



# REPORT OF THE BOARD OF DIRECTORS

## In the name of Allah

### The Most Gracious, the Most Merciful

Dear Shareholders,

### Assalamu Alaikum Wa Rahmatullah Wa Barakatuhu.

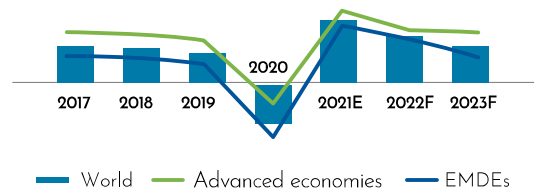
The Board of Directors would like to extend a warm welcome to all of you to Shahjalal Islami Bank Limited's (SJIBL) 21st Annual General Meeting (AGM). We are pleased to present you with the Directors' Report and Audited Financial Statements for the year ending December 31, 2021, as well as the Bank's Auditors' Report. We've also included a summary of the bank's performance and financial position for the same year, as well as information on key elements of the global and Bangladesh economies. The bank was operating in a highly complicated environment in 2021, which was defined by the COVID-19 pandemic and the efforts taken to mitigate its economic impact. Despite the adverse socioeconomic conditions posed by the COVID-19 pandemic, we continued to guide the bank and its businesses toward greater sustainability by focusing on minimizing risk and maximizing opportunity as the coronavirus manifested. We also continued to protect our employees' and customers' health and safety, as well as engage with our other stakeholders in meaningful ways. We are confident that this emphasis, along with the bank's strong foundations, will enable us to continue to create long-term value for all of our stakeholders this year and in the years to come.

## World Economy

Global growth is estimated to have surged to 5.5 percent in 2021—its strongest post-recession pace in 80 years, as a relaxation of pandemic-related lockdowns in many countries helped boost demand. Notwithstanding this annual increase, resurgences of the COVID-19 pandemic and widespread supply bottlenecks weighed appreciably on global activity in the second half of last year. As the world enters the third year of the COVID-19 crisis, economic developments have been both encouraging and troubling, clouded by many risks and considerable uncertainty.

## Global Growth

(Source: World Bank)



The good news is that output in many countries rebounded in 2021 after a sharp decline in 2020. Advanced economies and many middle-income countries have reached substantial vaccination rates. Progress in vaccination is key to restoring mobility and overcoming supply-chain disruptions. For most of 2021, the main obstacle was the limited access to vaccine doses, with low-income countries suffering the most.

Commodity prices soared in 2021 following the broad-based decline in early 2020, with prices of several commodities reaching all-time highs. In part, this reflected the strong rebound of demand from the 2020 global recession. Energy and metal prices generally move in line with global economic activity,

Global energy prices surged in the second half of 2021, particularly for natural gas and coal, owing to recovering demand and constrained supply. Meanwhile, non-energy commodity prices have stabilized, with some at or close to record highs.

Global trade has rebounded in tandem with global economic activity. The recovery has been swift for goods trade. Services trade has firmed; however, it is still lagging, with travel services particularly subdued. Depressed tourism flows have weighed on activity in tourism-reliant economies, including many small-island developing states.

Global inflation surprised continuously to the upside in recent months, with median headline consumer price inflation reaching 4.6 percent on a 12-month basis in October 2021, up from a pandemic-related trough of 1.2 percent in May 2020. The rebound in global demand and activity since mid-2020, together with supply disruptions and rising food and energy prices, have pushed headline inflation to decade highs across many countries.

## Global Economic Outlook

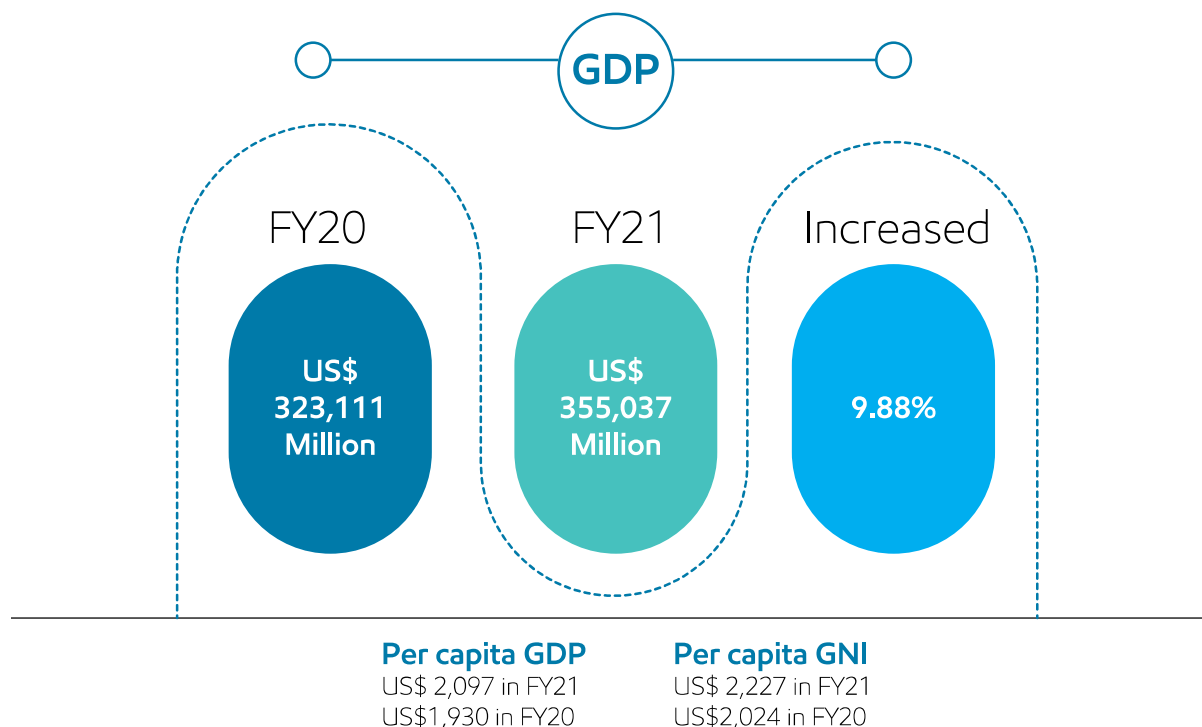
Just as the global economy was sailing smoothly to make a turnaround from the corona virus pandemic, the Russia-Ukraine war has suddenly emerged as a major obstacle standing in the way of faster and full revival. Ukraine and Russia are global players in agri-food markets. Many global economic think tank has painted a rapidly worsening outlook for the world economy, underpinned by rising food, fuel and fertilizer prices, heightened financial volatility, sustainable development divestment, complex global supply chain reconfigurations and mounting trade costs. Apart from this, the world economy is simultaneously facing Covid-19, inflation, and policy uncertainty, with government spending and monetary policies in uncharted territory. Rising inequality and security challenges are particularly harmful for developing countries. Putting more countries on a favorable growth path requires concerted international action and a comprehensive set of national policy responses. Global growth is projected to decelerate from 5.5 percent in 2021 to 4.1 percent in 2022, reflecting continued COVID-19 flare-ups, diminished policy support, and lingering supply disruptions. Growth is envisioned to slow further in 2023, to 3.2 percent, as pent-up demand is depleted and supportive macroeconomic policies continue to be unwound. These factors are expected to be only partly mitigated by the eventual removal of pandemic control measures, the draw-down of excess private savings, and rising real wages amid a steady tightening of labor markets.

## Bangladesh economy

Bangladesh economy rebounded notably and registered 5.47 percent economic growth in FY21 after GDP growth slowed down to 3.51 percent in FY20 because of the fallout of the COVID-19 pandemic though Bangladesh's economy continues to fight back with the spread of the COVID-19 pandemic since March 2020 and multiple lock-downs during FY21 pushed Bangladesh off its growth trajectory. However, the economy has been showing some signs of recovery during the second half of FY21. The stimulus packages comfort the business groups, particularly big firms, which eventually helped the economy to boost again.

Economic activities continued to recover in 2021 largely driven by activities in the agriculture and industry sectors in response to supportive monetary and fiscal policies, improved business confidence, declining COVID-19 infection rate, and increasing coverage of vaccination across the country.

In terms of US Dollar, the value of GDP in current market prices increased by 9.88 per cent to US\$355,037 million in FY21 from US\$323,111 million in the previous fiscal year. Per capita GDP stood at US\$2,097 in FY21, compared to US\$1,930 in FY20, showing an increase of 8.65 per cent. Per capita GNI also increased to US\$2,227 in FY21 from US\$2,024 in the previous fiscal year.



## Growth Driver

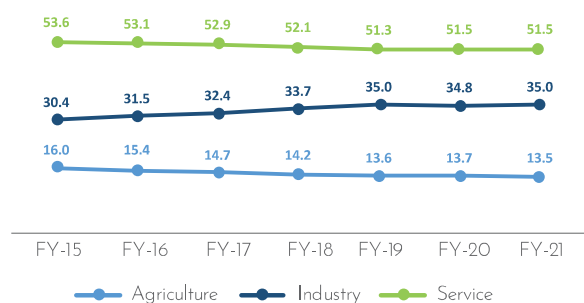
Growth driver and rates of different sectors and sub-sectors were not same and to some extent it was unequal.

## Agricultural sector

The agriculture sector, which is the most important sector in the Bangladesh economy, employs about 39 per cent of the country's total labour force. The share of the sector in GDP, according to the provisional estimate of the National Accounts Statistics, was 13.47 per cent in FY21, compared to 13.74 per cent in the previous fiscal year. It includes three sub-sectors namely: i) Crops and horticulture, ii) Animal farming, and iii) Forest and related services. The favorable natural factors and strong government support in terms of timely availability of inputs and finance notwithstanding, the agriculture sector achieved a lower growth of 3.45 per cent in FY21, compared to 4.59 per cent in FY20.

To tackle the economic losses caused by the COVID-19 pandemic, the government created a refinance scheme of Tk.50.0 billion for the agriculture sector. Accordingly, the Bangladesh Bank (BB) launched a Tk.50.0 billion stimulus fund for agricultural farmers (small and medium) in rural areas including that of poultry, dairy and livestock sectors which was help to sustained to avert from such a prolong pandemic negative impact.

Sector wise GDP Contribution in % (Source: BB)



## Industrial sector

Despite the slower economic activities caused mainly by COVID-19, the industry sector recorded a growth of 6.12 per cent in FY21, compared to 3.25 per cent in FY20. Besides, the share of the industry sector in GDP increased by 0.21 percentage points to 34.99 per cent in FY21 from 34.78 per cent in FY20. Following the recovery trend, the industry sector registered a noticeable growth in CY21 reflecting largely the adaptation and adjustment of labour, capital and resources in the industrial activities in the COVID-19 era. Within the broad industry sector, the manufacturing sub-sector recorded a growth of 5.77 per cent in FY21,

compared to the previous fiscal year's 1.80 per cent. Within manufacturing, the large and medium scale industries sub-sector grew by 6.56 per cent in FY21, compared to 1.39 per cent in FY20. The small scale manufacturing industries grew lower rate at 1.73 per cent in FY21 against 3.96 per cent in FY20.

Buoyancy in growth was observed in many major industry groups such as: wearing apparel textile, food products, leather and leather products, pharmaceuticals, non-metallic mineral product, and electrical equipment. High growth in the construction-allied industries of iron and steel production and cement production asserted rebounding economic activities supported by construction projects in public and private sectors.

## Service sector

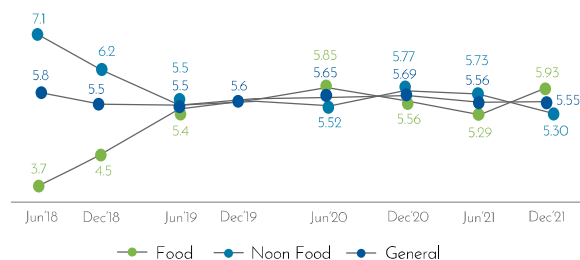
The growth momentum in service sector-related activities moderated in Q1FY22 after maintaining buoyancy in the preceding three quarters as reflected by different proxy indicators. The major impetus came from strong growth of different sub-sectors such as wholesale and retail trade (6.54 percent), transport, storage, and communication (6.07 percent), hotel and restaurants (6.85 percent), financial intermediations (4.31 percent). Robust performance of industry sector, rise in imports, better supply chain management by the government, and sustainable agriculture production mostly benefitted the service sector in FY21. Besides, policy supports coupled with positive developments in related sectors, such as healthy growth in fresh opening of import LCs, will also have positive impacts on the service sector.

## Inflation

Higher inflation has become a common phenomenon across the globe. Pent-up demand fueled by stimulus and pandemic disruptions are helping accelerated inflation which spread around the world through global factors like higher food and energy prices, and soaring shipping costs. The oil price hike, pushed up transportation and communication cost increased significantly and high import also added to inflation in the country as commodity prices increased sharply amid global inflation

Headline CPI inflation edged up to 6.05 (p2p) percent in December 2021 from 5.29 percent in December 2020 which was attributed to an upward movement of both food and non-food inflation. The upward pressure of inflation during 2021 was partly driven by supply chain bottlenecks and resurgent of consumer demand in the domestic economy, and magnified by rising shipping charges to an unprecedented level as well as soaring prices of most of the commodities in the global markets.

12 Months Average Inflation Rate Trend In % (Source:BB)

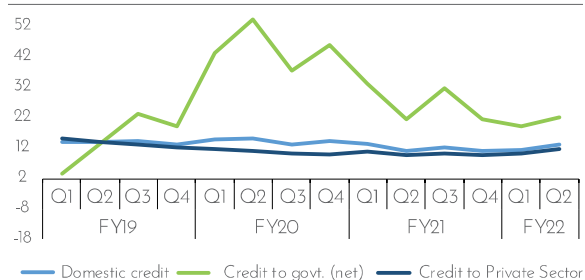


## Money Supply and Credit Growth

To support investment and employment generating activities in the recovery process of the COVID-19 wrecked economy, Bangladesh Bank (BB) continued its efforts in line with expansionary monetary policy stance. Broad money (M2) recorded an increase of 9.60 percent at the end of December 2021 against the increase of 14.23 percent at the end of December 2020. Of the sources of broad money, net foreign assets (NFA) and net domestic assets (NDA) increased by 3.41 percent and 11.57 percent respectively at the end of December 2021 as compared to the same month of the previous year. Lower growth of NFA contributed to the lower growth in broad money in December 2021.

Domestic credit recorded an increase of 12.37 percent at the end of December 2021 against the increase of 9.91 percent at the end of December 2020. Of which credit to the public sector and private sector grew by 21 percent and 10.68 percent respectively at the end of December 2021. Private sector credit growth in December rose for the seventh consecutive month as the economy rebounds from the pandemic. The double-digit growth is a good sign for the economy as the upward trend came in the face of the third wave of infections. The credit growth, which had faced sluggishness right after the coronavirus arrived on the shores of Bangladesh in March 2020 as demand plunged, the growth stood at 7.55 percent in May. The credit expansion has been rising since then. In the presence of huge amount of surplus liquid assets in the economy, the BB mopped up some excess liquidity from the banking system in H1FY22, aiming to control price pressures and to maintain the money markets stability.

Growth of Credit in % (Source: BB)



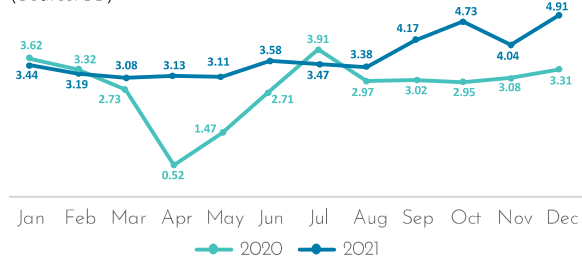
## Foreign Direct Investment

The net foreign direct investment (FDI) in FY21 increased by 39.37 per cent to US\$1.77 billion from US\$1.27 billion in the previous fiscal year (FY20), according to the BB's balance of payments data. On the other hand, the gross inflow of FDI during the period under review also increased by 8.36 per cent to US\$3.50 billion from US\$3.23 billion in FY20. FDI inflow in Bangladesh is low compared to that in many countries at similar level of development.

## Export

Thanks to the robust export earnings, overall exports grew 32 per cent year-on-year to \$44.22 billion in 2021 from \$33.6 billion in 2020. Exports are setting fresh records almost every month because of the higher shipment of goods, especially garment items, thanks to the reopening of western economies following the improvement of the Covid-19 situation. Exporters applauded the government's bold decision to allow factories to run during the peak of the pandemic and different financial stimulus and policy support for the significant rise in the shipment as many factories around the world remain shut. Total merchandise commodity export during 2021 increased significantly by USD 10.62 billion or 32 percent to USD 44.23 billion from USD 33.61 million during 2020. Earnings grew 28.41 per cent to \$24.69 billion between July and December, the first six months of the current fiscal year. Garment shipment rose 28.02 per cent to \$19.9 billion. Of the sum, \$11.16 billion came from knitwear sales, up 30.91 per cent, and \$8.73 billion from woven items, an increase of 24.50 per cent.

Export trend (Source: BB)



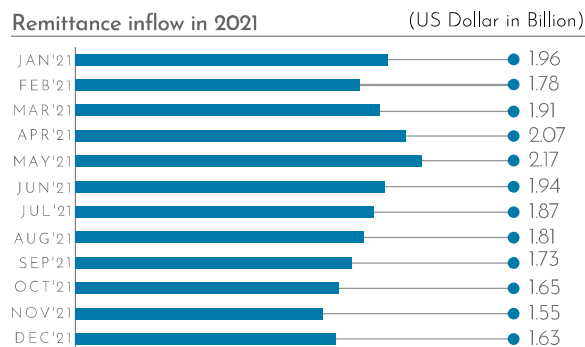
The higher growth in export might be attributed to strong rebound in demand for apparels in the USA and European economies which had been affected by the Covid-19 pandemic.

## Remittance

Bangladeshis working abroad sent a total of US\$22.07 billion in 2021-the immediate-past year that saw a letup in the Covid-19 invasion. Remittance inflow made

a slight year-on-year increase in the just concluded year in spite of the flow being slow in the last couple of months. Though the country's remittance earnings reached a record high, the growth in remittance inflow dropped to 1.51 per cent in 2021. The growth rate was 18.6 per cent in 2020. The previous calendar year had witnessed a record inflow of remittances with a stellar growth of 36 per cent which supported the external account of the country. The average monthly remittance inflow was \$1.8 billion. Restoration of connectivity, travel along with the gradual economic recovery and particularly Hundi, an illegal cross-border transaction settlement system, is mainly responsible for the downward trend in the country's remittance earnings in the second half of 2021. Remittances narrowed 21 per cent year-on-year to \$10.23 billion in the second half of 2021.

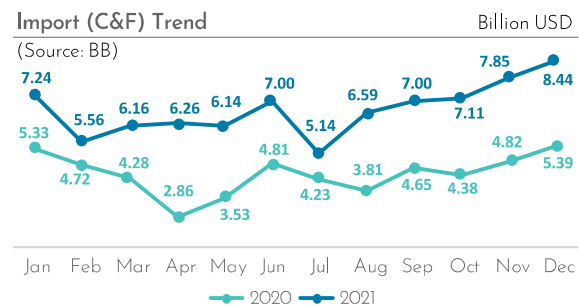
Recently, the government enhanced the cash incentive on remittance to 2.5 per cent from 2 per cent. The enhanced cash incentive and the appreciation of the US dollar against the taka might have a positive impact on remittance inflow in the coming days.



## Import

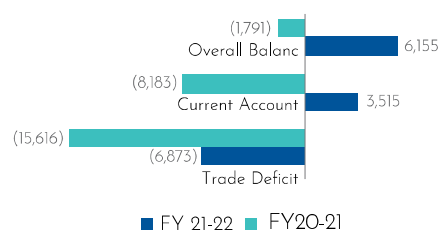
Import demand kept surging in 2021 underpinned by the reopening and revitalization of economic activities as vaccination continued. Bangladesh's overall imports have increased significantly in 2021, following gradual reopening of economic activities - both at domestic and global levels - after more than one year, mainly due to the Covid-19 pandemic. Besides, higher prices of essential commodities, including petroleum products, on the global market also pushed up the country's import payments during the period. Actual import in terms of settlement of letters of credit (LCs) jumped by 52.91 per cent to \$38.39 billion during the July-December period of FY'22 from \$25.10 billion in the same period of the previous fiscal year. Besides, the single-month import payments hit an all-time high of \$6.0 billion in December 2021. Robust growth in import of intermediate goods, capital goods as large infrastructure projects resumed their operations to

normal levels. Among the intermediate items, import of RMG related & other intermediate goods witnessed, crude petroleum food grain and consumer goods also contributed to robust growth of import payments and were partly caused by upward trend in global food prices.



Letter of Credit (LC) opening for capital machinery import increased by 32% in July-December of the current fiscal year, which was in the negative territory in the same period last year. Textile sector saw the highest 313% growth in LC opening for capital machinery imports during the period when the garment industry was in the second position with 129% growth, according to the Bangladesh Bank data. The high LC opening of the apparel sector contributed to a rise in the overall import growth to 53% in July-December of the current fiscal year, which was only 7.52% in the entire FY21.

**Balance of Payments Jul-Dec in million USD** (Source: BB)



## Balance of Payments

Bangladesh's foreign trade covering import and export increased significantly during the period under review amid gradually reopening of economic activities, both in domestic and global frontier, after more than one year of slump mainly due to the Covid-19 pandemic. Bangladesh's current-account balance gets under growing strains as import spending far outstrips the country's export earnings and remittance also slims. The BoP posted a negative balance of \$1.79 billion in the first six months of FY'22 against a positive balance of \$6.15 billion in the same period of FY'21. Such lower receipts of foreign exchange through the two

main channels pushed up the pressure on the balance in the first half (H1) of the current FY 22. The current-account deficit widened to \$8.18 billion during the July-December period of FY'22 from \$3.51 billion surplus in the same period of FY'21. Meanwhile, trade deficit of the country more than doubled in the first six months of the current FY mainly due to higher import-payment pressure on the economy. The trade deficit with the rest of the world increased by 127.21 per cent or US\$8.74 billion to \$15.62 billion during the July-December half of FY'22 from \$6.87 billion in the same period of the previous fiscal year. Meanwhile, trade deficit of the country more than doubled in the first six months of the current FY mainly due to higher import-payment pressure on the economy. The trade deficit with the rest of the world increased by 127.21 per cent or US\$8.74 billion to \$15.62 billion during the July-December half of FY'22 from \$6.87 billion in the same period of the previous fiscal year. On the other hand, the financial account's surplus improved significantly following higher inflows of medium-and long-term loans as well as aid flows. The financial account's surplus rose to \$6.68 billion during the July-December period of FY'22 from \$2.22 billion in the same period of the last fiscal year.

### Foreign Exchange Reserve

Amidst the ongoing COVID-19 crisis, Bangladesh Bank's gross foreign exchange reserves stood at US\$46.15 billion as of end December, 2021, which was USD 43.17 billion as of end December, 2020. The foreign exchange reserves in December, 2021 is sufficient to pay import liability of 6.86 months, considering the average of the previous 12 months' import payments (December, 2020-November, 2021). Gross foreign exchange balances held by commercial banks stood higher at USD 5396.30 billion as of end December, 2021 than USD 4993.41 billion as of December, 2020.

### Exchange Rate Movement

In line with the development of external sectors, exchange rate dynamics reflected some market forces which allowed the Taka against USD to depreciate by 1.16 percent (y-o-y) at the end of December, 2021. To avoid excessive volatility BB continued its intervention in the foreign exchange market by net selling of USD 2.27 billion during the period under review. On the other hand, in H1FY21, Bangladesh Bank purchased net amount of USD 5.3 billion to intervene forex market, thanks to hefty remittance inflows. However, foreign exchange reserve piled up to USD 46.15 billion at the end of December, 2021 which is enough to cover the potential import of 6.0 months.

### Banking Sector:

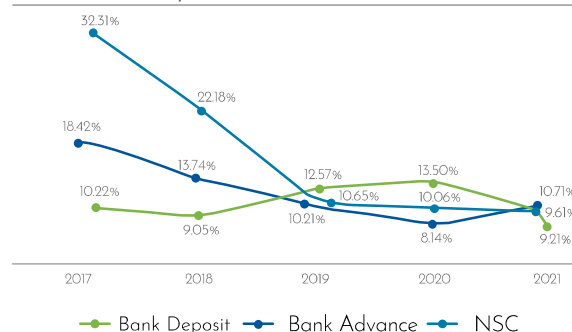
The performances of overall banking sector exhibited a mixed trend in 2021 as reflected in a marginal improvement in non-performing loans (NPLs), a moderation in capital to risk-weighted asset ratio (CRAR), an increase in the growth of bank's advances, a decline in provisions maintained against bad loans, an improvement in profitability, and maintenance of an adequate liquidity.

Though Banks clocked higher operating profit in 2021 mainly due to the Bangladesh Bank's relaxed policy that allowed them to count income from unrealized installments of loans. The impact of the Covid-19 pandemic on banks is relatively exclusive considering other industry trends. Banks may receive a severe blow in most of the performance parameters in the coming days. This substantial impact on the financial sector may happen at a later stage due to the nature of the operation.

The overall capitalization of the banking industry moderated marginally at the end of FY21 compared to that of FY20, however remained adequate. The capital to risk-weighted assets ratio (CRAR) of the overall banking sector went down from 11.63 percent at the end of FY20 to 11.57 percent at the end of FY21, partly due to SBs and SOCBs.

The transition from manual banking to its digital means is certainly not a new phenomenon for Bangladesh's banking sector. But the advent of the coronavirus pandemic has had clients from all walks of life honing in on internet banking to cut the chances of contracting the deadly flu. Transactions through internet banking amounted to Tk 20,559 crore in December, up 154 per cent year-on-year. People are now able to settle transactions of large volumes instantly through the RTGS while the BEFTN helps them carry out retail transactions within a day.

BANK DEPOSIT, ADVANCE & NSC GROWTH

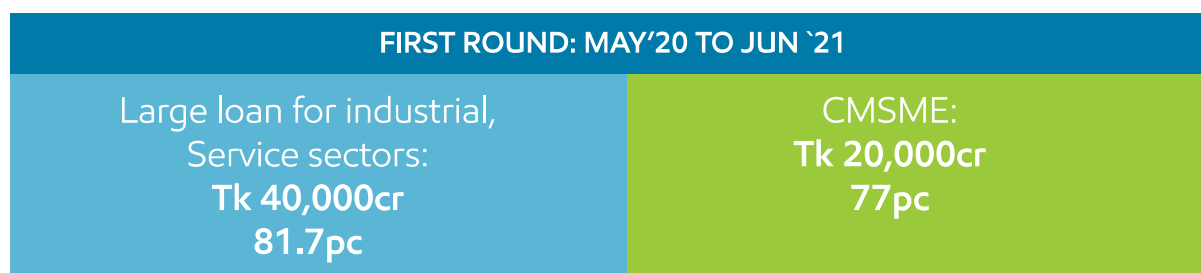
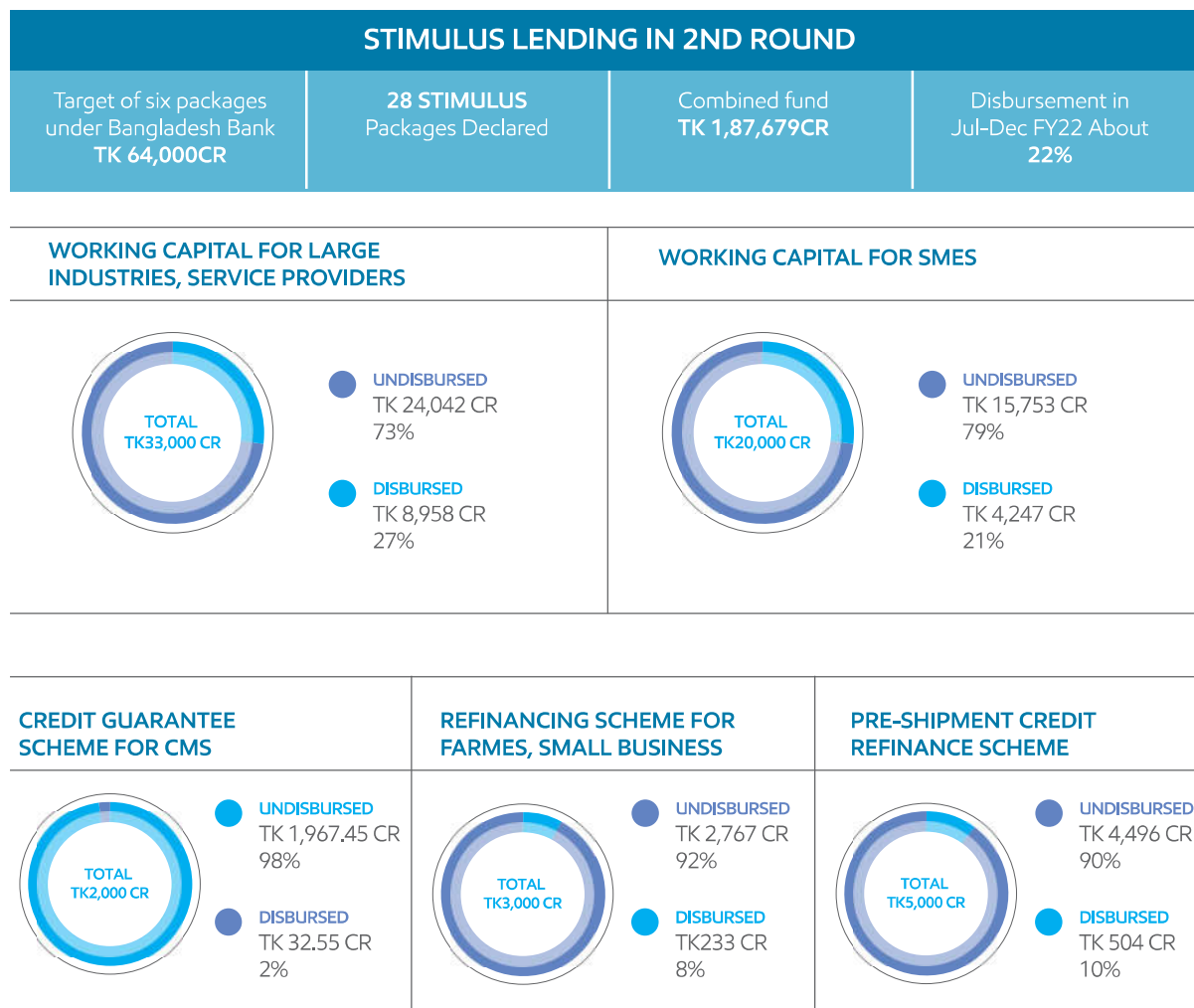


## Government Stimulus Package Implementations

To tackle pandemic fallout, the government has so far announced 28 stimulus packages amounting to a combined fund of more than Tk1.87 lakh crore. Later, the central bank added the export development fund involving \$500 million to it. The Bangladesh Bank is directly involved in 10 stimulus packages. Two packages have been fully implemented, while the remaining eight are under implementation this fiscal year.

The disbursement rate of the stimulus loans, aimed at large and CMSME borrowers, was 81.7 per cent and 77 per cent, respectively, in the first round, which was implemented from May,2020 to June,2021.

Banks had lent to their best clients in the first phase, but many of them were now unable to pay instalments. Banks are less keen on giving out loans under the second round of stimulus packages as many clients are in trouble to pay off their current debts and against the backdrop, it is difficult for banks to select new clients as the old ones are struggling.



**Industry:** Initially, the central bank provided Tk.300 billion of the first phase for large industries and service sector business entities on 5 April 2020. Additional Tk.30 billion was added to this package to pay wages of workers for July 2020. Then working capital facilities were enhanced further to Tk.400 billion from the previous Tk.330 billion in the second phase. The repayment tenure of the loans, disbursed in the form of working capital, under the two packages is one year. The second phase started after 98 per cent implementation of the first phase as on 30 June 2021. Implementation process of the second phase of the stimulus package has started with the inclusion of foreign-owned companies operating in Bangladesh. The central bank has already set limits to all scheduled banks, like the previous year, for execution of the second phase to help revamp the corona virus-hit economy. Up to 31st Dec, 2021, banks disbursed 27 per cent against the central bank's allocation of Tk 33,000 crore for the sector. The borrowers, who availed assistance from the first phase, would not be eligible for the second phase in line with the BB's policy. But loans of the borrowers will continue in line with 'bank-customer' relationship, paying 9.0 per cent interest rate. As per the BB's policy, the package will be continued for three years from 14 April 2020, while a borrower will be entitled to enjoy interest subsidy at 4.5 per cent for maximum one year.

**SMEs:** According to the latest data, the central bank has a target to disburse Tk20,000 crore in working capital among small and medium enterprises. But only Tk4,247 crore was disbursed in July-December, which was 21.23% of the target. The number of beneficiaries was 30,941. Meanwhile, in the light of a slow pace of disbursements, on 30th December, the Bangladesh Bank decided to increase the extent of credit guarantee against loans to cottage, micro, small and medium enterprises (CMSMEs) to bring more under it. Banks now can lend a minimum amount of Tk25,000 and a maximum of Tk1 crore that the central bank will give a credit guarantee for.

**Agriculture:** To tackle the economic losses caused by the COVID-19 pandemic, the government created a refinance scheme of Tk.50.0 billion for the agriculture sector. Accordingly, the Bangladesh Bank (BB) launched a Tk.50.0 billion stimulus fund for agricultural farmers (small and medium) in rural areas, including that of poultry, dairy and livestock sectors. The BB later extended loan disbursement limit to 40 per cent for

a single sector which was 30 per cent in the previous instruction.

Under the stimulus package, the Bangladesh Bank has also set a credit guarantee scheme of Tk2,000 crore for the cottage, micro and small businesses in the current financial year. The disbursement under the scheme stood at only Tk32.55 lakh. The central bank has set a target for the Tk5,000 crore package in the Pre-Shipment Credit Refinance Scheme. The number of beneficiaries under this package so far is 67 business entities that received loans amounting to Tk504 crore, which was 10% of the target. In the six months, only Tk233 crore was disbursed from the Tk3,000 crore refinancing scheme set up for low-income professional farmers and small businessmen.

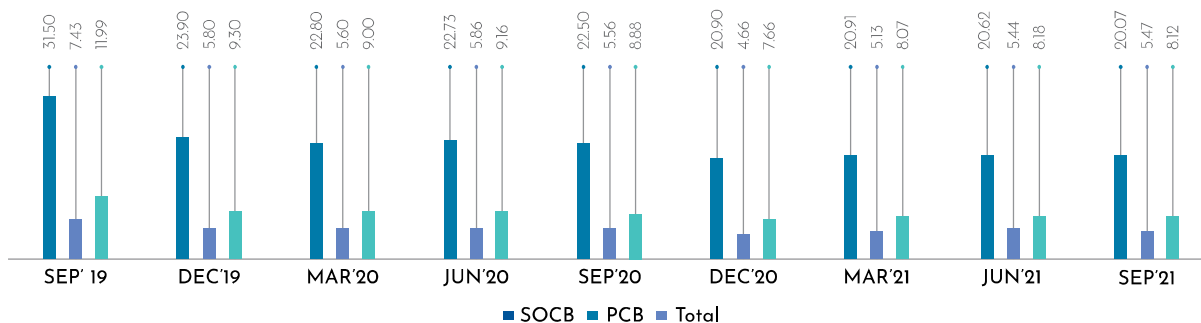
### Non-performing loans (NPLs)

Defaulted loans have started to rise from the pandemic lows as banks began ending moratorium packages by classifying loans amid normalization of the financial condition of borrowers. Although resumption of business activities increased money flow last year, many borrowers were yet to meet payments, forcing banks to classify a number of loans causing a rise in defaults. At the end of 2021, the total default loans stood at Tk1,03,273cr, 7.93% of total loans. The payment deferral facility, however, was partially lifted from the beginning of last year causing a sharp rise in default loans, which crossed Tk1 lakh crore in September, 2021.

Though borrowers enjoyed policy support in 2020 and 2021 as the government stepped up to help them withstand the impacts of the pandemic. The central bank declared a moratorium facility for borrowers throughout 2020 that helped reduce NPLs to Tk 88,734 crore, down 6 per cent from 2019. Under the policy, in 2021, borrowers were also allowed to avoid slipping into the default zone in exchange of giving only 15 per cent of the total installments. But default loans in the banking sector surged 16.38 per cent year-on-year to Tk 103,274 crore in 2021. BB data showed that 47 per cent of the defaulted loans were with the nine state-run banks. NPLs in the state-run banks rose 6 per cent year-on-year to Tk 48,968 crore last year. Forty-one private commercial banks held defaulted loans of Tk 51,521 crore, up 28 per cent from a year ago. The NPLs in nine foreign banks increased to Tk 2,785 crore in contrast to Tk 2,038 crore.

## GROSS NPL MOVEMENT IN %

(Source:BB)



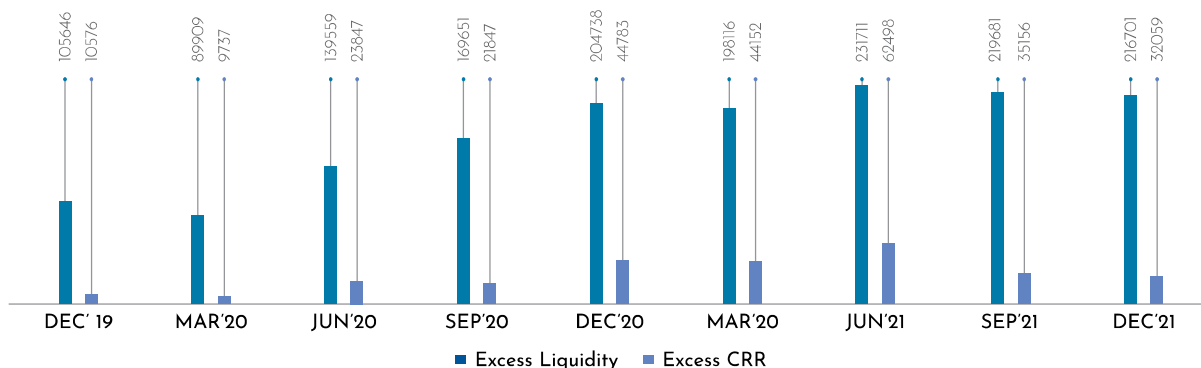
## Banking Sector Liquidity Condition

The surplus liquidity in the banking sector moderated to BDT 2.17 trillion at the end of 2021 from that of BDT 2.05 trillion at the end of 2020. Excess liquid assets in the banking industry increased over the half of 2021 heavily due to lower private-sector credit demand, huge inflow of remittances, easing monetary policy instruments and injection of funds under a massive stimulus package

initiative. However, total liquidity gradually in down trend in second half of 2021 owing to higher credit growth, decelerated deposit growth and the mopping up of some liquidity through foreign exchange market intervention. The share of excess reserve (excess of CRR) to total excess liquidity decreased from 10.81 percent at the end of Dec, 2020 to 7.17 percent at the end of Dec, 2021.

## EXCESS LIQUIDITY TREND IN BANKING SECTOR

(Source:BB)



Total liquid assets of the scheduled bank stood at Taka 447,522 crore as of end December, 2021 which was Taka 449,087.10 crore at the end of June, 2021. The minimum required liquid assets of the scheduled banks at the end of December 2021 was Taka 230,820 crore.

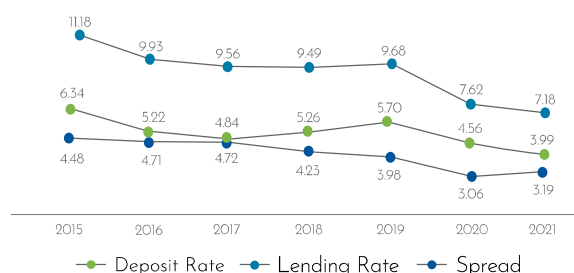
With the reopening of economic activities and economic recovery, it is expected that demand for credit would get further momentum in coming quarters. Currently adequate liquidity exists in the banking system, sufficient enough to absorb credit demand

## Interest (Profit) Rate Outlook

All kinds of interest rates came down to a historic low in 2020 and first half of 2021, thanks to relaxed monetary tools during the pandemic. But the lending rate started to move up at the end of the last year due to rise in credit demand amid the resumption of economic

activities. The private sector credit growth came back to the pre-pandemic level in December registering 10.68% growth, which would continue in coming days. Though credit growth has been rising, it is still far below the monetary target of 14.8% set for the current fiscal year, prompting the central bank to continue its expansionary monetary stance.

## Weighted Deposit, Advance & Spread Rate in % (Source:BB)



The BB issued a new directive that the lending interest rate would be maximum 9 percent effective from 1 April 2020. Lowering the lending rates, however, led to decline in deposit rates because the banks had to reduce their cost of funds (deposit rate) for maintaining profitability. Against the falling trend in deposit rate, BB made another proactive action issuing a circular on 8 August 2021 that reads that, for fixing the interest/profit rate of a specific month, in case of term deposits with the tenure of 3 (three) months or more, the average rate of inflation (12-month average inflation) of immediate last 3 (three) months shall be considered.

Weighted average lending rate for all banks declined to 7.18 percent in December 2021 from 7.62 percent of Dec 2020. The banking sector is still awash with huge excess liquidity of Tk2.16 lakh crore as of December last year.

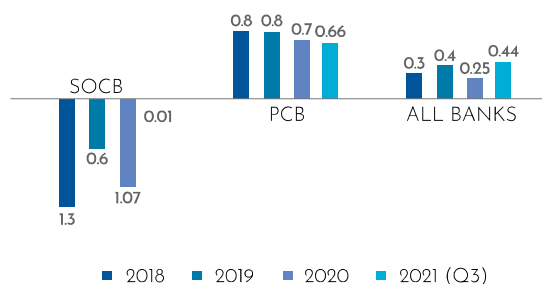
### Banks Profitability

Banks clocked higher operating profit in 2021 mainly due to the Bangladesh Bank's relaxed policy that allowed them to count income from unrealized instalments of loans. Under the policy relaxation, borrowers remained unclassified by paying only 15 per cent of their overdue loan amounts for the year 2021. Besides the loan classification-related relaxation, the banks managed to reduce their cost of fund substantially in 2021 until the minimum deposit rate was tagged with the inflation rate in August. On top of these, business and economic activities rebounded strongly in the second half of 2021, creating business opportunities for the banks.

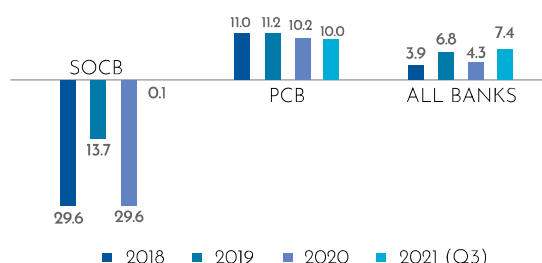
Though the pandemic relief has now brought about a real crisis for the banking sector as the provision shortfall shot up three times to Tk 22,573 crore throughout 2021. nine banks fell into a provision shortfall at the end of December, 2021. Of the eight, four are state-owned banks and five private banks.

Despite slower growth of credit disbursement by the banks, the profitability of the banks improved during 2021 than 2020, as reflected by an uptick in both Return on Assets (RoA) and Return on Equity (RoE). the RoA and the RoE of the banking sector went up to 0.50 percent and 8.26 percent in H2FY21 from that of 0.42 percent and 6.6 percent respectively in H2FY20.

RETURN ON ASSET IN % (Source:BB)



RETURN ON EQUITY IN % (Source:BB)



### Banking Sector outlook

The health of Bangladesh's banking sector and its governance standards remain weak, especially among public-sector banks. Bangladesh's banking sector faces a number of major challenges including rising nonperforming loans, credit concentrations, the rise of family oligarchy, lack of corporate culture, capital market debility, and parallel banking by the government through deficit financing instruments.

Going forward, particularly in 2022, loan recovery will be a big challenge because a lot of our customers are now on payment pause. When the payment pause holiday will be lifted, the banking industry will face its biggest challenge. Banks will face several challenges in recovering stimulus loans next year, especially from the small and medium segment. Default loans are already on the rise, signaling a non-recovery of loans, and survival will be difficult for banks if bad loans continue to rise.

The capping of the loan interest rate in a free market economy, increasing classification due to the pandemic, the slower credit growth in the private sector, limitations imposed on non-funded income and fees,

accumulative provision requirement, and decreased NPL-adjusted return in loan portfolio will have a direct negative impact on income margins of banks.

The supply of US dollars may scarce in coming days which may lead to tame the growth of broad money as the central bank to inject dollars from time to time and Banks purchase the greenback in exchange for the taka, squeezing money circulation.

Higher global inflation has further raised Bangladesh's import payments, putting pressure on the foreign currency reserves and the exchange rates. Due to the increasing demands, the Bangladesh Bank has been injecting huge amounts of US dollars to help businesses settle import bills—which is creating liquidity stress on the banking system, as lenders have to purchase US dollars in exchange of taka.

The BB has set a private sector credit growth target of 14.8 per cent for the current fiscal year ending in June, 2022 where private sector credit growth in Bangladesh accelerated to 10.68 per cent in December 2021 rising for the seventh consecutive month as the economy rebounds from the corona-virus pandemic and the ongoing credit growth will continue and the central bank may achieve its credit growth target this fiscal year where BB has set a private sector credit growth target of 14.8 per cent for the current fiscal year ending in June, 2022 and the private sector credit growth will go up automatically in the coming months given the upward demand for loans from businesses as the economy recovers.

The consideration of customer service is becoming more tangible than ever before, and it is making banks even more persuaded to speed up digital transformation through associations with the Fintech community. The rise of Fintech in banking services seems to be more predominant in the coming days.

## **BD Economic outlook 2022**

Though the impact of the pandemic is still much pronounced and the uncertainty is hovering around the economy, the outlook for Bangladesh's economy seems promising which is asserted by the performance of key macroeconomic sectors in CY21 after slowed down significantly in CY20. The momentum of the growth performance that became evident in the first half of FY22 is expected to gain further traction in the remaining periods hinging upon strong export growth, supported by returning readymade garment demand from abroad, and a rebound in domestic demand, supported by growing private consumption and rising services activity.

The economy is recovering from damages inflicted by the pandemic but the revival remains fragile owing to rising inflation, exchange rate volatility and squeeze in the government's fiscal space. Many of key macroeconomic correlates are in the recovery trajectory, led by the export-oriented sectors, though, macroeconomic stability is no longer in a comfortable state. Rising prices of essentials are hurting the recovery efforts of low-income people. Taka's fall against major currencies, government hike of diesel and kerosene prices, diversion of subsidized credit to non-productive sectors. Exchange rate movement could soon emerge as a source of stress.

Looking ahead, headline inflation is expected to peak up in the coming months due to a sharp rise in global energy prices and an upturn in inflation outlook in advanced and emerging market economies. Moreover, supply-side disturbances and the pass-through effect of input cost to output prices on the back of rising domestic demand will remain a concern to the inflation forecast. However, supply-side interventions by the government along with accommodative monetary policy may contain inflation within a tolerable range.

With a steep fall in remittance inflows and escalation of import payments for various infrastructure projects of government along with upward trend in global food and oil prices the deficit in current account balance is likely to increase in near future. However, current account balance may improve if export earnings continue to rebound on the back of continued global economic recovery in near-term. Although foreign exchange reserve buffer is currently adequate to meet the potential import payments underpinned by strong export earnings together with sizable financial inflows, downside risks may arise from declining remittance inflows and rising trend in prices of commodities in international markets.

Latest Russia's invasion of Ukraine will affect the entire global economy by slowing growth and jacking up inflation, and could fundamentally reshape the global economic order in the longer term. And Bangladesh has started to feel the pinch of the conflict and it is likely to slow the economic recovery. The higher prices of commodities would be more painful for a country like Bangladesh, which depends largely on the international market to feed its growing economy and a huge population. And that pain is already visible.

Upholding the trend would mostly depend on the management efficiency of the challenges emerged by the unpredictable behavior of the pandemic and ensuring mass vaccination in the shortest possible time.

## A general review of the Performance of Shahjalal Islami Bank Limited

Bangladesh's economy faced one of its most difficult years in 2021. The prolonged corona virus pandemic, which had a negative impact on several key sectors such as trade and commerce, manufacturing and industry, services, tourism, and travel, had a cascading negative impact on employment, income, and consumption, significantly weakening the economy in the second quarter of 2021, when lock-downs were announced in the country to counter the massive second wave of the pandemic.

This downward spiral also affected the banking industry, which is a major source of funding for many businesses in Bangladesh. The sector has remained stressed as a result of low investment demand, slower investment recovery, and large amounts of idle liquidity. Nonetheless, in the face of these challenges, the bank used all of its experience, wisdom, and good judgment to build the necessary resilience to deliver an admirable performance in 2021, despite the adverse conditions that prevailed.

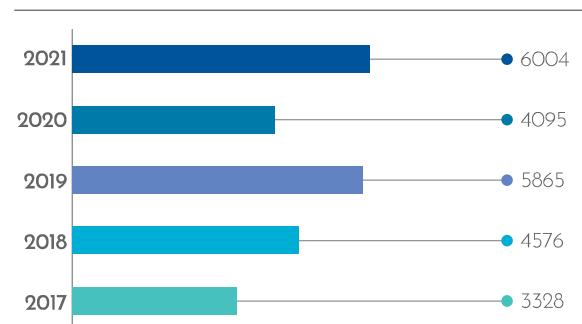
A description of the major financial metrics is provided below.

### Operating Profit

Despite the prolonged effect of the COVID-19 pandemic and the profit rate of investment cap at a maximum of 9.00% as well as the inflation adjusted deposit rate, the operating profit of the bank has increased significantly by 46.62% in 2021. Operating profit increased to Taka 6,003.69 million in 2021 from Taka 4,094.81 million in 2020 and net profit after tax increased to Taka 2,585.24 million in 2021 from Taka

1,908.20 million in 2020. During 2021, the bank's operating result has significantly improved due to appropriate deposit mix, impressive capital market operations, dynamic foreign exchange business and effective management of surplus fund.

### OPERATING PROFIT (Taka in million)



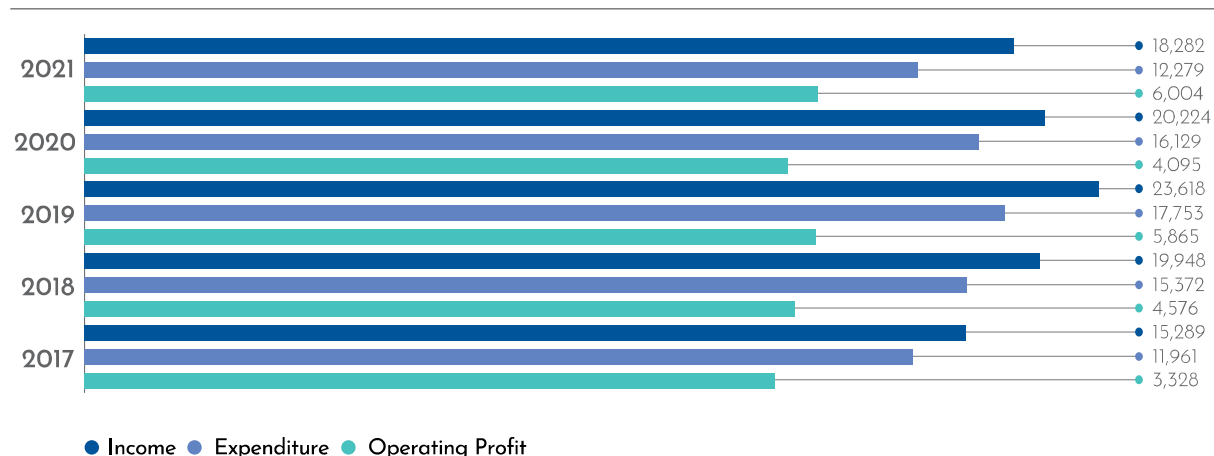
A summary of operating result of the bank as on 31 December 2021 and 31 December 2020 is shown below:

(Amount in Million Taka)

Particulars	2021	2020
Total Income	18,282.37	20,223.92
Less: Total Expenditure	12,278.67	16,129.11
<b>Net Profit before Provision &amp; Taxation</b>	<b>6,003.69</b>	<b>4,094.81</b>
Less: Provision for Investment, Off Balance Sheets Items, Shares & others	1,167.03	451.39
<b>Net profit before Taxation</b>	<b>4,836.67</b>	<b>3,643.42</b>
Less: Provision for Taxation	2,251.43	1,735.22
<b>Net Profit after Tax</b>	<b>2,585.24</b>	<b>1,908.20</b>

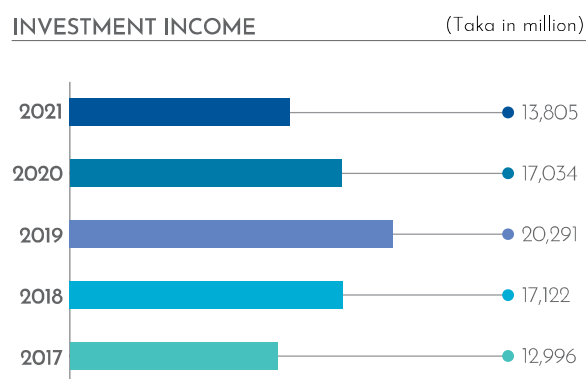
The operating result of last five years is shown in the diagram below:

### OPERATING RESULT (Taka in million)



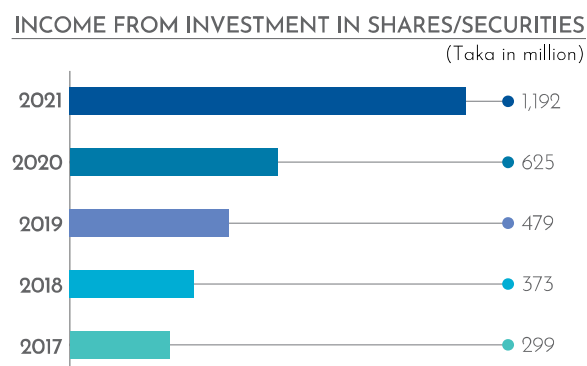
## Investment Income

Total Investment Income of the Bank stood at Tk. 13,805.19 million as of December 31, 2021 as against Tk. 17,033.75 million in 2020. Investment income decreased by Tk. 3,228.55 million due to the 9% profit rate cap and the prolonged effect of the COVID-19 pandemic throughout the year 2021. Yield on investment reduced to 6.76% from its 8.34% of 2020. The amount of investment income represents 75.51% of the total income of the year 2021 as against 84.23% of the year 2020. The trend of investment income is given below:



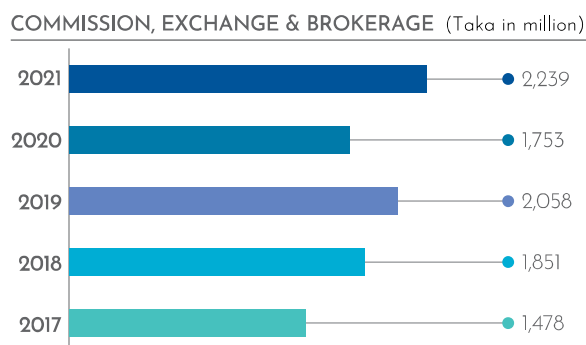
## Income from investments in shares and securities

Income from investment in shares and securities increased to Tk. 1,192.32 million in 2021 from Tk. 625.32 million in 2020, showing a growth of 90.67% over last year. As part of our liquidity management strategy, the surplus liquidity was utilized to invest in the capital market, Mudaraba Subordinated Bond, and Sukuk of the Bangladesh Government, which resulted in an increase in income significantly during the year under review from investment in shares and securities. The progress of income from investment in shares and securities is given below:



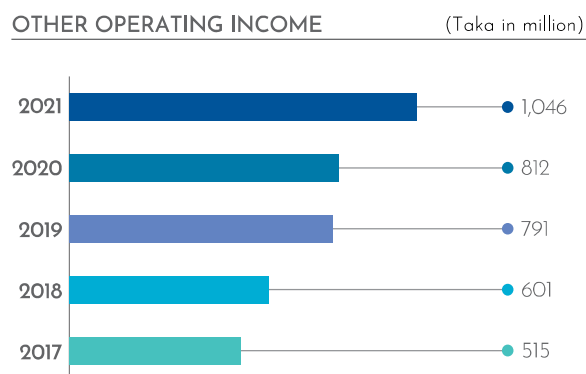
## Commission, Exchange, and Brokerage

Commission, Exchange and Brokerage income increased to Tk. 2,239.19 million in 2021 from Tk. 1,752.50 million in 2020, exhibiting a growth of 27.77% over the previous year. Despite the COVID-19 pandemic, both import and export business increased significantly. As a result, Commission, Exchange and Brokerage income increased during the year. The position of Commission, Exchange and Brokerage income for the last five years is given below:



## Other Operating Income

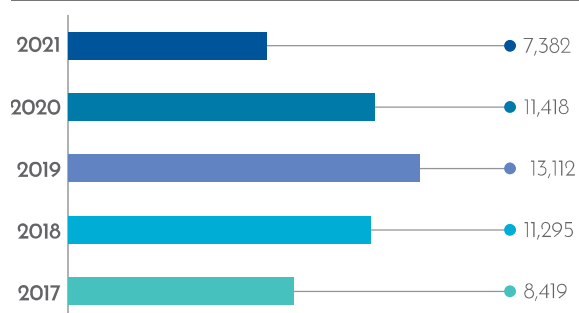
Other Operating Income stood at Tk. 1,045.66 million for the year 2021 as against Tk. 812.35 million in 2020, representing a growth of 28.72% over 2020. The trend of Other Operating Income is given below:



## Profit Paid on Deposits

The bank distributed profit of Tk. 7,381.65 million among the Mudaraba depositors in the year 2021 against Tk. 11,418.43 million in the year 2020, which is 70.08% of the distributable investment income earned from the deployment of the Mudaraba Fund and 60.12% of the total expenditure for the year 2021. Improvement of deposit mix as well as reduction of the profit rate of deposits from time to time are the key reasons for the reduction of profit paid on deposits. The profit paid on deposits for last five years is given below:

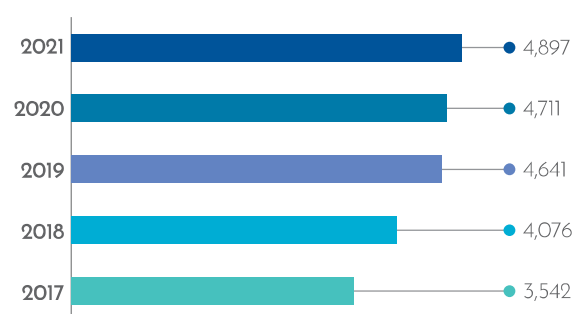
## PROFIT PAID ON DEPOSITS (Taka in million)



## Operating Expense

The total operating expense for the year 2021 was Tk. 4,897.03 million, whereas it was Tk. 4,710.68 million for the year 2020. The total operating expense was 39.88% of the total expenditure for the year 2021 as against 29.21% of 2020. A graphical presentation of operating expenses is given below:

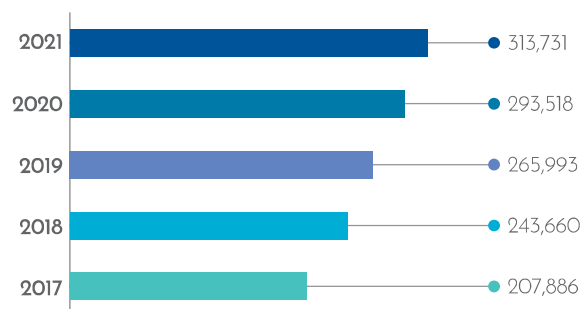
## OPERATING EXPENSES (Taka in million)



## Total Assets

The bank's total assets as of December 31, 2021 stood at Tk. 313,731.10 million, which was Tk. 293,517.85 million as of December 31, 2020, registering a growth of Tk. 20,213.25 million, or 6.89%, from 2020. Investment growth, investment in share and security growth, as well as other asset growth, were all key factors to this increase. The growth of total assets is shown below:

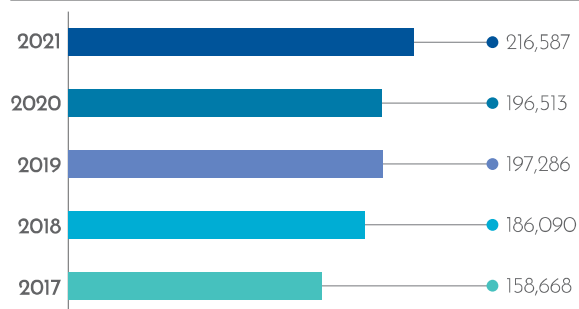
## TOTAL ASSETS (Taka in million)



## Investment

The total investment of the bank stood at Tk. 216,586.58 million as on December 31, 2021 as against Tk. 196,512.65 million as on December 31, 2020, registering an increase of Tk. 20,073.93 million, 10.22% from 2020. Due to the outbreak of COVID-19, there was a low appetite for investment in the market, and SJIBL was more cautious about disbursing the investment, which resulted in the overall slower investment growth during 2021. To manage the prolonged effect of the COVID-19 pandemic, the government declared various stimulus packages, which were implemented through commercial banks. SJIBL had participated in all the stimulus packages and disbursed a significant amount of funds for investment under those packages. The trend of the investment portfolio for the last five years is given below:

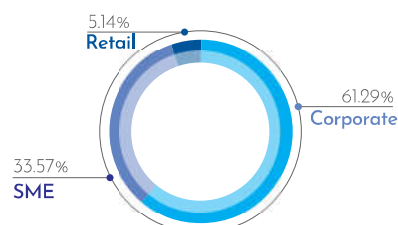
## INVESTMENTS (Taka in million)



As part of the bank's diversification strategy, the bank has been developing a balanced portfolio of corporate, retail, SME and agri investments. SJIBL placed focus on the retail and SME segments of businesses, as not only are these segments becoming more important for the growth of the economy, but also the competition in corporate banking is becoming ever more intense. The segment-wise investment as of December 31, 2021 is given below:

Sl. No.	Particulars	Taka in million	
		Total	Mix
1	Corporate	132,741	61.29%
2	SME	72,704	33.57%
3	Retail	11,142	5.14%
<b>Total</b>	<b>Total</b>	<b>216,587</b>	<b>100.00%</b>

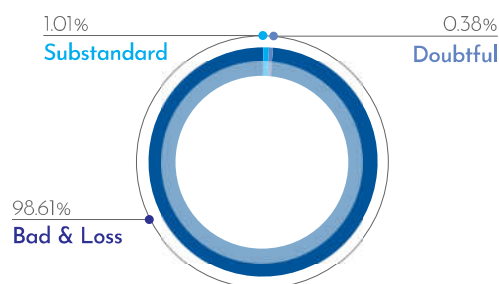
## INVESTMENT MIX



## Non-performing Investments (NPI)

Non-performing investment in the banking sector of Bangladesh stood at 7.93% as of December 31, 2021, whereas non-performing investment of SJIBL was 4.42% in the same period, which is significantly lower than the country's position. The NPI of SJIBL increased to TK 9,568.84 million as of December 31, 2021, from TK 8,973.48 million as of December 31, 2020. The bank has strengthened lending discipline and streamlined the recovery process to reduce the NPIs to an acceptable level. The bank is taking more and more initiatives to realize and regularize non-performing investments and reduce these NPIs further. Significant amount of investment which is not fall under classification but the bank has maintained provision against the investment in order to strengthen the financial health of the Bank.

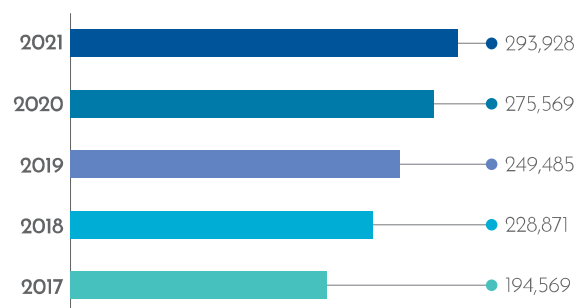
### NON-PERFORMING INVESTMENT



## Total Liabilities

Total liabilities of the bank stood at Tk. 293,928.11 million at the end of 2021, up from Tk. 275,569.10 million at the end of 2020, which was 6.66% higher than that of the previous year. Total liabilities increased mainly due to an increase in placements from other banks and financial institutions, Mudaraba Bonds, and other liabilities. Liability growth in the last five years is shown below:

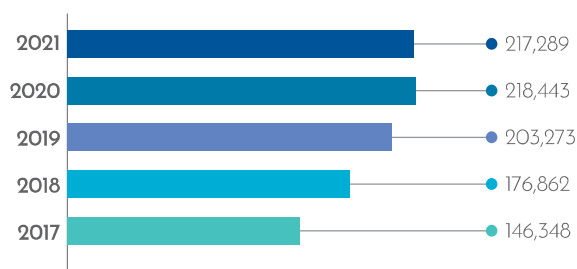
### TOTAL LIABILITIES (Taka in million)



## Deposit

The bank's total deposit was Tk. 217,288.99 million as of December 31, 2021, compared to Tk. 218,442.95 million as of December 31, 2020, a decrease of Tk. 1,153.96 million. As part of the bank's fund management strategy, we discharged certain corporate deposits as well as some high-cost deposits, resulting in a 0.53 percent drop in total deposits. In the year 2021, the bank focused on individual deposits, as a result individual deposit increased significantly. The bank places a strong importance on deposit mobilization on by offering popular and innovative products. The deposits that have been mobilized are reinvested in the economy through profitable and secure ventures. The following graph depicts the deposit's growth:

### DEPOSITS (Taka in million)



## Deposit Mix

We have placed utmost emphasis on the optimum deposit mix, as a result the low-cost no-cost deposit increased to Tk.98,482.66 million in 2021 from Tk. 82,280.57 million in 2020, exhibiting a growth of 19.69% during the year. Low-cost no-cost deposits increased to 45.33% of total deposits during the year 2021, from 37.67% of 2020. SJIBL renewed its focus on rebalancing the deposit base to increase the portion of the low-cost transaction-based deposit portfolio. As a result, the bank succeeded in trimming down the high-cost deposit base from 62.33% in 2020 to 54.67% in 2021, thereby consolidating the deposit mix in a beneficial way.

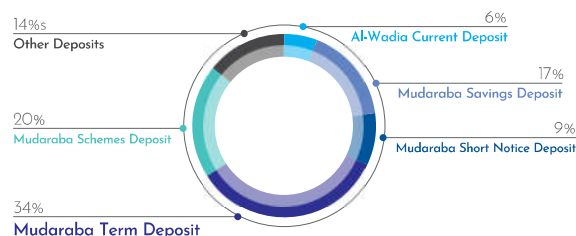
### The Deposit-mix of the Bank as on 31 December 2021

Sl. No	Nature of Deposit	Taka in million	Percentage of Total Deposit
1	Al-Wadia Current Deposit & Other Accounts	39,179.68	18.03%
2	Mudaraba Savings Deposit	36,326.44	16.72%
3	Mudaraba Short Notice Deposit	18,959.58	8.73%

Sl. No	Nature of Deposit	Taka in million	Percentage of Total Deposit
4	Mudaraba Term Deposit	74,469.38	34.27%
5	Mudaraba Schemes Deposit	44,336.94	20.40%
6	Other Deposits	4,016.97	1.85%
	<b>Total</b>	<b>217,288.99</b>	<b>100.00%</b>

### Mix of deposit as on 31 December 2021

#### Deposit Mix



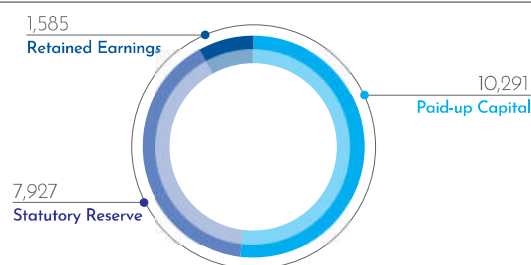
### Placements from other Banks and Financial Institutions

Total placements from other banks and financial institutions stood at Tk. 32,436.45 million as of December 31, 2021, which was Tk. 19,730.96 million as of December 31, 2020, resulting in a growth of Tk. 12,705.49 million.

### Shareholders Equity

Total Shareholders Equity stood at Tk. 19,802.99 million at the end of 2021, up from Tk. 17,948.76 million in 2020, which is 10.33% higher than that of the previous year. Shareholders' equity increased mainly due to an increase in paid-up capital, statutory reserve and retained earnings. Paid up capital increased due to the payment of 5% stock dividend for the year 2020. The composition of shareholders' equity as of December 31, 2021 is given below:

### SHAREHOLDERS EQUITY (Taka in million)



### Regulatory Capital

As part of its risk management strategy, it is the policy of SJIBL to maintain a strong capital to risk-weighted asset ratio to have a sufficient cushion to absorb any unforeseen shock arising from any potential risk. A strong capital base is maintained to ensure the long-term solvency of the bank and to help the bank achieve sustainable business growth that can maximize value for stakeholders.

Total Regulatory Capital of the Bank stood at Tk. 33,778.03 million as on December 31, 2021, which was Tk. 28,308.26 million as on December 31, 2020, with a growth of Tk. 5,469.77 million from 2020. The bank issued Mudaraba Perpetual Bond for the first time in the bank's history for Tk. 5000.00 million of which 90% i.e. Tk 4500 million issued through private placement and the rest 10% i.e. Tk 500 million issued through Initial Public Offer (IPO) in 2021. With due approval from competent authority, the Bond was issued to strengthen the capital base of the Bank. The bond was fully subscribed and listed with the DSE and the CSE. The proceed realized from issuing Mudaraba Perpetual Bond will be utilized for ordinary business activities of the Bank. The bank maintained sound regulatory capital throughout the year 2021. The regulatory capital maintained was 15.04%, much higher than the required capital of 12.50%. The bank will keep focusing on the retention of profit by issuing bonus shares and raising Tier-II capital further by issuing Mudaraba Subordinated Bonds to strengthen its capital adequacy position.

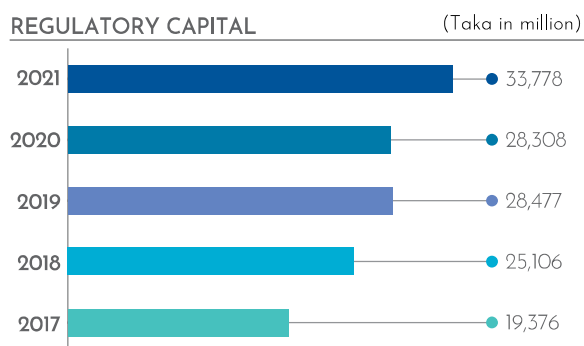
### The Regulatory Capital and Risk-Weighted Asset of the bank is shown in the table below:

(Amount in million Taka)

Particulars	2021	2020
	Tk. In Million	Tk. In Million
<b>Regulatory Capital:</b>		
1. Tier-1 (Going-Concern Capital)	24,531.74	17,948.76
2. Tier-2 (Gone-Concern Capital)	9,246.29	10,359.50
<b>Total Regulatory Capital (1+2)</b>	<b>33,778.03</b>	<b>28,308.26</b>
<b>Total Risk Weighted Assets (RWA)</b>	<b>224,653.54</b>	<b>196,154.99</b>
<b>Capital to Risk Weighted Assets Ratio (CRAR)</b>	<b>15.04%</b>	<b>14.43%</b>

Particulars	2021	2020
	Tk. In Million	Tk. In Million
Tier-I Capital to RWA	10.92%	9.15%
Tier-II Capital to RWA	4.12%	5.28%
<b>Minimum Capital Requirement (MCR)</b>	<b>22,465.35</b>	<b>19,615.50</b>

#### Five years trend of regulatory capital is given below:



#### Net Asset Value (NAV) per Share

Shahjalal Islami Bank Limited's net asset value per share is Tk. 19.24, much higher than the face value of its shares. This indicates that the bank has created more value for its shareholders. As a result, investors' confidence is increasing day by day and they are investing more in the bank's shares. The trend of NAV for the last five years is given below:

Year	Net Asset Value (NAV)
2021	19.24
2020	17.44
2019	16.84
2018	15.84
2017	15.69

#### Dividend

The Board of Directors of the Bank has recommended a dividend @ 15% of which 10% cash and 5% stock for the year 2021. Over recent years, the Board of Directors has declared dividends out of profit to shareholders at attractive rates. The rates of dividends declared by the bank since 2017 are shown below:

Year	Dividend (%)
2021	15 (10 Cash & 5 Stock)
2020	12 (7 Cash & 5 Stock)
2019	10 (5 Cash & 5 Stock)
2018	10 Stock
2017	10 Stock

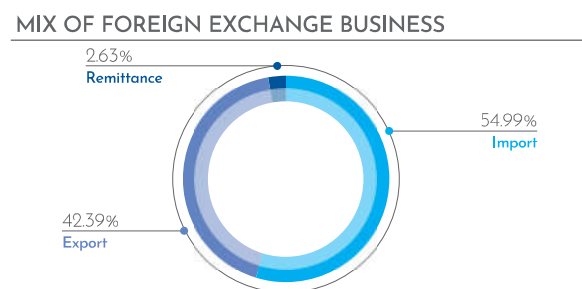
#### Foreign Exchange Business

Total foreign exchange business handled during the year 2021 was Tk. 452,721 million as against Tk.

289,804 million in 2020, registering an increase of Tk. 162,917 million, i.e., 56.22%. Due to the COVID-19 pandemic, the demand for general investment was low. In this situation, the bank put emphasis on the foreign exchange business, as a result the foreign exchange business increased significantly during the year 2021. The particulars of the foreign exchange business are given below:

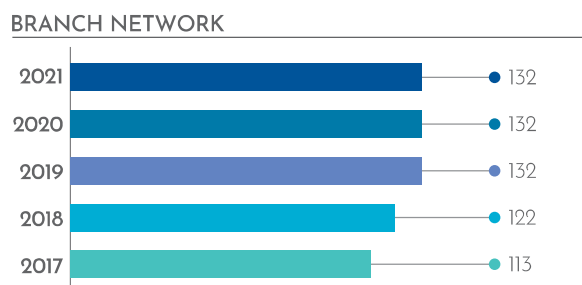
Particulars	2021	
	Amount in Million Taka	Composition
Import	248,934	54.99%
Export	191,899	42.39%
Foreign Remittance	11,888	2.63%
<b>Total</b>	<b>452,721</b>	<b>100.00%</b>

#### Mix of Foreign Exchange Business of 2021



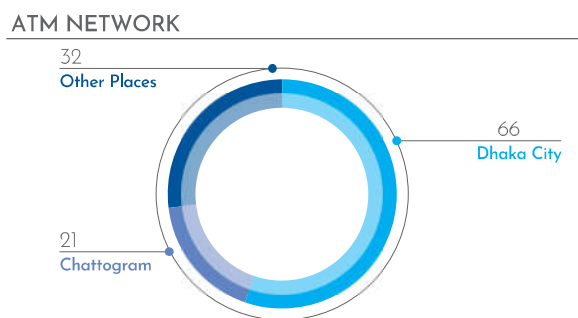
#### Branch Network

The bank has been operating with a network of 132 branches around the country. Due to the ongoing COVID-19 pandemic, the bank has not opened any new branches in the year 2021. Rather, it has reevaluated and strengthened the existing branches' operations. As a result of the bank's focus on reducing loss-making branches, the number of loss-making branches decreased during the year. The growth of the branch network in the last five years is given below:



## Automated Teller Machine (ATM) Network

The bank currently offers services through 119 own ATM booths and 2,852 shared ATM booths, up from 110 own ATM booths and 2,565 shared ATM booths in 2020. Customers can use our ATM for cash withdrawals, balance inquiries, mini statements, mobile recharges, and bKash cash withdrawals. Significant cash transactions were conducted by the customers of the bank through its 119 own ATMs and 2,852 shared ATMs across the country. The bank intends to invest consistently in order to dramatically expand and widen its ATM network. The locations of ATM booths are depicted in the graph below:



## Correspondent Relationship

Shahjalal Islami Bank has established a correspondent relationship across the world with major foreign banks. The total number of correspondent banks stood at 436 as of December 31, 2021, across 58 countries. The bank is successfully maintaining such relationships around the world to facilitate international trade transactions. The bank maintains 35 Nostro accounts in 9 major currencies with reputed international banks around the world in all of the important global financial centers. The bank is also enjoying sufficient credit lines from correspondent banks to add confirmation to the Letter of Credits to facilitate international trade.

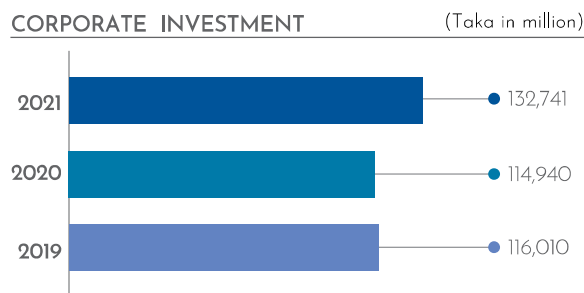
## Review of performance of various segments

### Corporate Banking

Shahjalal Islami Bank Limited provides custom-made financing services for corporate houses, catering to the domestic and overseas needs of corporate houses by offering a wide range of corporate finance products ranging from traditional working capital finance to project finance. The bank's clients include multinational and domestic companies engaged in activities across all sectors of the economy. SJIBL recognizes that customers' needs vary from one to another and that customized solutions are critical for the success of their businesses. Therefore, the bank's product basket ranges from short-term financing to long-term investments for

the expansion of businesses, along with numerous other facilities to support their various business activities. While some of these items are standard in nature in comparison to market conditions, what sets them apart is the exceptional service provided to corporate customers by dedicated relationship managers.

Total outstanding corporate investment stood at Tk.132,741 million as of December 31, 2021 from Tk.114,940 million in 2020, resulting in an increase of Tk.17,801 million. The pandemic put a significant strain on our corporate clients and their supply chains. As a result, additional support required for them and corporate investment increased during the year under review. Moreover, the bank participated in the government's declared stimulus packages for the corporate sector and disbursed a significant amount of stimulus packages investment to its corporate customers. The corporate investment of the last three years is given below:



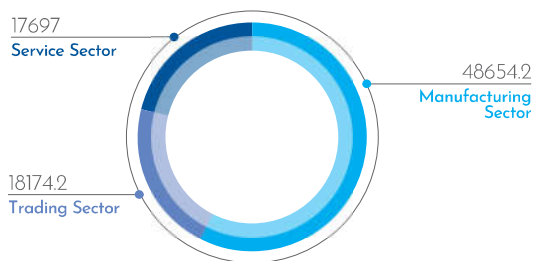
### SME Banking

Small and medium enterprises (SMEs) are the engines of growth, innovation, and employment worldwide, as well as in Bangladesh. The sector provides a major thrust to the economy, providing commercial stabilization as well as directly contributing to the grassroots development of the nation. SJIBL strongly believes that the SME sector is one of the main driving forces of economic growth and that there is a market with huge potential. In order to facilitate the SMEs in our country, the bank has been financing the SME sector since its inception. The SME Division has been strengthened to further reinforce SME financing to bring grass-root entrepreneurs into the main stream of economic growth. A number of need-based SME products are offered to our SME clients.

SME investment portfolio stood at Tk. 72,704 million in 2021. Overall, business activity and investment demand have become slower due to continuation of the COVID-19 outbreak. As a result, the growth of SMEs was slow during the year under review. During the year 2021, the bank disbursed a total SME investment of Tk. 84,525 million which was Tk.47,040 million in the year

2020. Out of the total SME disbursement, Tk. 48,654 million was disbursed to the manufacturing sector, Tk. 18,174 million was disbursed to the trading sector, and remaining Tk.17,697 million was disbursed to the service sector.

### SME BANKING



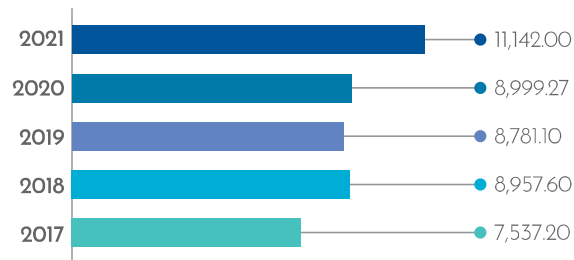
The bank places the utmost importance on creating women entrepreneurs. As such, it has disbursed Tk.2903 million to women entrepreneurs during the year 2021 which was Tk.1310.66 million in the year 2020. Besides, we have participated in the government's announced stimulus packages for the SME sector and disbursed significant amount of stimulus packages for the SME among our SME clients.

### Retail Banking

Shahjalal Islami Bank Limited is working relentlessly for the improvement of the living standards of the people as well as the society from various classes and professions and to meet consumer demand at the fastest speed through its Retail Investment Department, which has various attractive investment products. It has been investing in the private sectors, including house building investments for purchasing new flats, construction and renovation of a building, household durables investments for purchasing household goods, education investments for higher studies, marriage investments for financial assistance during marriage, car investments for vehicle purchase and various other specialized investment products. Besides, we have Semi-pacca Housing Investment to respond to the special arrangements for ensuring the provision of housing for middle and lower-income class people in society. The retail investment portfolio of the bank increased to Tk. 11,142.00 million in 2021 from Tk. 8,999.27 million in 2020 with a growth of 23.81%. The bank will continue its efforts to increase the retail portfolio for the betterment of the middle and lower-middle-class people of Bangladesh. The position of retail investment over the last five years is given in the diagram below:

### RETAIL BANKING

(Taka in million)



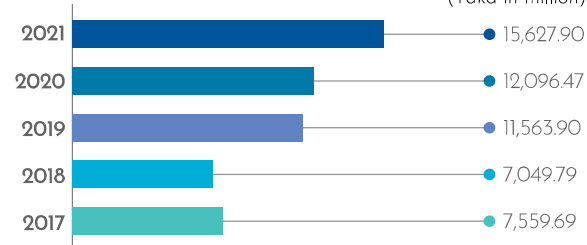
### Offshore Banking Unit

The Offshore Banking Unit (OBU) is a separate business unit of Shahjalal Islami Bank Limited, governed under the rules and guidelines of Bangladesh Bank. The unit is located at Shahjalal Islami Bank Tower, Plot # 4, Block-CWN (C), Gulshan Avenue, Gulshan, Dhaka-1212. Though the country's offshore banking market is dominated by foreign banks, SJIBL has been able to establish its strong and delightful presence by attracting a good number of customers in a short period of time through effective communication, competitive pricing, and ensuring the highest levels of professionalism along with excellent customer service backed by quality human and technological support.

The total investment of the Offshore Banking Unit stood at Tk. 15,627.90 million as of December 31, 2021 as against Tk. 12,096.47 million as of December 31, 2020, registering an increase of Tk. 3531.43 million, i.e., 29.19% growth. The trend of the investment portfolio of OBU is given below:

### INVESTMENT OF OFFSHORE BANKING UNIT

(Taka in million)

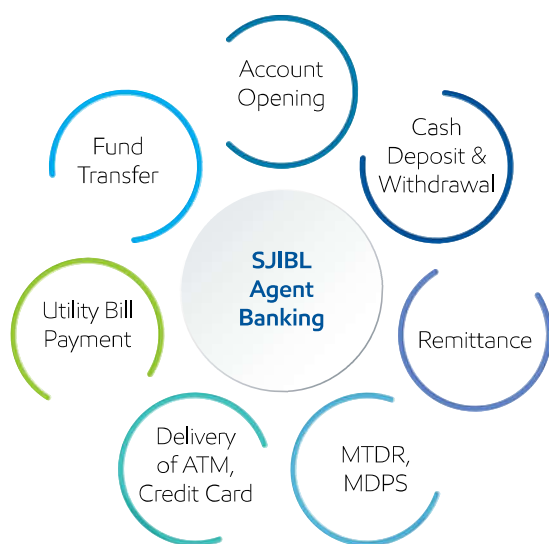


### Agent Banking

Agent Banking is a new dimension in the history of the banking industry in Bangladesh. Through this new approach, SJIBL will be able to extend its banking channel throughout the country, offering its customers a wider range of products and services, hence winning their confidence in choosing Shahjalal Islami Bank Agent Banking as their preferred banking solution. Customers benefit from Shahjalal Islami Bank's agent banking structure, which includes secure technology

and real-time banking. They can enjoy real-time transactions because the Agent Banking System is integrated with the Core Banking System. Customers get an instant SMS notification and a system generated money receipt for each transaction.

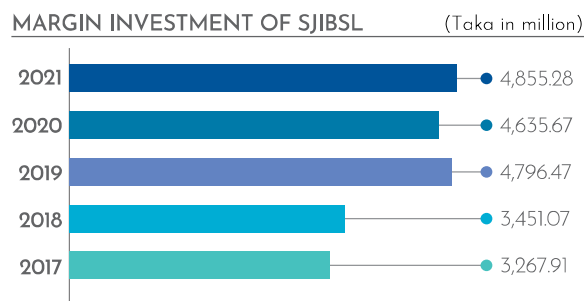
This service started to eradicate the difference in time and distance. It is providing customers with full-fledged banking services at their doorsteps and making it convenient to channel remittances, deposit, and withdraw cash. People in many remote corners of the country can now receive structured banking facilities with comfort, ease, and security. At present, the bank is providing agent banking services through its 100 agent banking outlets. The bank opened 16,003 accounts of different categories, and the total deposit balance was Tk. 300.27 million as of December 31, 2021.



### Shahjalal Islami Bank Securities Limited

Shahjalal Islami Bank Securities Limited (SJIBSL) is a subsidiary company of Shahjalal Islami Bank Limited incorporated as a public limited company under the Companies Act 1994 and commenced its operations on May 25, 2011. The main objective of the company is to carry on the business of stock broker/dealers, share and securities dealings, and other services as mentioned in the Memorandum and Articles of Association of the Company. It has corporate membership with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. Shahjalal Islami Bank Limited holds 91.79% of the shares of Shahjalal Islami Bank Securities Limited. The total operating income of SJIBSL stood at Tk. 714.04 million for the year 2021, up from Tk. 332.39 million in 2020 exhibiting a growth of 115%. SJIBSL declared interim dividend of 9.00% which was considered as final dividend of 2021. The outstanding margin investment stood at Tk. 4,855.28 million in

December 2021, which was Tk. 4,635.67 million in December 2020. The margin investment of the last five years is given below:



### Risk Management

Risk management is the functional responsibility for identifying, assessing, and mitigating risks; finding risk mitigation methods; monitoring early warning signs; forecasting potential for future losses; and implementing plans to control losses. The Risk Management Division (RMD) of SJIBL was established to oversee, monitor, and report on all risks in line with the risk appetite set by the Risk Management Committee (RMC) of the Board. The RMC of the Board reviews and monitors the overall risk management system of the bank and provides updates to the board from time to time.

The bank has a comprehensive risk management policy that addresses all the risks managed by the bank, encompassing compliance with all the regulatory requirements. This key document clearly defines the objectives, outlines priorities and processes, as well as the roles of the board and management in managing risk and shaping the risk culture of the bank. The Board has overall responsibility for the establishment and oversight of the bank's risk management framework. The resulting strategic, financial, and operational risk mitigation activities that have been implemented reinforce the bank's operations and sustainability, thus reducing the potential for unexpected losses and assisting in managing volatility better.

#### a) Investment (Credit) Risk Management

Investment (Credit) risk is the risk of potential loss resulting from the failure of a customer, borrower, or counter party to honour its financial or contractual obligations to the bank. It may arise from direct investment activities as well as from commitments and contingencies. The investment risk management function ensures that appropriate policies are established and ensures compliance with the related sanctions, monitoring procedures, and controls at the business unit level. Investment exposures are aggregated from individual business units and are monitored regularly.

Effective management of investment risk requires the establishment of an appropriate investment risk culture. The Board of Directors, either directly or through the Risk Management Committee of the Board, reviews and approves the bank's investment risk appetite annually and investment policy manual from time to time. The concerned staff follow a pragmatic program of regular monitoring and follow-up of investment risk management.

#### **b) Foreign Exchange Risk Management**

The foreign exchange risk arises from transactions involved in foreign currency. The risk is that adverse fluctuations in exchange rates may result in a loss in earnings. As per the guidelines of Bangladesh Bank, SJIBL has developed a detailed foreign exchange risk management policy to minimize different types of risks associated with foreign exchange transactions. The bank has also developed different strategies to handle foreign exchange risk by setting different types of limits and risk parameters to measure and monitor the bank's foreign exchange risk exposure.

The Foreign Exchange Desk of the Treasury Division is involved in need-based foreign exchange dealing activities with different counterparty banks. The Treasury Back Office is engaged in the transfer of funds and the passing of the transaction entries in the books of accounts; the Mid Office is responsible for verification of the deals. All foreign exchange assets and liabilities are revalued at market rates as per the directive of the Bangladesh Bank. All nostro accounts are reconciled on a monthly basis, and outstanding entries beyond 30 days are reviewed by the management for settlement.

#### **c) Asset Liability Risk Management**

Asset Liability Management is a process of addressing liquidity risk and profit rate risk that may arise due to maturity mismatches between assets and liabilities as a consequence of changes in profit rates or liquidity. The Asset Liability Management Committee (ALCO) that is formed with the senior executives headed by the managing director is mainly responsible for managing asset liability risk. The key agenda of Asset Liability Management Risk is liquidity position, pricing, risk related to the balance sheet, maintaining CRR & SLR, economic outlook, and market status, and rate of profit (interest). To manage balance sheet risk properly, the bank has already prepared an Asset Liability Management policy according to the guidelines of Bangladesh Bank. The bank has been complying with all the applicable rules, regulations, and guidelines regarding asset liability risk management and has taken appropriate measures in line with industry best practice.

#### **d) Money Laundering Risk Management**

Money laundering risk is defined as the loss of reputation and expenses incurred as a penalty for being negligent in the prevention of money laundering. To mitigate the risks, Shahjalal Islami Bank Limited has been taking preventive measures against money laundering and terrorist financing in line with the amended Money Laundering Prevention Act 2012, the amended Anti Terrorism Act 2013, and guidelines issued by the Bangladesh Bank from time to time. The bank applies risk-sensitive customer due-diligence measures and monitors business relationships and records in line with regulations. The bank regularly collects the correct and full documentation of Know Your Customer (KYC), which enables the prudential prevention of money laundering. Shahjalal Islami Bank has formed a committee on anti-money laundering headed by the Deputy Managing Director as Chief Anti-Money Laundering Compliance Officer. The committee regularly monitors and ensures the compliance of issues relating to money laundering through the trained personnel of the head office and branches. Training is continuously given to all the categories of officers and executives to develop awareness and skills for identifying suspicious activities and transactions.

#### **e) Internal Control & Compliance Risk Management**

Effective internal controls are the foundation of safe and sound banking. Internal control and compliance is a process introduced by the bank's board of directors and management designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws and regulations.

The banking industry has diversified and complex financial activities, which involve high risk in different modes of operation. Consequently, the issues of the internal control system have become the most significant in the banking industry, through which a bank identifies its weaknesses and takes appropriate measures to overcome these risks. In order to have an efficient and effective internal control system, Shahjalal Islami Bank Limited has segregated its Internal Control and Compliance Division into three separate units, i.e., Audit, Monitoring, and Compliance, based on the relative guidelines framed by Bangladesh Bank.

#### **f) Information and Communication Technology Security Risk Management**

Information and Communication Technology Security (ICT) Risk is a function of the likelihood of a given threat exercising a particular potential vulnerability

and the resulting impact of that adverse event on the bank. ICT risk is business risk, specifically the business risk associated with the use, ownership, operation, involvement, influence, and adoption of information and communication technology within the bank. It consists of IT-related events that could potentially cause a negative impact on the banking business. It might occur with both uncertain frequency and magnitude and might create challenges in meeting strategic goals and objectives. Managing ICT risk is therefore an element of sustaining a secure environment, a detailed process of identifying factors that could damage or disclose data, evaluating those factors in light of data value and countermeasure cost, and implementing cost-effective solutions for mitigating or reducing risk. For effective management of information and communication technology risk, the Bank has already formulated a Policy Guideline. Moreover, the bank has been arranging internal IT audits and training on IT operations regularly.

### **g) Liquidity Risk Management**

Liquidity risk is the risk that the bank may not be able to meet its financial obligations as they become due. The policy of the bank is to maintain enough liquid assets to meet its short-term, medium-term, and long-term obligations. The bank has set various limits for its liquidity management, such as the liquidity coverage ratio, investment deposit ratio, maturity mismatch, commitment limit, wholesale borrowing limit, etc. SJIBL maintains a diversified and stable funding base comprised of retail, corporate, and institutional deposits. The principal responsibility for the liquidity risk management of the bank rests with the Treasury Division, which maintains liquidity based on historical requirements, current liquidity position, anticipated future funding requirements, sources of funds, options for reducing funding needs, present and anticipated asset quality, present and future earning capacity, and present and planned capital position.

### **Future Prospect/Outlook**

Considering the overall macroeconomic and geopolitical outlook, significant pressure is expected on banking sector margins in the wake of low benchmark rates and limited financing opportunities due to the COVID-19 pandemic. Accordingly, the bank intends to focus on building and maintaining a quality investment portfolio, while enhancing its focus on customer service quality and cost rationalization initiatives through continuous improvement in automation and product innovations. The bank takes special care to monitor deferral facility extended investments in order to ensure quality of assets.

Similarly, the bank intends to focus on low-cost and no-cost core deposit mixes by effectively utilizing its extensive branch network, sub-branch, and agent banking operations. The bank is confident that the above initiatives will enable it to maintain a stable performance trend going forward.

From the bank's perspective, the focus will be given to value-added services via operational efficiency and technological improvements. Effectiveness of the bank's risk management systems, hunting of low-cost or no-cost deposits, rationalization of operating expenses, strengthening of the capital base, and streamlined corporate culture are primary factors in demonstrating continued strong financial soundness. Effective leadership with a clear vision is the key element of long-term sustainability, leading to the highest levels of employee satisfaction. We aim to build cohesive teams and strong ethical standards. We will strive to enhance our domestic as well as global image to take the bank from strong to stronger.

### **Our major steps towards managing upcoming challenges:**

- Reduction of classification and strengthening of the recovery process in the post-COVID phase.
- Investment growth in right track to optimize changing market dynamics.
- Hunting of low cost, no cost deposit to reduce cost of deposit and improve deposit mix.
- Continuous analysis of the business process to rationalize costs and improve profitability.
- Emphasis on employee productivity, along with profitability and compliance.
- Strengthen the presence in SME and retail banking, as these sectors are emerging and low concentration risk bearing.
- Diversification of corporate banking in line with the changing demand of customers.
- Adoption of the latest technology to survive in the competitive market.
- Strengthen capital base through issue of Mudaraba Subordinated Bond.
- Research and innovation of products to face cutting-edge marketing competition in existing and new markets.
- Promoting Green Finance and social integration through CSR & Financial Inclusion to achieve SDG goals of UNO.

## Responsibilities towards Employees

### Health and safety of employees

A healthy, talented, committed, skilled, and fully motivated team of human resources is the main driving force behind providing better, faster, and coordinated services to the clients and contributing at the highest level to the organization. Considering this fact, SJIBL is giving high priority to the health and safety of its employees. The bank has taken several steps to ensure the health and safety of its employees. The steps are given below:

- The bank is providing medical benefits to its employees in the form of a percentage of their base salary.
- The bank has an agreement with Progati Life Insurance Company Limited. Under this agreement, the insurance company will bear the medical expenses of the bank's employees, their spouses, and children in the event of hospitalization.
- Female employees will get six months of maternity leave with a medical allowance for the first two issues.
- In order to provide a highly sophisticated and encouraging working environment, all the offices of SJIBL, including the head office and branches, are equipped with modern facilities, including air-conditioning and generators for power back-up.
- All SJIBL offices, including head office and branches, are equipped with firefighting equipment and have multiple exit points for emergency exits.
- The Corporate Head Office is a LEED-Certified Green Building.
- Free distribution of musk, gloves, and hand sanitizer among all SJIBL employees during the COVID-19 pandemic.
- Reimbursement of COVID test and treatment bill of the employees.
- A full-time doctor and medical assistant was recruited to support all employees.

### Staff welfare

The bank's strategy is to attract, retain, and motivate the most talented people by providing them with a healthy, safe, and progressive working environment and a competitive compensation package. Because trust and relationships are built over time, the bank's policy is to look after people who want to have a long-

term career with the bank. As such, the bank offers its employees the following long-term benefits:

#### i) Provident Fund (Defined Contribution Plan)

A "Defined Contribution Plan" is a post-employment benefit plan under which an entity pays a fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The provident fund benefit is given to the eligible staff of the bank under the rules of the provident fund duly recognized by the National Board of Revenue of Bangladesh. The fund is administered by the Board of Trustees and is funded by fixed contributions equally from the employees and the bank. The fund is managed separately from the bank's assets, as per the rules of the fund and section 399 of the Companies Act 1994.

#### ii) Gratuity Fund (Defined Benefit Plan)

Gratuity benefits are given to the staff of the bank following the bank's approved gratuity fund rules. The National Board of Revenue has approved the fund as a recognized gratuity fund, and the fund is operated by a separate Board of Trustees. Employees are entitled to get the benefit after completing a minimum of 5 (five) years of service in the bank. The gratuity is calculated based on the last basic pay of every employee in service as per IAS-19 "Employee Benefits". The gratuity fund is a "Defined Benefit Plan" and is payable as per the modalities of the rules. Gratuity is calculated and transferred to the fund and charged to the expenses of the bank.

#### iii) Superannuation Fund

The "Shahjalal Islami Bank Limited Employees' Social Security-Superannuation Fund" commenced with effect from 1 January 2008. The purpose of the fund is to provide medical and death-related survival benefits in place of group insurance (death cum endowment). The fund shall be subscribed to by the employees every month, with the contribution of the bank.

#### iv) Benevolent Fund

The Benevolent Fund for the regular and confirmed employees of Shahjalal Islami Bank Limited was established in the year 2007. This fund is used for the purpose of marriage ceremony of sub-staff, and their children, financial grant for medical expenses, death benefits/disable benefits.

#### v) Incentive Bonus

The bank usually pays an incentive bonus to its employees every year to retain high-quality and competent human resources and to increase the

productivity of employees. This bonus amount is distributed among the employees as stipulated in the bank's rules.

#### vi) Career prospects and training programs

A resourceful training program can develop the efficiency and productivity of employees. The bank arranges various training and development programs in its training center all over the year. Furthermore, the bank arranges training for its employees in renowned training institutions at home and abroad. The bank arranged online training programs through the virtual platform during the COVID-19 pandemic.

#### Contribution to the National Exchequer

As a responsible and tax-abiding corporate citizen, the bank regularly pays corporate tax on time, sometimes even before it falls due as withheld tax and VAT to the government exchequer. The bank has made a provision of Tk. 2,251.43 million for corporate tax in 2021 as against Tk. 1,735.22 million in 2020. The bank has also contributed to the economy by generating employment for 2,741 full-time employees. In the year 2021, the bank paid Tk. 4,845.13 million to the government exchequer as source tax, salary tax, VAT, excise duty, and other taxes and VAT realized against various services. In the intermediation process, the bank mobilized resources of Tk. 217,288.99 million from the surplus economic unit and deployed Tk. 216,586.58 million. The bank has generated direct and indirect employment for a large number of people over the years. With the payment of taxes and the investment in the network, the bank is making a significant contribution to the development and growth of the nation.

#### Brand Positioning

Shahjalal Islami Bank Limited was established on April 1st, 2001 under the Companies Act 1994 as an Islamic Shariah-based commercial bank. SJIBL has established itself as a different shariah-based Islami bank from all other banks by providing unique customer services, introducing innovative products and services that comply with shariah guidelines, creating shareholder value, and extending help to the underprivileged through CSR and Zakat. From the very beginning of its operation, the bank differentiated itself as one of the best banks among the third generation of Islami banks for its asset quality, shariah compliance, social welfare, CSR activities, and technology-based automated banking solutions. In its 21 years of going forward, the bank has established physical, digital, and virtual channels and platforms with 132 branches, 100 agent outlets, 118 ATMs, and Web and App-based banking

services. The bank also keeps on introducing several unique and innovative products and services. As a result of all of these, the bank has positioned itself as the most sought-after bank and established a distinct brand value in the banking industry.

#### Customer Right

Shahjalal Islami Bank Limited considers its customers' rights a high priority. The bank does not judge its performance by looking at its profit figures; rather, the bank considers that it is the right of customers to get high-quality modern services. The bank considers that customers' perceptions and satisfaction ultimately determine the success or failure of an organization. As such, the bank always protects its customers' rights in all of its business activities. During the pandemic, all branches were kept open to provide service to the customers. Moreover, the bank has also made available items like sanitizer and thermal scanners and taken other safety measures for customers in all the physical outposts of the bank.

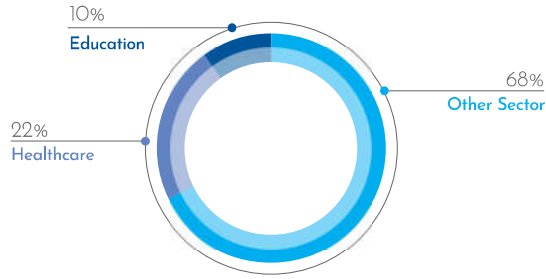
#### Corporate Governance

The Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank have issued notifications or circulars on corporate governance for listed companies or banks from time to time. Shahjalal Islami Bank Limited has established a set of good corporate governance practices in line with industry best practices and regulatory requirements of the Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank. The bank is ensuring transparency, accountability, and good governance at every step of its operations. The details of the Corporate Governance Report are given in this Annual Report.

#### Corporate Social Responsibility (CSR)

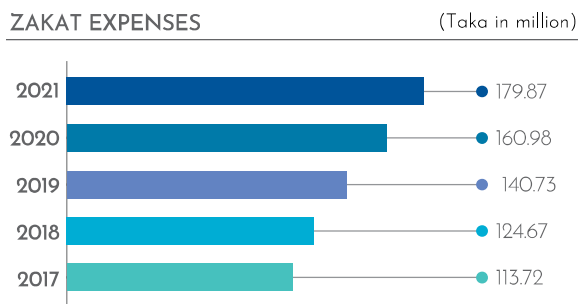
Shahjalal Islami Bank Limited has been expending a substantial amount of its annual profit each year to conduct its CSR activities in different areas such as education, health care, disaster management, environment, empowerment, human resources development, etc. to develop the backward sectors of Bangladesh. The bank has been paying respect to social and public welfare rather than a profit maximization strategy. During the year 2021, a significant amount of money was spent on the distribution of food items, masks, and sanitizer to the poor people of different COVID-infected areas of Bangladesh. The CSR expenses were Tk. 232.93 million in 2021, which was Tk. 323.49 million in 2020. A sector-wise CSR contribution is given below:

## CSR



## Zakat

Shahjalal Islami Bank Limited, as a shariah-based Islami bank, is paying zakat as outlined under the rules of Islami Shariah. The main purpose of zakat is to discourage the accumulation of wealth by a group of people in society and impair the tendency of an uneven distribution of wealth in society. Islam has created a system for helping poor people and an effective method to maintain a balance between luxury and poverty. Zakat is paid by the bank at a rate of 2.58% of the closing balance of the statutory reserve, general reserve, and retained earnings of the previous year. Zakat is charged in the profit and loss account of the bank as set out in the "Guidelines for Islamic Banking" issued by the Bangladesh Bank through BRPD Circular No. 15 dated November 09, 2009. Zakat is paid to underprivileged people as per the shariah principle. During the year 2021, the bank paid Tk.179.87 million as Zakat, which was Tk. 160.98 million in 2020. Zakat expenses for the last five years are given below:



## Green Banking

Shahjalal Islami Bank Limited has set examples by pioneering green banking initiatives while the bank has been pro-actively taking steps towards diverse sustainable banking initiatives. In such aspects, green banking initiatives of the bank are broadly categorized into the formulation of policy, green finance, environmental and social risk management (ESRM), online banking, and energy efficiency. Besides, the head office building of Shahjalal Islami Bank Limited is

a LEED Certified Green Building, which is a pioneering step toward environmentally friendly business not only for the banking industry but also for the entire corporate sector of Bangladesh. The bank disbursed a total amount of Tk.502.59 million in green finance during the year 2021. The total amount of outstanding green finance as of December 31, 2021 was Tk.770.37 million. The bank has been gradually increasing its green financing year-on-year basis.

## Financial Inclusion

Financial inclusion is emerging as one of the most effective tools among policymakers around the globe to ensure inclusive and sustainable economic development. Recognizing the importance of financial inclusion, SJIBL has been exploring and promoting innovative and successful initiatives to bring the financially excluded people under the financial inclusion umbrella. It has worked tirelessly to provide formal banking services to the poor and underprivileged segments of society through low-cost digital financial services. SJIBL has been opening No-Frill Accounts (NFAs) for farmers, ready-made garment workers, workers in small footwear and leather product industries, and physically challenged people. The bank has school banking facilities for students up to 18 years of age. They can open a school banking account through their parents or legal guardians by depositing a minimum of BDT 100. Moreover, the bank is working with banking for street urchins, working children, lactating and working mothers, etc.

SJIBL started agent banking operations with the vision of serving the unbanked community of the country. Agent banking, among various initiatives of Shahjalal Islami Bank Limited, will be an emerging financial inclusion tool that will provide unhindered access to tailor-made financial products to the underprivileged, under-served, and poor segments of the population, especially those from geographically remote locations. It will facilitate meeting their financial needs at an affordable cost within their vicinity. Agents will offer some banking services, including cash deposit and withdrawal, fund transfers, utility bill payment, and the disbursement of salaries.

## Preparation of Financial Statements

The financial statements of the bank prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity under the historical cost convention and following the First Schedule (Section-38) of the Bank Companies Act 1991 (as amended), related Bangladesh Bank circulars, International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs),

the Companies Act 1994, the listing regulations of the stock exchanges, the Securities and Exchange Rules 1987, the Financial Reporting Act 2015 and other laws and rules applicable in Bangladesh.

The financial statements for 2021 have been reviewed by the Audit Committee of the Bank and then referred to the Board of Directors for its consideration. The external auditor, M/s. ACNABIN, Chartered Accountants appointed by the shareholders, has certified the fairness of the financial statements for the year ended December 31, 2021.

### **Maintaining Proper Books of Account**

Shahjalal Islami Bank Limited maintained proper books of account for its financial transactions that occurred during 2021. The books of account have also been reviewed by the external auditor, M/s. ACNABIN, Chartered Accountants, with the opinion that proper books of account as required by the law have been maintained.

### **Appropriate Accounting Policies**

Appropriate accounting policies have been selected and applied consistently in the preparation of financial statements, and the accounting estimates are made based on reasonable and prudent judgment. The bank records the financial transactions on an accrual basis with the required disclosures and also prepares the financial statements accordingly.

### **Directors Responsibility on Financial Statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS). Their responsibility includes; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Internal Control and Compliance**

Internal control refers to the tools that provide reasonable assurance regarding the achievement of the bank's objectives concerning effectiveness and efficiency of operation, safeguarding the assets of the bank, compliance with applicable laws and regulations, and compliance with policies and procedures issued by the bank and the regulators.

The above issues show the significance of effective internal control of the bank in the light of traditional activities. But in the context of residual risk under SRP, internal control has now become much more significant. Keeping such significance in view, Shahjalal Islami Bank Limited has strengthened and segregated its Internal Control and Compliance Division into three separate units based on the relative guidelines framed by Bangladesh Bank. Shahjalal Islami Bank Limited has formulated an Internal Control and Compliance Manual which has been updated from time to time. This manual contains the Risk Assessment Methodology, which has been designed to conduct Risk Based Internal Audit, among some other significant issues.

### **Statement of Directors' Responsibility to establish an appropriate system of internal control**

The Directors acknowledge their overall responsibilities for the bank's system of internal control for establishing efficiency, effectiveness, reliability, timeliness, completeness, and compliance with applicable laws and regulations. This process involved confirmation that a system of internal control in accordance with best financial reporting practice was in place throughout the year.

### **Going Concern**

After reviewing the bank's present and potential business growth, annual budget, performance, liquidity position, and financing arrangements, the directors are satisfied that the bank has adequate resources to continue to operate in the foreseeable future and confirm that there is no material issue threatening the bank's going concern. For this reason, the directors will continue to adopt the going concern basis in preparing these financial statements. There are no significant doubts about the bank's ability to continue as a going concern.

### **Credit Rating**

Shahjalal Islami Bank Limited has been rated by Emerging Credit Rating Limited (ECRL). ECRL performed the rating surveillance based on audited financial statements up to December 31, 2021 and other relevant information and the report was issued on April 04, 2022. They rated the bank as "AA" under the "Long Term" category and "ST2" under the "Short Term" category. An institution rated as "AA" under the "Long Term" category has a very strong capacity to meet its financial commitments. These institutions typically have a good track record and have no readily apparent weaknesses. An institution rated as "ST2"

under the “Short Term” category has a strong capacity to meet its financial commitments in a timely manner.

### Auditor’s Report

The Board of Directors reviewed the Auditors’ Report issued by the bank’s auditor, M/s ACNABIN, Chartered Accountants, based on their audit of the financial statements for the year ended December 31, 2021. The auditor issued an unqualified audit report, which means no material misstatements exist in the financial statements or there is no disagreement with management regarding the selection and application of accounting policies. The Board also reviewed the auditors’ suggestions, which they provided in a separate management report, and gave the strategic guidelines to the management for improvement.

### Appointment of Auditors

An auditor of a listed company cannot be appointed for more than three consecutive years, according to BSEC notification no. BSEC/CMRRCD/2006-158/208/ Admin/81/dated 20 June 2018 and Dhaka Stock Exchange (Listing) Regulation, 2015 dated 30 June 2015. M/s ACNABIN, Chartered Accountants, was the auditor of the bank for the year 2021. As 2021 was their third year of auditing the bank, consequently, the firm is not eligible for reappointment. A good number of reputed audit firms have expressed their willingness to be appointed as auditors of the bank for the year 2022.

Section 210 of the Companies Act of 1994 empowers shareholders to appoint the auditor and set their remuneration. Hence, the board recommends appointing M/s Hoda Vasi Chowdhury & Co., Chartered Accountants as the auditors of the bank for the year

2022, subject to the approval of the shareholders at the upcoming Annual General Meeting.

### Vote of Thanks

The Board of Directors expresses its profound gratitude to Almighty Allah (SWT) for enabling the Bank to achieve growth in operation during the year 2021. The Board extends thanks to the Ministry of Finance, Bangladesh Bank, Bangladesh Securities & Exchange Commission, and the Government Agencies for providing assistance, guidance, support, and cooperation at various stages of operation of the Bank. The Board appreciates the support and cooperation received from foreign correspondents of the Bank all over the world.

The members of the Board of Shahjalal Islami Bank Limited take this opportunity to express gratitude and extend sincere thanks to its valued shareholders, customers, depositors, investment clients, and well-wishers for their valuable support and confidence in the bank.

Finally, and more importantly, the Board would like to express its great appreciation and thanks to all officials of the Bank for rendering untiring efforts.

May Allah grant us courage, dedication, patience, and fortitude to run the bank to the best of our abilities.

Ameen.

On behalf of the Board of Directors



**Mohammed Younus**  
Chairman