and fair view;
3. The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
4. To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
5. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company were consistently followed; and
6. The management's use of the going concerns basis of accounting in preparing the financial statements is appropriate and there exists no materials uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regards, we also certify that:

- i. We have reviewed the financial statements for the year ended on 31st December, 2019 and and that to the best of our knowledge and belief:
 - a. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. These statements collectively present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.
- ii. There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the code of conduct for the company's Board of Directors or its members.


(Quazi Osman Ali)
Managing Director & CEO


(Walid Mahmud Sobhani, FCMA)
Chief Financial Officer



Suraiya Parveen & Associates

(Chartered Secretaries, Financial & Management Consultants)

[Certificate as per condition No.1 (5) (XXVII)]

Report to the Shareholders of Social Islami Bank Limited on compliance on the Corporate Governance Code

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

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

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

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

- The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission;
- The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws; and
- The Governance of the company is satisfactory.

Dhaka, Dated
August 17, 2020

For Suraiya Parveen & Associates
Chartered Secretaries

Suraiya Parveen, FCS
Chief Executive Officer

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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 has 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 except Independent Directors of the Board are non-executive directors holding more than 2% Shares of the Paid-up Capital of the Bank. 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. 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.

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, 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, Audit Committee Meeting and Risk Management Committee Meeting @ Taka 8,000/- per attendance.

BOARD MEETINGS & MINUTES

In every month, minimum one or more Board of Directors meeting is 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 445 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

The Article 83 of the Articles of Association of the Bank provides a provision of Retirement by Rotation of the Directors in accordance with the provision of Section 91(2) of the Companies Act, 1994. 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 25th Annual General meeting as they have been holding the office for the longest period.

1. Mr. Arshadul Alam
(Representative of Leader Business Enterprise Ltd.)
2. Dr. Md. Jahangir Hossain, Director
(Representative of Reliable Entrepreneurs Ltd.)
3. Mrs. Jebunnesa Akbar, Director
(Representative of Unitex Cement Ltd.)
4. Mr. Mahmudul Alam, Director;
(Representative of Global Trading Corporation Ltd.)

It is mentionable that Mr. Mahmudul Alam (Representative of Global Trading Corporation Ltd.) was appointed as Casual Vacancy in place of Mr. Md. Faysal Ahmed Patwary who shall also retire in the upcoming AGM as per provision of Companies Act, 1994.

As per provision of Article 84 of the Articles of Association of the Bank the retiring (four) 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.

COMMITTEES 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. Audit Committee
3. Risk Management Committee
4. Remuneration Committee (Unresolved Issue)

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 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 scrutiny. 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.

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.
- iv. set the frequency of the Board meetings and review such frequency from time to time as considered appropriate or as requested by the Board;
- v. chair all Board meetings and manage the business of the Board ensuring that the Board adopts a prompt and constructive approach to make decisions;
- vi. provide strong leadership of the Board and assist it in reviewing and monitoring the aims, strategy, policy and directions of the Company;
- vii. 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;
- viii. 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;
- ix. ensure that Board and committee meetings are conducted in an efficient, effective and focused manner;
- x. ensure that the corporate governance of the company is maintained in line with appropriate practice policies agreed by the Board;

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
- ii. other stakeholders under the law;
- iii. set the agenda for discussion at Board Meetings and General Meetings and ensure that adequate time is available for discussion of agenda items;
- xii. be the contact person for the expression of individual director concerns;
- xiii. 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;
- xiv. 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

- xv. 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.

- vii. ensure that there is appropriate delegation of authority from the Board to Executive Management;

- viii. 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

- 1. chair all meetings of shareholders;
- 2. undertake public service as agreed with the MD/CEO in connection with the Company's charitable, educational and cultural activities;
- 3. 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.

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
- xv. Cost of fund
- xvi. Interest rates (both for deposits and lending)
- xvii. Identifying major profit and cost centers
- xviii. Maintenance of Investment in shares and securities
- xix. 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 Code issued by Bangladesh Securities and Exchange Commission (BSEC) vide its Notification No. BSEC/CMRRCD /2006-158/207/Admin/80 dated 03 June, 2018, as on 31st December, 2019 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 5.3 (a) of the said Notification Professor A J M Shafiul Alam Bhuiyan, Ph.D discharging his responsibilities as the Chairman of the Audit Committee of the Bank. He is also an Independent Director of SIBL Investment Limited (a subsidiary company of SIBL). Professor Mohammed Mizanur Rahman, Ph.D discharging his

responsibilities as a member of Executive Committee of the Bank. He is also nominated as an Independent Director of the SIBL Securities Limited (a subsidiary company of SIBL) as per compliance of the condition 2 (b) 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 Code, 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 Hoda Vasi Chowdhury & Co and M/s Shafiq Basak & Co. both are appointed as external Auditors by the Shareholders in the 24th Annual General Meeting held on 2nd July, 2019 at a fees of Taka 4,00,000/- each for the year 2019. As per provision of Companies Act, 1994, Notification/Directive of BSEC and regulation of Dhaka and Chittagong Stock Exchange (Listing) Regulations-2015 they are also eligible for re-appointment by the Shareholders in the up-coming AGM for the year-2020.

APPOINTMENT OF COMPLIANCE AUDITORS

Suraiya Parveen & Associates, a Practicing Chartered Secretaries Firm was appointed as Compliance Auditor of the Bank for the year-2019 as per condition 9(2) of the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June, 2018 of Bangladesh Securities and Exchange Commission at an annual fee of Tk.35,000/-(Taka thirty five thousand) only excluding VAT. They are also eligible for re-appointment for the year- 2020.

INFORMATION AVAILABILITY ON WEBSITE

The full text of the Annual Report 2019 including other financial reports are available in the company's website www.siblbld.com

INVESTORS' COMPLAIN DESK

The bank has an Investors' 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 Investors' Complain Desk

City Center, Level-20
90/1 Motijheel C/A, Dhaka-1000
Phone : 88 02 09612001122
Fax : 88 02 9568098
email : board@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
Board of Directors