



# DIRECTORS' REPORT

## **Bismillahir Rahmanir Rahim**

Honorable Shareholders,  
Assalamu Alaikum Wa-Rahmatullah

On behalf of the Board of Directors of First Security Islami Bank Limited, I have the pleasure to welcome you all to the 22<sup>nd</sup> Annual General Meeting of the Shareholders and to present before you the Directors' Report and Audited Financial Statements together with Auditors' Report for the year ended December 31, 2020 wherein the brief description of the Bank's performance, future prospects and various aspects of world market trend with highlights of the performance of Bangladesh economy has also been incorporated.

## **Global Economy**

The latest "Global Economic Prospects" published by World Bank report projects the global economy will expand 4% in 2021—marking a return to growth after the 2020 recession. But substantial risks remain, and the recovery is expected to be subdued.

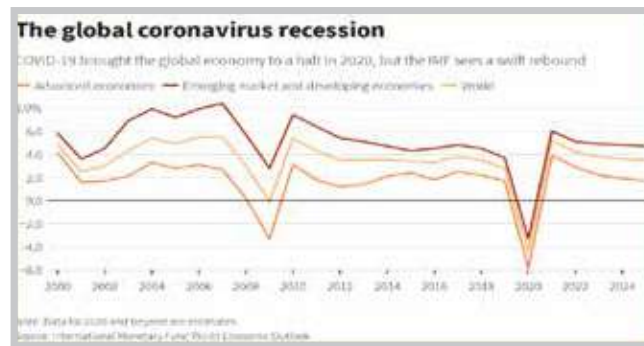
The Covid-19 pandemic has sent the global economy into one of its worst recessions ever, and it isn't yet clear when a full recovery will be in place. Recent progress on corona virus vaccines has brightened the economic outlook, but some economists said a potentially slow rollout of vaccines across developing economies could hamper the return of activity to pre-pandemic levels. Even among advanced economies, renewed lockdowns in Europe in a bid to stave off a re-surgence in infections could push back economic recovery.

## Towards great recession

Government-mandated shutdowns of businesses and any non-essential activities in much of the world unleashed a wave of joblessness not seen since the Great Depression. Still, unemployment levels varied dramatically across the globe.

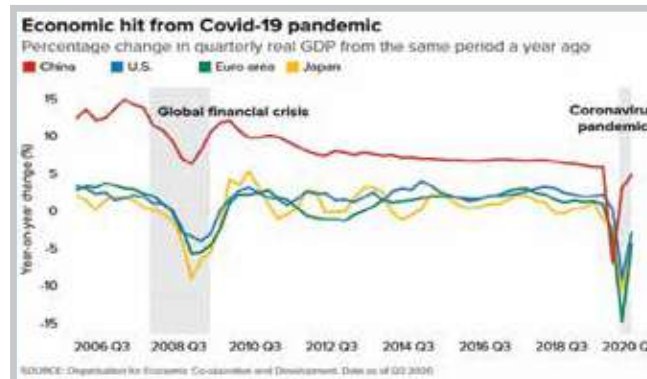
In some countries, like China, COVID-19 infection levels were effectively suppressed through strict but relatively brief lockdowns, allowing unemployment rates to remain low. Others, such as Germany, deployed government-backed schemes to keep workers on company payrolls even as work dried up.

Elsewhere, including in Brazil and the United States, the uncontrolled spread of the virus and patch-work government health and economic responses fueled rampant job losses. Some 22 million people in the United States were thrown out of work in March and April alone and the unemployment rate jumped to near 15%. Most economists expect it to take a year or more for labor markets to return to something resembling the pre-pandemic era.



## Steep decline in activity

The rapid spread of Covid — which was first detected in China — forced many countries into months of lockdown in 2020 that markedly reduced economic activity.



As a result, gross domestic product — the broadest measure of activity — plunged to record lows across many economies.

The International Monetary Fund (IMF) forecasts the global economy could shrink 4.4% this year, before bouncing back to 5.2% growth in 2021. The IMF said in October the world economy has started to recover, but warned the return to pre-pandemic levels will be “long, uneven, and uncertain.”

## Travel restrictions remain

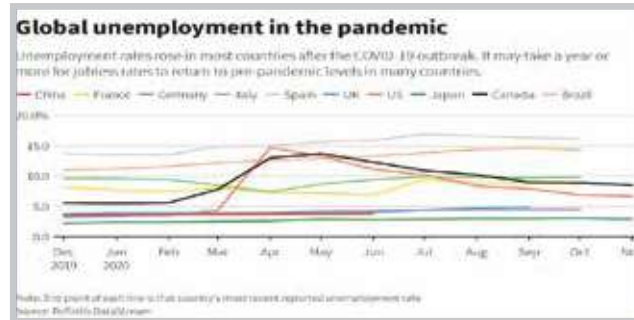
One main feature of corona virus lockdowns around the world is the complete or partial closure of borders, which brought much of international travel to a halt. As of Nov. 1, more than 150 countries and territories had eased Covid-related travel restrictions, according to the United Nations World Tourism Organization (UNWTO).

But many restrictions remain in place to limit movements across the borders mentioned UNWTO. That include:

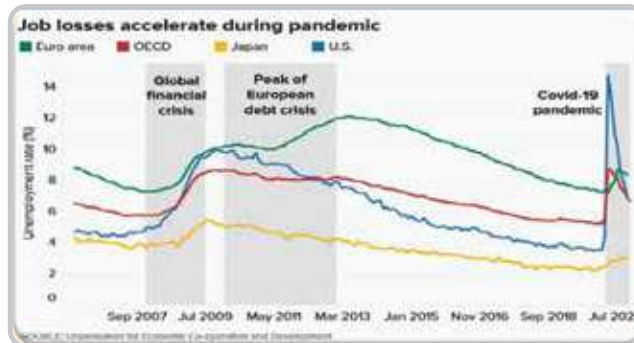
- Only opening borders to visitors with specific nationalities or from certain destinations;
- Requiring visitors to present a negative Covid test before letting them enter the country;
- Requesting visitors to quarantine or self-isolate upon arrival.

### Job losses accelerate

A major consequence of the pandemic-induced economic slump is an increase in job losses globally. The Organization for Economic Co-operation and Development (OECD), an intergovernmental entity, mentioned that in some countries, the early effects of Covid-19 on labor markets were “ten times larger than that observed in the first months of the 2008 global financial crisis.”

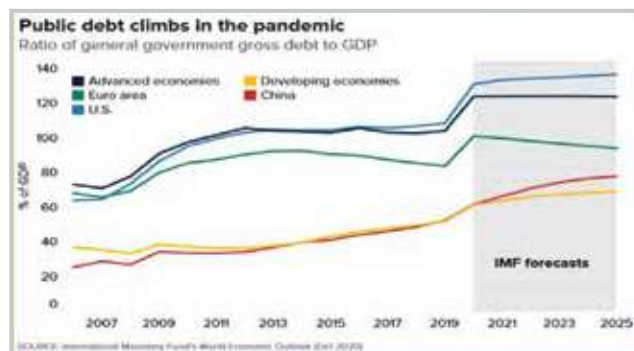


Vulnerable workers are bearing the brunt of the crisis. Low-paid workers have been key to ensure the continuation of essential services during lockdowns, often at a substantial risk of exposing themselves to the virus while working,” the OECD said in their report.



### Government debt soars

Governments have increased spending to protect jobs and support workers. Globally, government measures to cushion the pandemic’s economic blow totaled \$12 trillion, the IMF said in October.

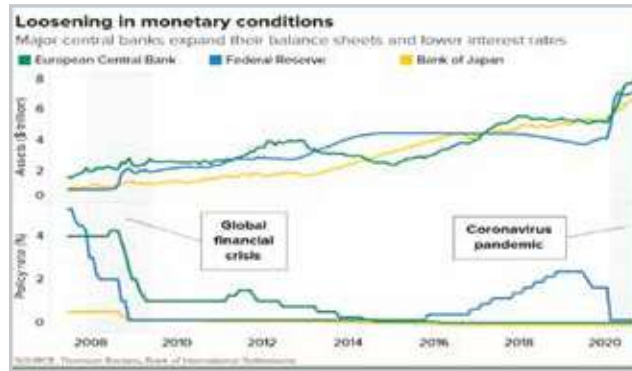


Such staggering levels of spending have pushed global public debt to an all-time high — but governments should not withdraw fiscal support too soon, said the fund. “With many workers still unemployed, small

businesses struggling, and 80-90 million people likely to fall into extreme poverty in 2020 as a result of the pandemic — even after additional social assistance — it is too early for governments to remove the exceptional support,” said IMF

### Central banks step in

Central banks, too, have come in to support the economy by cutting interest rates — many to record-low levels — which will help governments to manage their debt.

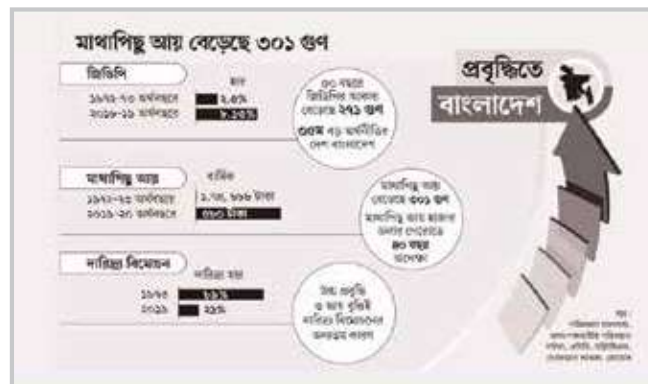


The U.S. Federal Reserve, whose policy affects economies worldwide, slashed interest rates to near zero and committed to not raising them until inflation exceeds its 2% target.

Central banks in advanced economies — including the Fed and the European Central Bank — have also increased their asset purchases to inject more money into the financial system. That’s a move also adopted by an increasing number of central banks in emerging markets as they explore ways to support their respective economies hit hard by the pandemic.

### Economy of Bangladesh

The year 2020 was started with several uncertainties. After the massive outburst of COVID-19 virus in China, it was rapidly spread to the prime trade partner European countries. The destination of 60% of exported product is the European countries. Though the virus wasn’t enter into Bangladesh at that time but Bangladesh started to realize the negative impacts immediately. After few days government of Bangladesh declared the countrywide lockdown. Consequently the economy of Bangladesh which was one of the flourishing economies of Asia faced the downturn temporarily. The supreme index of Capital market decreased 15% at end of first 20 days of March, 2020.



Millions of people lost their jobs, rate of poverty was doubled and many businesses were shut down due to the countrywide lockdown. Income has been decreased for the maximum number of people. Export sector Bangladesh stunned by the distress of the major imorters of our country’s products. In the mean time Bangladesh has faced tri-dimensional dilemma. Those sectors were health, economics and food.



Government has declared incentive package of Taka 1.20 thousand crore for the safety of population and economics. It was one of the largest incentive packages in terms of amount in comparison to other countries of the world. The rate of interest for the incentive loans was very much lower for helping the different businesses and SME units. Multilateral banks and bilateral partners have provided billion dollars grants for minimizing the impacts of the COVID-19 disaster. However, in this pandemic period farmers and non resident Bangladeshis have been played the most vital role. Farmers have continued the production of foods and NRBs have remitted the foreign currency to our country. Record foreign currency reserve has been possible because of such tremendous inflow of foreign remittance which has brought the national economy in a remarkable peak.

It was quite audacious as well as judicious decision to reopen the economy because of the detrimental effects wasn't under control. Production of foods, foreign remittance, incentive packages, reopening of economics, internal demand and export increase have dived the country towards great escape. Bangladesh has survived from the massive economic downturn in 2020 instead of great impact of pandemic. Forecasts said the 3.80% GDP growth in 2020 though it was 8.20% in the very last year. The ratio between the GDP growth and loan by the government was stood at 39.06% which belongs under the internationally standard.

Financial deficit of government was 6.80% in 2020. For that reason government was able to expend sumptuous amount of money for expediting the economy. It denoted that government expenditures helped the economy to its general way of destination. The distresses of the economy can easily forseen by focusing on worldwide demand and the impacts on international distribution to fulfill the demand although the loss of mass health of large population was under control.

In 2020, the government had a fiscal deficit of 6.8 percent. That is why the government was able to spend a lot of money to boost the economy. It is thought to have helped keep the economy a float in recent months. Although the damage to public health caused by the epidemic is limited, its impact on global demand and international supply indicates that there has been considerable economic damage.

According to the International Monetary Fund (IMF), despite the epidemic, Bangladesh ranks third in the world and first in Asia in terms of GDP growth. Only Guyana and South Sudan are ahead of Bangladesh in GDP growth. The IMF had projected India's GDP growth at 10.3% and Pakistan's at 0.4%. Of the 190 member countries of the IMF, only 23 have positive growth forecast in the outgoing year.

The World Bank has said that due to the impact of the epidemic, Bangladesh's GDP growth could fall to 1.8% in the 2020-21 fiscal year. The donor agency has forecast 3.4% growth in the next 2021-22 fiscal year. And the Asian Development Bank (ADB) says Bangladesh's economic activities have begun to turn around after the shock. Due to this, the GDP of Bangladesh may be 7.8% in the current financial year.

## GDP growth

While the world's largest economies are not growing at the time of the epidemic, Bangladesh expects gross domestic product (GDP) to grow by more than 6 percent. Bangladesh has grown by 5.24 percent in the last fiscal year, despite everything being shut down for three consecutive months. By the way, Bangladesh has started moving forward at a great pace some time ago. According to the World Bank, Bangladesh has become a low-middle income country in 2015.



According to the United Nations, Bangladesh will step down from the list of Least Developed Countries (LDCs) in 2024. The International Monetary Fund (IMF) says Bangladesh will surpass India in terms of gross domestic product (GDP) per capita in 2020. The IMF says that in 2020, the per capita GDP of Bangladesh will be 1 thousand 6 dollars, at the same time the per capita GDP of India will be 1 thousand 6 dollars. Citing the IMF, many people are praising Bangladesh for its per capita GDP.

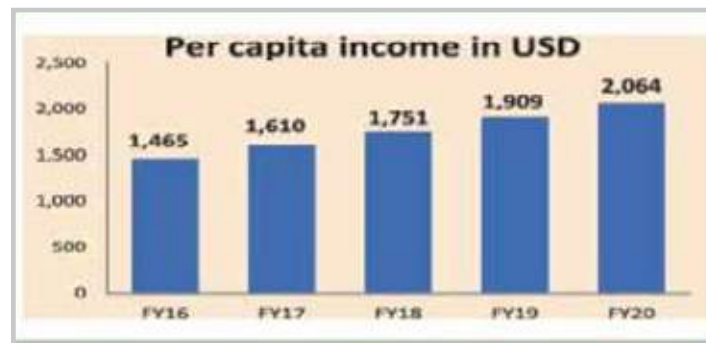
Meanwhile, according to the latest report of the Center for Economic and Business Research (CEBR), a British economic research institute, if Bangladesh's current economic development continues, it will be the 25th largest economy in the world by 2035. The report titled 'World Economic League Table 2021' was published on December 25. It basically predicts the rate at which the economy of any country in the world will grow in the next year and in the next 15 years. The CEBR publishes this report every year.

According to this report, by 2035, Bangladesh's position among the 193 countries will raise many steps to 25th. According to the 2020 index, Bangladesh is now the 41st largest economy in the world. Since Bangladesh has been able to sustain some economic growth even in the face of coronavirus, CEBR expects continuous and strong economic growth in Bangladesh in the coming years. According to the CEBR's forecast, Bangladesh's economy will grow at an average rate of 6.8 percent between 2021 and 2025.

However, in the next 10 years, this rate will be slightly reduced to an average of six point five percent. The CEBR says that between 2020 and 2035, Bangladesh will have a significant improvement in the index of the world economy. In 2025, Bangladesh will have 34 positions. Five years later, in 2030, Bangladesh will be the 27th largest economy. In 2035, it will be included in the list of first 25 countries.

### Per Capita Income

Per capita income has exceeded two thousand dollars for the first time. At the end of 2019-20 fiscal year, the per capita income of the people of Bangladesh stood at 2064 dollars. Per capita income has doubled in the last decade.



### Remittances

The whole world economy is in turmoil due to the impact of the epidemic. Migrant workers have lost their jobs in many countries. As per the government, 3 lakh 26 thousand 758 expatriate workers have returned to the country from April 1 to November 30. In this context, it was feared that the expatriate income would be hit hard like the export trade, but it did not happen. On the contrary, remittances have kept hopes alive.

In the first six and a half months of the current financial year, the expatriates have sent remittances of 1,402.45 crore, which is more than 6% of the total remittances received in the last financial year. In 2020, remittances of \$2,174.17 billion (\$21.84 billion) came to the country. In the previous year, i.e. in 2019, remittances came to 17.33 billion US dollars. As of 2020, remittances have increased by 20%. As a result, remittances have increased by 20% in 2020. The World Bank predicted that remittances from South Asia would fall by 22% in 2020 and by 20% in Bangladesh due to the epidemic. But that did not happen in the case of Bangladesh. In India, remittances declined by 32%,

but in Bangladesh it increased by 17.6%. This money sent by more than one crore Bangladeshis living in different countries play an important role in the economy of the country. The contribution of remittances to the country's GDP is about 12%.



### Incentive Package

The government has announced 21 types of incentive packages to keep the wheel of the economy moving. Corona infection has disrupted trade and commerce in the country since March. Public life was stagnant during the long public holidays. Most of the industries and other institutions are facing huge financial losses. Businesses and entrepreneurs are under pressure due to the closure of domestic economic activities and world trade. The government has announced an incentive package of Tk 1.22 lakh crore so that no institution is shut down in such adverse circumstances. The whole package is bank loan based.

### Foreign Exchange Reserves

Bangladesh's foreign exchange reserves have reached a milestone of \$43 billion in the midst of an epidemic based on remittances. Bangladesh's reserves are now more than double Pakistan's. With the current reserves, it is possible to meet the import cost of more than ten and a half months at the rate of four billion dollars per month.



### Export Income

The export sector has lagged behind due to the epidemic. Bangladesh's export earnings plummeted last April as the global economy stagnated by the epidemic; In that month, only \$520 million worth of goods were exported. The revenue from garment exports was only \$360 million.



Export earnings began to rise in May and June after the factory opened with the relaxation of restrictions. According to the EPB's December statistics, in the first six months of the current fiscal year 2020-21 (July-December), the overall export has decreased by 0.36% compared to the same period of the previous fiscal year 2019-20. Income is less than the target by 2.25%.

### Import

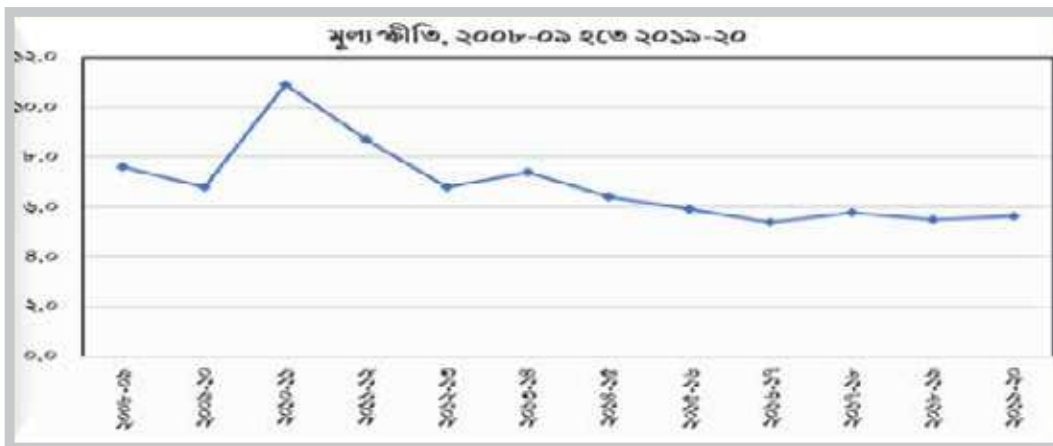
In the fiscal year 2019-20, the import expenditure was 7.56 percent less than the previous year. It has further declined in the first half of the fiscal year 2020-21 due to the corona-virus. This means that the consumption expenditure of the people of the country has decreased and the investment in setting up new industries has decreased. According to the Bangladesh Bank, Bangladesh imported \$15.8 billion worth of goods in July-October, down 13% from the same period last year. In these four months, imports of all products except food items have declined. The amount of opening of LCs (bonds) for import of capital equipment has decreased by 7.6%. LC of fuel oil imports has decreased by 35%. The import of industrial raw materials has decreased by 5.33%. Imports of intermediate goods decreased by 12.55%.

### Balance of surplus transactions

In the midst of the epidemic, one of the main indicators of the economy, the balance of payments surplus, continues to grow. In the first half of the current fiscal year 2020-21 (July-December) this surplus amounted to 432 crore 20 million dollars. During July-December of the last 2019-20 financial year, there was no surplus in the balance of transactions; instead, there was a deficit of \$168 million. There is a large surplus in the balance of transactions due to the jump in remittances and reduction in import costs.

### Inflation

On a point-to-point basis (Monthly), inflation has been 5.29 percent on a point-to-point basis in December. Inflation in November was 5.52 percent. Inflation, which has risen in the last few months due to rising food prices, has come down. Inflation eased in November as prices of winter vegetables and potatoes declined, according to the Bureau of Statistics. After seven years, inflation, one of the main indicators of the economy, rose to 6.5 percent in October.



### The new poor

In COVID-19 Pandemic, 1 crore 84 lakh people have fallen below the poverty line. This account is from the government agency Bangladesh Development Research Institute (BIDS).



## Revenue Collection

In the last 2019-20 financial year, the revenue collection was 2.45 percent less than the previous year. It was feared that the revenue collection would be reduced due to the epidemic. However, the situation was not so bad. According to the National Board of Revenue, revenue collection has increased by 4.1 percent in the six months from July to December of the current fiscal year 2020-21.



## Debt Flow in the Private Sector

One of the main regulators of investment growth is the flow of credit to the private sector. In the wake of the Covid-19 epidemic, the growth of credit flows in the private sector, which has been on the rise due to incentives, has come down again. In the last month of the 2019-20 fiscal year, the growth of credit flow in the private sector came down to 7.81 percent. In the first month of July of the current financial year, the growth was 9.20 percent on the basis of incentive loans.

## Government Bank Investments

The government had set a target of borrowing Tk 75,000 crore from the banking system in the current fiscal. The idea was that in this difficult time of the epidemic, the government would have to run the country by borrowing a lot from banks. But in reality that did not happen. The government does not have to depend on banks as the sale of savings certificates has increased abnormally and it has received huge Investments from various development agencies to deal with the epidemic. That is why the amount of government borrowing from banks has started going down.

## Foreign Investment Assistance

The latest report from the Economic Relations Department (ERD) shows that in the first six months of the current financial year, a total of \$299.26 billion in investments and grants were disbursed. This figure is \$275.2 million more than the same period of the last 2019-20 fiscal year. The surge in foreign debt is due to the large amount of investments received from various donor countries and organizations, including the World Bank, IMF and ADB, to offset the damage caused by the coronavirus.

## ADP Implementation

Despite the increase in foreign investment assistance, the government's development work has not gained much momentum in the epidemic. In the current financial year, the ADP was 2 lakh 14 thousand 611 crore. In the six months from this allocation to December, only Tk 51,026 crore has been spent, which is only 23.69 percent of the total allocation.

## The Capital Market

After a long time, the capital market of Bangladesh is running in a very normal mood. In addition to the price index, there is a general improvement in transactions. After the collapse of 2010, even after taking various initiatives, the capital market of Bangladesh did not turn around. Occasionally there was a positive trend in the market for a month or two, but it did not last long. In January 2020, the capital market suffered another major collapse. Most of the stock prices went down. If the corona-virus outbreak occurs in the country in

March, transactions will be closed for more than two months during the lockdown. Trading in the country's capital market resumed on May 31.

After the onset of the epidemic, the DSE's main index, the DSEX, which fell below 4,000 points last June, has now surpassed 5,000 points. The transaction has also surpassed thousands of crores of taka. In the last few months, the listing of companies like Walton and Robi has helped make the capital market more dynamic.

### Foreign Investment

Due to the epidemic, foreign investment in Bangladesh, like most countries in the world, has declined at an alarming rate. In the first four months of the current fiscal (July-October), foreign direct investment (FDI) inflows reached \$720 million, down 31% from the same period last year.

During July-October of the 2019-20 fiscal year, Bangladesh received FDI of \$104 crore. Net FDI has declined even more in these four months; 50.16%. At that time, only FDI of \$153 million was received in Bangladesh. At the same time last year, it was 307 million dollars.

### Potential Padma Bridge

The great work that was started on the banks of the Padma to fulfill the long-cherished dream of the people of the southern districts has now come to fruition. The entire main structure of the 6.15 km long Padma Bridge has already been fully visible. In the meantime, investment has started in various sectors in the surrounding areas including Dhaka and in different districts of the southern region around this bridge. One by one small and big factories will be set up.

During the pre-feasibility study, the Bangladesh Institute of Development Studies (BIDS) estimated that the country's GDP growth could increase by up to 1% if the Padma Bridge. However, in the current reality, it is hoped that the rate will be higher.

### Mega Projects

Work on major projects such as the Padma Bridge, Metrorail and Karnafuli Tunnel, which are the government's priorities this year, has not progressed as fast as the lockdown and the return of many foreign workers and engineers due to the epidemic. However, most of the projects have gained momentum by the end of the year. The dream Padma Bridge got its full shape this December. Similarly, more than 31% of the physical work of Rooppur nuclear power plant, the most expensive project in the country, has been completed so far. Meanwhile, in the midst of the epidemic, work is underway with the new goal of launching the country's first metrorail on the golden jubilee of independence three years ago by working day and night to ensure health protection. Besides, work on other mega projects is also going on at a fast pace.

### Economic Scenario of Islami Banks in 2020

The expansion of Sharia'h compliant banks already crosses the expansion of conventional banks in our country. Islami Banks are also playing a tremendous role in collection of foreign remittance from the compatriots living in the different corners of the world. Sharia'h compliant banks are also in significant position in different important parameters like deposit-investment and total assets. Islamic Sharia'h compliant banks have great demand in Muslim countries. The people who want to conduct businesses, trades and financial transactions by obeying the rules and regulations of Holy Quran basically maintain their accounts in Islami Sharia'h compliant banks.

➤ According to the last information by the Bangladesh Bank, there are 61 scheduled commercial banks in our country. Among those the number of full-fledged Islami banks is 8. Besides, 19 branches of conventional banks and 166 banking windows of 12 conventional banks have Islami banking operations.



➤ Total amount of deposit of Sharia'h based banks were 03 lac 19 thousand 249 crore at end September 2020 which denoted 25.85% deposits of total banking industry. At the same time total amount of banking industry was Tk. 12 lac 36 thousand 448 crore.



➤ Similarly, the amount of investment of Sharia'h based banks has been increased. The share of investment amount Islami banks was 25.44% or Tk. 02 lac 84 thousand 105 crore of total banking industry's Investment (loans & advances) amounting Tk. 11 lac 16 thousand 392 crore.



➤ Islamic Banks has been played a magnificent role in collecting foreign remittances from the non-resident Bangladeshis. In the respective period, Sharia'h compliant banks collected 31.53% remittances of total foreign remittances. Besides, these banks are performing superbly in agricultural investment disbursement.



➤ Bangladesh is set to introduce Sharia'h-based bond Sukuk as a new investment tool to promote Islamic finance and attract more foreign direct investment in the country. Sukuk is the Arabic name for financial certificates, also commonly referred to as 'Shariah-compliant' bonds. Sukuk represents undivided shares in the ownership of tangible assets relating to particular investment activity. A Sukuk investor carries right to profit, the responsibility of loss and ownership of the underlying asset proportionate to the investment made.

## Banking Industry of Bangladesh in 2020

The necessity of banking sector is beyond description in a disastrous situation to reconstruct the feeble economic system. At the time of ongoing COVID-19 pandemic when economy of Bangladesh is in the brink of recession, banking sector is playing the role of catalyst to increase the speed of economic activities and provide liquid cash to the mass people who have faced the worst scenario of the pandemic.

**Deposit and Investment (Credit):** At the end of December 2020 the total amount of deposit of Banking industry was Tk. 12 lac 90 thousand 472 Crore. At the end of January total deposit stood at Tk. 12 lac 86 thousand 201 crore. That means the amount of deposit has been reduced to 0.33% in one month or Tk. 4 thousand 271 crore. On the other hand, Total investment amount of Banking industry was Tk. 14 lac 48 thousand 540 crore which has been reduced by 0.02% at one month and stood at Tk. 14 lac 48 thousand 219 crore at end January 2021.

ব্যাংক খাতের আমানত ও বিনিয়োগ কোটি টাকা			
আমানত/বিনিয়োগ	ডিসেম্বর ২০২০	জানুয়ারি ২০২১	বদলি %
কমলা	১,৪৮,১৭২	১,৪২,০৭৩	-৪.১২
সেবা	১১,৪৮,৫০০	১১,৪৪,১২৫	-০.৩৮
মোট	১২,৯৬,৬৬২	১২,৮৬,১৯৮	-০.৭৮
বিনিয়োগ/ক্রেডিট	ডিসেম্বর ২০২০	জানুয়ারি ২০২১	বদলি %
কমলা	১১,২২,৮৪৩	১১,২১,১০৫	-০.১৫
বিল	২২,০৬৪	২২,১৮২	০.৫৪
মোট	১১,২৪,৯০৭	১১,২৩,২৮৭	-০.১৬

Investments and advances, bills and general investment has been considered as total investment. However, at January 2021 amount of investments and advances has been decreased in comparison to other aspects considered.

**Liquid Assets:** According to the information of Bangladesh Bank, at end December 2020 the total amount of excess liquidity was Tk. 2 lac 4 thousand 738 crore. Among the total liquidity Tk. 98 thousand 755 crore was dealt by Private Commercial banks (PCBs). State-owned Commercial banks had excess liquidity of Tk. 83 thousand 789 crore and Foreign Commercial Banks (FCBs) operating in our country had Tk. 22 thousand 193 crore. Banks invested the excess liquidity to the government securities and call money market. But the rate of Treasury bill has been reduced to less than 1%. The yield rate of 91 days Treasury bond was only 45 paisa at the last December. The yield rate was more than 6% at February 2020. Besides the bond rate has already been reduced also. Interest rate of 2 years Treasury bond has been reduced to 3% only. On the other hand, call money rate has been decreased to 1% because of having very less demand. In this situation Treasury management of both the SCBs & PCBS has been stagnant. There were shortage of liquidity in the banking industry in last financial year. And the financial year was ended with the pandemic created disaster. Bangladesh bank was busy all over the financial year to mitigate the requirement of liquidity. Statistic says, Bangladesh Bank provided Tk. 5 lac 54 thousand 779 crore in the liquidity market. This liquidity was assured in the form of Repo, Special Repo and Assured Liquidity Support (ALS). There are no such examples like this in the history of Bangladesh since its inception. Besides, government declared incentive packages amounting more than Tk. 1 lac crore was arranged. Central Bank provided that fund also played the role to create record liquidity asset to the Banking industry.

#### Facilities Provided to the Banking Industry during Pandemic:

- The repo rate was from 6% to 4.75% in three cuts in March, April and July.
- The cash reserve ratio (CRR) for banks was reduced from 5% to 3.5% (daily-basis) and from 5.5% to 4% (bi-weekly basis). CRR was cut to 1.5% (daily basis) and 2.0% (bi-weekly basis) for offshore banking operation, effective July 1, and 1.0% (daily basis) and 1.5% (by-weekly basis) for NBFIs, effective June 1.
- BB has also raised the advance-deposit ratio (ADR) and investment-deposit ratio (IDR) by 2% to facilitate credit to the private sector and improve liquidity in the banking system.
- The Export Development Fund (EDF) was raised to \$5 billion, with the interest rate slashed to 1.75% and the refinancing limit increased.
- BB has created several refinancing schemes amounting to a total of Tk. 380 billion, a 360-day tenor special repo facility and a credit guarantee scheme for exporters, farmers, and SMEs to facilitate the implementation of the government stimulus packages.
- To further support farmers, BB also announced an agriculture subsidy program that will take effect for 15 months until mid-2021.
- In addition, BB has taken measures to delay non-performing loan classification, relax loan rescheduling policy for Non-Bank Financial Institutions (NBFIs), waive credit card fees and interests, suspend loan interest payments, impose restrictions on bank dividend payments, extend tenures of trade instruments, and ensure access to financial services.
- BB imposed an additional 1% general provision against all unclassified loans. Latter it is clarified that, this provision is only applied for those loan which avail the facilities of not paying loan amount during pandemic.

**Reduction of Classified Investment:** The share of NPLs in the total outstanding loans came down to 7.66 percent as of December 31 in 2020 from 8.89 percent a year before, according to a consolidated statement of such investments. The classified investments cover substandard, doubtful and bad/loss portions of total outstanding credit, which reached Tk. 11587.75 billion as of December 31 on a consolidated basis. But the amount was Tk. 10,957.73 billion excluding offshore banking operations. The volume of defaulted loans with six state-owned commercial banks came down to Tk. 422.74 billion, excluding offshore banking operations, in the final quarter of 2020 from Tk. 439.94 billion a year before. On the other hand, the volume of NPLs with 42 private commercial banks fell to Tk. 399.16 billion as of



December 31 from Tk. 4,417.74 billion in the Q4 of 2019. The classified investments of nine foreign commercial banks came down to Tk. 20.32 billion in Q4 of 2020 from Tk. 21.04 billion a year before.



**SUKUK- First Islami bond:** Government has mobilized four thousand crore Taka through Islamic Sharia'h Based bond SUKUK for the first time. Bangladesh Bank has been issued the SUKUK in favor of Government of Bangladesh. The rate of profit is 4.69%. Profit will be termed as rent because the mode of this SUKUK is based on Ijarah Principle.

**Expansion of Business activities:** Banking industry has been in a trend of introducing 300 branches in every year. According to the last information of Bangladesh Bank, there were total 10,578 branches in 2019 which has been increased to 10,628 at November 2020. That means only 50 branches has been inaugurated in the eleven months of 2020.

**New banks & Financial Institutions:** Bangladesh Bank has given permission to start operation to Bengal Commercial Bank and Citizen Bank. At the same time, a brand new NBFIs Strategic Finance and Investment Limited has also been approved by Bangladesh Bank. So, the number of Scheduled commercial banks & NBFIs stood at 61 & 34 consecutively.

## FSIBL Mobile Banking

First Security Islami Bank Ltd. got permission from Bangladesh Bank for Mobile Financial Services on November 22, 2011. Later on march 27, 2012, First Security Islami Bank Ltd. commenced Mobile Financial Services under the brand name "FSIBL First Pay Sure Cash", which was later rebranded as "First Pay Sure Cash".

FSIBL Mobile Banking is rendering Mobile Financial Services with having strong network coverage consisting of 87 distributors, 45,222 MFS (Mobile Financial Services) agents and 8,96,119 customers all over the country.

FSIBL is expanding its network focusing on organizations like Educational institutions, Financial Institutions, Merchant and Utility Bill collections. So far, we have booked total 402 institutions, out of which total Educational Institutes 253 (**Dhaka College, Govt. Titumir College & Bogra Zilla School etc.**), total merchant 129, total utility 06 (**Dhaka WASA, DESCO, Khulna WASA & Westzone Power Distribution Co. etc.**) and total municipality 14 are brought under FSIBL Mobile Banking.

So far, total turnover of FSIBL MFS is as follows:

SL. No.	Year	Total Turnover (in Crore)
01.	2016	269.97
02.	2017	641.53
03.	2018	913.87
04.	2019	1043.44
05.	2020	680.51

Total Collection of FSIBL MFS is as follows:

SL. No.	Year	Total Collection (in Crore)
01.	2016	62.10
02.	2017	64.36
03.	2018	130.28
04.	2019	143.64
05.	2020	63.45

FSIBL is rendering the below Mobile Financial Services:

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

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

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

## FSIBL Agent Banking

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

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

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

So far, as of 31.12.2020, FSIBL Agent Banking & Mobile Banking has opened 41 Agent Banking Outlets with the total accounts 44,189 total deposit of Tk- 137.20 Cr. and total turnover of Tk. 468.34 Cr.

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

As of 31.12.2020, FSIBL Agent banking collected total 2,57,537 numbers of REB bills, which net amount is BDT. 15.95 Cr.

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

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

As of 31.12.2020, FSIBL Agent Banking has disbursed the 7539 number of Foreign Remittance which amount stands to 30.60cr.

The year of 2020 for the FSIBL Agent Banking was the developing stage for our Agent Banking Services. The foundation of 2021, is helping us to move forward to expand our Agent Banking services, to reach the remote areas people.

## Anti Money Laundering & Combating Financing of Terrorism Activities

Keeping pace with the modern advancement of financial service facilities, money laundering and financing of terrorism are getting new dimensions day by day. As a responsible commercial bank, First Security Islami Bank Ltd. (FSIBL) is always agile and vigilant against all kinds of money laundering and financing of terrorism activities. Managing Director of the bank every year declares written clear commitment regarding Anti Money Laundering & Combating Financing of Terrorism for all the employees and ensures implementation of these activities. For effective prevention of money laundering and terrorist financing in the bank, an Additional Managing Director (AMD) as Chief Anti Money Laundering Compliance Officer (CAMLCO) and a Senior Vice President as Deputy Chief Anti Money Laundering Compliance Officer (D-CAMLCO) of the bank have been duly assigned. However, a powerful “Central Compliance Committee (CCC)” consisting of senior executives and divisional heads and chaired by the aforesaid AMD has been continuously supervising overall anti money laundering & combating financing of terrorism activities of the bank.

As per Bangladesh Financial Intelligence Unit (BFIU) guidelines, a full-fledged division named “Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT) Division” headed by the D-CAMLCO has been working in the head office of the bank under the close supervision of CAMLCO. Circulars issued by BFIU, Bangladesh Bank regarding AML & CFT compliance are instantly circulated to all the branches, divisions, zonal offices and training institutes of the bank. At the same time, the bank issues necessary AML & CFT related circulars in line with the applicable laws, circulars, guidelines etc. of regulatory authorities.

The bank has its own “Anti Money Laundering & Combating Financing of Terrorism Policy”, “Customer Acceptance Policy”, “Money Laundering and Terrorist Financing Risk Management Guidelines for FSIBL” and “Guidelines for Prevention of Trade Based Money Laundering of FSIBL” approved by the Board of Directors which are prepared in line with the prevailing laws, circulars, guidelines issued by the regulatory authorities. In accordance with the instruction of BFIU, a senior and experienced official or manager operation of every branch has been nominated as “Branch Anti Money Laundering Compliance Officer (BAMLCO)” by the CCC of the bank for preventing money laundering and terrorist financing at the branch along with the concerned tagged sub-branch and agent banking outlets. Bank’s AML & CFT Division inspects branches on a random basis for overseeing the implementation of AML & CFT activities at the branch level. AML & CFT Division checks & submits monthly Cash Transaction Report (CTR) in due time and submits Suspicious Transaction Report (STR)/Suspicious Activity Report (SAR) to BFIU when required.

The bank conducts Customer Due Diligence (CDD) for every customer at the time of account opening and Enhanced Due Diligence (EDD) when required in compliance with the instruction of BFIU, Bangladesh Bank. The bank verifies NID information of every customer by using the election commission's database to ensure complete and accurate KYC of the bank's new and existing customers. As per "Guidelines on Electronic Know Your Customer (e-KYC)" issued by BFIU, the bank has successfully launched e-KYC based solution "FSIBL FREEDOM" to facilitate bank account opening from anywhere, anytime instantly. The bank is availing Politically Exposed Persons (PEPs) and Influential Persons' (IPs) and adverse media news data from the Accuity (a UK based international database provider) under the agreement which is integrated with bank's Sanction Screening Software [S3] for real time and automated identification of PEPs, IPs and suspicious persons involved with crimes.

FSIBL's own Training Institute in collaboration with AML & CFT Division regularly organizes training & workshop for the employees of the bank on the subject of Anti Money Laundering and Combating Financing of Terrorism where prevention of trade based money laundering gets special emphasis. In 2020, a day long workshop for all the BAMLCOs named BAMLCO Conference has been held at Dhaka on the topic of Anti Money Laundering and Combating Financing of Terrorism. Bank's officials & executives regularly attend training and workshops on the topic of Anti Money Laundering and Combating Financing of Terrorism at home and abroad. The bank distributes an adequate number of leaflets and hang posters on the topic of Anti Money Laundering and Combating Financing of Terrorism at every branch for building public awareness on these issues.

## Branches Control Division

The Branches Control Division (BCD) of our bank started its operation at late 2018 as a new Division. The Division directed by a well-equipped working team having adequate experienced and trained manpower to handle and supervise the works of existing 190 branches. The key objective of the division is to oversee that branches are running properly as per regulation, norms and required support services are provided from the Bangladesh Bank and Head Office. The main task of this Division is to ensure that branches are performing properly and carrying out the day-to-day activities as per norms laid down by the Bank. It plays significant role to maintain liaison among branches, Head office and various organizations as well as Bangladesh Bank. For ensuring smooth banking activities in all the branches as well as customer satisfactions according to their needs this division is rendering particularly the following jobs gradually:

Job Description & Functions of BCD are elaborated below:

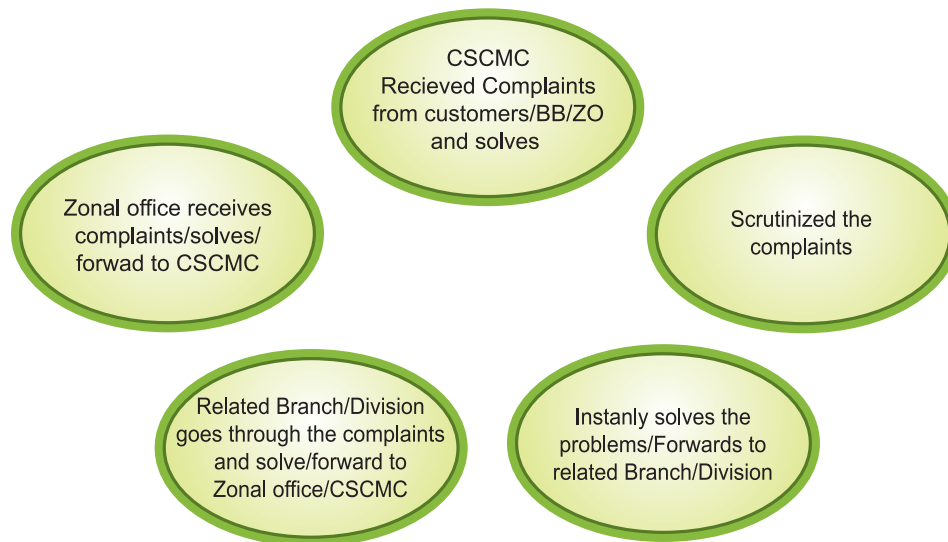
01.	Cash Management	<ul style="list-style-type: none"> <li># Follow-up of daily cash position of the Branches, Such as               <ul style="list-style-type: none"> <li>➤ Cash in vault</li> <li>➤ Cash balance with Sonali Bank</li> <li>➤ Cash balance with other Banks</li> </ul> </li> <li># Monitoring Quarterly Statement of Cash in Transit (CIT).</li> <li># Giving Permission to open Bank Accounts with BB, Sonali/Other Banks.</li> <li># Follow-up of Remittance/lifting of cash to the feeding branches/Bangladesh Bank/Sonali Bank/Other banks with Treasury Division.</li> <li># Supervision and review of excess cash retained by the branches in the vault beyond insurance limit.</li> <li># Monitoring of soiled, Mutilated notes and fake notes position/status (if any), Gift cheque, coins.</li> </ul>
-----	-----------------	--



02.	Banking Policy Circulation to the Branches	<ul style="list-style-type: none"> <li># Issuance of different circulars in respect of banking Operation as per directives of Bangladesh Bank and other regulators and follow-up the implementation/compliance of the instructions contained in the circulars.</li> <li># Review and amendment of Process Manual and implementation of instructions therein.</li> <li># Implementation of rules and regulations of opening of different types of accounts and correspondences thereof within the Bangladesh Bank guidelines.</li> <li># Provide previous copies of circulars of BB/HO to the new branches.</li> <li># Redesigning of GB Manual.</li> <li># Circulation of Manuals and Guidelines of Bangladesh Bank and other Regulators to the branches as and when required.</li> </ul>
03.	Deceased and Lost Instruments cases	<ul style="list-style-type: none"> <li># Doing the jobs of Deceased A/C management.</li> <li># Review and follow-up of the proposals and justification query and correspondences.</li> <li># Submission of proposal for payment of balance in deceased accounts and passing approval to the branches for releasing the payment in favour of heirs or Nominees duly approved by the Management.</li> <li># Lost instrument Management.</li> <li># Issuance of Lost Instrument Circulars, preparation of office notes and accord approval there against.</li> </ul>
04.	Asset/Liability Management & Locker Services	<ul style="list-style-type: none"> <li># Deposit monitoring and support.</li> <li># Annual Budget monitoring of branches and subbranches .</li> <li># Review and follow-up of locker services of Branches as to ensure maximum utilization for enhancing income from the avenue.</li> <li># Updating the insurance coverage of the rented chambers of locker on the basis of monthly locker statement collected from the branches.</li> <li># Submission of proposal for returning the belongings kept in locker in case of deceased account and releasing the same as per nomination/succession certificate.</li> <li># Obtaining of legal opinion from legal Division in case of need of legal clarification.</li> </ul>
05.	Customer Services & Complaint Management	<ul style="list-style-type: none"> <li># Management of Complaint received from Clients/BB.</li> <li># To make Query, Analysis and Justification of the complaints.</li> <li># Policy, Manual and Structure development of Customer Care services of the Bank.</li> <li># Monitoring of Help Desks' activities.</li> <li># To initiate Note Sheet on case to case basis considering justification for approval of the Management for settlement of proposal for waiver of service</li> </ul>

05.	Customer Services & Complaint Management	<p>charge in case of valued clients.</p> <p># Implementation of Customer Service &amp; Complaints Management Cell Desk (Branch Level, Zonal Office and Central).</p> <p># Correspondence and communication regarding customer's queries and customer's complaints at various touch points.</p> <p># Reporting to Bangladesh Bank regarding complaints.</p> <p># Record keeping of customer service policy and complaints.</p> <p># Evaluation and self-assessment of customer service standard.</p> <p># Listening of live and calls and answer of customer and complaints.</p>
06.	School Banking and Unclaimed Deposit	<p># Collects Information about School Banking Account from Branches and monitoring these regarding conversion of Projanmo saving A/c after 18 years of age.</p> <p># As per Bangladesh Bank instruction unclaimed deposits for 10 years and above are to collect for submitting the same to BB maintaining the formalities laid down in the Bangladesh Bank's instruction circular.</p>
07.	Audit Follow-up and Rectification	<p># Compliance &amp; Monitoring.</p> <p># Reporting to Bangladesh Bank regarding complaints.</p> <p># Campaign &amp; promotion for awareness.</p> <p># Review of the Internal Audit Report/Special Inspection Report/ Bangladesh Bank Inspection Report of the Branches related to Income Omission, mismatch in affairs &amp; daily position, un-responded IBTA entries, General Banking, Investment and Foreign Exchange.</p> <p># Sending Audit Report to Branches asking for their rectification and further review of the same till full compliance.</p> <p># Fraud Control Management and Reporting.</p>
08.	Miscellaneous	<p># Preparation of schedule of charge.</p> <p># Provide NID database access facility.</p> <p># Monitoring of Branches and Sub branches activities.</p> <p># Preparing and introducing new account opening forms &amp; KYCs.</p>

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



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

## Card Division

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

The Management of the Bank is aware and committed to our valued customers for better services & freedom of banking by providing round the clock cash withdrawal as well as POS & E-Commerce facility using FSIBL VISA card. FSIBL introduced its first proprietary debit card in 2008. FSIBL launched its EMV chip-based VISA Debit card in 4th July 2018 and converting all the previously issued proprietary Magnetic striped cards. We have approximately 1 Lac 35 thousand debit cards at the end of 2020.

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

FSIBL introduced its first own ATM Booth in 11th August 2012. To facilitate more low cost transaction facilities in the reputed and public gathered shopping mall and important business locations, management of the Bank decided to install more ATM Machines to ensure 24x7 hour services to our valued customers. Number of ATM booths are 165 as on December 2020. Considering the covid-19 issue, FSIBL launched various campaign with different merchant for online shopping in 2020.

Card Division's detail Activities and Performance in 2020:

### Portfolio of Card Division:

- 165 ATM
- 1 Lac 35 thousand Debit Card
- 24/7 Call Center (16257)

	2016	2017	2018	2019	2020	Growth
<b>ATM Deployed</b>	15	5	11	15	12	
<b>Number of ATM Transaction</b>	740,827	1,070,000	1,188,798	1,418,206	1,301,124	_8%
<b>Number of Ecommerce Transaction</b>	-	-	3712	8394	58184	593%
<b>E-Commerce Amount</b>	-	-	15.35 Lac	99.55 Lac	199.5 Lac	100%
<b>Income from Card &amp; Txn</b>	2.98 Crore	3.00 Crore	3.55 Crore	4.34 Crore	5.21 Crore	20%
<b>No of bKash Transaction</b>	-	-	-	1055	20359	1830%
<b>Amount of bKash Transaction</b>	-	-	-	0.90 Crore	19.00 Crore	2011%
<b>ATM Transaction Amount</b>	690 Crore	835 Crore	1016 Crore	1230 Crore	1223 Crore	-1%
<b>Number of POS Transaction</b>	10315	19587	37953	73783	73239	-1%
<b>POS transaction Amount</b>	2.72 Crore	5.25 Crore	10.05 Crore	21.22 Crore	24.12 Crore	14%

#### Business Summary of Card Division:



#### Launching of FSIBL CRM

Today's ATM market brings new challenges for financial institutions, from increased consumer expectations, to ATM network security. However, one constant is consumer demand for cash which continues to increase year on year. With the introduction of new technologies, the ATM channel remains as relevant as ever in today's omni-channel environment.

Cash Recycling Machine (CRM) allows FSIBL to expand their customer reach to serve individual consumers, commercial and small businesses. Large volume transactions for both cash deposit and dispense are now part of the ATM channel.

#### Features of CRM

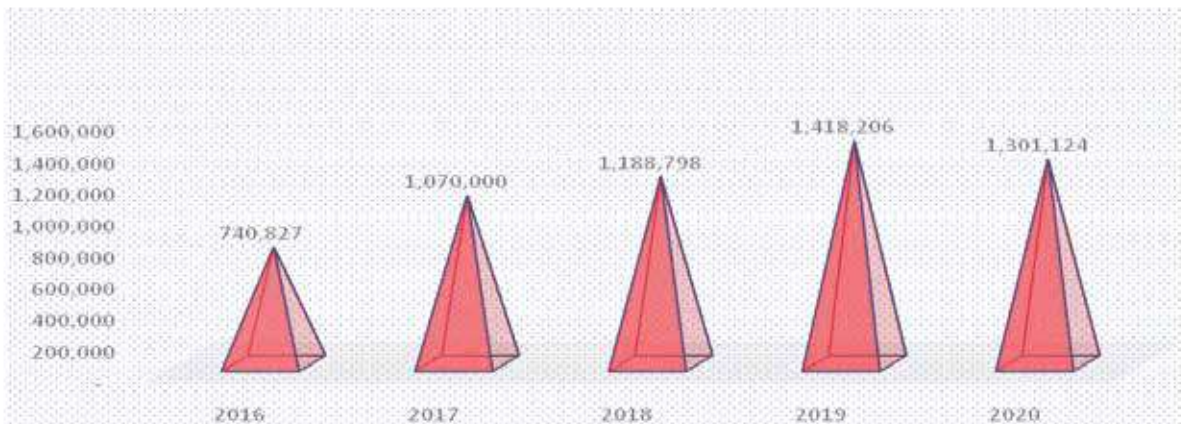
- ✓ Mini Branch Feature
- ✓ Real Time Cash Deposit with serial number of Currency Note
- ✓ Withdraw Facility with more secure transaction feature
- ✓ Use of Deposited money as withdraw
- ✓ Touch Screen with smart look feature
- ✓ USB Protection and Parts Validation
- ✓ Skimming Protection Solution (SPS)
- ✓ Solid core Suite for APTRA
- ✓ Camera based pocket monitoring system



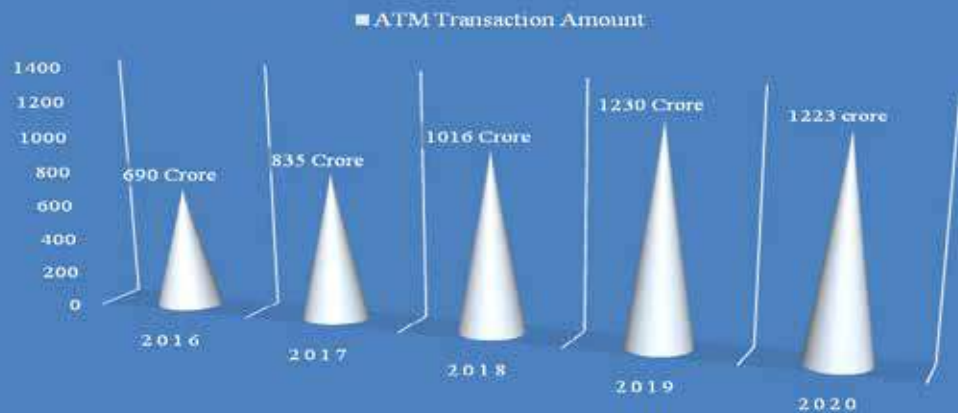
### INCOME FROM CARD & TXN

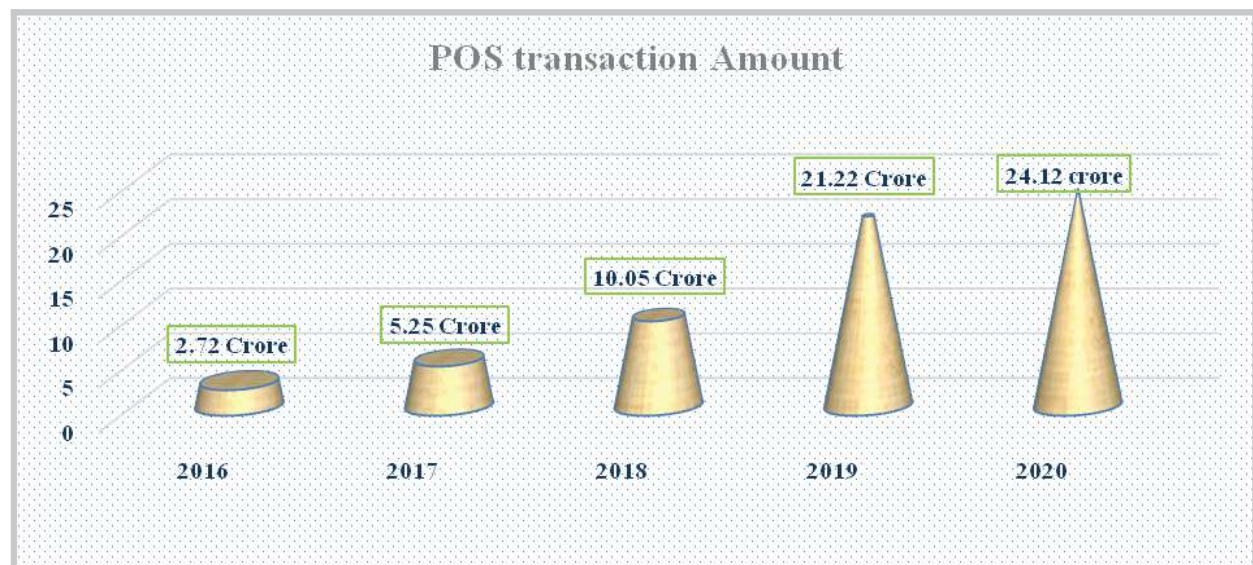
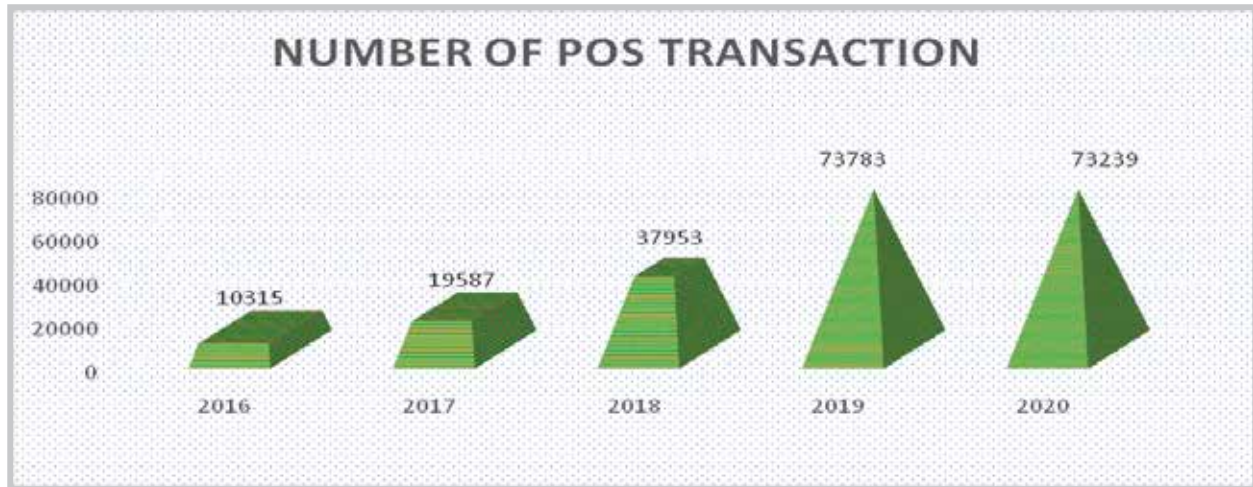
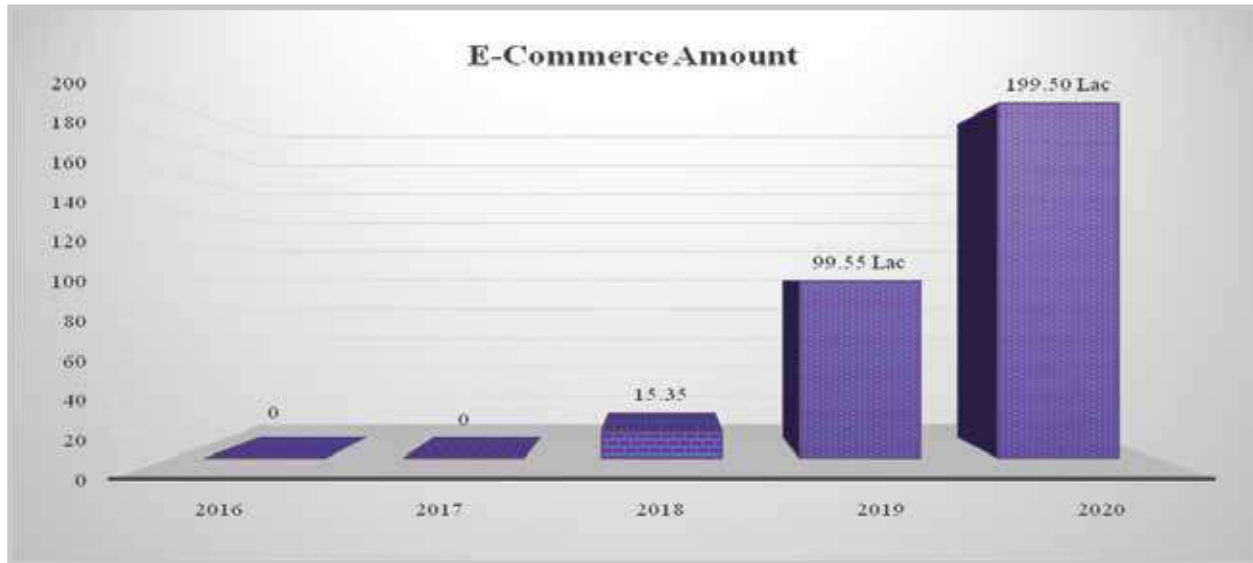


### Number of ATM Transaction



### ATM TRANSACTION AMOUNT







## FSIBL Call Center Performance

### Major Call Data Analysis by YEAR

1. 2016 FSIBL 24x7 Call Centre started journey from Sept and only 978 customers contacted
2. In the following year 22,526 customers received services, 900% higher indicates the need of such services was expected.
3. Consistent increases of customers new and existing reflect the confidence of "can provide solutions" from the call centres.
4. 2020 was highly challenging year despite of COVID-19 situation, with same setup effectively addressed 153% increased calls & provided services to 138,017 customers compared to last year 63,269 calls.

### Major Call Data Analysis

Total 4 years call centre's journey while only in 2020 total calls exceeded total aggregation of 4 years calls.

Reasons of call increase;

- Due to COVID-19 online services from home / office preferred
- Better service quality OTIF(on time in full) provided and ensured
- New GROWING sense of doing business conceived by the customers is "ONLINE"
- Indeed service quality, efficacy, timely responses carries immense impact on customers to depends/rely on a organisation attached.

*Such a huge increase in customers call indicates positive growth is happening and keeping customers' expectations with satisfaction.*

## Investment Administration Division

Ongoing administration of the investment portfolio is an essential part of the investment process. The responsibility of providing administrative support for the lending activities of the bank, and day-to-day monitoring of investment exposure is vested in the Investment Administration Division (IAD). IAD function is basically back-office in nature that support and control extension and maintenance of Investment.

Primary objectives of establishing IAD is to ensure discipline in Investment Management, Sanction letter delivered to the customers are exactly in line with the approved investment terms. All investment documentation are scrutinized, verified to be legally enforceable and lodged securely. Effective checks and balances are maintained with regard to allowing investment facilities according to terms and conditions of investment approval. Major functional responsibilities of IAD are Documentation, Disbursement, CIB related functions and monitoring, lien confirmation, confirmation of Bank Guarantee, Permission for redemption of collateral securities, submitting of all kinds of investment related reporting (Monthly, Quarterly, Half-Yearly, and Yearly) to Bangladesh Bank according to their prescribed format and specified deadline.

### Job description and function of IAD are elaborated below:

- i) To Ensure Investment Documentation and Securities are duly completed and in place prior to issuance of Disbursement Authority.
- ii) To scrutiny the security compliance against the newly approved investment by the Head Office, zonal offices and branches under Head Office.
- iii) To monitor borrower's compliance with covenants and agreed terms and monitor account performance.
- iv) To maintain all Bangladesh Bank Circulars/Regulations as well as Bank's relating to investment as custodian.

- v) To collect investment returns from the branches as per Bangladesh Bank's prescribed format and consolidate the same for submission to the Bangladesh Bank according to their schedule.
- vi) To ensure duly fill the rationalize input Template of Bangladesh Bank according to their schedule.
- vii) To providing information related to investment as required by the Management.
- viii) To review and follow up of the investment accounts and making listing of the irregular investment accounts and providing required instruction, advice and suggestion for their regularization/adjustment as a part of early warning system.
- ix) To make necessary correspondence related to Bank Guarantee, Lien Marking, Redemption of Security and other correspondence also.
- x) To provide necessary data related to investment to MIS, FAD and RMD as scheduled time and also other departments as required by them.
- xi) To search CIB inquiry form received from various branches and collection of online CIB report from Bangladesh Bank and forwarding the same to the branches.
- xii) To collect CIB online monthly report from all branches and prepare CIB online monthly report as per Bangladesh Bank prescribed format.
- xiii) All other work related to this Division.
- xiv) Any other job as & when assigned by the management.

## Audit Committee

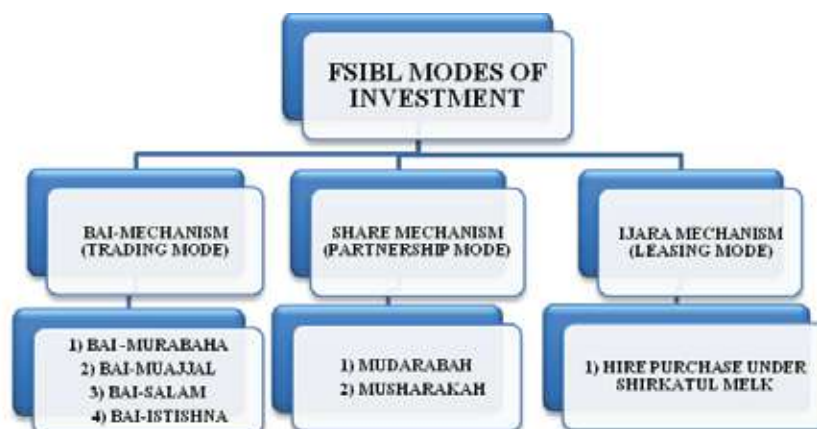
Audit Committee of the Board regularly monitors the function of Internal Control & Compliance Division & also report to the Board of Directors from time to time.

The Audit Committee is comprised of 03 members from the Board. The committee reviews the financial reporting process, the system of Internal Control, Management Information System, Risks Management, the Bangladesh Bank, Internal & External Audit Reports, Audit process, compliance with laws and regulations and bank's own code of conduct. During the year 2020, the Audit Committee conducted 06 meetings.

## Investment Modes of FSIBL

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

Following are the main modes of FSIBL investment:





## BAI-MECHANISM (TRADING MODE):

### BAI-MURABAHA (Cost Plus Agreed Profit)

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

### BAI-MUAJJAL (Deferred Payment Sale)

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

### BAI-SALAM (Purchase with Deferred Delivery)

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

### BAI-ISTISHNA (Made to Order)

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

## SHARE MECHANISM (PARTNERSHIP MODE):

### MUDARABAH

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

### MUSHARAKAH

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

## IJARA MECHANISM (LEASING MODE):

### IJARA

The term Ijarah means consideration, return, wages or rent. This is really the exchange value or consideration, return, wages, rent of service of an asset. The mode under which any asset owned by the bank, by creation, acquirement or building-up is rented out is called Ijara. In this mode, the client pays the Bank rents at a determined rate for using the assets/properties and returns the same to the Bank at the

expiry of the agreement. The Bank retains absolute ownership of the assets/properties in such a case. However, at the end of the period of Ijara, the asset may be sold to the client at an agreed price.

### HIRE PURCHASE UNDER SHIRKATUL MELK (Participatory Ownership)

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

### QUARD

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

### QUARD-E-HASANA (Good Investment)

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

## Internal Control & Compliance

Good Governance & strong Internal Control system is the precondition for any organization's development. The Internal Control & Compliance Division is working independently to evaluate the effectiveness of internal control system of the bank so as to ensure Good Governance, Transparency & Accountability.

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

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

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

**Performance Objective:** To accelerate compliance and effectiveness of involvements.

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

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

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

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

#### Internal Control & Compliance activities of IC & CD in 2020:

SL No.	Types of Inspection	Number(Division/Branch)
1	Comprehensive Inspection	155 Branches
2	ICT Inspection	43 Branches
3	Special Inspection	06 Branches
4	Head Office Division	12 Division
5	Special Inspection by Zonal Office	106 Branches
6	ATM Booth	31 ATM Booth
7	Agent Banking Outlet	05 Agent Banking Outlet
8	Zonal Office	06 Zonal Office
9	Training Institute	02 Training Institute

We have to intensively follow -up compliance of audit/ inspection reports conducted by the Division, Bangladesh Bank and external auditors. The Division monitors the banking activities, specially the sensitive areas of foreign exchange, finance & accounts and investments.

#### Performance & Activities of ICT Division

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

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

#### ICT Division's detail Activities and Performance -

1. **Tier-III Data Center Implementation:** ICT Division already established Tier-III Data center at its own building at Bashundhara R/A comprised of redundant power system, data connectivity, high end technologies Storage Area Network, active-active application, database, ATM, SMS, Mobile Banking and Internet Banking servers. Presently, real time data replication from DC (Data Centre) to DRS (Disaster Recovery Site) is being taken place on 24/7 basis to overcome any disaster. The Data Center has been implemented with some new security features like DDoS Protector, Web Access Firewall, Log Analyzer, Network Behavior Analyzer, Content Filtering, Email Security Gateway, Anti-virus with EDR. Rearrangement of structured cabling and power system of data center with minimum downtime and Data Link redundancy with media & telco at all branches has been established.
2. **Core Banking System:** In 2020, our core banking system has upgraded to new version SPARK, where we incorporated sub-branch and remote banking module. Pay Order & MTDR block printing solution from Bank-Ultimus has been implemented in this new version. Now branch officials can print Pay Order & MTDR block directly from Bank-Ultimus. It has extra feature to add or modify required banking service modules as instructed by Bangladesh Bank. Utility Bill services of Bakhraabad Gas Bill, Karnafuli Gas Bill and Bangladesh Bank Adorsho School Tuition Fees collection has been added with CBS.
3. **IP Phone:** A VoIP phone or IP phone uses voice over IP technologies for placing and transmitting telephone calls over an IP network, such as the Internet, instead of the traditional public switched telephone network (PSTN). IP PABX systems are much more flexible and scalable compared to traditional PABX. It is centralized, manageable, cheaper and much faster to implement. IP telephone system solution named AVAYA was successfully implemented to all branches and Divisions of FSIBL which made communication between Head Office and Branches prompt and smooth. By using this system, our Head Office's different wings and all branches can communicate with each other without any cost. Cost will be applicable if any user calls to outside of the network. It may be mentioned here that IP PABX system implementation would not add additional cost for network infrastructure. It will be implemented in our existing network in our Head Office and all branches.



Sample IP Phone

4. **Access Control:** Day-by-Day Security has become growing concern for banking industry. Access control solution helps us to manage physical access control of the employee in timelier manner. It helps us to control physical access in more secured and authenticated way into sensitive locations like CASH Vaults, Data center and Disaster Recovery Site, etc.



5. **Access Control System:** Using access control systems in business can be a simple way of enhancing security, at the same time, managing the flow of individual through office doors. Manual attendance marking and calculation leads to consumption of time and cost for businesses. Human errors and fraudulent time keeping is an additional hidden expense which directly affects the productivity of any business. Therefore, a fully automated time management system is essential for enhancing the productivity of businesses. Our Head Office has been shifted in new location with full modern facilities. Management of the bank has facilitated access control and automated attendance system in our Head Office Building and all branches of FSIBL.



## Access Control System

6. **Endpoint security with EDR:** With the development of digitization, the number of new cyber attacks in banking sector in the world is growing rapidly. If any attacks happen it may cause a great loss like –valuable and sensitive data loss, system malfunction, financial loss and so on. Endpoint security is often seen as cyber security's frontline and represents one of the first places organizations look to secure their enterprise networks. Endpoint security is the practice of securing endpoints or entry points of end-user devices such as desktops, laptops, and mobile devices from being exploited by malicious actors and campaigns. Now-a-day, malware attack has become more obvious. EDR is a valuable tool in dealing with these threats. Sophisticated cybercriminals use a variety of attacks to avoid detection, such as file-less malware or hiding malicious code in HTTPS traffic. EDR can provide more granular control and visibility into an attack.
7. **Offshore Banking:** Offshore Banking is a new dimension and opportunity for the banking business. "Offshore Banking Unit (OBU)" shall refer to a specific business unit in the form of distinct branch, booth or desk of a branch of a bank that is duly approved by Bangladesh Bank to carry out the offshore banking operations. An Offshore Banking Unit (OBU) of a Bank is a deemed foreign branch of the parent Bank situated within Bangladesh territory and shall undertake Foreign Trade business involving foreign currency denominated assets and liabilities. Bank, in its offshore banking operation, may discount or purchase accepted usance or deferred bills (including UPAS) against import from abroad on banker- customer relationship applying due diligence and arrange payment to overseas suppliers. It may also discount or purchase accepted usance or deferred export bills against direct and deemed exports of products produced in Bangladesh subject to compliance of applicable instructions.
8. **FSIBL FREEDOM (The E-KYC Solution):** Integration of instant bank account opening solution



e-KYC Logo

In this COVID-19 situation, maintaining social distancing has recommended all over the word. In this situation, Bank trend to loss new customer and do business through them. This new e-KYC API opens the new business phase in this situation. Our Bangladeshi citizen can open their bank account from anywhere and at any time.

9. **Work from Home (WFH):** In this COVID-19 situation, we have established work from home (WFH) strategy successfully and securely. By ensuring WFH (Work from Home) strategy, we also

were able to successfully conduct Annual Managers Conference and Board Meeting with **CISCO Webex, Zoom** and other communication services.

10. **Disaster Recovery Site:** Disaster Recovery Site is a complete backup of Data Center of the bank. Customer data will be secured by DR site if any unwanted disaster happens in Data Center. In situations like encountering disaster, ICT Division can drive the Banking service through Disaster Recovery Site. FSIBL has established DR site and inaugurated on 4th June 2015. ICT Division also operated banking service from DR site in periodical interval. In the year 2020, banking operation live from Disaster Recovery (DR) site was performed successfully for 72 hours from **14<sup>th</sup> August 2020 to 16<sup>th</sup> August 2020** and DMZ was deployed at DRS end successfully.
11. **In-House Software Development:** ICT Division has developed 26(twenty-six) in-house software such as **ISS Reporting, PA Management, Bond Management, Online CIB Report, FOREX Management, ICT inventory system, etc.** with its in-house development team. All of the software are running successfully within FSIBL environment. The in-house software team is also responsible for various types of reporting to Bangladesh Bank and other regulatory organizations. Whole team is working on in-house development so that the Bank can reduce cost by maintaining data integrity and smooth services. The team is also contributing in automation of manual tasks and creating a coziest working environment.
12. **e-Recruitment System:** Successful implementation of FSIBL e-recruitment System has been done which helps us to manage vast amount of applicant applied for recruitment purpose. We have already started probationary officer recruitment procedure by using this system and managed 14400 no. of application. By using this solution we can do any types of recruitment at any level easily and smoothly.
13. **FSIBL CLOUD:** In the year 2020, Communication established between FSIBL Data Center to **NAGAD & b-Kash** as well as deploys security procedures for fund transfer through FSIBL Cloud Banking System. Also merchant payment by **QR** code scanning, **credit card bill payment** solution and instant corona information update was implemented in FSIBL CLOUD service. At present 45 thousand customers are doing daily banking by using this Application and this statistical line going upward sharply which indicates the vast reputation among the customers.
14. **Training and Achievements:** FSIBL ICT Division arranges training on regular interval for branch personnel and in-house personnel. In the year 2020 due to corona situation, we have arranged the training programs through CISCO WebX and Licensed ZOOM apps. These trainings are held based on topics like ICT (Information and Communication Technology), CARD and ADC, IT Security and Fraud Prevention, DC and DR Site Management, Protection against Cyber Attacks, etc. About 600 officers of the bank had been trained on various modules of ICT. A virtual training session associated with Self Registration Process & Pending User Request of FSIBL CLOUD & Internet Banking has also conducted to all branches. A detail Training on "ICT Training Schedule for Head office, Zonal office, branch ICT in charge and Backup personnel" with 225 officers had also conducted.
15. **Branch Expansion:** 06(Six) new branches and 50 sub-branches has been opened during the year 2020 at different commercially important location of the country and thus the total number of branches have been increased to 190 and sub-branches to 50. All the branches are connected with Data Center with auto redundant dual channels to facilitate real time online banking. Besides these two new collection booths have been established for client satisfaction.

## Human Resources Management

Human Resource Management is very important for Banks because banking is service oriented industry. Success in Banking Business depends on efficient and effective management of Human Resources and Risk. FSIBL is a third generation progressive Islamic Shariah Based private commercial bank. The world economy becomes stagnant because of lockdown for Covid-19 in the year 2020. Banking sector along with other important sector served for the people of the country although the government, semi-government and autonomous organizations were remained close during this pandemic. First

Security islami Bank like other banks had kept its branches open on roaster basis by following the instructions of Bangladesh Bank during the lockdown period. Two of our employees have died of Covid-19 (innalillah.....rajiun). Bearing the slogan "Any Time Any Where" it is providing all kinds of modern banking services to the customer through 190 branches, 51 sub-branches, 41 agent banking outlets, various divisions and units of Head Office across the country.

This Organization always emphasizes on the development of its manpower to provide quality services to its clients. FSIBL believes that the factors which help the Bank to survive and differentiate it from other banks are closely interlinked with the quality of services and satisfaction of clients and these depend on the qualification of employees' efficiency & effectiveness of work. As our human resources give the organization a significant competitive edge, we continue our policy of recruiting the best professionals and implement programs to develop and retain high quality employees for facing challenges of 21st Century. The Bank offers equal opportunity for new talents in its process of recruitment and selection. It is continuing its efforts towards the development of its manpower by providing required trainings, workshops, seminar etc. in home and abroad to make them well equipped to provide quality services to its customers. It arranges training and workshop in home and abroad for its top management to formulate and implement appropriate policies for the betterment of the Bank. It also arranges priority-based trainings and workshops to make its employees compliant to its regulatory body (ies) and helps its employees for career development.

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

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

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

The Bank appoints faculty members for its Training Institute in order to provide priority-based trainings for the employees and updates its system of providing training. Zonal offices are arranging various trainings beside Training Institute, Dhaka and Regional Training Institute, Chattogram. The syllabus of Foundation Training for the freshers is revised continuously to make them more competent. The Training Institute makes a Calendar for training and workshop which will be conducted during a calendar year. To make the training program effective and rigorous, the Bank is going to provide residential facilities and has formulated training policy and hostel policy.

**Statement of Training Programs Organized by FSIBL Training Institute (Dhaka & Chittagong) in 2020:**

SI No.	Training Title	Duration	No. of Participants
01.	50th Foundation Course for Probationary officer	30 days	38
02.	Fx& International Trade Financing	9 days	35
03.	32nd Foundation Course for TACO	11 days	48
04.	Operational procedure for disbursement of inward foreign remittance & govt incentives [Batch-1]	1 day	50
05.	Operational procedure for disbursement of inward foreign remittance & govt incentives [Batch-2]	1 day	50
06.	Online Workshop on Cash Mgt	1 day	35
07.	Online - 51st Foundation Course for TAO	7 days	38
08.	Online Workshop on Awareness on Shariah Compliance on investment	1 day	55
09.	Online Foundation Course for Probationary Officer on General Banking [Batch-1, Phase-1]	7 days	38
10.	Online Foundation Course for Probationary Officer on General Banking [Batch-2, Phase-1]	7 days	38
11.	Online Foundation Course for Probationary Officer on General Banking [Batch-3, Phase-1]	7 days	37
12.	Online Foundation Course for Probationary Officer on General Banking [Batch-4, Phase-1]	7 days	28
13.	Workshop on Prevention of Trade Based Money Laundering - TBML	1 day	91
14.	Workshop on পরিবর্তিত বিশ্ব পরিস্থিতিতে ইসলামী ব্যাংকিং এ শরীয়া'হ পরিপালনঃ চ্যালেঞ্জ ও করণীয়।	1 day	8
15.	Virtual Foundation Course for Probationary Officer on Investment Module [Batch-1, Phase-2]	7 days	38
16.	Online Foundation Course for Probationary Officer on Investment Module [Batch-2, Phase-2]	8 days	38
17.	Online Foundation Course for Probationary Officer on Investment Module [Batch-3, Phase-2]	8 days	37
18.	Online Foundation Course for Probationary Officer on Investment Module [Batch-4, Phase-2]	8 days	30
19.	Training on Information & Communication Technology [ICT] Batch-1	2 days	55
20.	Training on Information & Communication Technology [ICT] Batch -2	2 days	55
21.	Training on Information & Communication Technology [ICT] Batch-3	2 days	71
22.	Training on Information & Communication Technology [ICT] Batch-4	2 days	49
23.	Workshop on PO & MTDR Printing Software [Batch-1]	1 day	20
24.	Workshop on PO & MTDR Printing Software [Batch-2]	1 day	20
25.	Workshop on PO & MTDR Printing Software [Batch-3]	1 day	50
26.	Workshop on PO & MTDR Printing Software [Batch-4]	1 day	85
27.	Agent Banking	1 day	11
28.	Agent Banking	1 day	13
<b>Regional Training Institute, Chattogram</b>			
29.	Training course On "Investment Risk And its management"	4 days	56
30.	Training on" ICT ,ADCD ,CARD"	4 days	53
31.	Training on" General Banking Operation"	4 days	56
32.	Training on" CASH MANAGEMENT"	3 days	44
33.	Workshop on "Common Irregularities of General Banking Operation and Remedy thereof" (Virtually)	4 days	47
34.	Workshop on "Common Irregularities of General Banking Operation and Remedy thereof" (Virtually)	1 day	47
35.	Operational Procedure for disbursement of inward remittance& Government Incentive with business opportunities of IDBP & L/C in 2020	1 day	94
36.	Investment Risk & its Management (Rajshahi)	5 days	26
<b>Total</b>		<b>=162 days</b>	<b>= 1584 Participants</b>



## Marketing and Business Development Division

First Security Islami Bank Ltd. has kept its position high with its own sense of glory in the banking industry of Bangladesh with the advancement of globalization. Our bank is marching with the spirit of time through launching new products and services for fulfilment of respected customers demand. It is encouraging to note that we are adapting modern technology keeping customers' demand in our mind so that we can excel in banking services. You will be happy to learn that a group of highly talented and energetic officers from Marketing and Business Development Division is striving to reach the customers with banking services. First Security Islami Bank Ltd. has enabled to enrich its product arsenal as per demand of the customers.

### Product

Marketing and Business Development Division has inaugurated **"Mudaraba Workers Savings Account"** named **"Majdoor"** considering the demand of the workers during the covid-19 pandemic period. Moreover, in 2019 we launched three products named FSIBL Murubbi, FSIBL Sanchoy and Mahiyasi which are highly accepted by the customers. We are trying to innovative variations in the product basket keeping the similarity with other existing products in the market. In addition, we are planning to introduce new scheme products for garments workers and corporate customers.

The Cash Waqf Account is one of the main sources of parking long-term deposit for the bank. For this our branches are trying heart and soul to open cash Waqf Account. At present, Marketing and Business Development Division is working extensively for QR code of FSIBL Cloud. In this context QR pay stand has been provided to 192 QR merchants who are very close to our different branches. Through this medium, the consumers are shopping along with using FSIBL Cloud. It seems obvious that deposit of QR Merchant Account is enhancing as well as our low cost deposit.

### Hajj Cell

Recently we have included all of our branches in our central Hajj Cell. We are very keen to engage with Hajj related activities because it gives us the opportunity to serve the honorable Haji. Apart from this, it has created a window to widen our business. It is worth mentioning that a central Hajj Cell was established dated 24.09.2018 under this division after the deep understanding of the importance of Hajj related banking transactions. An effective training on the activities of Hajj has already been offered to 160 officers from 80 branches of our bank under this Hajj Cell. Due to the pandemic, the holy hajj was performed to a small periphery in 2020. We are happy to let you know that we completed hajj pre-registration in our different branches, and the amount was about **Tk. 6.18 Crore** though the holy hajj was not open for all the countries in 2020. Besides, we have done the preregistration of **equivalent Tk. 2.96 Crore** through our 43 branches and the total amount was **Tk. 9.14 Crore**. It's our sincere hope that the pace of hajj related activities will continue with new enthusiasm in 2021.

### Utility Bill and Fee Collection

First Security Islami Bank Ltd. is one of the champions of collecting utility bills and fees. At present we are collecting the bill of DESCO, DPDC, PDB, NESCO, Pallibidyut, West Zone Power Distribution Co. Ltd. Dhaka WASA, Chattogram WASA, Khulna WASA, Titas Gas, Jalalabad Gas, Bakhraabad Gas, Karnaphuli Gas and other utility bills. It seems remarkable that First Security Islami Bank Ltd. has achieved 1st position for the two consecutive financial years 2018-2019 and 2019-2020 for collecting utility bill of Dhaka WASA. Two newly prospective annexure agreements have been done with Bangladesh Rural Electrification Board for the sake of collecting bills under the PBS of Bangladesh Rural Electrification Board. Under this agreement, all of our branches along with Sub Branches and Agent Banking Outlets are collecting the bills. As a result, the wheel of our low-cost deposit is moving upwards. Another source of low-cost deposit is collecting fees from BRTA. It is noteworthy that we have a deal with BRTA. Under this deal, all of our branches are taking the fee fixed by BRTA (car registration fee, driving license fee, renewal fee of driving license, tax token and other fees).

Digital Bangladesh is one of the nation's dreams and so special emphasis is given on the application of digital technologies by our division. It is very exciting that the pre-paid meter bill of BREB and DESCO will

be paid using FSIBL CLOUD after sharing the API within the shortest possible time. Besides, work of sharing API with Akash TV is going on. We believe that the subscription fee will be possible to pay through FSIBL CLOUD.

Marketing and Business Development Division is trying hard to facilitate medical services to the officials of the bank as well as to the customers. In this continuation, we are trying to communicate with the reputed hospitals of divisional cities, including Dhaka. Till now we have completed the agreement with more than 30 well-reputed hospitals, some possible agreements are in the pipeline.

In our latest effort we have done agreements with bkash and Nagad so that our customer can transfer money to their bkash and Nagad account by using FSIBL CLOUD. It needs no telling that this agreement has brought a huge customer satisfaction.

At present banking sector is experiencing a huge possibility of e-commerce cell. We have started working on this sector as well. Mobile Aps "FSIBL CLOUD" and QR code have already started its journey under Internet and Mobile Banking. A certificate has been prepared to attract the generous persons against "cash waqf" account so that we can enhance our low cost deposit during this pandemic period. Moreover this division has hit upon a plan to ensure better service quality and digital marketing.

### Collection Account

We have enabled to open collection accounts of different reputed institutions like Abul Khair Group, BSRM, Meghna Petroleum, Pran Group. We have launched various campaigns like other banks. For example- CASA Campaign, Locker Fest, Remittance Fest etc.

Product List	Services
Al-Wadiah Current Deposit A/C	Mobile Apps "FSIBL Cloud"
Al-Wadeeah Current Plus Account (Morjada)	ATM Service
Al-Wadeeah Premium Account (Shomman)	SMS Banking
Mudarabah Savings Deposit Account (Staff)	Mobile Banking
Mudarabah Savings Deposit Account	Online Banking
MUDARABA SPECIALIZED SAVINGS ACCOUNT	Evening Banking
MudarabahShramajibi Savings Account (Mehnoty)	Internet Banking
Mudaraba Student Savings Account (Onkur)	Offshore Banking
Mudaraba Salary Account (Prapti)	School Banking
Mudaraba Senior Citizen Savings A/C (Probin)	Agent Banking
Mudaraba New Generation Saving (Projonmo)	Remittance Service
Mudaraba Workers Savings A/C (Majdoor)	Locker Service
Mudarabah Special Notice Deposit Account (SND)	QR Merchant Service
Mudaraba Term Deposit Account	Collection Booth
Mudarabah Monthly Profit Scheme	Utility Bill Collection
Mudarabah Monthly Pft Scheme (FSIBL MUROBBI)	Haj Cell
Mudarabah Monthly Profit Scheme (MAHIYASI)	Complain Cell
MudarabahSanchay Scheme (FSIBL SANCHAY)	E-KYC Solution(Freedom)
Mudarabah Deposit Double Scheme	Zakat Fund
MUDARABA MONEY PLANT SCHEME	E-GP Service
MudarabahGreheni Deposit Scheme(Gharoni)	Call Center- 16257

Product List	Services
Mudaraba Cash Waqf. Deposit Scheme	
MUDARABA HAJJ DEPOSIT SCHEME	
Mudaraba Marriage Deposit Scheme (Bondhon)	
Mudaraba Health Care Deposit Scheme (Niramoy)	
Mudaraba Education Deposit Scheme (Alo)	
Mudaraba Pension Deposit Scheme [Oboshor]	
MUDARABA MILLIONAIRE DEPO. SCHEME (Agroshor)	
MUDARABA KROROPOTI DEPO. SCHEME (Unnoty)	
MUDARABA PROBASHI DEPO. SCHEME(SWADESH)	
Mudarabah Monthly Deposit Scheme (MMDS)	
MUDARABAH MUSHAFIR DEPOSIT SCHEME (MUSHAFIR)	
Mudaraba New Generation Deposit Scheme (Uddipon)	
Mudaraba Gift Cheque(Shuveccha)	
MUDHARABAH AGENT SAVINGS A/C (FIRSTPAY SureCash)	
Non Residential Foreign Currency Account	

## Management Information System

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

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

## Sustainable Finance Unit (Sustainable & Green Banking)

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

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

## Payment System Division

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

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

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

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

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

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

## Electronic Payment and Settlement System:

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



## Bangladesh Automated Cheque Processing System (BACPS):

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

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

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

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

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

Monthly Average transaction through BACPS(2020)			
Inward		Outward	
No. of Cheque	Amount in taka (Crore)	No. of Cheque	Amount in taka (Crore)
23579	7358	22835	7692

## Latest changes in BACPS:

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

## BEFTN (Bangladesh electronic Fund transfer network):

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

### EFT credit transaction:

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

### EFT Debit transaction:

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

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

### Present Activities of FSIBL EFT Team:

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

#### Activities:

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

In EFTN (2020) per day the following number of transactions processed and settled:

Average Number of transaction per day (approximate) (inward & outward)	Average Taka in crore per day
4200	23 Crore

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

### Recent changes in EFT:

- Now in EFT transaction Bangladesh Bank has started (02) two EFT sessions daily. 2nd settlement within 2.00 pm and 1st settlement next day at 10.00 am. FC EFT clearing will also be started very soon in (01) one session.
- Linking mobile financial services through EFT. Different types of G2P-(Government to person)-payment (social security payment and salaries of government service holders) to the mobile account through EFT.

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

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

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

In this system Bangladesh bank not receiving any charges but originating bank is receiving highest tk. 100/- as charge from the clients. By using this system average 446 number of transactions per day is initiated by our bank whose value in tk.46.00 crore. In future, Government bill and bond purchase will be possible by this system.

### FSIBL RTGS Activities:

At the inception of RTGS inward is operating centrally. All of our 190 branches and 51 sub-branches send RTGS transaction to central team and it transmitted to Bangladesh bank for settlement and then B. bank send it to the receiving bank. Any return issue is solved within 30 minutes. Financial institutions and persons can transfer funds for fulfilling their needs. ASYCUDA (The Automated Systems for Customs Data) implemented for collecting custom duty. By using this system every commercial banks can send customs duty to the Sonali Bank local Office.

### Recent Changes in RTGS:

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

## Risk Management

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

Risks are the potential that an uncertainty, event, action or inaction will adversely impact the ability of an entity to achieve its organizational objectives. Risk management may be defined as the process of identification, analysis, assessment evaluation, monitoring, reporting and controlling or mitigating of all material risks effectively and efficiently followed by coordinated and economical application of resources.

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

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

The 'Board Risk Management Committee (BRMC)' comprises of honorable Vice-Chairman of the bank as Chairman and two directors as member. The committee defines the risk appetite for the bank, designs

organizational structure to manage risk within the bank, reviews and approves risk management policies, enforces and uses adequate recordkeeping and reporting system, and monitors compliance of overall risk management in the bank.

The 'Executive Risk Management Committee (ERMC)' comprises of thirteen (13) members where an Additional Managing Director is chairman of the committee. The committee sets targets for capital ratio and capital composition, develops risk policies for business units, determines overall investment strategy, and identifies monitors and manages bank's current and potential operational risk exposures.

The Risk Management Division is furnished with eight different desks covering core functional areas of the bank such as Investment Risk Management (IRM) Desk, Foreign Exchange (FX) Desk, Asset-Liability Management (ALM) Desk, Internal Control & Compliance (ICC) Desk, Stress Test Desk, AML & CFT Desk, Capital Management Desk, and Information & Communication Technology (ICT) Desk.

The Division prepares the monthly and half yearly 'Risk Management Report' that is discussed thoroughly in the monthly and half-yearly Risk Management Committee meeting and submitted to Bangladesh Bank accordingly along with the minutes of the meetings. A 'Risk Analysis Statement' that presents the current scenario of the bank is also prepared based on the monthly and half-yearly report and submitted to BB. The Division prepares the yearly 'ICAAP Report' as required by Bangladesh Bank (BB) that is also discussed with importance in the Board meetings and submitted to Bangladesh Bank on yearly basis within 31 May after being duly approved by the Board. A 'Supervisory Review Process (SRP) Team' has been constituted with 12 members under the chairmanship of Managing Director who participates in the Dialogue with 'Supervisory Review Evaluation Process (SREP) Team of Bangladesh Bank' to determine the adequate level of capital needed for the bank based on the ICAAP report and Supplementary documents as and when convened by them. A quarterly 'Stress Testing Report' as required by Bangladesh Bank is prepared which is discussed with importance in the Board meeting and submitted to Bangladesh Bank on quarterly basis duly approved by the Board.

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

In Comprehensive Risk Management Rating conducted by Bangladesh Bank as of 31.12.2019, FSIBL was in better position. First Security Islami Bank Limited is always vigilant to find out the ensuing and probable risks of the bank and to overcome that by following up and complying with Bangladesh Bank.

## Investment Monitoring & Recovery Division

Investment Monitoring & Recovery Division monitors and follows up the performance of defaulted investment with a view to recovering/regularizing the same. The main areas of IM&RD is to identify the reasons of default of investment, non-payment and take corrective measure including legal action to arrest deterioration of asset, improve asset quality and to ensure timely recovery of classified and written off investment. There are recovery management team consist of high level Head Office executives, Bank's enlisted third party recovery agencies, separate legal cell to recover non-performing investments for duly protecting the interest of Bank.

## SME Investment

Cottage, Micro, Small & medium Enterprise (CMSME) are playing an important role in the economic development of the country. It creates employment opportunity, enhances GDP growth and alleviates poverty.

Due to COVID-19 pandemic in recent period, the overall trade, commerce, finance and investment have been seriously disrupted/halted all over the world, including Bangladesh. In order to overcome the sluggish



SME Financing Starting Year	2006
SME Branches	190
Manpower	211
SME Clients (Jan 2020 to Dec-2020)	6169
CMSME Outstanding as on 31/12/2020	Total BDT 45023.00 Million
Focused Sectors	light Engineering Handloom & Textile Furniture & Fixtures Vehicle Accessories Cluster Women Entrepreneur
SME Head	Mr. Shafait Ahmed Chowdhury Senior Vice President
Contract Details	First Security Islami Bank Ltd., Head Office: Rangs RD Center, Block# SE(F), Plot#03, Gulshan-1, Dhaka-1212.
Phone	0193888185 02-55045715, IP-77541
E-mail	<a href="mailto:headofsme@fsibld.com">headofsme@fsibld.com</a> <a href="mailto:sme@fsibld.com">sme@fsibld.com</a>
Website	<a href="http://www.fsibld.com">www.fsibld.com</a>

trend of trade & commerce in the country, due to the COVID-19 pandemic, First Security Islami Bank Limited, in compliance with the instructions of Government and Bangladesh Bank, has also taken special initiative for investment in the industry, service and trade sectors of Cottage, Micro, Small & Medium Enterprises (CMSME), under various stimulus packages declared by the Government as well as Bangladesh Bank. In this regard First Security Islami Bank Limited, up-to 31st of December, 2020 has sanctioned Tk.45.83Crore under stimulus package, among 286SME clients, who are affected due to COVID-19.

Our Bank is trying to diversify SME Investment portfolio in Manufacturing, Service and Trade sectors through our 190 branches, 62 sub-branches and 46 agent banking outlets. In addition 5 (Five) SME/ Krishi branches are dedicatedly rendering their utmost services among the potential CMSME clients in the respective areas. In addition to that 2 (two) branches which are exclusively rendering services for the Women Entrepreneurs are run by women Manager & Staffs'. In the recent year, the bank's SME investment portfolio has been gradually increasing. The cumulative outstanding SME investment amount stood at Tk.4502.30 crore (Taka Four Thousand Five Hundred Two Crore and Thirty Lac Only) as on 31 December, 2020.

First Security Islami Bank Ltd. has been working hard to execute CMSME investment activities as per direct directives of Bangladesh Bank from time to time. In this context, our bank has arranged on 4th January 2020 a Banker's Entrepreneur (SME, Agri, Women) meeting & formal Investment disbursement event duly attended by The Honorable Governor of Bangladesh Bank and participated by seven other banks. In addition the bank has been actively participating at different CMSME related workshop, training, SME Fair, Women Entrepreneur's fair for patronizing CMSMEs.

## Women Entrepreneurs

Economic Development of a country is not possible without participation of Women Entrepreneur. Participation of Woman in the economic activities is crucial for attaining sustainable economic growth, enhances GDP growth and alleviates poverty.

The mission of the First Security Islami Bank Ltd. in the line with its motto "Service for everyone" is to develop the society by involving marginal and rural women in the income generating activities through financing for the sustainable Cottage, Micro & Small Enterprises. To foster Women Entrepreneur's Investment under SME, a customized Investment Product called "Shabolombi" has also been introduced.

The total invested amount of bank extended to the Women Entrepreneurs is BDT147.35 crore only up-to 31<sup>st</sup> December, 2019. In 2020, it was a challenging year, for all, due to the Covid-19, pandemic situation. However, FSIBL has been able to stand beside the women entrepreneurs affected due to Covid-19 pandemic by investing BDT5.19 crore under SME stimulus package scheme. Apart from the stimulus scheme, our Bank has invested BDT 108.83 Crore in the year 2020 to the Women Entrepreneurs.

We have also been participating in different fairs related to development of women entrepreneur's from time to time including a special fair arranged by Bangladesh Bank on "Women's Day". In addition, we have arranged a Banker's Entrepreneur (SME, Agriculture & Women Entrepreneur) meeting and formal Investment Disbursement event at Chattogram on 4th January 2020, participated by Bangladesh Bank and seven other Banks.

## Agricultural Investment

Agriculture Sector is one of the major driving forces of the economy of Bangladesh. In the macroeconomic stability of the country, the role of agriculture sector is immense. It is also one of the major employment generating sectors and it is directly contributing for the self-sufficiency of food production.

Bangladesh is a densely populated country, which has population of about 165.67 million (as per BBS report of 01.01.2019). The domestic consumption/demand of food or crops of this vast population, are mostly meet up by domestic agricultural production and which has become possible due to direct initiative and patronization of the Government as well as Bangladesh Bank. For this reason, diversified agricultural products are growing in the different parts of the country.

In addition to that agricultural sectors are also contributing to the economy, by earning foreign currency through exporting of shrimp and dry fish, potatoes, green vegetables etc. Moreover as per recent economic survey, it reveals that Bangladesh has achieved remarkable progress in agricultural sub-sectors like- fish, fruits and vegetable production.

Agriculture sector has a significant role to mitigate adverse effects of environmental degradation and climate changes. In this connection, First Security Islami Bank Limited has actively contributed in the national economy – by disbursing investment in agricultural sector.

In the last fiscal year of 2019-2020, our Bank has disbursed in the agricultural sector for Tk.437.67 crore. Moreover, Bank is also continuing to facilitate disbursement of Investment at concessional rate of profit @4% to the high yield value crops (like pulse, oil seeds, spices, maize etc.) and as per instruction of Bangladesh Bank, we have disbursed Tk.2.05 crore, against target of Tk.2.00 crore, during the fiscal year 2019-2020.

Due to the recent Corona virus (Covid-19) pandemic, Agricultural sector are has adversely affected. In order to overcome the situation, Bangladesh Bank (as per directives of Government) has also declared a stimulus packages of Tk5000.00 (five thousand) crore, under Refinancing scheme at lower profit rate and also provides profit subsidy facilities and instructed Banks for investment in various sub-sectors of agriculture. Accordingly First Security Islami Bank Limited up-to 31.12.2020 has disbursed Tk.27.37 crore among 228 numbers of clients, under stimulus packages due to covid-19.

## Training Institute

In the year 2020, the Training Institute conducted 31 training courses for 1,368 participants. Total 134 days were utilized for the training sessions. All the foundation courses were arranged at Training Institute, Dhaka. Other training courses/workshops were arranged at Dhaka, Chattogram Regional Training Institute & Rajshahi Zonal Office. Most of the trainings & workshops have been conducted on virtual platform in the pandemic year. Training Institute was well equipped with detailed course schedule & module but due to roster duty the cent percent target was not achieved. But the Training Institute's endeavor was continuous and still going on.

### Training List of Training Institute, Rajshahi– 2020

SI No.	Training Title	Level of Participants	Duration	No of Participants
01	Investment Risk & its Management	AO to SPO (Manager Operations & Investment Officer)	23 - 27.02.2020	26

## Training List of Training Institute, Chattogram– 2020

Sl. No.	Training Title	Level of Participants	Duration	No of Participants
01	Training course On 'Investment Risk And its management"	JO to PO	23-26/01/2020	56
02	Training on" ICT ,ADCD ,CARD"	AO-PO	08-11/02/2020	53
03	Training on" General Banking Operation"	AO-SO	23-27/02/2020	56
04	Training on" CASH MANAGEMENT"	ACO-SO(Cash)	08-10/3/2020	44
05	Workshop on "Common Irregularities of General Banking Operation and Remedy thereof" (Virtually)	Manager Operation	14/10/2020	47
06	Workshop on "Common Irregularities of General Banking Operation and Remedy thereof" (Virtually)	Manager Operation	17/10/2020	47
07	Operational Procedure for disbursement of inward remittance& Government Incentive with business opportunities of IDBP & L/C in 2020	Manager & Remittance Officer	20/11/2020	94
Total			=20 days	=397 participants

## Training List of Training Institute, Dhaka – 2020

Sl No.	Training Title	Level of Participants	Duration	No. of Participants
1.	50th Foundation Course for Probationary officer	Probationary Officer	21/01/20-19/02/20	38
2.	Fx & International Trade Financing	Desk officers	5-13/02/2020	35
3.	32nd Foundation Course for TACO	TACO	1-11/03/2020	48
4.	Operational procedure for disbursement of inward foreign remittance & govt incentives [Batch-1]	Manager, operational manager & remittance officer	22/02/2020	50
5.	Operational procedure for disbursement of inward foreign remittance & govt incentives [Batch-2]	Manager, operational manager & remittance officer	07/03/2020	50
6.	Online Workshop on Cash Management	Desk officers	11/7/2020	35
7.	Online - 51st Foundation Course for TAO	TAO	21-27 july 20	38
8.	Online Workshop on Awareness on Shariah Compliance on investment		19/08/20	55
9.	Online Foundation Course for Probationary Officer on General Banking [Batch-1, Phase-1]	Probationary Officer	16-22/08/20	38
10.	Online Foundation Course for Probationary Officer on General Banking [Batch-2, Phase-1]	Probationary Officer	23-29/08/20	38
11.	Online Foundation Course for Probationary Officer on General Banking [Batch-3, Phase-1]	Probationary Officer	31/08/20 - 06/09/20	37
12.	Online Foundation Course for Probationary Officer on General Banking [Batch-4, Phase-1]	Probationary Officer	07-13/09/2020	28
13.	Workshop on Prevention of Trade Based Money Laundering - TBML	AO - EVP	19-09-2020	91
14.	Workshop on “পরিবর্তিত বিশ্ব পরিস্থিতিতে ইসলামী ব্যাংকিং-এ শরীয়া’হ পরিপালনঃ চ্যালেঞ্জ ও করণীয়”।	All officers of Shariah Div.	27/09/2020	8
15.	Virtual Foundation Course for Probationary Officer on Investment Module [Batch-1, Phase-2]	Probationary Officer	20-26/09/2020	38
16.	Online Foundation Course for Probationary Officer on Investment Module [Batch-2, Phase-2]	Probationary Officer	18-25/10/2020	38
17.	Online Foundation Course for Probationary Officer on Investment Module [Batch-3, Phase-2]	Probationary Officer	1-8/11/2020	37
18.	Online Foundation Course for Probationary Officer on Investment Module [Batch-4, Phase-2]	Probationary Officer	10-17/11/2020	30
19.	Training on Information & Communication Technology [ICT] Batch-1	ICT incharge of br.	28-29/10/20	55
20.	Training on Information & Communication Technology [ICT] Batch-2	ICT incharge of br.	04-05/11/2020	55
21.	Training on Information & Communication Technology [ICT] Batch-3	ICT incharge of br.	11-12/11/2020	71
22.	Training on Information & Communication Technology [ICT] Batch-4	ICT incharge of br.	18-19/11/2020	49
23.	Workshop on PO & MTDR Printing Software [Batch-1]	Desk officers	30-09-20	20
24.	Workshop on PO & MTDR Printing Software [Batch-2]	Desk officers	18/11/2020	20
25.	Workshop on PO & MTDR Printing Software [Batch-3]	Desk officers	9/12/2020	50
26.	Workshop on PO & MTDR Printing Software [Batch-4]	Desk officers	22/12/2020	85
27.	Agent Banking	Related officers	14/12/2020	11
28.	Agent Banking	Related officers	23/12/2020	13
Total			=109 days	= 945 Participants

## Treasury Operation and Fund Management

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

## Asset Liability Management

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

## Import Business

Import trade executed by FSIBL was Tk. 4,302.11 Crore in 2020. Large LCs were opened mainly for importing Sugar, edible oil, capital machinery, cotton, fabrics and accessories.

## Export Business

FSIBL successfully handled export documents of Tk. 1,241.21 Crore during the reporting year 2020. Readymade garments, knitwear, finished leather goods, agro products, etc., were the major export finance sectors.

## Foreign Remittance

Bank procured foreign remittance for Tk. 1500.31 Crore as of December 31, 2020. Meanwhile, the bank made enormous progress in dealing remittance business with some leading exchange houses like Western Union, Placid NK Corporation, MoneyGram, Express Money, Transfast, Aftab Currency Exchange U.K., BRAC Saajan Exchange Ltd., U.K., Al-Muzaini Exchange Co. K.S.C.C, Kuwait, Zanj Exchange WLL., Bahrain, RIA (Continental Exchange Solution Inc.), IME Remit, Wall Street Finance LLC, NY, Prabhu Money Transfer etc. Moreover, our own Exchange House located in Italy sent substantial amount of foreign remittance.

## Correspondent Banking

Correspondent banks are the trade partner of international trade. FSIBL has already achieved tremendous success in Foreign Trade. The Bank established correspondent relationship with more than 2,500 branches of 219 different renowned Banks across the world.



## Domestic Trade:

First Security Islami Bank Limited has able to increase its investment despite adverse conditions in the domestic as well as in the global economy. Total amount of investment of the bank stood at Tk. 41,509.30 crore as on December 31, 2020 as against Tk. 36,448.41 crore as on December 31, 2019 showing an increase of Tk. 5060.89 crore with a growth rate of 13.89%. In the year 2020, investment target of the bank was Tk. 39,600.00 crore and investment target achievement is 104.82%. Investments are the core assets of a bank. The bank gives emphasis to acquire quality assets and does appropriate investment risk analysis and flows all the term and conditions of Investment Risk Management while approving all sorts of Investments to clients.

To mitigate the probable economic impact due to breakout of Novel Corona Virus (Covid-19) the honorable prime minister announced for stimulus package. First Security Islami Bank Limited played an important role to implement the stimulus package under BRPD circular no 07, 08 and 10 enacted by Bangladesh Bank. For First Security Islami Bank Limited investment target under BRPD circular-07/2020 is Tk. 17.60 crore and in contrast with sanctioned amount is Tk. 17.60 crore. This shows that the target achievement is 100%. On the contrary, investment target under BRPD circular-08/2020 is Tk. 276.68 crore and sanctioned Tk. 274.82 crore over against the target which is 99.33% of the targeted amount. Tk. 190.85 crore has been disbursed under BRPD circular-08/2020 up to December 31, 2020.

## Sub-Committees Of Board

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

### Executive Committee

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

During the year 2020, the Executive Committee did not conduct any meeting.

### Audit Committee

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

During the year 2020, the Audit Committee conducted 6 meetings.

### Risk Management Committee

A high-powered Committee named "Risk Management Committee" was formed in November, 2013 consisting of 3 members of the Board of Directors as per BRPD circular No. 11 dated 27 October, 2013 issued by the Central Bank. The Committee is to sit in at least 04 meetings in a calendar year to identify risks in the Bank and address the same with due diligence. It may be mentioned that the committee already sat in 4 meetings in 2020.

### Other Committees

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

The Senior Management Team scrutinizes all the cases thoroughly before referring to Executive Committee/Board for due approval/decision. The Asset Liability Committee is entrusted with the responsibility of managing short-term and long-term liquidity and ensuring adequate liquidity at optimal funding cost. The Investment Committee is involved with detailed review and scrutiny the investment proposals for onward submission to the Board for decisions. Purchase Committee (GSD) and Purchase Committee (ICT) look after all kind of Purchase related to the requirement of the Divisions and the Committee submits proposal to the Board of Directors for final approval where applicable.

## Dividend Distribution Policy of FSIBL

Dividend Distribution Policy of First Security Islami Bank Limited (FSIBL) is a set of guidelines under which declaration and payment of dividend are made and governs other related matters thereto. This policy is formulated for ensuring proper distribution of declared dividend both Interim and Final to the eligible shareholders of the Bank. The Board of Directors of the Bank in its 233rd Meeting held on May 11, 2021 has approved the policy upon recommendation by the Management Committee (MANCOM) of the Bank after its review.

### Procedure for payment of dividends

Dividend will be recommended by the Board of Directors based on the audited Financial Statements of the Bank and necessary notes and comments thereof. Before declaration of dividend all requisites clearance and approval shall be taken from the concerned authorities. The shareholders of the Bank in an Annual General Meeting will approve the dividend based on the recommendation of the Board of Directors. The shareholders can approve lower rate of dividend than that of the recommendation of Board of Directors but can't exceed the rate that recommended for.

The Board of Directors can neither recommend nor paid dividend other than out of profits of the year or any other undistributed profits of the Bank. No dividend shall be recommended out of the capital reserve account or the revaluation reserve account or any unrealized gain or out of profit earned prior to the incorporation of the Bank, if any, through reducing paid-up capital or through doing anything so that the post-dividend retained earnings become negative or a debit balance.

### Interim dividend

Based on audited Financial Statements of the Bank, the Board of Directors of the Bank will take decisions in regard to recommendation of interim dividend for the shareholders of the Bank, declare record date for the same and will take necessary approval from the concerned regulatory bodies. Interim dividend cannot be declared as stock or bonus shares.

The Board of Directors may, from time to time, declare interim dividend to the shareholders as appears to the Board to be justified by the profits of the Bank. The decision about recommending interim dividend and entitlement for such dividend cannot be changed.

### Final Dividend

The Board of Directors of the Bank shall recommend final dividend for the shareholders on the basis of audited annual Financial Statements and declare the shareholders who will be entitled to such dividend. The decision about recommending or not recommending final dividend and entitlement for such dividend, if recommended, shall be taken after considering the interim dividend already distributed and cannot be changed prior to holding of the Annual General Meeting.

The Board of Directors may consider not declaring dividend or may recommend a lower payout for a given financial year, after analyzing the prospective opportunities and threats or in the event of challenging circumstances such as regulatory and financial environment. In such event, the Board of Directors will provide rationale in the Annual Report.

In case of declaration of stock dividend for the year, the Bank shall explain and disclose in the Annual Report the reason for declaring stock dividend and utilization of such retained amount as capital.

### Entitlement of dividend

The shareholders whose names would appear in the Register of Members of the Bank and/or in the Depository on the 'Record Date' would be entitled to receive the interim dividend of the Bank.

The shareholders whose names would appear in the Register of Members of the Bank and/or in the Depository on the Record Date would be entitled to join in the Annual General Meeting and entitled to receive the final dividend of the Bank.

### Payment of dividend

FSIBL shall pay off the interim dividend to the entitled shareholders within 30 (thirty) days of record date. It will pay off the final dividend to the entitled shareholders within 30 (thirty) days from the date of approval in an Annual General Meeting by the shareholders.

### Payment of cash dividend

Cash dividend shall be paid off to the entitled shareholders observing the following rules:

- ❖ An amount equivalent to the declared cash dividend payable for the concerned year shall be kept in a separate bank account of FSIBL within 10 (ten) days of declaration of cash dividend by the Board of Directors of the Bank.
- ❖ FSIBL shall pay off cash dividend directly to the bank account of the entitled shareholders as available in the BO account maintained with the depository participant (DP), or the bank account as provided by the shareholders in paper form through Bangladesh Electronic Funds Transfer Network (BEFTN).
- ❖ FSIBL may pay off such cash dividend through bank transfer or any electronic payment system as recognized by the Bangladesh Bank if not possible to pay off through BEFTN.
- ❖ Upon receiving the claim on cash dividend from a stock broker or a merchant banker or a portfolio manager for the margin client or customer who has debit balance or margin loan, or as per intention of the client of stock broker or merchant banker or portfolio manager. FSIBL shall pay off such cash dividend to the Consolidated Customers' Bank Account (CCBA) of the stock broker or to the separate bank account of the merchant banker or portfolio manager through BEFTN.
- ❖ FSIBL shall collect detailed information (e.g., BO account number, code number, bank account number, intention etc. of the client or customer including CCBA of stock broker or separate bank account of merchant banker or portfolio manager) from the stock broker or merchant banker or portfolio manager after their account for such claimed dividend in the individual client's account.
- ❖ In case of non-availability of bank account information or if not possible to distribute cash dividend through BEFTN or electronic payment system, FSIBL shall issue cash dividend warrant and shall send it by post to the shareholders.
- ❖ FSIBL shall pay off cash dividend to non-resident sponsor, director, shareholder or foreign portfolio investor (FPI) through the security custodian in compliance with the rules or regulations in this regard.
- ❖ FSIBL shall intimate to the shareholder through a short message service (SMS) to the mobile number or email address as provided in the BO Account or as provided by the shareholder immediately after disbursement of cash dividend and issuance a certificate of tax deducted at source, if applicable.
- ❖ FSIBL shall maintain detailed information of unpaid or unclaimed cash dividend and rationale thereof, as per BO account (number-wise or name-wise or folio number-wise) of the shareholders, and shall also disclose the summary of aforesaid information in the annual report and shall also report in the statements of financial position (Quarterly/Annually) as a separate line item 'Unclaimed Dividend Account'. FSIBL shall publish the year-wise summary of its unpaid or unclaimed cash dividend in the website.

- ❖ FSIBL shall transfer any unpaid or unclaimed cash dividend including accrued interest (after adjustment of bank charge, if any) thereon, if remains, shall be transferred to a separate bank account of the Bank as maintained for this purpose within 01 (one) year from the date of declaration or approval or record date, as the case may be.

### Stock dividend

FSIBL shall credit stock dividend directly to the BO account or issue the bonus share certificate of the entitled shareholders, as applicable, within 30 (thirty) days of declaration or approval or record date, as the case may be, subject to clearance of the exchange(s) and the Central Depository Bangladesh Limited (CDBL). FSIBL shall follow the provisions of প্রবিধান 46 of the ডিপজিটরি (ব্যবহারিক) প্রবিধানমালা, 2003 for issuance of bonus shares.

FSIBL shall maintain a Suspense BO Account for undistributed or unclaimed stock dividend or bonus shares and shall also follow the under mentioned procedures for ensuring the rightful ownership:

- ❖ FSIBL shall send at least 3 (three) remainders to the entitled shareholders.
- ❖ The Suspense BO Account shall be held under Block Module and such undistributed or unclaimed stock dividend or bonus shares shall not be transferred in any manner except for the purposed of allotting the bonus shares as and when the allottee approaches to the Bank.
- ❖ Any corporate benefit in terms of shares accrued on such undistributed or unclaimed stock dividend or bonus shares shall be credited to the Suspense BO Account.
- ❖ FSIBL shall, upon receiving application from the allottee and after proper verification of indemnity and his/her entitlement, credit the bonus shares lying with the Suspense BO Account to the BO account of the allottee, or issue bonus shares to the allottee, as applicable, within 15 (fifteen) days of receiving application with an intimation to the Bangladesh Securities and Exchange Commission (BSEC) and Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (DSE).
- ❖ Any voting right on such undistributed or unclaimed stock dividend or bonus shares shall remain suspended till the rightful ownership claim of the shareholders is established.

### Payment of unclaimed or unpaid cash dividend and stock dividend

FSIBL shall follow the below mentioned rules and regulations in regard to payment of unclaimed or unpaid cash dividend and stock dividend to the entitled shareholders:

- ❖ FSIBL shall not forfeit any unclaimed cash dividend or stock dividend till the claim becomes barred by the law of the land in force.
- ❖ If any cash dividend remains unpaid or unclaimed or unsettled including accrued interest (after adjustment of bank charge, if any) thereon for a period of 3 (three) years from the date of declaration or approval or record date, as the case may be, shall be transferred by FSIBL to the Fund as directed or prescribed by the Commission.
- ❖ FSIBL shall provide detailed information to the manager of the Fund during transfer of cash dividend as directed or prescribed by the Commission.
- ❖ If any shareholders claims his/her cash dividend after transfer of such cash dividend to the Fund, within 15 (fifteen) days of receiving such claim, the Bank shall, after proper verification of the claim, recommend to the manager of the Fund to pay off such dividend from the Fund and the manager of the Fund shall pay off such cash dividend to the claimant in accordance with the provisions and procedures as directed or prescribed by the Commission.
- ❖ If any stock dividend or bonus shares remains unclaimed or unsettled including corporate benefit in terms of bonus shares thereon for a period of 3 (three) years from the date of declaration or approval or record date, as the case may be, shall be transferred in dematerialized form to the BO Account of the Fund.
- ❖ FSIBL shall provide detailed information to the manager of the Fund during transfer of stock dividend or bonus shares as directed or prescribed by the Commission.



- ❖ If any shareholders claims his/her stock dividend or bonus shares after transfer of such dividend or bonus shares to the BO Account of the Fund, within 15 (fifteen) days of receiving such claim, the Bank shall, after proper verification of the claim, recommend to the manager of the Fund to pay off or transfer such stock dividend or bonus shares from the BO Account of the Fund and the manager of the Fund shall pay off or transfer such stock dividend or bonus shares to the claimant's BO Account in accordance with the provisions and procedures as directed or prescribed by the Commission.
- ❖ FSIBL, by itself or by appointing an agent, shall maintain detailed information of BO account, bank account, mobile phone number, email and address of the shareholders for the purpose of proper distribution of cash dividend or stock dividend and shall maintain confidentiality of information.
- ❖ FSIBL shall collect update information of BO account, bank account, mobile number, email address and contract address of shareholders at least once in a year from CDBL for the purpose of proper distribution of cash dividend or stock dividend and other compliances. The Bank shall update information in every year in case of paper shares.

### Submission of dividend distribution compliance report

FSIBL shall submit a dividend distribution compliance report to BSEC, DSE & CSE in a specific format issued by the regulator(s) within the stipulated time of completion of dividend distribution. FSIBL shall also publish the compliance report in its website.

## Report on Corporate Governance Code

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

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

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

### ii. Segment-wise or division-wise performance:

Particulars	Division								Total
	Dhaka	Chattogram	Khulna	Barishal	Rajshahi	Rangpur	Sylhet	Mymensingh	
Investment Income & IBTA	48,294.92	36,320.09	3,079.60	798.50	730.90	354.75	817.30	310.90	90,706.95
Profit Paid On Deposits & IBTA	45,559.60	28,901.51	2,539.71	624.54	522.39	291.28	694.82	222.99	79,356.84
Net Investment Income	2,735.31	7,418.57	539.89	173.96	208.51	63.47	122.48	87.91	11,350.11
Other Operating Income	968.03	650.00	186.84	57.20	37.75	14.99	30.56	28.55	1,973.91
Total Operating Income	3,703.34	8,068.57	726.74	231.16	246.26	78.46	153.04	116.45	13,324.02
Operating Expenses	1,487.03	4,579.00	480.95	146.69	193.17	72.45	168.37	65.64	7,193.30
Net Profit/(Loss)	2,216.31	3,489.57	245.78	84.47	53.09	6.01	(15.33)	50.81	6,130.72

### iii. Risk and concerns:

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

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

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

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

- v. Discussion on continuity of any Extra-ordinary gain or loss---N/A
- vi. Basis for related party transactions- a statement of all related party transactions should be disclosed in the Annual Report:

Sl. No.	Name of Party	Nature of Transaction	Nature of Relationship	Amount as on 31/12/2020	Basis of Transaction
1	Northern Islami Insurance Company Ltd.	Insurance Premium	Common Director	9,112,429	Fair Market Value
2	Northern Islami Insurance Company Ltd.	Deposit	Common Director	103,549,038	Fair Market Value
3	Aviva Finance Ltd.	Deposit	Common Director	3,446,523	Fair Market Value
4	Aviva Finance Ltd.	Placement	Common Director	12,570,500,000	Fair Market Value
5	Aviva Finance Ltd.	Subordinated Bond	Common Director	200,000,000	Fair Market Value
6	First Security Islami Capital & Investment Limited	Deposit	Common Director	14,303,459	Fair Market Value
7	First Security Islami Capital & Investment Limited	Capital	Common Director	255,000,000	Fair Market Value
8	First Security Islami Capital & Investment Limited	Investment	Common Director	526,709,387	Fair Market Value

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

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

## Utilizations of proceeds from rights issues-2010 & 2014, FSIBL Mudaraba Subordinated Bond Issues 2012, 2017 & 2019 and Mudaraba Perpetual Bond issue 2020.

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

- viii. An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.—N/A
- ix. If significant variance occurs between quarterly financial performance and annual financial statements the management shall explain about the variance on their annual report—N/A.
- x. Remuneration to directors including independent directors is the amount of Tk. 1,284,800/= for the year ended 31 December, 2020.
- xi. The financial statements prepared as on December 31, 2020 by the Bank, presented fairly its state of affairs, the result of its operation, cash flows and changes in equity.
- xii. The bank has been maintained proper books of account.
- xiii. The financial statements of the Bank continue to be prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, Bangladesh Securities and Exchange Rules 1987. In case any requirement of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of IFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank shall prevail.

The financial statements of the Bank are made for the year ended 31 December, 2020 and are prepared under the historical cost convention on a going concern basis and in accordance with the “ First Schedule Section 38(4) of the Bank Companies Act, 1991 and Amendment 2013, BRPD Circular # 14 dated 25 June 2003, BRPD Circular # 15 dated 09 November 2009, Other Bangladesh Bank Circulars, International Accounting Standards and International Financial Reporting Standards, The Companies Act 1994, The Bangladesh Security and Exchange Rules 1987, Dhaka & Chittagong Stock Exchanges listing regulations, Income Tax Ordinance 1984 and other laws and rules applicable in Bangladesh.

- xiv. International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been followed and disclosed in preparation of the Financial Statements.
- xv. The Board ensures that adequate internal control systems are in place which are consistently complied with and implemented to provide reasonable assurance that financial records are reliable for preparation of financial statements. The Board, further, ensures that quality of financial reporting is maintained, assets of the Bank are safeguarded against unauthorized use or disposition and accountability for assets and business transactions is maintained. International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been followed and disclosed in preparation of the Financial Statements.
- xvi. No event is arisen from the controlling shareholders who may impair the minority interest.
- xvii. The Management has reasonable ground to believe that there are no significant doubts upon the bank's ability to continue as a going concern.
- xviii.A) According to the Bangladesh Bank Circular # 17 Dated 28 September 2020 the Investment Classification status remains unchanged up to 31 December 2020 for this reason the required Provisions for Investments during the year is decreased compared to the previous year. As a result, EPS has been increased to 2.94 for the current year 2020 from 2.17 for the previous year 2019.

B) Placement with Banks & other Financial Institutions has been decreased by the amount of Tk. 103.32 Crore compare to the previous year. As a result, the net operating cash inflows per share has been increased to 7.31 as on 31 December 2020 compared to 6.45 on 31 December 2019.

## xix. Financial Analysis

**First Security Islami Bank Limited**  
**Horizontal Analysis of Balance Sheet**

Amount in Lac Tk.

Particulars	2020	2020 Vs 2019	2019	2019 Vs 2018	2018	2018 Vs 2017	2017	2017 Vs 2016	2016
Cash In hand (Balance with Bangladesh Bank and its agent bank(s))	332,888.90	8.29%	307,406.04	57.50%	195,182.80	-22.48%	251,771.15	-22.05%	323,005.10
Balance with other Banks and Financial Institutions	16,839.29	112.27%	7,933.01	-26.80%	10,837.55	70.32%	6,363.15	24.82%	5,097.68
Placement with Banks & other Financial Institutions	125,705.00	-7.59%	136,037.00	0.00%	136,037.00	0.00%	136,037.00	-6.24%	145,090.00
Investments in Shares & Securities	236,215.53	34.77%	175,276.53	9.67%	159,816.91	0.46%	159,088.95	7.59%	147,864.90
General Investment etc.	4,144,546.42	13.93%	3,637,757.32	16.94%	3,110,697.41	13.97%	2,729,389.60	21.03%	2,255,206.27
Bills Purchased and Negotiated	8,527.60	20.38%	7,084.10	15.14%	6,152.48	-6.02%	6,546.59	20.20%	5,446.44
Fixed Assets Including Premises, Furniture & Intangible Assets	64,826.83	0.74%	64,351.74	87.79%	34,267.82	-1.69%	34,855.92		34,307.31
Other Assets	34,453.78	-3.47%	35,691.15	-40.63%	60,114.40	19.53%	50,290.23	18.01%	96,015.59
Non Banking Assets	251.45	0.00%	251.45	0.00%	251.45	0.00%	251.45	0.00%	251.45
<b>Total Assets</b>	<b>4,964,254.80</b>	<b>13.55%</b>	<b>4,371,788.34</b>	<b>17.73%</b>	<b>3,713,357.83</b>	<b>10.04%</b>	<b>3,374,594.04</b>	<b>14.11%</b>	<b>3,012,284.74</b>
Placement from Banks & other Financial Institutions	131,348.72	-0.56%	132,083.82	-24.69%	175,376.98	84.97%	94,815.40	1233.33%	7,111.15
Deposits and Other Accounts	4,287,015.22	13.83%	3,766,216.62	17.69%	3,200,217.98	6.99%	2,991,208.44	9.07%	2,742,528.94
Mudaraba Subordinated Bond	106,000.00	-7.83%	115,000.00	136.53%	48,620.00	-9.66%	53,820.00	289.44%	13,820.00
Mudaraba Perpetual Bond	38,000.00	0.00%	-	0.00%	-	0.00%	-	0.00%	-
Other Liabilities	220,832.22	7.55%	205,337.26	31.15%	156,562.12	32.64%	118,033.44	27.52%	141,804.99
<b>Total Liabilities</b>	<b>4,783,196.16</b>	<b>13.38%</b>	<b>4,218,637.70</b>	<b>17.81%</b>	<b>3,580,777.08</b>	<b>9.91%</b>	<b>3,257,877.28</b>	<b>14.30%</b>	<b>2,905,265.08</b>
Capital/Shareholders' equity	181,058.64	18.22%	153,150.64	15.51%	132,580.75	13.59%	116,716.76	9.06%	107,019.67
<b>Total Liabilities and Shareholders' Equity</b>	<b>4,964,254.80</b>	<b>13.55%</b>	<b>4,371,788.34</b>	<b>17.73%</b>	<b>3,713,357.83</b>	<b>10.04%</b>	<b>3,374,594.04</b>	<b>14.11%</b>	<b>3,012,284.75</b>

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



## First Security Islami Bank Limited

### Horizontal Analysis of Profit and Loss

Amount in Lac Tk.

Particulars	2020	2020 Vs 2019	2019	2019 Vs 2018	2018	2018 Vs 2017	2017	2017 Vs 2016	2016
Investment Income	425,255.04	9.60%	388,014.33	14.39%	339,214.45	20.19%	282,225.05	7.51%	262,517.16
Profit paid on deposit	(311,753.96)	7.92%	(288,874.24)	16.73%	(247,464.65)	24.60%	(198,612.16)	4.15%	(190,702.14)
<b>Net Investment Income</b>	<b>113,501.08</b>	<b>14.49%</b>	<b>99,140.09</b>	<b>8.05%</b>	<b>91,749.80</b>	<b>9.73%</b>	<b>83,612.89</b>	<b>16.43%</b>	<b>71,815.02</b>
Income from Investment in Shares and Securities	5,281.56	-31.18%	7,674.35	91.37%	4,010.19	195.72%	1,356.07	400.88%	270.74
Commission, Exchange and Brokerage	8,208.54	-7.22%	8,847.61	13.82%	7,773.37	-2.36%	7,960.89	78.90%	4,449.89
Other Operating Income	6,249.00	-2.69%	6,421.48	-3.40%	6,647.17	55.49%	4,274.96	15.13%	3,713.22
<b>Total operating income</b>	<b>133,240.18</b>	<b>9.14%</b>	<b>122,083.53</b>	<b>10.80%</b>	<b>110,180.53</b>	<b>13.35%</b>	<b>97,204.81</b>		<b>80,248.87</b>
Salary and Allowances	41,572.77	13.58%	36,600.59	14.89%	31,856.39	19.40%	26,680.66	19.79%	22,272.71
Rent, Taxes, Insurances, Electricity etc.	6,278.93	-12.70%	7,192.48	15.29%	6,238.75	9.14%	5,716.10	11.63%	5,120.69
Legal Expenses	41.64	-54.82%	92.17	-25.77%	124.17	60.53%	77.35	23.23%	62.77
Postage, Stamps, Telecommunication etc.	914.07	-1.77%	930.55	1.59%	916.01	4.68%	875.07	1.30%	863.82
Stationery, Printings, Advertisements etc.	1,864.55	3.54%	1,800.82	12.25%	1,604.32	-12.16%	1,826.46	-3.84%	1,899.32
Managing Director's Salary and Fees	136.72	6.09%	128.87	4.27%	123.59	12.40%	109.95	5.77%	103.95
Directors' Fees & Expenses	12.97	-17.02%	15.63	-24.75%	20.77	45.96%	14.23	-34.72%	21.80
Shariah Supervisory Committee's Fees & Expenses	2.36	7.27%	2.20	31.74%	1.67	160.94%	0.64	-65.22%	1.84
Auditor's Fees	9.20	0.00%	9.20	0.00%	9.20	6.60%	8.63	18.22%	7.30
Depreciation & Repair of Bank's Assets	6,689.38	14.69%	5,832.35	19.92%	4,863.40	9.44%	4,443.88	7.94%	4,116.95
Zakat Expenses	1,265.45	28.67%	983.48	11.57%	881.50	23.13%	715.88	42.47%	502.49
Other Expenses	13,144.98	39.40%	9,429.57	-9.14%	10,377.96	14.09%	9,096.64	13.50%	8,014.65
<b>Total Operating Expenses</b>	<b>71,933.02</b>	<b>14.15%</b>	<b>63,017.91</b>	<b>10.52%</b>	<b>57,017.72</b>	<b>15.04%</b>	<b>49,565.49</b>	<b>15.30%</b>	<b>42,988.29</b>
<b>Profit before Provision and Tax</b>	<b>61,307.16</b>	<b>3.79%</b>	<b>59,065.62</b>	<b>11.10%</b>	<b>53,162.80</b>	<b>11.59%</b>	<b>47,639.32</b>	<b>27.85%</b>	<b>37,260.58</b>
Provisions for Investments including off-B/S items	13,913.15	-26.29%	18,875.81	-15.07%	22,225.61	10.26%	20,156.78	57.93%	12,763.00
Provisions for Diminution in Value of Investment in Shares	(566.92)	-155.70%	1,017.88	61.21%	631.40	139.69%	263.43	-126.44%	(996.49)
Provision for Start-up fund	281.90	0.00%	-	0.00%	-	0.00%	-	0.00%	-
Provision for Other Assets	-	0.00%	-	0.00%	0.91	0.00%	302.80	0.00%	-
<b>Total Provisions</b>	<b>13,628.13</b>	<b>-31.50%</b>	<b>19,893.69</b>	<b>-12.97%</b>	<b>22,857.92</b>	<b>10.30%</b>	<b>20,723.01</b>	<b>76.12%</b>	<b>11,766.51</b>
<b>Total Profit before Taxes</b>	<b>47,679.03</b>	<b>21.72%</b>	<b>39,171.93</b>	<b>29.26%</b>	<b>30,304.88</b>	<b>12.59%</b>	<b>26,916.31</b>	<b>5.58%</b>	<b>25,494.07</b>
Provision for Tax	19,771.02	6.28%	18,602.04	28.82%	14,440.89	4.46%	13,824.85	20.80%	11,444.24
<b>Net Profit after tax</b>	<b>27,908.01</b>	<b>35.67%</b>	<b>20,569.89</b>	<b>29.66%</b>	<b>15,863.99</b>	<b>21.18%</b>	<b>13,091.46</b>	<b>-6.82%</b>	<b>14,049.83</b>
<b>Earnings Per Share</b>	<b>2.94</b>		<b>2.17</b>		<b>2.02</b>		<b>1.67</b>		<b>1.97</b>

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

## First Security Islami Bank Limited

### Vertical Analysis of Balance Sheet

Amount in Lac Tk.

Particulars	2020	2020 (%)	2019	2019 (%)	2018	2018 (%)	2017	2017 (%)	2016	2016 (%)
Cash In hand (Balance with Bangladesh Bank and its agent bank(s))	332,888.90	6.71%	307,406.04	7.03%	195,182.80	5.26%	251,771.15	7.46%	323,005.10	10.72%
Balance with other Banks and Financial Institutions	16,839.29	0.34%	7,933.01	0.18%	10,837.55	0.29%	6,363.15	0.19%	5,097.68	0.17%
Placement with Banks & other Financial Institutions	125,705.00	2.53%	136,037.00	3.11%	136,037.00	3.66%	136,037.00	4.03%	145,090.00	4.82%
Investments in Shares & Securities	236,215.53	4.76%	175,276.53	4.01%	159,816.91	4.30%	159,088.95	4.71%	147,864.90	4.91%
General Investment etc.	4,144,546.42	83.49%	3,637,757.32	83.21%	3,110,697.41	83.77%	2,729,389.60	80.88%	2,255,206.27	74.87%
Bills Purchased and Negotiated	8,527.60	0.17%	7,084.10	0.16%	6,152.48	0.17%	6,546.59	0.19%	5,446.44	0.18%
Fixed Assets Including Premises, Furniture & Intangible Assets	64,826.83	1.31%	64,351.74	1.47%	34,267.82	0.92%	34,855.92	1.03%	34,307.31	1.14%
Other Assets	34,453.78	0.69%	35,691.15	0.82%	60,114.40	1.62%	50,290.23	1.49%	96,015.60	3.19%
Non Banking Assets	251.45	0.01%	251.45	0.01%	251.45	0.01%	251.45	0.01%	251.45	0.01%
<b>Total Assets</b>	<b>4,964,254.80</b>	<b>100%</b>	<b>4,371,788.34</b>	<b>100%</b>	<b>3,713,357.83</b>	<b>100%</b>	<b>3,374,594.04</b>	<b>100%</b>	<b>3,012,284.75</b>	<b>100%</b>
Placement from Banks & other Financial Institutions	131,348.72	2.65%	132,083.82	3.02%	175,376.98	4.72%	94,815.40	2.81%	7,111.15	0.24%
Deposits and Other Accounts	4,287,015.22	86.36%	3,766,216.62	86.15%	3,200,217.98	86.18%	2,991,208.44	88.64%	2,742,528.94	91.04%
Mudaraba Subordinated Bond	106,000.00	2.14%	115,000.00	2.63%	48,620.00	1.31%	53,820.00	1.59%	13,820.00	0.46%
Mudaraba Perpetual Bond	38,000.00	0.77%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Other Liabilities	220,832.22	4.45%	205,337.26	4.70%	156,562.12	4.22%	118,033.44	3.50%	141,804.99	4.71%
<b>Total Liabilities</b>	<b>4,783,196.16</b>	<b>96.35%</b>	<b>4,218,637.70</b>	<b>96.50%</b>	<b>3,580,777.08</b>	<b>96.43%</b>	<b>3,257,877.28</b>	<b>96.54%</b>	<b>2,905,265.08</b>	<b>96.45%</b>
Capital/Shareholders' equity	181,058.64	3.65%	153,150.64	3.50%	132,580.75	3.57%	116,716.76	3.46%	107,019.67	3.55%
<b>Total Liabilities and Shareholders' Equity</b>	<b>4,964,254.80</b>	<b>100%</b>	<b>4,371,788.34</b>	<b>100%</b>	<b>3,713,357.83</b>	<b>100%</b>	<b>3,374,594.04</b>	<b>100%</b>	<b>3,012,284.75</b>	<b>100%</b>

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

## First Security Islami Bank Limited

### Vertical Analysis of Profit and Loss

Amount in Lac Tk.

Particulars	2020	2020 (%)	2019	2019 (%)	2018	2018 (%)	2017	2017 (%)	2016	2016 (%)
Investment Income	425,255.04	95.56%	388,014.33	94.42%	339,214.45	94.85%	282,225.05	95.41%	262,517.16	96.89%
Profit paid on deposit	(311,753.96)	70.06%	(288,874.24)	70.29%	(247,464.65)	69.19%	(198,612.16)	67.14%	(190,702.14)	70.38%
<b>Net Investment Income</b>	<b>113,501.08</b>	<b>25.51%</b>	<b>99,140.09</b>	<b>24.12%</b>	<b>91,749.80</b>	<b>25.65%</b>	<b>83,612.89</b>	<b>28.27%</b>	<b>71,815.02</b>	<b>26.50%</b>
Income from Investment in Shares and Securities	5,281.56	1.19%	7,674.35	1.87%	4,010.19	1.12%	1,356.07	0.46%	270.74	0.10%
Commission, Exchange and Brokerage	8,208.54	1.84%	8,847.61	2.15%	7,773.37	2.17%	7,960.89	2.69%	4,449.89	1.64%
Other Operating Income	6,249.00	1.40%	6,421.48	1.56%	6,647.17	1.86%	4,274.96	1.45%	3,713.22	1.37%
<b>Total operating income</b>	<b>133,240.18</b>	<b>29.94%</b>	<b>122,083.53</b>	<b>29.71%</b>	<b>110,180.53</b>	<b>30.81%</b>	<b>97,204.81</b>	<b>32.86%</b>	<b>80,248.87</b>	<b>29.62%</b>
Salary and Allowances	41,572.77	9.34%	36,600.59	8.91%	31,856.39	8.91%	26,680.66	9.02%	22,272.71	8.22%
Rent, Taxes, Insurances, Electricity etc.	6,278.93	1.41%	7,192.48	1.75%	6,238.75	1.74%	5,716.10	1.93%	5,120.69	1.89%
Legal Expenses	41.64	0.01%	92.17	0.02%	124.17	0.03%	77.35	0.03%	62.77	0.02%
Postage, Stamps, Telecommunication etc.	914.07	0.21%	930.55	0.23%	916.01	0.26%	875.07	0.30%	863.82	0.32%
Stationery, Printings, Advertisements etc.	1,864.55	0.42%	1,800.82	0.44%	1,604.32	0.45%	1,826.46	0.62%	1,899.32	0.70%
Managing Director's Salary and Fees	136.72	0.03%	128.87	0.03%	123.59	0.03%	109.95	0.04%	103.95	0.04%
Directors' Fees & Expenses	12.97	0.00%	15.63	0.00%	20.77	0.01%	14.23	0.00%	21.80	0.01%
Shariah Supervisory Committee's Fees & Expenses	2.36	0.00%	2.20	0.00%	1.67	0.00%	0.64	0.00%	1.84	0.00%
Auditor's Fees	9.20	0.00%	9.20	0.00%	9.20	0.00%	8.63	0.00%	7.30	0.00%
Depreciation & Repair of Bank's Assets	6,689.38	1.50%	5,832.35	1.42%	4,863.40	1.38%	4,443.88	1.50%	4,116.95	1.52%
Zakat Expenses	1,265.45	0.28%	983.48	0.24%	881.50	0.25%	715.88	0.24%	502.49	0.19%
Other Expenses	13,144.98	2.95%	9,429.57	2.29%	10,377.96	2.90%	9,096.64	3.08%	8,014.65	2.96%
<b>Total Operating Expenses</b>	<b>71,933.02</b>	<b>16.16%</b>	<b>63,017.91</b>	<b>15.33%</b>	<b>57,017.72</b>	<b>15.94%</b>	<b>49,565.49</b>	<b>16.76%</b>	<b>42,988.29</b>	<b>15.87%</b>
<b>Profit before Provision and Tax</b>	<b>61,307.16</b>	<b>13.78%</b>	<b>59,065.62</b>	<b>14.37%</b>	<b>53,162.80</b>	<b>14.86%</b>	<b>47,639.32</b>	<b>16.10%</b>	<b>37,260.58</b>	<b>13.75%</b>
Provisions for Investments including off-B/S items	13,913.15	3.13%	18,875.81	4.59%	22,225.61	6.21%	20,156.78	6.81%	12,763.00	4.71%
Provisions for Diminution in Value of Investment in Shares	(566.92)	-0.13%	1,017.88	0.25%	631.40	0.18%	263.43	0.09%	(996.49)	-0.37%
Provision for Start-up fund	281.90	0.06%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Provision for Other Assets	-	0.00%	-	0.00%	0.91	0.00%	302.80	0.10%	-	0.00%
<b>Total Provisions</b>	<b>13,628.13</b>	<b>3.06%</b>	<b>19,893.69</b>	<b>4.84%</b>	<b>22,857.92</b>	<b>6.39%</b>	<b>20,723.01</b>	<b>7.01%</b>	<b>11,766.51</b>	<b>4.34%</b>
<b>Total Profit before Taxes</b>	<b>47,679.03</b>	<b>10.71%</b>	<b>39,171.93</b>	<b>9.53%</b>	<b>30,304.88</b>	<b>8.47%</b>	<b>26,916.31</b>	<b>9.10%</b>	<b>25,494.07</b>	<b>9.41%</b>
Provision for Tax	19,771.02	4.44%	18,602.04	4.53%	14,440.89	4.04%	13,824.85	4.67%	11,444.24	4.22%
<b>Net Profit after tax</b>	<b>27,908.01</b>	<b>6.27%</b>	<b>20,569.89</b>	<b>5.01%</b>	<b>15,863.99</b>	<b>4.44%</b>	<b>13,091.46</b>	<b>4.43%</b>	<b>14,049.83</b>	<b>5.19%</b>
<b>Earnings Per Share</b>	<b>2.94</b>		<b>2.17</b>		<b>2.02</b>		<b>1.67</b>		<b>1.97</b>	

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

- xx. An explanation on the reasons of the issuer company has not declared dividend (cash or stock) for the year. ----N/A
- xxi. Board's statement to the effect that no bonus share or stock dividend has been or share be declared as interim dividend.-----N/A
- xxii. Board Meeting held during the year 2020 and attended by each Director.

### Attendance list of Board of Directors During 01/01/2020 to 31/12/2020

SL. No.	Name of Directors	Meetings Number	Total No. of Meetings held	Total No. of Meetings Attended	Total No. of Meetings Absent	Remarks
01	Mr. Mohammed Saiful Alam	218 <sup>th</sup> BM	13	12	01	Leave Granted
02	Mr. Mohammed Abdul Maleque	219 <sup>th</sup> BM	13	13	—	—
03	Mrs. Farzana Parveen	220 <sup>th</sup> BM	13	12	01	Leave Granted
04	Mrs. Rahima Begum	221 <sup>st</sup> BM	13	13	—	—
05	Mrs. Atikur Nessa	222 <sup>th</sup> BM	13	11	02	Leave Granted
06	Mr. Ahmed Muktedir Arif	223 <sup>rd</sup> BM	13	13	—	—
07	Mr. khandkar Iftekhar Ahmad	224 <sup>th</sup> BM	13	12	01	Leave Granted
08	Dr. Momtaz Uddin Ahmed	225 <sup>th</sup> BM	13	13	—	—
09	Mrs. Badrun Nessa	226 <sup>th</sup> BM	13	12	01	Leave Granted
10	Mr. Jamal Mostafa Chowdhury	227 <sup>th</sup> BM	13	13	—	—
11	Mr. Mollah Fazle Akbar	228 <sup>th</sup> BM	13	01	—	Resigned from BOD on 05/03/2020 (One meeting was held during his tenure)
12	Mr. Mohammad Abdullah Hassan	229 <sup>th</sup> BM	13	13	—	—
13	Mr. Md. Ruhul Amin	230 <sup>th</sup> BM	13	12	—	Appointed on 28/01/2020 (Twelve meeting were held during his tenure)

### Attendance list of Board of Directors of Executive Committee During 01/01/2020 to 31/12/2020

SL. No.	Name of Members	Total No. of Meetings held	Total No. of Meetings Attended	Total No. of Meetings Absent	Remarks
01	Mr. Mohammed Saiful Alam	Nil	N/A	N/A	—
02	Mr. Mohammed Abdul Maleque	Nil	N/A	N/A	—
03	Mrs. Farzana Parveen	Nil	N/A	N/A	—
04	Mrs. Badrun Nessa	Nil	N/A	N/A	—
05	Mr. Molla Fazle Akbar	Nil	N/A	N/A	Resigned from BOD on 05/03/2020

### Attendance list of Board of Directors of Audit Committee During 01/01/2020 to 31/12/2020

SL. No.	Name of Members	Total No. of Meeting held	No. of Meetings Attended	No. of Meetings Absent	Remarks
01	Mr. Ahmed Muktedir Arif	06	06	—	—
02	Dr. Momtaz Uddin Ahmed	06	06	—	—
03	Mr. Jamal Mostafa Chowdhury	06	06	—	—



## Attendance list of Board of Directors of Risk Management Committee During 01/01/2020 to 31/12/2020

SL. No.	Name of Members	Total No. of Meeting held	No. of Meetings Attended	No. of Meetings Absent	Remarks
01	Mr. Mohammed Abdul Maleque	04	04	–	–
02	Dr. Momtaz Uddin Ahmed	04	03	01	Leave Granted
03	Mr. Khandkar Iftekhar Ahmad	04	04	–	–

## Name of Board of Directors (Up-to Date)

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

xxiii.

(a) Parent/Subsidiary/Associated Companies and Other related parties. Nil

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

Name of Director	No. of Shares	Name of their spouse and Minor child	No. of Shares
Mohammed Saiful Alam	40,907,086		
Mohammed Abdul Maleque	18,975,201	Sarwar Jahan Maleque	871,359
Farzana Parveen	46,168,227		
Rahima Begum	18,975,201	Mortoza Siddique Chowdhury	9,783,572
Atikur Nessa	43,385,823		
Md. Ruhul Amin Independent Director	Nil		
Dr. Momtaz Uddin Ahmed Independent Director	Nil		
Badrun Nessa Nominated Director (Padma Export Import & Trading Co. Ltd)	28,602,634		
Khandkar Iftekhar Ahmad, Nominated Director (Pusti Vegetable Ghee Ltd.)	20,591,775		
Jamal Mostafa Chowdhury, Nominated Director Honeywell Securities Corp. Ltd.	18,975,220		
Mohammad Abdullah Hassan, Nominated Director :Nowshin Steels Ltd.	21,598,118		

Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their

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

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

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

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

#### xxiv. Appointment or Re-appointment of Directors

##### Mohammed Saiful Alam, Chairman :

Mohammed Saiful Alam was born in Chattogram in the year 1960. He comes from a very prominent and highly respectable family of Bangladesh. He is a man with distinctive vision, dynamism, commitment and innovative ideas. As a chairman of First Security Islami Bank Limited, he has brought along with him a vast wealth of experience and expertise of managing a good number of industries of his own throughout the country.

He is a very successful entrepreneur and an eminent industrialist of the country. He is the Chairman of the Board of Directors of First Security Islami Capital & Investment Limited, Aviva Finance Limited, S. S. Power-I Limited, Norinco Engineering Limited, C & H Power Management Company Limited, Reliance Brokerage Services Limited, Ekushey Television Limited, Karnaphuli Prakritik Gas Limited. He is the Managing Director of S. Alam Steels Limited, S. Alam Cement Limited, S. Alam Brothers Limited, S. Alam Hatchery Limited, S. Alam Trading Company (Pvt.) Limited, S. Alam Bag Manufacturing Mills Limited, S. Alam Soyaseed Extraction Plant Limited, S. Alam Refined Sugar Industries Limited, S. Alam Luxury Chair Coach Services Limited, S. Alam Tank Terminal Limited, S. Alam Properties Limited, Sonali Cargo Logistics (Pvt.) Limited, Fatehabad Farm Limited, Portman Cements Limited, Nexus Television & Media Network Limited, Pavilion International Limited, Crest Holdings Limited, Virgin Assets Limited, Noor Islamic Holdings Limited, Disney Business Solution Limited and the Director of Northern Islami Insurance Co. Limited, S. Alam Cold Rolled Steels Limited. He is also Sponsor Shareholder of Al-Arafah Islami Bank Limited, S. Alam Super Edible Oil Limited, S. Alam Vegetable Oil Limited and S. Alam Power Generation Limited. He is also Shareholder of Padma Islami Life Insurance Limited and the Proprietor of S. Alam & Co.

In addition to his business, Mohammed Saiful Alam is associated with many philanthropic activities in the country. He has travelled many countries around the world for business purposes.

### **Mrs. Atikur Nessa, Director:**

Mrs. Atikur Nessa was born in Chattogram in the year 1969. She is the Proprietor of Atikur Nisa Enterprise, Partner of Rafe Enterprise, Khorshed Paribahan Sangstha and Shareholder of Aviva Finance Limited.

Mrs. Atikur Nessa is also associated with various social and philanthropic activities. She has travelled many countries in the world for business purposes.

### **Mohammad Abdullah Hassan, Nominated Director:**

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

Mohammad Abdullah Hassan is the Managing Director of Hasan Abasan (Pvt) Limited, Modern Property Limited. He is the Director of First Security Islami Capital and Investment Ltd., S. Alam Cement Ltd., S. Alam Luxury Chair Coach Services Ltd., S. Alam Brothers Ltd., Portman Cements Ltd., S. Alam Soya Seed Extraction Ltd., S. Alam Refined Sugar Industries Ltd., Sonali Cargo Logistics (Pvt) Ltd., S. Alam Tank Terminal Ltd., Marine Empire Limited, Fatehabad Firm Ltd. and Karnaphuli Prakritik Gas Ltd. He is also shareholder of S. Alam Steels Ltd., S. Alam Vegetable Oil Ltd., S. Alam Super Edible Oil Ltd. He is the proprietor of M/s. Abdullah Hasan and M/s. Bering Sea Lines.

In addition to his business Mohammad Abdullah Hassan is involved in benevolent activities in the country. He has travelled many countries around the world for business purposes.

## **xxv.Management Discussion and Analysis**

Global economic ramifications of the Covid-19 will adversely impact on the previous growth trajectory of Bangladesh for this year. The year 2020 was very challenging year for banking sector especially for deposit mobilization and investment. Bank struggled to manage deposit cost according to deposit size. Moreover, due to the huge gap in the profit rate between deposit and investment, the bank had to take several policies to keep tight its financial stability. As banking sector was very challenging in the year 2020, the bank focused on core banking business, made positive growth in profitability and maintained a sound asset quality the bank remained financially strong by dint of its resolute focus on the vision of becoming country's finest corporate citizen and also emphasize its focus on SME, retail Consumer and relentless pursuit of providing excellent and need based customer service. In terms of new investment, trade, deposit and maintained moderate growth in pre-tax profit by balancing its overall resources and concentrated on strategic business decision, reform and restructuring the processes and policies. The analysis of financial performance and operating result of the bank is narrated below:

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

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

The financial statements of the Bank are made for the year ended 31 December, 2020 and are prepared under the historical cost convention on a going concern basis and in accordance with the "First Schedule Section 38(4) of the Bank Companies Act, 1991 and Amendment 2013, BRPD Circular # 14 dated 25 June 2003, BRPD Circular # 15 dated 09 November 2009, Other Bangladesh bank Circulars, International Accounting Standards and International Financial Reporting Standards, The Companies Act 1994, The Bangladesh Security and Exchange Rules 1987, Dhaka & Chittagong Stock Exchanges listing regulations, Income Tax Ordinance 1984 and other laws and rules applicable in Bangladesh.

### **b) Changes in accounting policies and estimation.**

N/A

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

(Amount in million TK.)

Sl. No.	Particulars	2016	2017	2018	2019	2020
01.	Authorized Capital	10,000.00	10,000.00	10,000.00	10,000.00	30,000.00
02.	Paid-up Capital	6,788.74	7,128.17	7,840.99	8,625.09	9,487.60
03.	Shareholders' Equity	10,759.84	11,770.74	13,361.35	15,165.54	17,945.50
04.	Total Regulatory Capital	14,576.62	20,081.61	21,278.58	27,472.21	34,915.07
05.	Statutory Reserve	2,412.13	2,950.45	3,556.56	4,339.99	5,293.57
06.	Total Assets	301,669.25	344,486.61	372,183.32	437,646.63	497,342.49
07.	Total Liabilities	290,608.81	332,375.69	358,477.74	422,141.19	479,044.48
08.	Total Deposits	274,224.78	299,106.10	320,011.19	376,609.70	428,687.22
09.	Total Investment	225,889.89	273,352.47	311,416.52	364,029.96	414,780.69
10.	Total Contingent Liabilities	33,568.78	41,263.42	47,097.22	54,806.72	46,909.12
11.	Total Risk Weighted Assets	135,866.72	164,510.61	205,717.12	240,730.41	287,963.44
12.	Total Fixed Assets	3,450.12	3,473.09	3,428.64	6,447.31	6,492.53
13.	Operating Income	8,137.94	9,925.24	11,207.96	12,380.79	13,460.49
14.	Operating Expenditure	4,409.31	5,038.14	5,777.79	6,416.27	7,298.58
15.	Profit before Provision & Tax	3,728.62	4,887.10	5,430.18	5,964.53	6,161.91
16.	Profit before Tax	2,555.72	2,813.80	3,074.04	3,969.66	4,793.90
17.	Net profit after Provision & Tax	1,410.33	1,389.92	1,594.66	2,091.89	2,792.58
18.	<b>Foreign Exchange Business:</b>	<b>80,470.00</b>	<b>102,297.40</b>	<b>115,764.00</b>	<b>134,580.00</b>	<b>70,436.30</b>
	a) Import Business	63,720.00	82,257.80	92,431.30	107,385.70	43,021.10
	b) Export Business	8,970.00	8,849.40	10,337.70	12,280.70	12,412.10
	c) Remittance	7,780.00	11,190.20	12,995.00	14,913.60	15,003.10
19.	Profit Earning Assets	255,771.68	303,697.02	342,354.14	396,408.80	453,183.38
20.	Non Profit Earning Asset	45,897.57	40,789.60	28,981.65	40,770.04	43,242.10

Sl. No.	Particulars	2016	2017	2018	2019	2020
01.	Investment as a % of Total Deposit	82.37%	87.78%	93.15%	90.47%	91.90%
02.	Capital Risk Assets Ratio (CRAR)	10.73%	12.21%	10.34%	11.41%	12.12%
03.	Earnings Per Share (EPS) (Tk.)	2.08	1.89	1.84	2.19	2.93
04.	Price Earnings Ratio (Times)	6.68	8.33	5.39	4.07	3.06
05.	Return on Assets (ROA)	0.51	0.41%	0.45%	0.51%	0.60%
06.	Net Asset Value Per Share (Tk.)	15.85	16.51	15.49	15.98	18.91
07.	Cost of Fund	9.21%	8.62%	9.66%	9.62%	7.96%
08.	No. of Foreign Correspondents	1,400	1,500	2,500	2,500	2,500
09.	<b>Dividend:</b>					
	a) Cash	5%	Nil	Nil	Nil	5%
	b) Bonus	5%	10%	10%	10%	5%
10.	Rights Offer	Nil	Nil	Nil	Nil	Nil
11.	Number of Shareholders	61,923	56,483	52,873	50,145	48,221
12.	Number of Employees	3,224	3,640	3,898	4,203	4,419
13.	Number of Branches	158	168	177	184	190



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

Bangladesh has made remarkable progress in poverty reduction, supported by sustained economic growth. It has been among the fastest growing economies in the world over the past decade, thanks to a demographic dividend, strong ready-made garment (RMG) exports, and stable macroeconomic conditions.

As a result, Bangladesh reached lower-middle-income status in 2015 and is on track to graduate from the UN's Least Developed Countries (LDC) list in 2026. Poverty declined from 44 percent in 1991 to 15 percent in 2016, based on the international poverty line of \$1.90 a day (using 2011 Purchasing Power Parity exchange rate). Moreover, human development outcomes improved along many dimensions.

The COVID-19 pandemic impacted Bangladesh profoundly. In addition to the impact on health, GDP growth decelerated, and poverty increased. The pandemic may also have long term economic implications as a result of reduced female labor force participation, learning losses, and heightened financial sector vulnerabilities.

Resolving longer term structural challenges could accelerate the post-COVID-19 recovery. Reform priorities include a diversification of exports beyond the RMG sector, deepening the financial sector, improving urbanization, and strengthening public governance. Addressing infrastructure gaps would accelerate growth and reduce spatial disparities in opportunities across regions and within cities. Human capital development remains a priority as well. While Bangladesh's ranking on the Human Capital Index is higher than the South Asian average, it is below the levels observed in comparator countries. Bangladesh's HDI value for 2019 is 0.632—which put the country in the medium human development category—positioning it at 133 out of 189 countries and territories.

- Most recent data reflect better-than-expected growth in exports (3 percent y/y) and remittances (26 percent y/y) during this period. Remittances represent 5.6 percent of GDP in FY20 (\$18.2 billion), and most migrant workers are based in Gulf countries that are affected by the abrupt decline in oil prices.
- The strength of remittance inflows may be attributed to the monetary incentive (two percent of total remitted amount) coupled with the decline in air-travel which has led to a greater use of formal channels for remitting. In addition, migrant workers have been sending their savings ahead of repatriation.
- The RMG sector accounts for more than eighty percent of the country's exports. After the COVID-19 outbreak, the industry was hit by the cancellation or postponement of several billion US dollars in orders from major retailers in importing countries. The looming second wave in the major trading partners could dampen the recent pick up of export demand, coupled with more order cancellations.
- Another concern for the authorities stems from historic monsoon floods which affected close to four million people, with nearly one-third of the country underwater. This will likely have a negative impact on agricultural production, possibly leading to higher food imports.

The focus of Bangladesh Bank (BB) is to ensure that there is adequate liquidity in the financial system to support the operations of financial institutions, and it has announced that it will buy treasury bonds and bills from banks.

1. The repo rate was from 6 percent to 4.75 percent in three cuts in March, April and July.
2. The cash reserve ratio (CRR) for banks was reduced from 5 percent to 3.5 percent (daily-basis) and from 5.5 percent to 4 percent (bi-weekly basis). CRR was cut to 1.5% (daily basis) and 2.0% (bi-weekly basis) for offshore banking operation, effective July 1, and 1.0% (daily basis) and 1.5% (by-weekly basis) for NBFIs, effective June 1.
3. BB has also raised the advance-deposit ratio (ADR) and investment-deposit ratio (IDR) by 2

- percent to facilitate credit to the private sector and improve liquidity in the banking system.
- The Export Development Fund (EDF) was raised to \$5 billion, with the interest rate slashed to 1.75 percent and the refinancing limit increased.
  - BB has created several refinancing schemes amounting to a total of Tk. 380 billion, a 360-day tenor special repo facility and a credit guarantee scheme for exporters, farmers, and SMEs to facilitate the implementation of the government stimulus packages.
  - To further support farmers, BB also announced an agriculture subsidy program that will take effect for 15 months until mid-2021.
  - In addition, BB has taken measures to delay non-performing loan classification, relax loan rescheduling policy for Non-Bank Financial Institutions (NBFIs), waive credit card fees and interests, suspend loan interest payments, impose restrictions on bank dividend payments, extend tenures of trade instruments, and ensure access to financial services.

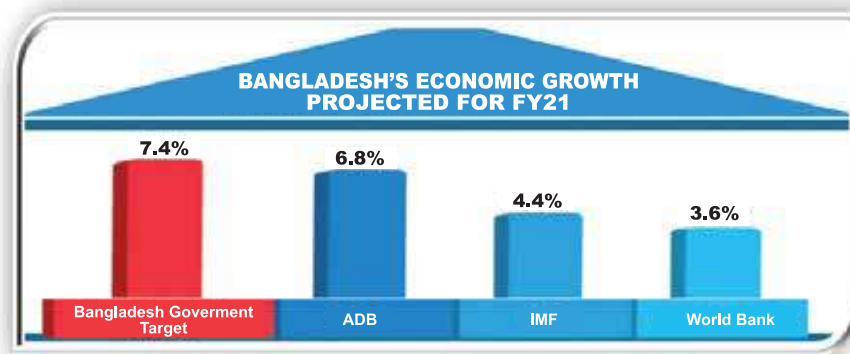
Addressing vulnerability to climate risks would support the resilience of economic development to future shocks. Pivoting towards green growth could support the sustainability of development outcomes for the next generation.

With the right policies and timely action, Bangladesh can accelerate its recovery from the economic downturn and continue to progress towards upper-middle income status.

### Projection of Economy of Bangladesh in 2021

Global economic ramifications of the Covid-19 will adversely impact on the previous growth trajectory of Bangladesh for this year. As all major advanced economies are already in recession heading towards a depression which will adversely affect developing economies like Bangladesh through exogenous trade shocks and disruptions in supply chains. Large retail outlets have already closed their stores; will significantly affect factories and workers locked into supply chains with implications for countries like Bangladesh. In the post-Covid-19 period, the restructured shorter supply chains likely to result in permanent losses of business for many firms and their employees in Bangladesh.

The Covid-19 crisis has caused increased economic vulnerability as reflected in rapid slowdown in projected growth away from the trend. For 2021, the IMF forecast a 4.4% GDP growth for Bangladesh. The International Monetary Fund (IMF) has said Bangladesh is all set overtaken its neighbor India in terms of Gross Domestic Product (GDP) per capita in 2020, despite slow growth due to the coronavirus pandemic.



Also, to mitigate the increasing unemployment, consideration should be given to job retention support to business enterprises as well as tax credits could be extended to business enterprises that do not lay off workers, especially during the recovery period. But for unemployed worker in the informal sector direct cash handout or similar kind of assistance is the only means available

to the government to enable these people to tide over the pandemic crisis. In this very difficult and challenging time in the nation's history, the government is to make citizens feel secure and less fearful by providing good publicly-funded health care services and income support for the poor, elderly, sick and the unemployed.

## Scenario of Islami Banking in Bangladesh

According to the last information by the Bangladesh Bank, there are 61 scheduled commercial banks in our country. Among those the number of full-fledged Islami banks are 8. Besides, 19 branches of conventional banks and 166 banking windows of 12 conventional banks have Islami banking operations. Total amount of deposit of Sharia'h based banks were 03 lac 19 thousand 249 crore at end September 2020 which denoted 25.85% deposits of total banking industry. At the same time total amount of banking industry was Tk. 12 lac 36 thousand 448 crore. Similarly, the amount of investment of Sharia'h based banks has been increased. The share of investment amount Islami banks was 25.44% or Tk. 02 lac 84 thousand 105 crore of total banking industry's Investment (loans & advances) amounting Tk. 11 lac 16 thousand 392 crore. Islamic Banks has been played a magnificent role in collecting foreign remittances from the non-resident Bangladeshis. In the respective period, Sharia'h compliant banks collected 31.53% remittances of total foreign remittances. Besides, these banks are performing superbly in agricultural investment disbursement. Bangladesh is set to introduce Sharia'h-based bond Sukuk as a new investment tool to promote Islamic finance and attract more foreign direct investment in the country. Sukuk is the Arabic name for financial certificates, also commonly referred to as 'Shariah-compliant' bonds. Sukuk represents undivided shares in the ownership of tangible assets relating to particular investment activity. A Sukuk investor carries right to profit, the responsibility of loss and ownership of the underlying asset proportionate to the investment made.

### e) Briefly explain the financial and economic scenario of the country and globe:

At the time of independence in 1971, Bangladesh's economy was in tatters, a result of the bloody liberation war. Over 80% of the populations were living in extreme poverty. In the following years, the country struggled with military coups, political turmoil, poverty and famine. In the 1970s, it was argued that "if development is possible in Bangladesh, it is possible in any other country. The South Asian country was viewed as "the test case" of development. But fast forward to today, the situation has dramatically changed for the better. Before the onset of the corona virus pandemic, the economy was growing rapidly, recording an annual expansion in the range of 8% for years.

The Asian Development Bank said that despite the hit from the pandemic, the Bangladeshi economy is recovering fast. Currently, 98% of children nationwide have finished primary school, with more girls in secondary school than boys. Observers say the Muslim-majority nation over the years has invested heavily in the lives of women and girls. It has also made progress in combating child malnutrition and reproductive health.

With a GDP of over \$305 billion (€259 billion), Bangladesh currently has the world's 41st largest economy and forecasts suggest that the size of the economy could double by 2030. While it was primarily an agricultural economy in 1971, the composition has changed over the decades, with industry and services now accounting for the lion's share of the economic output. Agriculture's share of GDP has dropped to just 13%. The garment industry emerged as one of the nation's success stories in recent decades. It is the second-largest globally, only next to China, and rakes in over \$35 billion a year from exports. The sector employs 4 million people, the majority of whom are women, contributing to female empowerment. Remittances also play a major role in the economy, with Bangladeshi workers employed abroad transferring nearly \$22 billion in 2020.

- World Intellectual Property Organization (WIPO) has released Global Innovation Index (GII) on September 2, 2020 in which Bangladesh ranks 116th on overall innovation indicators among 131 economies.



- United Nations Development Program (UNDP) along with the Mohammed bin Rashid Al Maktoum Knowledge Foundation (MBRF) jointly released the 2020 Global Knowledge Index (GKI) that placed Bangladesh at 112th out of 133 nations, behind every other South Asian nation.
- Bangladesh has ranked 109th on the Sustainable Development Goals (SDG) Index 2020.
- In the 2020 Global Hunger Index, Bangladesh ranks 75th out of the 107 countries.
- Bangladesh climbs from 150 to 115 in UN e-government ranking.
- Bangladesh was 78th in Global Cyber security Index.
- Bangladesh ranks 75th among 107 countries in the Global Hunger Index (GHI) 2020
- Bangladesh advanced 8 notches in global ease of doing business ranking to 168 out of 190 countries, according to a report of World Bank.
- Bangladesh's economic freedom score is 56.5, making its economy the 120th freest in the 2021 Index. Its overall score has increased by 0.1 point, primarily because of an improvement in the tax burden score. Bangladesh is ranked 25th among 40 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

Bangladesh has made slow but steady progress toward greater economic freedom over the past decade. While the economy remains in the mostly un-free category, the control of government spending and debt has been a positive achievement. Additional improvements in judicial effectiveness and government integrity would strengthen the rule of law, and opening the banking sector to foreign competition would further benefit the country.

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

### **Risk Management**

Risks are the potential that an event, action or inaction will adversely impact the ability of an entity to achieve its organizational objectives. Risk management is a process of identifying, analyzing, assessing, devising & implementation of appropriate policies to control or mitigate the material uncertainties for the organization effectively and efficiently.

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

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

FSIBL has also an Executive Risk Management Committee (ERMC) at management level consisting of member from the different core risks management divisions under the chairmanship of Chief Risk Officer (CRO) of the Bank. The Divisional Head of Risk Management Division has been assigned as the "Deputy Chief Risk Officer (DCRO)" of the bank and Member Secretary of the committee (ERMC).

The Risk Management Division of FSIBL is conducting its activities through the eight different desks covering core functional areas of the bank. An overview of the operational activities is highlighted below.



## Investment Risk

Investment Risk is one of the major risks faced by the bank. This can be described as potential losses arising from the failure of counterparty to perform according to agreement with the bank. The failure may result from the unwillingness of the counterparty or decline in his/her economic condition; market situation etc. With each and every coin of investment, there is an involvement of risk. Investment Risk includes financial risk, operational risk, security risk, management risk, business risk, industry risk, relationship risk, market risk, social risk, money laundering risk, fraud & forgeries, asset liability management risk, governmental risk, political risk, equity risk, commodity risk, legal risk, systematic risk, technical risk, concentration risk, profit rate risk, liquidity risk, reputational risk, strategic risk, settlement risk, environmental and climate change risk and so on. In addition to those risks, Islami Banking has some specific risks like fiduciary risk, displaced commercial risk, liquidity risk for lack of non-structural Islamic Financial Market, Sharia'h compliance risk etc. Risk gradation and weight changes depending on the circumstances and environment of investment.

## Foreign Exchange Risk

Since Foreign Exchange Risk involves purchase and sale of any national currency against other national currency, thus Foreign Exchange Risk is the chance of loss due to unexpected movement of market price of the currencies of different countries or the price of the assets denominated by foreign currencies. The Foreign Exchange Risk of the bank is minimal as all the transactions are carried out on behalf of the customers against underlying Foreign Exchange transactions.

Treasury Division independently conducts the transactions and the Back Office of treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Market-to-Market rate as determined by Bangladesh Bank at the month end. All Nostro accounts are reconciled on daily basis and outstanding entries beyond 30 days are reviewed by the Management for their settlement.

## Asset Liability Management

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

## Prevention of Money Laundering

Keeping pace with the modern advancement of financial service facilities, money laundering and financing of terrorism are getting new dimensions day by day. As a responsible commercial bank, First Security Islami Bank Ltd. (FSIBL) is always agile and vigilant against all kinds of money laundering and financing of terrorism activities. Managing Director of the bank every year declares written clear commitment regarding Anti Money Laundering & Combating Financing of



Terrorism for all the employees and ensures implementation of these activities. For effective prevention of money laundering and terrorist financing in the bank, an Additional Managing Director (AMD) as Chief Anti Money Laundering Compliance Officer (CAMLCO) and a Senior Vice President as Deputy Chief Anti Money Laundering Compliance Officer (D-CAMLCO) of the bank have been duly assigned. However, a powerful “Central Compliance Committee (CCC)” consisting of senior executives and divisional heads and chaired by the aforesaid AMD has been continuously supervising overall anti money laundering & combating financing of terrorism activities of the bank.

As per Bangladesh Financial Intelligence Unit (BFIU) guidelines, a full-fledged division named “Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT) Division” headed by the D-CAMLCO has been working in the head office of the bank under the close supervision of CAMLCO. Circulars issued by BFIU, Bangladesh Bank regarding AML & CFT compliance are instantly circulated to all the branches, divisions, zonal offices and training institutes of the bank. At the same time, the bank issues necessary AML & CFT related circulars in line with the applicable laws, circulars, guidelines etc. of regulatory authorities.

The bank has its own “Anti Money Laundering & Combating Financing of Terrorism Policy”, “Customer Acceptance Policy”, “Money Laundering and Terrorist Financing Risk Management Guidelines for FSIBL” and “Guidelines for Prevention of Trade Based Money Laundering of FSIBL” approved by the Board of Directors which are prepared in line with the prevailing laws, circulars, guidelines issued by the regulatory authorities. In accordance with the instruction of BFIU, a senior and experienced official or manager operation of every branch has been nominated as “Branch Anti Money Laundering Compliance Officer (BAMLCO)” by the CCC of the bank for preventing money laundering and terrorist financing at the branch along with the concerned tagged sub-branch and agent banking outlets. Bank’s AML & CFT Division inspects branches on a random basis for overseeing the implementation of AML & CFT activities at the branch level. AML & CFT Division checks & submits monthly Cash Transaction Report (CTR) in due time and submits Suspicious Transaction Report (STR)/Suspicious Activity Report (SAR) to BFIU when required.

The bank conducts Customer Due Diligence (CDD) for every customer at the time of account opening and Enhanced Due Diligence (EDD) when required in compliance with the instruction of BFIU, Bangladesh Bank. The bank verifies NID information of every customer by using the election commission’s database to ensure complete and accurate KYC of the bank’s new and existing customers. As per “Guidelines on Electronic Know Your Customer (e-KYC)” issued by BFIU, the bank has successfully launched e-KYC based solution “FSIBL FREEDOM” to facilitate bank account opening from anywhere, anytime instantly. The bank is availing Politically Exposed Persons (PEPs) and Influential Persons’ (IPs) and adverse media news data from the Accuity (a UK based international database provider) under the agreement which is integrated with bank’s Sanction Screening Software [S3] for real time and automated identification of PEPs, IPs and suspicious persons involved with crimes.

FSIBL’s own Training Institute in collaboration with AML & CFT Division regularly organizes training & workshop for the employees of the bank on the subject of Anti Money Laundering and Combating Financing of Terrorism where prevention of trade based money laundering gets special emphasis. In 2020, a day long workshop for all the BAMLCOs named BAMLCO Conference has been held at Dhaka on the topic of Anti Money Laundering and Combating Financing of Terrorism. Bank’s officials & executives regularly attend training and workshops on the topic of Anti Money Laundering and Combating Financing of Terrorism at home and abroad.

The bank distributes an adequate number of leaflets and hang posters on the topic of Anti Money Laundering and Combating Financing of Terrorism at every branch for building public awareness on these issues.

## Internal Control and Compliance

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

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

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

## Guideline on Information & Communication Technology

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

Information assets are critical to the services provided by the Bank to its customers. Protection and maintenance of these assets are vital to its sustainability. In order to ensure protection of critical IT assets from unauthorized access, modification, disclosure and destruction the Bank has already taken initiative, which safeguard the interest of customers. In this context Bank has implemented a core banking software ensuring adequate security. The Bank has a Data Center which is fault-tolerant, allowing us to upgrade, install patch, maintenance and any activity without downtime. The establishment enables to satisfy valued clients with sharp & better service. To protect sensitive information of core banking in the event of any disaster, the Bank has implemented a disaster Recovery Site. Up gradation of the FIRE Safety Security System for both Data Center and Disaster recovery site have been completed.

The Bank has already developed its own ICT security policy for various operation and services which are closely in line with the ICT security policy guideline of Bangladesh Bank. Active Directory Domain Controller (ADC) is implemented in all branches and head office according to the Guideline of Bangladesh Bank. The in-house software team of ICT Division is developing various in-house software. To enhance the security of in-house software necessary steps has been taken. ICT Division has implemented the Attendance Management System for monitoring



attendance of employees of all branches and divisions. Using this system employee performance of all branches and divisions can be monitored centrally by the management. In our country financial transactions through bKash is going on a huge volume regularly. Integration with bKash for remittance payment has been updated successfully so that the customer can receive his or her money directly to their bKash account.

For ensuring smooth communication between branches and head office divisions ICT Division has implemented IP Phone among all branches and divisions. Through this IP Phone system video conferencing can be performed to ensure the security of all officials during this pandemic situation. ICT Division has already performed its manager's conference through video conferencing.

Internet banking facility has taken banking era one step ahead for future generations. Inclusion of RTGS and EFTN in i-banking platform has increased its credibility towards modernization. ICT Division also put its step in mobile apps feature, too. FSIBL mobile apps FSIBL CLOUD has brought the whole banking system within customer's fist. Different features like bank to bank transfer, DESCO, WASA, DPDC, TITAS payment, credit card bill pay, top-up to all mobile operators, fund transfer to NAGAD and bKash from FSIBL account, etc. has been implemented in the FSIBL CLOUD mobile apps.

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

The Bank has been maintaining adequate physical security inside its workplace to properly protect ICT resource. The bank is strictly following the Information security standard of Bangladesh bank covering Password Control, User ID Maintenance, Input Control, Network security, Data Encryption, Virus Protection and Access Control of Internet and Emailing. The Bank is regularly conducting internal ICT audit to all its branches and Head Office Divisions to ensure proper implementation of the ICT policy.

## Environmental Risk Management (ERM)

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

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

## Risk Based Capital (Basel-III)

To comply with the international best practice and to make the bank's capital more risk sensitive as well as to build the banking industry more shock absorbent and stable, Bangladesh Bank is aimed to implement Basel-III reporting from 2015. As per the directive of Bangladesh Bank, all



schedule banks in Bangladesh are now required to report risk Based capital adequacy for banks under Basel-III. All scheduled banks are also required to disclose capital adequacy in both quantitative terms as per Bangladesh Bank BRPD Circular No. 18 Dated December 21, 2014.

### Stress Testing

A bank's stress test is an analysis conducted under hypothetical scenarios (minor shock, moderate shock and major shock) designed to determine whether a bank has enough capital to withstand a negative economic shock. FSIBL has a rigorous and comprehensive quarterly stress-testing program in place. It measures the vulnerability or exposure to the impacts of exceptional, rare but potentially occurring events like – profit/interest rate changes, exchange rate fluctuations, changes in investment rating, events which influence liquidity, etc.

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

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

Developing the standard of living of the rural population, engaging urban life with economic development and acceleration of technological improvement with the increase of client groups by different products and services are the main objectives of First Security Islami Bank Ltd. To facilitate our clients beyond regular banking time, we are increasing the number of ATM booths, enhancing the facilities of online banking; internet banking, SMS banking and app based banking facilities. We have started Agent banking and Mobile Banking services to reach the services to the doorsteps of all types of clients. Our bank has been participating in different social activities unlike development of health sector, education, sports and helping the under privileged people as the mode of corporate social responsibility. The achievements of the bank during its 20 years of operation are really praiseworthy and clients have strong belief on the bank. Bank believes that not only earning of profit but also getting the trust of clients and increasing the quality of services are the main objective of banking service. So the bank aims to ensure the utmost client satisfaction. Restricted profit rate is supposed to be the one of the greatest risk for upcoming days with the down flow of economy for the COVID-19, so bank is emphasizing on low cost deposits and modernization of banking activities. Our bank has achieved remarkable success in its foreign trade businesses and working to continue this trend through different initiatives in international business and receiving foreign remittances from Bangladeshi expatriates. Our bank is giving sincere importance to investment risk management and accelerating investment in CSME sector, Women entrepreneurship and Agriculture sector. The bank keeps its attention to income from ancillary services to keep up stable trend of income and minimization of unnecessary costs. We strongly believe that the bank will be able to attain sustainable growth by proper utilization of its operating strategies and adept human resources.

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



## xxvi. Declaration or Certification by the CEO and the CFO

(Annexure-A)

May 11, 2021

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

Subject: Declaration on Financial Statements for the year ended on 31/12/2020.

Muhtaram,  
AssalamuAlaikum,

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

- (1) The Financial Statements of First Security Islami Bank Limited for the year ended on 31.12.2020 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
- (2) The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
- (3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- (4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- (5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- (6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

- (i) We have reviewed the financial statements for the year ended on 31.12.2020 and that to the best of our knowledge and belief:
  - (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (b) these statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Ma-assalam,  
Sincerely yours,

Md. Mustafa Khair  
Additional Managing Director & CFO

Syed Waseque Md. Ali  
Managing Director

xxvii.

## REPORT OF THE AUDIT COMMITTEE

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

### RESPONSIBILITIES OF THE AUDIT COMMITTEE:

Major responsibilities of the Audit Committee are as follows:

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

### COMPOSITION OF THE AUDIT COMMITTEE:

The Audit Committee is comprised of the following three members:

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

### MEETING OF THE AUDIT COMMITTEE:

Six (06) meetings of Audit Committee were held in the year 2020. The Committee met with Internal Control & Compliance Division, Finance and Accounts Division and External Auditors of the Bank to discuss their findings and to work out ways to resolve their observations.

In the year 2020, the Committee reviewed on:

- Internal Audit Plan for the year 2020 and approved plan for 2021.
- Draft Financial Statements and after discussing with the External Auditors, recommended it to the Board for their considerations.
- Half Yearly Financial Report of the Bank and recommended its supply to the shareholders as a statutory requirement.
- Overall Health of the Bank.
- Bangladesh Bank's Inspection Reports and discussed the possible ways to resolve the issues mentioned in the reports.
- Significant Internal Audit findings and advised for corrective measures.
- Overall performance of IC&C Division and effectiveness of internal control system of the Bank.
- Strengthening of the Internal Control & Compliance Division in terms of Logistics and Manpower to increase their efficiency and capacity.

### APPROVAL OF FINANCIAL STATEMENTS:

The Audit Committee reviewed and examined the Annual Financial Statements for the year 2020 prepared by the Management and audited by External Auditors "SHAFIQ BASAK & CO. Chartered Accountants and RAHMAN MOSTAFA ALAM & CO. Chartered Accountant" and referred those statements before the BODs for consideration.

### ACKNOWLEDGEMENT:

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



Dr. Mamtaz Uddin Ahmed  
Member  
Audit Committee of Board of Directors

**Annexure-C:**  
**[As per condition No. 1(5)(xxvii)]**

**Status of compliance based on 31 December, 2020 with the conditions imposed by the commission's Notification No.SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969**

(Report under Conditions No. 9)

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



Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (If any)
<b>1(5)</b>	<b>The Directors' Report to the Shareholders</b>			
1(5)(i)	An Industry outlook and possible future development	✓	-	-
1(5)(ii)	Segment or product-wise performance	✓	-	-
1(5)(iii)	Risks and concerns including internal and external factors	✓	-	-
1(5)(iv)	A discussion on Cost of Goods sold, Gross & Net Profit margin	✓	-	-
1(5)(v)	A discussion on continuity of any Extra-Ordinary gain or loss	-	-	N/A
1(5)(vi)	A detailed discussion on related party transaction should be disclosed	✓	-	-
1(5)(vii)	A statement of utilization of proceeds from public issues, rights issue and/or through others instruments	-	-	N/A
1(5)(viii)	Explanation of deteriorated financial result after IPO, RPO and Rights share offer	-	-	N/A
1(5)(ix)	Explanation of Significant variations between financial statements	-	-	N/A
1(5)(x)	A statement of remuneration paid to directors including Independent Director	✓	-	-
1(5)(xi)	A statement that financial statements are prepared by management of issuer company	✓	-	-
1(5)(xii)	Maintaining of proper books of accounts	✓	-	-
1(5)(xiii)	A statement that appropriate accounting policies have been applied	✓	-	-
1(5)(xiv)	Applicable IAS / BAS / IFRS / BFRS have been followed	✓	-	-
1(5)(xv)	System of internal control is sound in design	✓	-	-
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions	✓	-	-
1(5)(xvii)	There is no significant doubt to continue as a going concern	✓	-	-
1(5)(xviii)	Significant deviation shall be highlighted	✓	-	-
1(5)(xix)	Key operating and financial data shall be summarized	✓	-	-
1(5)(xx)	In case of no declaration of dividend	-	-	N/A
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend	-	-	N/A
1(5)(xxii)	Number of Board meetings & attendance by each director	✓	-	-
<b>1(5)(xxiii)</b>	<b>A report on the pattern of shareholding disclosing the aggregate number of shares held by:</b>			
1(5)(xxiii)(a)	Share held by Parent/Subsidiary/Associate Companies	✓	-	-
1(5)(xxiii)(b)	Share held by Directors, CEO, CS, CFO, Head of Internal Audit and their spouse	✓	-	-
1(5)(xxiii)(c)	Share held by Executives	✓	-	-
1(5)(xxiii)(d)	Shareholders holding 10% or more voting interest	✓	-	-
<b>1(5)(xxiv)</b>	<b>In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders:</b>			
1(5)(xxiv)(a)	A brief resume of the director	✓	-	-
1.5 (xxiv)(b)	Nature of his/her expertise	✓	-	-
1.5 (xxiv)(c)	Other companies in which the person is associated	✓	-	-
<b>1.5 (xxv)</b>	<b>A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:</b>			

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
1.5 (xxv)(a)	Accounting policies and estimation for preparation of financial statements	✓	-	-
1.5 (xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes	✓	-	-
1.5 (xxv)(c)	Comparative analysis of financial performance as well as cash flows for current financial year	✓	-	-
1.5 (xxv)(d)	Compare such financial performance and cash flow	✓	-	-
1.5 (xxv)(e)	Briefly explain the financial and economic scenario of the country	✓	-	-
1.5 (xxv)(f)	Risks and concerns issues related to the financial statements	✓	-	-
1.5 (xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position	✓	-	-
1.5 (xxvi)	Declaration or certification by the CEO and the CFO	✓	-	-
1.5 (xxvii)	The report as well as certificate regarding compliance of condition 9 of CGC	✓	-	-
1(6)	<b>The company shall conduct its Board meetings and record the minutes of the meetings</b>	✓	-	-
1(7)	<b>Code of Conduct for the Chairperson, other Board members and Chief Executive Officer</b>			
1(7)(a)	The Board shall lay down a code of conduct, based on the NRC at condition No. 6	-	-	Formation of NRC is under correspondence of BB with BSEC
1(7)(b)	The code of conduct as determined by the NRC	-	-	Do
2	<b>Governance of Board of Directors of Subsidiary Company</b>			
2(a)	Provision relating to the composition of the Board of Directors of holding company shall be made applicable for subsidiary company	✓	-	-
2(b)	Inclusion of at least 1 Independent director of holding company in the Board of Directors the subsidiary company	✓	-	-
2(c)	Minutes of the Board meeting of the subsidiary company shall be placed at the board meeting of the holding company	✓	-	-
2(d)	Minutes of the holding company shall state that the affairs of the subsidiary company have reviewed	✓	-	-
2(e)	Audit Committee of the holding company shall review the financial statements of the subsidiary company	✓	-	-
3	<b>Managing Director, Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS)</b>			
3(1)	<b>Appointment</b>			
3(1)(a)	Appointment of Managing Director, Company Secretary, CFO and Head of Internal Audit are approved by the Board	✓	-	-
3(1)(b)	The position of Managing Director, Company Secretary, CFO and Head of Internal Audit are filled by different individuals	✓	-	-
3(1)(c)	The MD, CS, CFO and HIAC of listed company shall not hold any executive position in other company	✓	-	-
3(1)(d)	Respective roles, responsibilities and duties of CFO and CS are clearly defined by the board	✓	-	-
3(1)(e)	The MD, CS, CFO and HIAC are not remove from their position without approval of Board	✓	-	No such event occurred
3(2)	Requirement to attend the Board Meetings of MD, CFO, CS and HIAC	✓	-	

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
<b>3(3)</b>	<b>Duties of Managing Director, Chief Financial Officer</b>			
3(3)(a)(i)	The MD, CS, CFO shall certify that they have reviewed financial statements and these financial statements do not contain any materially untrue	✓	-	-
3(3)(a)(ii)	These financial statements together present a true and fair view of the company's affairs	✓	-	-
3(3)(b)	The MD, CS, CFO shall certify that there are no fraudulent, illegal transactions entered into company	✓	-	-
3(3)(c)	The certificate of MD and CFO shall be disclosed in the Annual Report	✓	-	-
<b>4.</b>	<b>Board of Directors' Committee</b>			
4(i)	Audit Committee	✓	-	
4(ii)	Nomination and Remuneration Committee	-	-	N/A
<b>5.</b>	<b>Audit Committee</b>			
<b>5(1)</b>	<b>Responsibility to the Board of Directors</b>			
5(1)(a)	The company shall have an Audit Committee	✓	-	-
5(1)(b)	The Audit Committee shall assist the Board in ensuring that the financial statements reflect true and fair of the state of affairs	✓	-	-
5(1)(c)	The Audit Committee shall be responsible to the Board and its duties shall be clearly set forth in writing	✓	-	-
<b>5(2)</b>	<b>Constitution of Audit Committee</b>			
5(2)(a)	Composition of the Audit Committee with at least 03 (three) members	✓	-	-
5(2)(b)	The Board shall appoint members of the Audit Committee	✓	-	-
5(2)(c)	All members of the audit committee are financially literate	✓	-	-
5(2)(d)	Filling of casual vacancy of the Committee members	-	-	N/A
5(2)(e)	The Company Secretary shall act as Secretary	✓	-	-
5(2)(f)	The quorum of the Audit Committee shall not constitute without at least 01 (one) Independent Director	✓	-	-
<b>5(3)</b>	<b>Chairman of the Audit Committee</b>			
5(3)(a)	Selection of Chairman of the Audit Committee	✓	-	-
5(3)(b)	In the absence of Chairman of the Audit Committee remaining members elect the Chairman among them	✓	-	-
5(3)(c)	Presence of Chairman of the Audit Committee at AGM	✓	-	-
<b>5(4)</b>	<b>Meeting of the Audit Committee</b>			
5(4)(a)	The Audit Committee shall conduct at least 04 (four) meetings	✓	-	-
5(4)(b)	The Quorum of the meeting of the Audit Committee in presence of either two members or two third members	✓	-	-
<b>5(5)</b>	<b>Role of the Audit Committee</b>			
5(5)(a)	Oversee of financial reporting process	✓	-	-
5(5)(b)	Monitor of accounting policies and principles	✓	-	-
5(5)(c)	Monitor of internal control risk management process	✓	-	-
5(5)(d)	Oversee hiring and performance of external auditors	✓	-	-
5(5)(e)	Hold meeting with external auditor for review annual financial statements	✓	-	-
5(5)(f)	Review of financial statement along with Management	✓	-	-
5(5)(g)	Review of half yearly & quarterly financial statements along with the Management	✓	-	-
5(5)(h)	Review of the adequacy of internal audit function	✓	-	-
5(5)(i)	Review the Management's Discussion and analysis before disclosing Annual Report	✓	-	-
5(5)(j)	Review all statements of related party transaction	✓	-	-
5(5)(k)	Review of Mgt. Letter / Internal control weakness	✓	-	-

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit	✓	-	-
5(5)(m)	Oversee whether the proceeds raised through IPO / RIPO / Right Issue fund utilization	-	-	N/A
<b>5(6)</b>	<b>Reporting of the Audit Committee</b>			
<b>5(6)(a)</b>	<b>Reporting to the Board of Directors</b>			
5(6)(a)(i)	Audit committee shall report its activities to the Board	✓	-	-
<b>5(6)(a)(ii)</b>	<b>Audit committee shall immediately report to the Board</b>			
5(6)(a)(ii)(a)	Report on Conflicts of interest	-	-	N/A
5(6)(a)(ii)(b)	Suspected fraud/irregularities/material defect in internal control	-	-	N/A
5(6)(a)(ii)(c)	Suspected infringement of law, rules and regulations	-	-	N/A
5(6)(a)(ii)(d)	Any other matter which shall be disclosed to the Board	-	-	N/A
<b>5(6)(b)</b>	<b>Reporting to the Authorities</b>	-	-	N/A
<b>5(7)</b>	<b>Reporting to the Shareholders and General Investors</b>	✓	-	-
<b>6.</b>	<b>Nomination and Remuneration Committee (NRC)</b>			
<b>6(1)</b>	<b>Responsibility to the Boards of Directors</b>			
6(1)(a)	The Company shall have NRC	-	-	Formation of NRC is under correspondence of BB with BSEC
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications	-	-	Do
6(1)(c)	The terms of reference of the NRC shall be clearly set forth in writing covering the areas	-	-	Do
<b>6(2)</b>	<b>Constitution of the NRC</b>			
6(2)(a)	The Committee shall comprise of at least three members	-	-	Do
6(2)(b)	All members of the committee shall be non-executive directors	-	-	Do
6(2)(c)	Members of the committee shall be nominated and appointed by the Board	-	-	Do
6(2)(d)	The Board shall have authority to remove and appoint any member of the committee	-	-	Do
6(2)(e)	In case of death, resignation, disqualification or removal of any member of the committee or in any other case of vacancies, the board shall fill the vacancy within 180 days	-	-	Do
6(2)(f)	The chairperson of the committee may appoint or co-opt any external expert and/or member(s) of staff	-	-	Do
6(2)(g)	The company secretary shall act as the secretary of the committee	-	-	Do
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent Director	-	-	Do
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role	-	-	Do
<b>6(3)</b>	<b>Chairperson of the NRC</b>			
6(3)(a)	The Board shall select one member of the NRC who shall be an independent director	-	-	Do
6(3)(b)	In the absence of the chairperson of the NRC, the remaining members may elect one of themselves	-	-	Do
6(3)(c)	The chairperson of the NRC shall attend the annual general meeting to answer the queries of the shareholders.	-	-	Do



Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
<b>6(4)</b>	<b>Meeting of the NRC</b>			
6(4)(a)	The NRC shall conduct at least one meeting in a FY			Do
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting	-	-	Do
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the committee	-	-	Do
6(4)(d)	The proceeding of each meeting of the NRC shall duly be recorded in the minutes	-	-	Do
<b>6(5)</b>	<b>Role of the NRC</b>			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and toe the shareholders	-	-	Do
6(5)(b)(i)	NRC shall oversee, among others formulating the criteria for determining qualifications, positive attributes and independence of a director and recommended a policy	-	-	Do
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully	-	-	Do
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks	-	-	Do
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long term performance objectives	-	-	Do
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity	-	-	N/A
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria	-	-	N/A
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board	-	-	N/A
6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria	-	-	N/A
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies	-	-	N/A
6(5)(c)	The company shall disclose the nomination and remuneration policy during the year at a glance in its annual report	-	-	N/A
<b>7.</b>	<b>External or Statutory Auditors</b>			
7(1)(i)	Appraisal or valuation services or fairness opinions	✓	-	-
7(1)(ii)	Financial information systems	✓	-	-
7(1)(iii)	Book-keeping to the accounting records	✓	-	-
7(1)(iv)	Broker-dealer services	✓	-	-
7(1)(v)	Actuarial services	-	-	N/A
7(1)(vi)	Internal audit services	✓	-	-
7(1)(vii)	Any other service that the Audit Committee determines	✓	-	-
7(1)(viii)	Audit or certification services on compliance of corporate governance as required condition No.9(1)	✓	-	-
7(1)(ix)	Any other service that creates conflict of interest.	✓	-	-
7(2)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure	✓	-	-
7(3)	Representative of external or statutory auditors shall remain present in the shareholders' meeting	✓	-	-

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
<b>8.</b>	<b>Maintaining a website by the company</b>			
8(1)	The company shall have an official website linked with the website of the stock exchange	✓	-	-
8(2)	The company shall keep the website functional from the date of listing	✓	-	-
8(3)	The company shall make available the detailed disclosures on its website as required under listing regulations	✓	-	-
<b>9.</b>	<b>Reporting and Compliance of Corporate Governance</b>			
9 (1)	The company shall obtain certificate from practicing professional Accountant / Secretary	✓	-	-
9 (2)	The professional for providing certificate on CGC shall be appointed by shareholders in the AGM	✓	-	-
9(3)	The directors of the company shall state that the company has complied with these conditions or not	✓	-	-

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

We have examined the compliance status to the Corporate Governance Code by **First Security Islami Bank Ltd.** for the year ended on 31 December 2020. This Code relates to the Notification No. SEC/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 Bank. Our Examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

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

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

- (a) The bank has complied with the conditions of the Corporate Governance Code as stipulated in the above-mentioned Corporate Governance Code issued by the Commission (except for Nomination & Remuneration Committee for which the Banks awaiting directives from Bangladesh Bank);
- (b) The bank has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- (c) Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws; and
- (d) The governance of the company is satisfactory.

Place: Dhaka  
Dated: 18 May, 2021

**For Ahmed Zaker & Co.**  
Chartered Accountants



**Md. Shafiqul Alam FCS, FCA**  
Partner

## Report on Risk Management

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

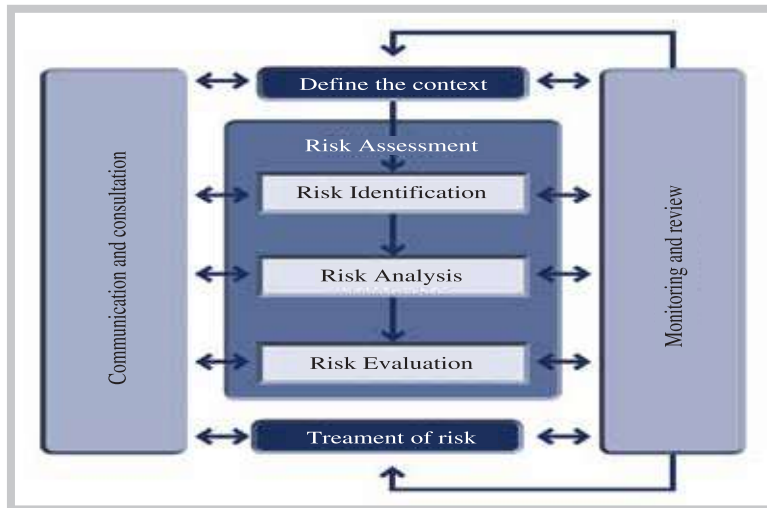
Risks are the potential that an uncertainties, event, action or inaction will adversely impact the ability of an entity to achieve objectives of every organization.

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

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

### Risk Management Process:

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



### Risk Management Structure of FSIBL:

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

### Board Risk Management Committee (BRMC):

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

### Executive Risk Management Committee (ERMC):

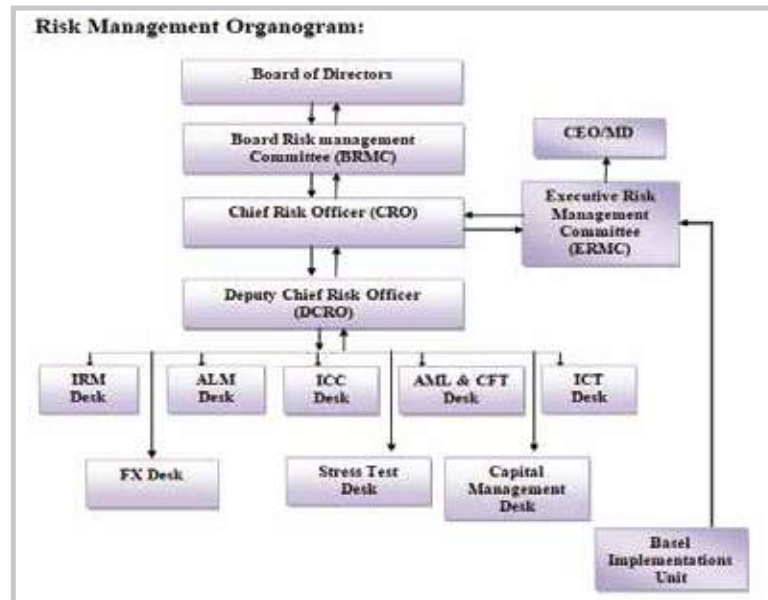
FSIBL has also an Executive Risk Management Committee (ERMC) at management level consisting of member from the different core risks management divisions under the chairmanship of Chief Risk Officer



(CRO) of the Bank. The Deputy Chief Risk Officer (DCRO) of the bank is member Secretary of the committee. The committee sets targets for capital ratio and capital composition, manages the balance sheet and funding structure, develops risk policies for business units, determines overall investment strategies and identifies, monitors and manages bank's current and potential operational risk exposures. Another senior management level committee is 'ALCO (Asset Liability Management Committee)' that supervises/manages market risk of the bank.

### Risk Management Division (RMD):

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



### Risk Management Philosophy:

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

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

### Operational Overview of Risk Management Division:

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

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

- **Asset-Liability Management (ALM) Desk:** The goal of asset/liability management (ALM) is to properly manage the risk related to changes in profit rates, the mix of balance sheet assets and liabilities, the holding of foreign currencies and the use of derivatives. These risks should be managed in a manner that contributes adequately to earnings and limits risk to the financial margin.
- **Internal Control & Compliance (ICC) Desk:** Internal Control & Compliance risk is the current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards as well as from the possibility of incorrect interpretation of effective laws or regulations. Banks are exposed to compliance risks due to relations with a great number of stakeholders, e.g. regulators, customers, counter parties as well as tax authorities, local authorities and other authorized agencies.
- **Anti-Money Laundering & Combating Financing of Terrorism Desk:** Money laundering is the process of making illegally-gained proceeds (dirty money) appears legal (clean). Typically, it involves three steps: placement, layering and integration. First, the illegitimate funds are furtively introduced into the legitimate financial system. Then, the money is moved around to create confusion, sometimes by wiring or transferring through numerous accounts. Finally, it is integrated into the financial system through additional transactions until the 'dirty money' appears 'clean'.
- **Information & Communication Technology (ICT) Desk:** ICT risk is the risk associated with the use, ownership, operation, involvement, influence and adoption of ICT within a Bank. It consists of ICT related events and conditions that could potentially impact the business. It can occur with both uncertain frequency and magnitude and it creates challenges in meeting strategic goals and objectives.
- **Foreign Exchange (FX) Desk:** Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. The foreign exchange positions arise from the following activities: a) trading in foreign currencies through spot, forward and option transactions as a market maker or position taker, including the unheeded positions arising from customer-driven foreign exchange transactions; b) holding foreign currency positions in Banking; c) engaging in derivative transactions that are denominated in foreign currency for trading or hedging purposes.
- **Stress Test Desk:** Stress testing is an important risk management tool that provides an indication of how much capital might be needed to absorb losses in different stressed situations. It will measure the vulnerability or exposure to the impacts of exceptional, rare but potentially occurring events like – profit/interest rate changes, exchange rate fluctuations, changes in investment rating, events which influence liquidity etc.
- **Capital Management Desk:** The main purposes of the FSIBL's capital management policies and practices are to support its business strategy and to ensure that it is sufficiently capitalized to withstand even severe macroeconomic downturns. Capital management helps to ensure that bank has sufficient capital to cover the risks associated with its activities. As part of the Internal Capital Adequacy Assessment Process (ICAAP) helps the management to identify the risks that the bank is exposed to and determines the means by which they will be mitigated. Capital Management Desk also develops a process to regularly compare available capital with current and projected solvency needs, and address deficiencies in a timely manner.

### Risk Management Reporting:

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

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

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

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

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

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

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

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

**Achievement of Risk Management Division in 2020:**

- Comprehensive Risk Management Rating of FSIBL, conducted by Bangladesh Bank as of 31.12.2020 was in better position.



**Abdul Mannan**

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

Bismillahir Rahmanir Rahim

## Report of the Shari'ah Council

**Honorable Shareholders,**  
 Assalamu Alaikum Wa Rahmatullah.

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

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

The Shariah Council is deeply shocked and mourned to expose that; the council has lost the honorable shariah chairman of the bank 'Sheikh Maulana Muhammad Qutubuddin' this year. We seek forgiveness and utmost respect of the heaven as well as martyr-honor to the omnipotent Allah. A part from this, we ask pardon to Allah 'the Almighty' for those who were lost their life since Covid-19 and also beg swift come-round for the individuals infected by the said virus. May Allah protect those who are healthy.

In 2020, Shari'ah Council inspected different branches of the Bank and discussed various operational activities which include the issues referred by the board of directors and the management and also provided due opinions and guidelines in accordance with the Shari'ah principles.

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

### Shari'ah Council performed the following activities in the year 2020:

- Shari'ah Council arranged necessary meetings in this year for different Shari'ah issues.
- In spite of the Covid-19 outbreak, the Murakib of Shariah Council conducted Audit & inspection adequate number of branches of the bank; and the shariah council reviewed those inspections.
- Shariah has given its opinion on providing investment facilities under the incentive package for providing capital according to the circular of Bangladesh Bank for the affected industry and service sector organizations due to the Covid-19 outbreak.
- Shariah Council has supported the recommendations of the Government of Bangladesh through few amendments relating to shariah for making policy regarding Islamic investment bond fund.
- Besides Shari'ah inspection reports of the branches, the council discussed investment activities of the bank as well as the profit & loss accounts and balance sheet for the year 2020.

### Suggestions:

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

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



Muhammad Shamaun Ali  
 Member Secretary



Prof. Dr. Mohammad Gias Uddin Talukder  
 Chairman



## Research & Development Division

Research and Development (R & D) is one of the means by which business can experience future growth by developing new products or processes to improve and expand the operations. R&D Division of our Bank was established in 2010. At present the prospective division is consists of only 04 (Four) members team under the leadership of Principal of the Training Institute of the Bank. The team always look for the new innovation and awaits for plying greater role for the radiance of the great bank among the other prevailing banks of our country.

### As Representatives of the Bank

- Generate Updated Mission, Vision, and Core Strategy of the Bank.
- Prepared Code of Conduct as per Bangladesh bank guidelines & Support to develop the Service rule of the Bank & Corporate Governance Guideline as per banking Company Act, 1993 (Amended 2013 & 2018).
- Providing Research Support to different Organizations like BIBM, BIDS etc.
- Prepare the director's report for the Annual Reports of the Bank as per guideline of Bangladesh Securities & Exchange Commission (BSEC).

### Supporting Activities to other Divisions

- Prepare Speech & PowerPoint Presentation for the Top Management for different Conference.
- Prepare supportive duties to prepare message from Honorable Chairman & Managing Director for the Annual Report.
- Analysis of Different public policies such as Monetary policy & Fiscal Policy as well as different guidelines issued by Bangladesh bank and forecasting the extract to the Top Management for decision making.
- Support the faculties of Training Institute by preparing teaching materials.
- Propose “**Motivational Incentive**” to the branches for sharing profit collecting from Utility bills.
- Analyze the variation of the banking products and recommend to develop new Shariah-based products which will create brand loyalty.
- Develop worksheet of “**Key Indices**” including all necessary information in a single page.
- Develop comparative Schedule of charges statement to generalize a standard schedule of charges for our bank.

### Publications

- The Division developed & published a Bengali dictionary on banking terminology named as “ব্যবহারিক ব্যাংকিং শব্দকোষ”. This book created a very positive buzzes among the different segment of readers especially banks including Bangladesh Bank.
- Developed and Published “**Monthly Economic Review**” as a short Journal since August 2020.
- Conducts a yearly comparative study on private commercial banks (PCBs) based on annual reports and assesses the banks' position in different indicators.
- Reporting profit-loss, deposit-investment, export-import and many including ratio analysis, trend analysis for the future forecasting, SWOT analysis and PESTLE analysis.
- Preparation of different knowledge sharing information analysis for the development skills to the employees like “**Easy Way to learn about the Land documents, Incoterms and necessary checklists for Foreign Trade Operations**”.

## Dividend

The Board of Directors has recommended 5% Cash Dividend and 5% Stock Dividend for the year ended December 31, 2020.

## Election/Re-election of Directors

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

## Appointment of Auditor

The present External Auditor of the Bank M/S. Shafiq Basak & Co., Chartered Accountants and M/S. Rahman Mostafa Alam & Co., Chartered Accountants will retire from this 22nd Annual General Meeting (AGM). They will complete 1st tenure in the 22nd AGM of the Bank. As per guidelines of regulatory bodies, M/S. Shafiq Basak & Co., Chartered Accountants and M/S. Rahman Mostafa Alam & Co., Chartered Accountants are eligible for re-appointment for next term. They have expressed their interest for re-appointment for the next term. In light of the recommendation of Audit Committee and the Board of the Directors of the Bank the auditors will be appointed in the ensuing 22nd AGM by the valued shareholders.

## Appointment of Practicing Professional

In compliance with the conditions of Corporate Governance Code of Bangladesh Securities and Exchange Commission dated June 03, 2018 Practicing Professional Accountants shall be appointed for providing compliance certificate. In accordance with condition No.9 of that code he shall be appointed in the Annual General Meeting by the shareholders. Ahmed Zaker & Co., Chartered Accountants have provide certificate for the compliance of conditions of CGC for the year 2020. According to the condition of CGC of BSEC, Ahmed Zaker & Co., Chartered Accountants have expressed their willingness for re-appointment of Practicing Professional Accountants for 2021. As per condition of the Commission, Ahmed Zaker & Co., Chartered Accountants will be appointed in the 22nd AGM by the valued shareholders in light of the recommendation of the Board of Directors of the Bank.

## Appreciation

I express my profound gratitude to Almighty Allah for enabling the bank to achieve remarkable growth in the sectors of operation in the year 2020. I take the opportunity to thank the Board of directors for their support and input during the year. I also thank our management and members of the staff for their loyalty, support and relentless efforts for qualitative and quantitative improvements of the bank.

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

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

**Ameen.**

On behalf of the Board of Directors



**Mohammed Saiful Alam**  
Chairman