



# Chapter 06

## DIRECTORS' REPORT



## Directors' Statement of Responsibilities

Bismillahir Rahmanir Rahim

Dear Fellow Shareholders,

The Directors are required to present the Annual Report together with Directors' Report and the Financial Statements in accordance with the Companies Act, 1994, Rules and Regulations of the Institute of Chartered Accountants of Bangladesh (ICAB), Rules and Regulations of Bangladesh Bank (BB), Bangladesh Securities and Exchange Commission (BSEC) Rules, 1987, the Dhaka Stock Exchange (Listing) Regulations, 2015, Chittagong Stock Exchange (Listing) Regulations, 2015 and BSEC's notification on Financial Reporting and Disclosures dated June 20, 2018.

The Financial Statements are required by law and International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by ICAB to present fairly the financial position of the Company and the performance for the period. That is, the Directors are required to report that, the financial statements of the Bank prepared by the management, gives a true and fair view of:

- The state of affairs as at balance sheet date, i.e., December 31, 2021; and
- The profit and loss for the year ended on the balance sheet date.

Proper accounting records should be kept that discloses with reasonable accuracy the financial position of the Company and enables them to ensure that it's Financial Statements comply with the Companies Act, 1994 and the Bank Company Act, 1991 (amendment up to 2018). So, in preparing these financial statements, the Directors are required to ensure that:

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained.
- Estimates and judgments have been made, which are reasonable and prudent; and

- All applicable accounting standards, as relevant, have been followed.

The Directors are also required to declare the following matters in their report as per Bangladesh Securities & Exchange Commission (BSEC)'s notification no. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018 as applicable for Bank:

- Industry outlook and possible future developments in the industry;
- Segment-wise or product-wise performance with relevant risks;
- Extraordinary gain or loss;
- Related party transactions- a statement of all related party transactions;
- Utilization of proceeds from public issues, rights issues and/or through any other instruments;
- Significant variance between quarterly financial performance and annual financial statements;
- Remuneration to directors Including independent directors;
- Preparation of the financial statements and any departure thereof, has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the Bank's ability to continue as a going concern;
- Significant deviations from the last year's operating results;
- Key operating and financial data of a least preceding 05 (five) years;
- If no dividend (cash or stock) has been declared for the year, the reasons thereof shall be given;





- The number of Board meetings held during The year and attendance by each director;
- The pattern of shareholding structure; and
- In case of the appointment/reappointment of a director, the following information to be disclosed to the shareholders:
  - a) A brief resume of the director;
  - b) Nature of his/her expertise in specific functional areas;
  - c) Names of companies in which the person also holds the directorship and the membership of committees of the board.

The Directors' report of South Bangla Agriculture and Commerce Bank Limited confirms that Directors' Report together with the Financial Statements in the Annual Report for the year 2021 have been prepared in compliance with laws, rules and regulatory guidelines as per the Companies Act, 1994; The Bank Company Act, 1991 (amendment up to 2018), guidelines issued by Bangladesh Bank and BSEC Corporate Governance Code No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018.

Board through its Audit Committee installed appropriate and adequate Internal Control System in the Bank and acknowledges its responsibility for establishing Internal Control Systems' efficiency, effectiveness, reliability, timeliness, completeness and compliance with applicable laws and regulations.

Board of Directors of SBAC Bank holds its meeting regularly. During 2021, twenty one board meetings were held to consider Bank's policies, procedures, risk management, business and various strategic & tactical plans.

This report should be read simultaneously with Auditor's Report to the Shareholders of SBAC Bank Limited. Compliances of BSEC Corporate Governance Code, 2018 are given separately. Some of the information may contain projections or forward-looking statements based on our assumptions and expectations, which must not be interpreted as guarantee of future performance.

The Directors believe that they have performed their responsibilities as set out in the Companies Act-1994, the Bank Company Act-1991 (amended up 2018), securities laws, listing regulations-2015, and other prevailing laws and regulations, as applicable for the Bank.

On Behalf of the Board,

**Abdul Kadir Molla**

Chairman

## Report of the Directors

(Under Section 184 of Companies Act 1994 and Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated: 03 June 2018 of Bangladesh Securities and Exchange Commission)

The Board of Directors of South Bangla Agriculture & Commerce (SBAC) Bank Limited has the pleasure and feels honored in welcoming you all to the Annual General Meeting (AGM) and presenting the Annual Report 2021 and Audited Financial Statements for the year 2021 along with the Report of the Auditors to the shareholders. A brief overview of the global trend and the performance of Bangladesh economy vis-à-vis our Bank and our strategic plan for 2022 have also been provided in this Report.

### An Overview on Global and Local economy

#### Global Economic Outlook:

A major factor in making any forecast for the global economy in general or for any particular country or a region still remains the path of the pandemic and capacities of countries around the world, in particular advanced economies to cope with surges in more serious variants of the virus. Therefore, the pandemic will likely remain a headwind for the first half of 2022.

In 2020, global GDP amounted to about 84.54 trillion U.S. dollars, almost three trillion lower than in 2019, a direct impact of worldwide Covid-19 pandemic. If Covid-19 were to have a prolonged impact into the medium term, it could reduce global GDP by a cumulative \$5.3 trillion over the next five years relative to the current projection.

It is a matter of hope that as of 03 January 2022 near about 49.8% of population of the world had been covered under full dozed vaccination while it is expected that the pandemic may be ended if the world is able to ensure vaccination of 70% of people by July 2022. However the global economy is projected to grow 5.9 Per cent in 2021 and 4.9 Per cent in 2022, as per the World Economic Outlook published by the IMF lastly on October 2021, 0.1 percentage point lower for 2021 than in the July forecast due to the threat of new variant Omicron.

While the global economy remains on track to recovery from the Covid-19 induced crisis, inflation remains the major concern. Higher inflation will lead to monetary policy divergence that could see turbulence in financial markets. Emergence of new variants of the coronavirus, surge in consumer demand for goods coupled with supply bottlenecks, tighter labour markets, and rising commodity prices are affecting low

income household the hardest. Even the growing fear is that if inflation continues while growth slows and wages stagnate, global economy may enter a period of stagflation or more precisely, recession combined with inflation not seen since the time of the 1970s energy crisis.

The important issue for 2022 and beyond is how the global economy will deal with inflation, which has now reached 6.4 per cent in the US, the largest economy in the world. However, inflation dynamics will vary by country as supply disruptions and labour markets stabilise at different rates. While inflation sharply increased in the EU by 4.9 per cent and in the UK by 5.1 per cent in 2021, it remains much less of a concern for China and Japan. China recorded an inflation rate of 1.07 per cent and in Japan inflation remained in the negative zone at -0.17 per cent during the same year. Emerging market and developing economies (EMDEs) will be hit harder with depreciating currencies and capital outflows as interest rates rise in developed countries, especially in the US.

Given the numerous drivers of the outlook over the coming year, overall, economic outlook for 2022 broadly looks positive as indicated by various forecasting agencies' projections. In the big picture terms, the post-pandemic recovery is expected to continue in 2022 with the trend of growth in the US, the Eurozone and China. For EMDEs, tighter global financial conditions could put significant stress on some of them. But the impact of such financial conditions will likely be significantly moderated by strong external demand from developed countries and further a catch-up recovery from the pandemic.



The broadly positive outlook for the global economy in 2022 is also supported by major global forecasting agencies. The global GDP growth rate for 2022 varies from 4.3 per cent (Oxford Economics), 4.5 per cent (Scope Ratings), 4.6 per cent (Fastmarkets), 4.7 per cent (Morgan Stanley) to 4.9 per cent (IMF).

It is now estimated that the US economy will grow by 4.00 per cent in 2022 with the unemployment rate falling to 3.5 per cent by the end of 2022. The economic growth in the US will largely be driven by consumption which accounts for about 70 per cent of GDP. Output in the Eurozone is expected to grow by 4.3 per cent, the UK by 5.0 per cent, Japan by 2.6 per cent and China by 5.0 per cent in 2022. Emerging market economies are forecast to grow by 4.8 per cent during the same year.

The economic outlook for Bangladesh in 2022 also looks positive. Bangladesh economy expanded by 3.5 per cent in 2020, a significant achievement compared to most other countries around the world. The economy continued to accelerate despite the havoc caused by the Delta variant of Covid-19 virus achieving an estimated 4.6 per cent growth in 2021 which is far below the pre-pandemic growth rates attained by the country. The forecast rate for Bangladesh's GDP growth for 2022 varies from 5.1 per cent (World Bank), 6.6 per cent (IMF), 6.8 per cent (ADB) to 7.0 per cent (Fitch Ratings).

According to the Economist Intelligence Unit (EIU), Bangladesh will achieve growth in private consumption by 6.2 per cent, government consumption by 6.8 per cent, gross fixed investment by 6.5 per cent, exports of goods and services by 18 per cent and imports of goods and services by 9.8 per cent in 2022.

On an even more optimistic note, according to the Centre for Business and Economic Research (CBER), Bangladesh will rank as the 24th largest economy in the world in 2036. This is a 13-place gain from the current 37th position.

While the global economy is on the way to recovery as reflected in growth forecasts, it will be a rough ride at least in early 2022. The current inflationary pressures even if caused by transitory factors and if they fade away, other inflationary forces such as likely wages growth resulting from tight labour markets will have to be dealt with. Supply chain bottlenecks are expected to ease in the course of the year.

The year 2022 would also be a year when more of the emergency monetary policy measures will be reduced, while fiscal policy measures will remain supportive but much less so than what was in 2020 and 2021.



# Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	ESTIMATE	PROJECTIONS	
	2021	2022	2023
<b>World Output</b>	<b>5.9</b>	<b>4.4</b>	<b>3.8</b>
<b>Advanced Economies</b>	<b>5.0</b>	<b>3.9</b>	<b>2.6</b>
United States	5.6	4.0	2.6
Euro Area	5.2	3.9	2.5
Germany	2.7	3.8	2.5
France	6.7	3.5	1.8
Italy	6.2	3.8	2.2
Spain	4.9	5.8	3.8
Japan	1.6	3.3	1.8
United Kingdom	7.2	4.7	2.3
Canada	4.7	4.1	2.8
Other Advanced Economies	4.7	3.6	2.9
<b>Emerging Market and Developing Economies</b>	<b>6.5</b>	<b>4.8</b>	<b>4.7</b>
Emerging and Developing Asia	7.2	5.9	5.8
China	8.1	4.8	5.2
India	9.0	9.0	7.1
ASEAN-5	3.1	5.6	6.0
Emerging and Developing Europe	6.5	3.5	2.9
Russia	4.5	2.8	2.1
Latin America and the Caribbean	6.8	2.4	2.6
Brazil	4.7	0.3	1.6
Mexico	5.3	2.8	2.7
Middle East and Central Asia	4.2	4.3	3.6
Saudi Arabia	2.9	4.8	2.8
Sub-Saharan Africa	4.0	3.7	4.0
Nigeria	3.0	2.7	2.7
South Africa	4.6	1.9	1.4
<i>Memorandum</i>			
Emerging Market and Middle-Income Economies	6.8	4.8	4.6
Low-Income Developing Countries	3.1	5.3	5.5

Source: IMF, *World Economic Outlook Update*, January 2022

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2021/2022 starting in April 2021. For the January 2022 WEO Update, India's growth projections are 8.7 percent in 2022 and 6.6 percent in 2023 based on calendar year. For India the impact of the Omicron variant is captured in the column for 2021 in the table.

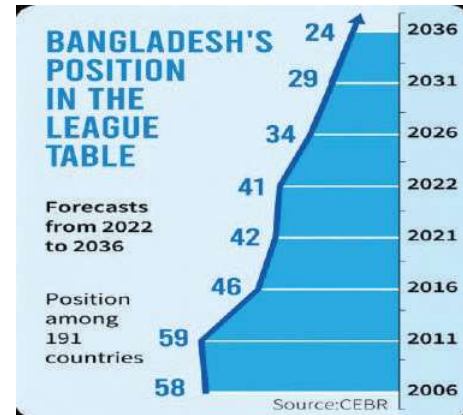




## Local Economic Outlook:

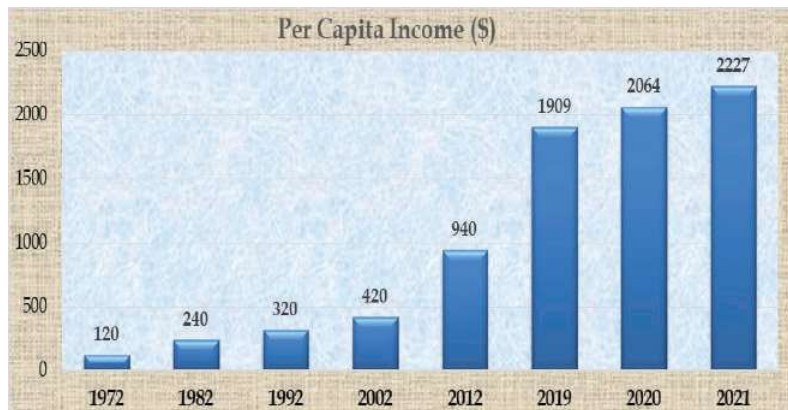
### From bottomless basket to vibrant economy

On 24 November 2021, the UN General Assembly has adopted Graduation of Bangladesh from the LDC to developing category in 2026. Now it is the 33<sup>rd</sup> largest economy in the world in nominal terms, and 31<sup>st</sup> largest by purchasing power parity. Bangladesh is set to become the 24th largest economy out of 191 countries by 2036 owing to its ability to attract large foreign investments, the rising RMG demand, and macroeconomic stability, says the Centre for Economics and Business Research (CEBR).



### Poverty alleviation

Bangladesh has made remarkable progress in reducing poverty, supported by sustained economic growth. Based on the international poverty line of \$1.90 per person per day, poverty declined from 44.2 Per cent in 1991 to 13.8 Per cent in 2016/17 (Source: World Bank Group/ Bangladesh: Reducing Poverty and Sharing Prosperity). According to Bangladesh Bureau of Statistics (BBS) data, the poverty rate declined to 20.5% in the country at the end of 2018-19 fiscal year from 21.8% in 2017-18 fiscal year. The extreme poverty rate also came

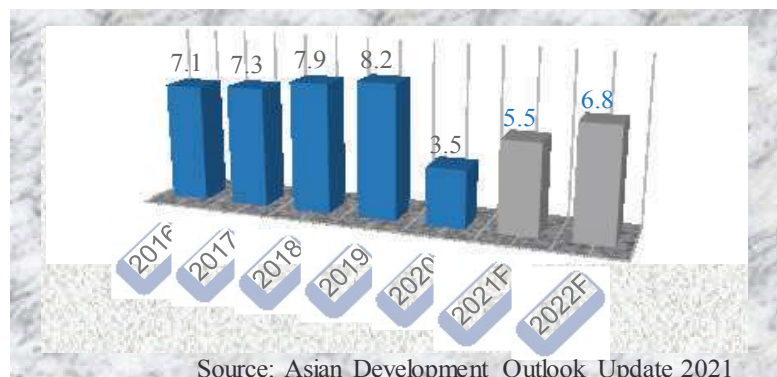


down to 10.5% from 11.3% during the period. But as of June 2020, the country's poverty rate rose to 29.5% due to Covid-19 pandemic. As of FY20, the total population of the country was 167.56 million. Among them 49.43 million are now in poverty (Source: Dhaka Tribune, August 12, 2020). Meanwhile, as per a recent survey conducted by Bangladesh Institute of Development Studies (BIDS), more than 16.4 million new people of the country come down the poverty line due to Covid-19

pandemic. As a result, total number of poor people is now over 50.00 million (Source: Bangladesh Pratidin, July 25, 2021).

### GDP Growth Rate

The country's economy grew by an average of 6.9 per cent from fiscal year (FY) 2011 to FY2019. The Asian Development Bank (ADB) has revised the economic growth forecast for Bangladesh amid continued Covid-19 concerns to 6.8 per cent for fiscal year 2021-22, which was projected to be 7.2 per cent in April outlook. In the meantime, Bangladesh government has set a growth target of 7.2 per cent for the current fiscal.



**Inflation**

Expansionary monetary and fiscal policies adopted for bolstering economic activities during the pandemic and persistent supply constraints are keeping global inflation elevated in the near term. Bangladesh's average inflation rate in fiscal year (FY) 2020-21 was recorded at 5.56 per cent, up 0.16 percentage points from the government's target of 5.4 per cent. The IMF forecasted that, Bangladesh would contain inflation around 5.6 percent.



**Foreign Currency Reserve**

Foreign Exchange Reserves in Bangladesh increased to 46153.90 USD Million in December from 44881.10

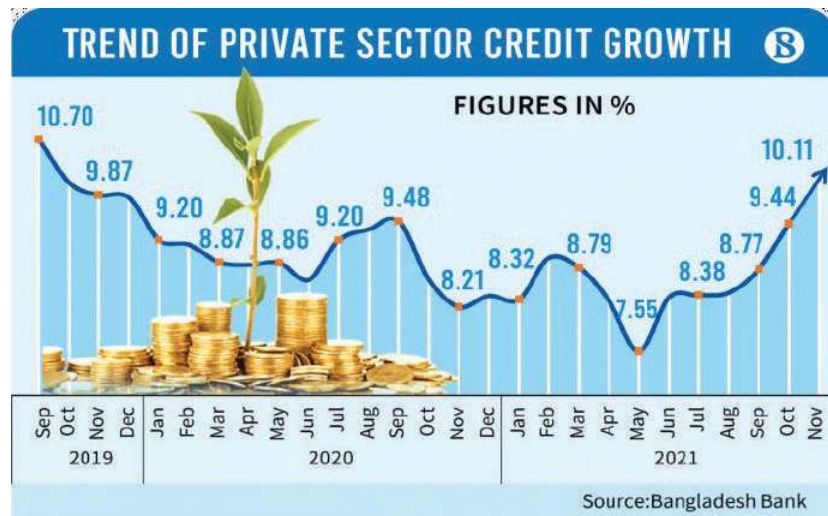


SOURCE: TRADINGECONOMICS.COM | BANGLADESH BANK

USD Million in November of 2021.

**Private Sector Credit Growth**

The banking sector saw 10.11 per cent growth in private sector credit, highest in the last two years, according to recent data of the Bangladesh Bank. The credit growth was 10.7 per cent in September 2019, and since then it remained depressed, coming down below 10.00 per cent amid lending rate cap pressure and rising pandemic tension. (Source: The Business Standard, Dec 29, 2021).



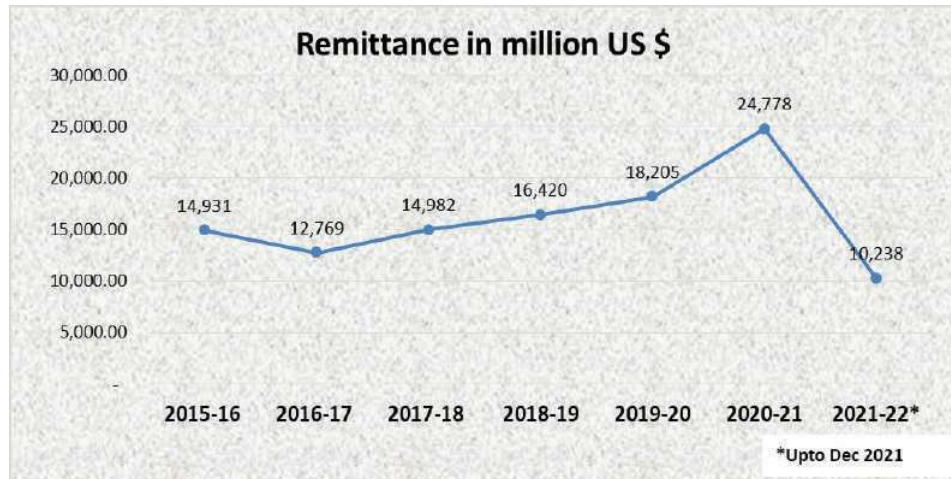
Source: Bangladesh Bank





## Remittance

The country's remittance earnings reached record high of \$22.07 billion in the just concluded year 2021 despite a slowdown in the earnings in the second half of the year, according to Bangladesh Bank data. The amount of remittance the country received in the previous fiscal year was \$21.74 billion.



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.

## Money Market

The money market of Bangladesh remained stable in H1FY22 mainly because of timely initiative of the Bangladesh Bank. The BB continuously used the monetary and government debt management tools in H1FY22 to maintain adequate liquidity for supporting the money market. During H1FY22, the repo and reverse repo rate remained unchanged and the weighted average call money rate witnessed an upward trend compared to the same period of previous fiscal year. But at the same time, the BB used BB bills and treasury bills, mopping up excess liquidity from the money market for maintaining price stability and optimum liquidity. Previously, the Repo and Reverse Repo rate cut down to 4.75 and 4.00 percent respectively from 5.25 and 4.75 percent, in FY21 which contributed to lower the weighted average interest call money rate significantly (Chart V.1). Moreover, the weighted average yield of treasury bills decreased in FY21 compared to that of FY20, supported by easy liquidity for the money market. The BB has taken various policy measures for sustaining private sector credit growth and maintaining sufficient liquidity, following easier monetary policy rates during H1FY22 to overcome the adverse impact of the pandemic. The weighted average call money rate maintained a quite upward trend while the repo and reverse repo rate remained unchanged during H1FY21.

## Capital Market

The capital market in Bangladesh comprising two stock exchanges (Dhaka Stock Exchange and Chittagong Stock Exchange), 66 merchant banks

(including 25 scheduled banks), and 37 mutual funds is regulated and supervised by the Bangladesh Securities and Exchanges Commission (BSEC). Market capitalization stood at Taka 5.422 trillion or 15.7 percent of GDP as of end December 2021. Issued capital stood at Taka 1.463 trillion at the end of December 2021. The issued capital and market capitalization in the main stock market (DSE) are on rapid rise from FY20 due to easy monetary conditions and the policy supports from associated regulatory bodies.

The prime indicator of the capital market, the Dhaka Stock Exchange broad index (DSEX) declined by 7.91 percent to 6756.56 at the end of H1FY22 from 7329.03 at the end of September 2021. However, in December 2021, DSEX grew by 25.08 percent and 9.86 percent from December 2020 and June 2021 respectively. The DSE's daily average turnover picked up significantly to BDT 17.10 billion in H1FY22 from BDT 10.31 billion FY21

The market capitalization of DSE slightly decreased to 15.7 percent of GDP in December 2021 from 16.7 percent of GDP in June 2021. The Bangladesh Securities Exchange Commission (BSEC), merchant banks, and stock exchanges attempted to take appropriate initiatives to listing the number of good fundamental companies, especially profitable state-owned and multinational companies, in order to enhance the market capitalization of DSE.

## Foreign Exchange Market

Effective management of foreign exchange market is very important to achieve tolerable inflation and a desired level of economic growth for a country. The BB, being the regulator of the banking and financial systems in the country, has been taking various steps to strengthen its close monitoring of the daily activities of the financial institutions and adopt necessary measures for creating and sustaining the momentum in the country's foreign exchange market. The apparent stability of BDT against US dollar in the foreign exchange market had been experienced over the last couple of fiscal years. In the H1FY22, the depreciation pressure on exchange rate of BDT against the US dollar entailed improvement in competitiveness of Bangladeshi export in term of large difference between REER based exchange rate and nominal exchange rate. However, the depreciation pressure on exchange rate of BDT against US dollar was eased partly by BB's US dollar sales from reserve to limit inflationary consequences of excessive BDT depreciation. Bangladesh's foreign exchange market experienced depreciation of Taka against the US dollar at end December 2021 compared to that of at end June 2021 due to the huge import payment pressure in this period. However, during FY21, the

exchange rate of Taka against USD marginal appreciated.

The Exchange rate of Bangladeshi Taka started to depreciate from August 2021 and stood at BDT 85.80 at the end of December 2021. At the end of December 2021, the exchange rate depreciated by 1.16 percent as compared to its level at the end of June 2021 (Chart V.4). However, during FY21, the exchange rate of BDT appreciated slightly by 0.11 percent against the US dollar compared to 0.47 percent depreciation in FY20. The Exchange rate of Bangladeshi Taka stood at BDT 84.81 as of the end of June 2021 compared to BDT 84.90 as of the end June 2020.

The lower inflow of remittances and higher import payments created pressure on the foreign reserve which led to the depreciation of Bangladeshi Taka. To stabilize the foreign exchange market, Bangladesh Bank intervened in the foreign exchange market with a total sale of USD 2483.00 million during H1FY22. However, the net sale of the foreign exchange market was USD 2273.00 million in H1FY22.

## Review of Performance of SBAC Bank Ltd. in 2021

South Bangla Agriculture and Commerce Bank Limited along with eight other new Banks started its journey in 2013 which heightened the competition in the Banking arena. Despite various challenges, the Bank has been able to record progress in almost all the areas of operation in 2021. The bank earned Tk. 1,995.77 million operating profit, maintained adequate capital adequacy ratio, established branch network, and upheld asset qualities. The Financial performances of the Bank are as follow:

### Total Assets

Total assets of the bank stood at Tk. 98,172.32 million in 2021 as against Tk. 88,403.45 million in 2020 registering a growth of 11.05 percent. The increase in assets was mainly driven by other investment. The economy witnessed a satisfactory growth scenario in credit and deposits mobilization.

### Cash and Balance with Bangladesh Bank & its Agent:

The position of Cash and Balance with Bangladesh Bank & its Agent of the bank is Tk. 4,091.12 million in 2021 of which Tk. 855.11 million in the form of cash and rest of Tk. 3,236.01 million held with Bangladesh Bank & its Agent as against Tk. 4,173.17 million in 2020 of which

Tk. 652.71 million in the form of cash and rest of Tk. 3,520.46 million held with Bangladesh Bank & its Agent.

### Balance with other banks and financial institutions:

The position of balance with other banks and financial institutions is Tk. 7,372.30 million in 2021 of which Tk. 7,080.59 million in Bangladesh and Tk. 291.71 million outside Bangladesh as against Tk. 9,630.16 million in 2020 of which Tk. 9,153.68 million in Bangladesh and Tk. 476.48 million outside Bangladesh.

### Investment:

The position of Investment of the Bank is Tk. 17,538.20 million in 2021 as against Tk. 12,976.89 million in 2020. The investment increased during the year 2021 by Tk. 4,561.31 million.

### Loans and Advances:

The SBAC Bank Limited since its inauguration has been trying to select good borrowers/projects by offering its better customer services to finance and came out successful in 2021. The loans and advances stood at 65,955.68 million in 2021 against Tk. 57,408.83 million in 2020 registering growth of 14.89 percent. Yield on loans and advances of the Bank decreased to 8.31 percent from the level of 9.76

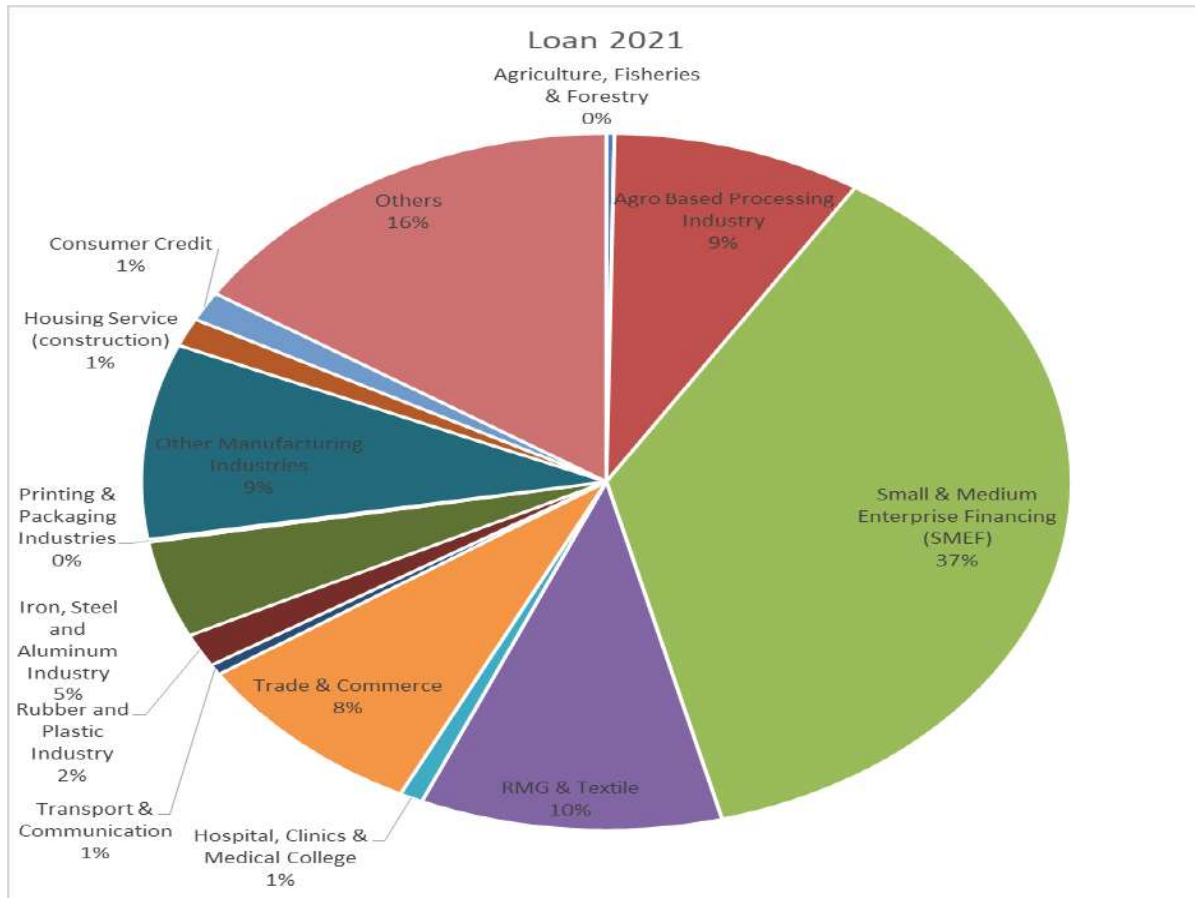


percent of previous year due to decrease of lending rates.

To minimize risks, the loan and advances has been given to diversified sectors. The sector wise disbursed loan and advances are shown below:

(Amount in million Taka)

Particular of Sectors	2021	2020	Growth%
Agriculture, Fisheries & Forestry	185.61	1,269.85	(85.38%)
Agro Based Processing Industry	5,739.41	6,653.00	(13.73%)
Small & Medium Enterprise Financing (SMEF)	24,415.88	22,256.58	9.70%
RMG & Textile	6,920.20	5,531.78	25.10%
Hospital, Clinics & Medical College	536.04	430.47	24.53%
Trade & Commerce	5,516.42	4,054.25	36.07%
Transport & Communication	326.91	407.64	(19.80%)
Rubber and Plastic Industry	1,022.79	1,158.08	(11.68%)
Iron, Steel and Aluminum Industry	2,963.62	1,729.87	71.32%
Printing & Packaging Industries	92.44	370.29	(75.04%)
Other Manufacturing Industries	5,975.79	4,976.26	20.09%
Housing Service (construction)	870.94	702.64	23.95%
Consumer Credit	901.09	753.15	19.64%
Others	10,488.54	7,047.22	48.83%
<b>Total</b>	<b>65,955.68</b>	<b>57,408.83</b>	<b>14.89%</b>



**Liabilities**

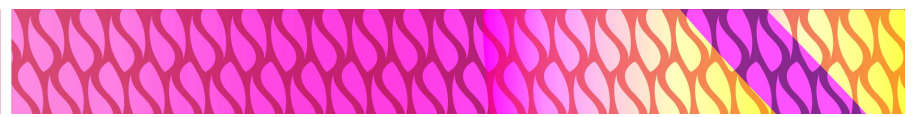
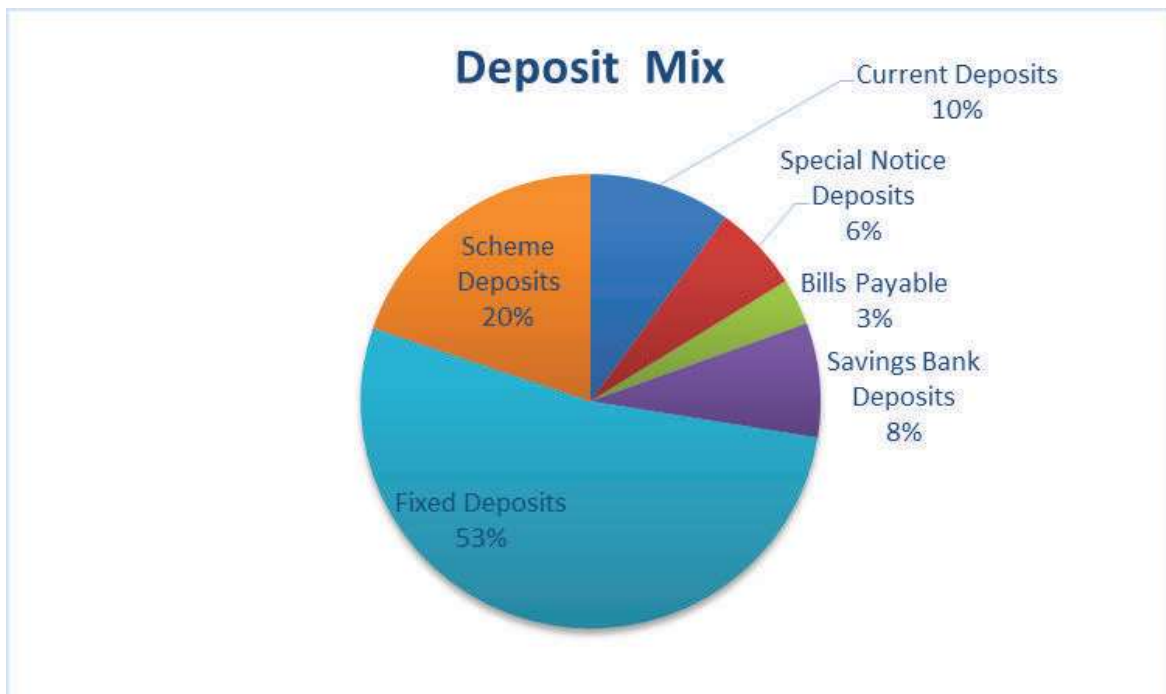
The liabilities (excluding equity) of the Bank stood at Tk. 87,549.49 million in 2021 of which Tk. 73,103.76 million (74.46%) was deposit and rest Tk. 14,445.73 million (25.54%) was borrowing & other liabilities as against Tk. 79,096.79 million in 2020 of which Tk. 71,451.46 million (90.33%) was deposit and rest Tk. 7,645.33 million (9.67%) was borrowing & other liabilities. The borrowings from other banks, financial institutions and agents stood at Tk. 8,763.68 million in 2021 which represents Bank's borrowing from Bangladesh Bank under various Refinance Scheme & EDF.

**Deposits:**

The deposits of the Bank stood Tk. 73,103.76 million in 2021 as against Tk. 71,451.46 million in 2020. Fixed deposits remained the main component of deposits contributing 52.65 percent of the total deposits. The clientele group of the Bank was individuals, corporation, NGO, NBF, government bodies etc.

The Growth and Deposit Mix of the Bank is as follows:

Types of Deposit	Amount Taka in Million		Growth (%)	Deposit Mix (%)	
	2021	2020		2021	2020
Current Deposits	7,296.93	5,613.08	30.00%	9.98%	7.86%
Special Notice Deposits	4,494.63	3,881.69	15.79%	6.15%	5.43%
Bills Payable	2,414.98	2,055.47	17.49%	3.30%	2.88%
Savings Bank Deposits	5,943.30	5,569.06	6.72%	8.13%	7.79%
Fixed Deposits	38,491.35	40,922.21	-5.94%	52.65%	57.27%
Scheme Deposits	14,462.57	13,409.95	7.85%	19.78%	18.77%
<b>Total</b>	<b>73,103.76</b>	<b>71,451.46</b>	<b>2.31%</b>	<b>100.00%</b>	<b>100.00%</b>





## Shareholders' Equity

The shareholders' equity of the Bank stood Tk. 10,622.84 million in 2021 as against Tk. 9,306.66 million in 2020 registering growth of 14.14%. The shareholders' equity of the Bank consists of Paid-up capital, Statutory Reserve, Revaluation Reserve on Govt. Securities and Retained Earning. The strong growth in shareholders' equity will help the bank to expand its business.

### TOTAL PROPERTY & ASSETS & TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY OF THE BANK

(Amount in million Taka)

Particulars	2021	2020	Growth (%)
Cash	4,091.12	4,173.17	(1.97%)
Balance with other banks and FIs	7,372.30	9,630.16	(23.45%)
Money at call and short notice	-	-	-
Investments	17,538.20	12,976.89	35.15%
Loans and advances	65,955.68	57,408.83	14.89%
Fixed & other assets	3,215.03	4,214.40	(23.71%)
<b>TOTAL PROPERTY AND ASSETS</b>	<b>98,172.33</b>	<b>88,403.45</b>	<b>11.05%</b>
Deposits	73,103.76	71,451.46	2.31%
Borrowings	8,763.68	2,391.44	266.46%
Other liabilities	5,682.05	5,253.89	8.15%
Total Shareholders' equity	10,622.84	9,306.66	14.14%
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>98,172.33</b>	<b>88,403.45</b>	<b>11.05%</b>

## Interest Income

The interest income stood at Tk. 5,587.70 million in 2021 as against Tk. 5,855.11 million in 2020. Interest income consists of Interest earned from loans & advances amounting Tk. 4,957.15 million and Interest received on FDR & SND account kept with other banks and financial institutions amounting Tk. 630.55 million. Details of Interest Income are as follows:

Types of Interest Income	Amount (Taka in Million)		Growth (%)	Interest Income Mix (%)	
	2021	2020		2021	2020
Interest earned from loans & advances	4,957.15	5,491.31	(9.73%)	88.72%	93.79%
Interest received from Banks & Financial Institutions	630.55	363.80	73.32%	11.28%	6.21%
<b>Total Interest Income</b>	<b>5,587.70</b>	<b>5,855.11</b>	<b>(4.57%)</b>	<b>100.00%</b>	<b>100.00%</b>

## Interest Expense

The interest expense stood at Tk. 3,955.95 million in 2021 as against Tk. 4,750.69 million in 2020. Interest cost of deposits was the main component of interest expenses whereas interest cost of borrowings also had impact in 2021. Interest cost of deposits decreased to 5.58 percent in 2021 from 6.95 percent in the previous year due to decrease in rates of interest on deposits arising from high liquidity in the market. Moreover, high liquidity in the market induced the bank, a Primary Dealer, to go for mobilization of deposits at low cost. Details of Interest Expense are as follows:

Types of Interest Expense	Amount (Taka in Million)		Growth (%)	Interest Expense Mix (%)	
	2021	2020		2021	2020
Interest on Deposits	3,695.1	4,602.65	(19.72%)	93.41%	96.88%
Interest on Borrowings	260.85	148.04	76.20%	6.59%	3.12%
Total Interest expense	3,955.95	4,750.69	(16.73%)	100.00%	100.00%

#### Net Interest Income

The net interest income stood at Tk. 1,654.52 million in 2021 as against Tk. 1,104.42 million in 2020. Net Interest Income decreased due to increase of cost of deposits and decrease in yield on loans and advances.

#### Investment Income

The investment income of the bank consists of interest / discount earned on treasury bills / bonds, gain on government security trading, dividend received on shares and capital gain from sale of securities of listed companies. The investment income stood at Tk. 3,064.16 million in 2021 as against Tk. 1,909.92 million in 2020. Net Interest Income increase due to increase in Investment in Government Securities and capital gain on sale of shares of listed companies.

#### Non-Interest Income

Non-interest income consists of Commission, Exchange earnings, Brokerage etc. and other operating income consists of appraisal fees, accounts maintenance charge, postage & SWIFT recovery charge etc. The Non-Interest Income stood at Tk. 678.64 million in 2021 of which Tk. 521.14 million was commission, exchange earnings & brokerage and Tk. 157.49 million was other operating income as against Tk. 552.92 million in 2020 of which commission, exchange earnings & brokerage income was Tk. 428.05 million and other operating income was Tk.124.87 million.

#### Total Operating Income

The operating income stood at Tk. 5,397.32 million in 2021 as against Tk. 3,567.27 million in 2020. The operating income increased due to increase in net interest income as well as non-interest income & other operating income.

#### Total Operating Expense

Total operating expenses include salary and allowances, rent, taxes, insurance, electricity, legal expenses, postage, stamp, telecommunication, stationery, printing, advertisement, Managing Director's salary and allowances, Directors' fees, Auditors' fees, depreciation, amortization and repair of fixed assets etc. which stood at Tk. 3,401.55 million in 2021 as against Tk. 2,109.60 million in 2020. The item wise expenses including Directors fees are disclosed in the Financial Statements section of this Annual Report. The operating expenses increased during the year 2021 mainly due to increase in manpower expenses and other operating expenses. The bank has recruited efficient Officials to perform the banking activities. The total regular employees of the Bank stood at 997 (as on December 31, 2021) & the total number of manpower of the Bank is 886 (as on December 31, 2020). The productivity of the employees is measured in the following ratio:

(Amount in Million Taka)

Particular	2021	2020	Growth (%)
Operating Income per employee	5.41	4.03	34.33%
Operating Expense per employee	3.41	2.38	43.35%
Profit before provision per employee	2.00	1.65	21.32%
Profit before tax per employee	0.97	1.54	-36.79%
Assets per employee	98.47	99.78	-1.32%



## Provision against Loans and Advances

In 2021, the amount of Non-Performing Loan (NPL) was Tk. 3,860.90 million. Total required specific provision was Tk. 2,210.26 million out of which Tk. 2,196.16 million and Tk. 14.10 million were against classified and unclassified loans and advances respectively. On the other hand total required general provision was Tk. 647.97 million against which Tk. 8.46 million have been kept as general provision leaving a shortfall of Tk. 639.51 million. It is mentionable that the approval for deferral of provision shortfall has been taken from Bangladesh Bank in this regard.

## Net Profit before Tax

After making required provisions, net profit before tax of SBAC Bank Limited stood at Tk. 970.48 million in 2021 as against Tk. 1,367.78 million in 2020.

## Provision for Income Tax

Provision against income tax of SBAC Bank Limited was Tk. 435.76 million in 2021 as against Tk. 415.83 million in 2020.

## Net Profit after Tax

Net profit after tax stood at Tk. 534.72 million in 2021 as against Tk. 951.95 million in 2020. EPS, ROA and ROE stood at Tk. 0.74, 0.57 percent & 5.36 percent respectively in 2021 as against Tk. 1.39 (re-stated), 1.10 percent and 10.78 percent respectively in 2020.

## Statutory Reserve

As per Bank Company Act 1991 (amended in 2013), 20 percent of profit before tax is required to be transferred to statutory reserve. As such an amount of Tk. 194.10 million has been transferred to statutory reserve in 2021 which was Tk. 273.62 million in 2020. Total statutory reserve stood at Tk. 1,947.49 million as on December 31, 2021 which was Tk. 1,753.40 million as on December 31, 2020.

## OPERATING PERFORMANCE OF THE BANK

(Amount in million Taka)

Particulars	2021	2020	2019	2018	2017	Growth (%) [2020 to 2021]
Interest Income	5,610.47	5,855.11	7,357.32	6,420.41	4,764.88	-4.18%
Less: Interest Expense	3,955.95	4,750.69	4,847.32	3,869.22	2,802.48	-16.73%
Net Interest Income	1,654.52	1,104.42	2,510.00	2,551.19	1,962.41	49.81%
Investment Income	3,064.16	1,909.92	1,217.52	917.54	1,006.84	60.43%
Non-Interest Income & Other Operating Income	678.64	552.92	625.19	535.20	494.91	22.74%
Total Operating Income	5,397.32	3,567.27	4,352.72	4,003.93	3,464.16	51.30%
Less: Operating Expense	3,401.55	2,109.90	2,083.54	1,970.10	1,644.87	61.22%
Profit before provision	1,995.77	1,457.67	2,269.18	2,033.84	1,819.30	36.92%
Less: Provision	1,025.29	89.88	504.83	392.62	301.37	1040.73%
Net Profit before Tax	970.48	1,367.78	1,764.35	1,641.22	1,517.93	-29.05%
Provision for Income Tax	435.76	415.83	796.75	761.64	535.90	4.79%
Net Profit after Tax	534.72	951.54	967.60	879.59	982.04	-43.80%
Less: Statutory Reserve & Start up Fund	208.96	273.62	352.87	328.24	303.59	-23.63%

Particulars	2021	2020	2019	2018	2017	Growth (%) [2020 to 2021]
Profit available to ordinary share holders	325.76	677.97	614.73	551.34	678.42	-51.95%
<b>Earnings Per Share (EPS)</b>	<b>Tk 0.74</b>	<b>Tk. 1.39</b>	<b>Tk. 1.55</b>	<b>Tk. 1.55</b>	<b>Tk. 1.97</b>	46.76%
<b>Return on Equity (ROE)</b>	<b>5.36%</b>	<b>10.78%</b>	<b>12.55%</b>	<b>12.40%</b>	<b>16.16%</b>	-50.28%
<b>Return on Assets (ROA)</b>	<b>0.57%</b>	<b>1.10%</b>	<b>1.25%</b>	<b>1.36%</b>	<b>1.88%</b>	-48.18%

We have a remarkable contribution to the Government Exchequer. We have contributed total 1,428.22 million as Withholding Tax, AIT and VAT & Excise Duty as under:

Particulars	Withholding Tax	Advance Income Tax	VAT and Excise Duty	Total
2021	602.75	554.59	270.88	1,428.22
2020	651.09	642.14	227.31	1,527.55
2019	584.99	787.99	198.38	1,571.36
2018	445.95	768.74	185.25	1,399.94
2017	347.20	613.06	155.98	1,010.37
2016	296.36	269.89	97.41	663.66
2015	254.11	146.16	67.14	467.41
2014	103.61	38.89	40.60	183.10
2013	16.82	21.08	10.19	48.09

#### SBAC Bank's Role in the Foreign Trade Business:

Banks act as a go-between in the flow of international trade. International Division, in SBAC Bank, makes all necessary arrangements to facilitate its trade business. The Division is also responsible to supervise and guide bank's foreign exchange business. Correspondent Banking Relationships, Trade Processing Unit (TPU), Treasury Back Office, Trade Settlement & Regulatory Reporting Unit, NRB/Remittance Unit and Off-shore Banking Unit (OBU) work under the umbrella of the Division. Bank's foreign trade transactions are being carried out by six Authorized Dealer (AD) branches and Trade Processing Unit (TPU) at Head office. Trade Processing Unit, at Head Office, started its operation on July 1, 2014 to support Foreign Exchange businesses of our non-AD branches. Presently all 84 branches & 23 Sub-Branched (As on April, 2022) of the bank are doing their Import and Export business for their clients like an AD Branch.

#### Correspondent Banking:

Correspondence Banking relationship is initial and essential phase for conducting foreign trade business. SBAC Bank has been maintaining correspondent banking relationship with internationally reputed banks worldwide to ease cross border transactions including LC advising, adding confirmation, settlement of payment, discounting bills, international fund transfers, collection of bills, guarantee etc. At the end 2021, the number of foreign correspondent banks was 205 in 47 countries across the Globe. Bank maintains 12 Nostro Accounts in 4 major currencies with international banks located at the most important financial hub of the world. The Bank is also enjoying ample credit line with a number of widely acceptable banks worldwide.

SBAC Bank adopted the most robust and effective Sanctions Screening system from SWIFT, Belgium for detection, prevention and disruption of financial crime and, in particular, sanctions risk. The system screens sanction list of UN, EU, BFIU, OFAC and other significant lists. The Bank has also implemented automated sanction screening system in Core Banking Solution (CBS) level so as to keep the bank free from sanction risk.





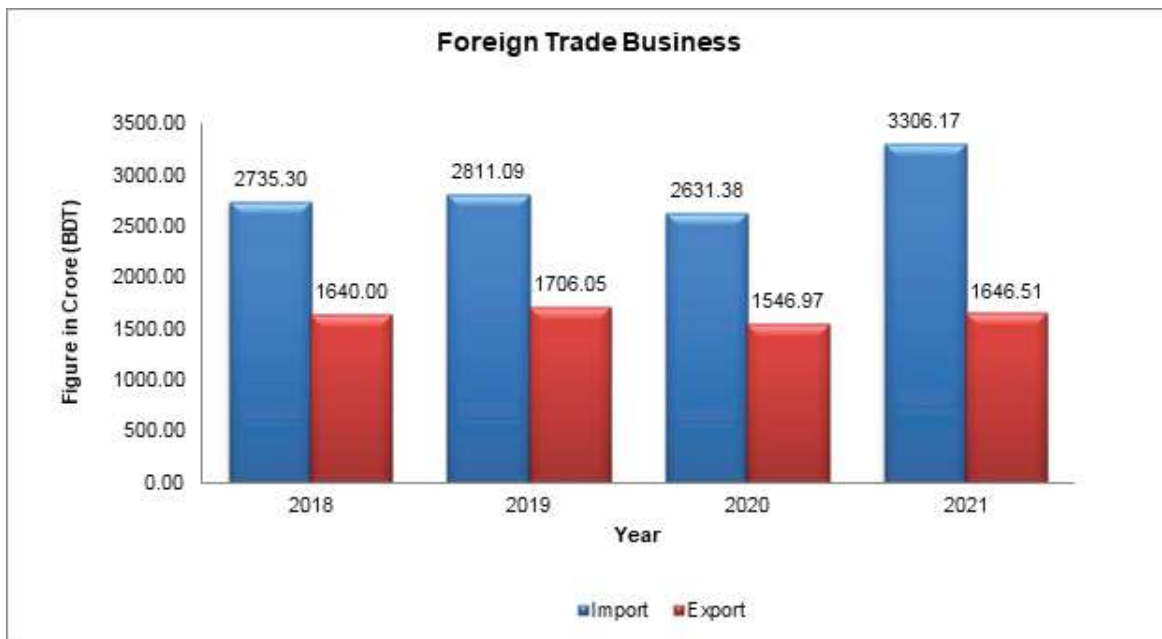


### Foreign Trade Business:

Due to pandemic situation in the last year, the overall foreign trade business of our country was on a bumpy ride. Despite of all odds, SBAC bank has done satisfactory business in this arena. The span as well as the volume of our bank's foreign trade business is flourishing day by day.

SBAC Bank provides support to its clients to meet their need of foreign trade business. SBAC Bank was involved in financing import business in the area of capital machineries, industrial raw material, scrap vessels, medical equipments, electronic goods, food grains, motor vehicles, spare parts, garment accessories, sports items, chemicals, baby food etc. In the year 2021 the total import business of SBAC Bank was BDT 33,061.74 million (equivalent USD 388.96 million) against BDT 26,313.80 million (equivalent USD 309.57 million) in 2020, with about 26 percent growth year-over-year. Import volume in the year 2019 and 2018 was BDT 28,110.90 million (equivalent USD 330.72 million) and BDT 27,353.00 million (equivalent USD 321.80 million) respectively.

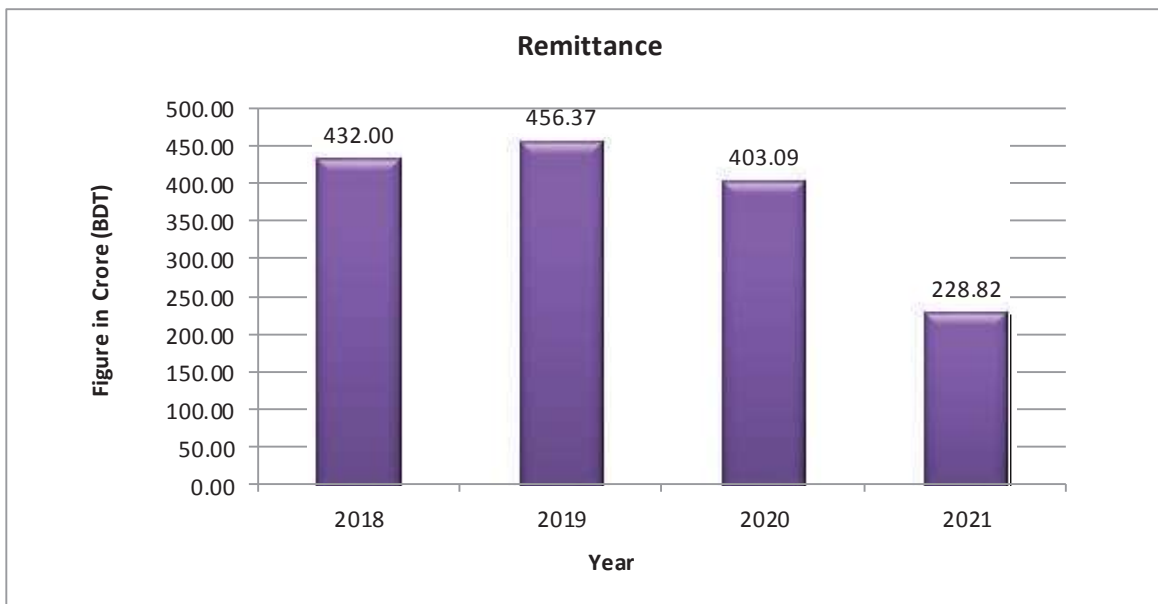
In order to support the exporters as well as to contribute in Country's economy, while raising revenue from export financing activities, SBAC Bank adopted customer friendly financing strategy. Since Bangladesh RMG sector is one of the lifeline of country's economy and plays significant roles for socioeconomic development and poverty alleviation, SBAC Bank paid special attention to this sector. The bank has also emphasized on exporting diversified items such as agricultural products, ceramic, medicine, leather, frozen-foods, etc. In the year 2021 total export business of SBAC Bank was BDT 16,465.15 million (equivalent USD 193.71) against BDT 15,469.72 million (equivalent USD 182.00 million) of the year 2020, with about 6 percent growth YoY. Export volume in the year 2019 and 2018 was BDT 17,060.50 million (equivalent USD 200.71 million) and BDT 16,400.00 million (equivalent USD 192.94 million) respectively.



### Remittance:

SBAC Bank continues its effort to encourage expatriate Bangladeshis living abroad for remitting hard earned money through banking channels. Remittance is one of the most important sources of foreign exchange earnings in Bangladesh. The Bank has set up arrangements with 13 reputed exchange houses/money transfer companies around the world in order to facilitate expatriate to remit wage earner remittance to the country. For remittance through SBAC Bank, expatriate Bangladeshis can avail services of Xpress Money Services Limited; MoneyGram; Western Union Network; Aman Exchange Company WLL, Kuwait; Wall Street Finance LLC, USA; Al-Ansari Exchange LLC, UAE; Worldwide West 2 East Services Ltd, UK; LCC Trans-sending Ltd, UK; Sunman Global Express Corp (USA); Transfast Remittance LLC; Placid NK Corporation, Ria Financial services and

Turbo Cash. In the year 2021, SBAC Bank received BDT 2,288.21 million (equivalent USD 269.20 million) as wage earners remittance. Remittance figure was BDT 4,030.92 million (equivalent USD 47.42 million) in the year 2020, BDT 4,563.70 million (equivalent USD 53.69 million) in 2019 and BDT 4,320.00 million (equivalent USD 50.82 million) in the year 2018.



### SBAC Bank Offshore Banking Unit (OBU)

SBAC Bank Off-shore Banking Unit has already earned confidence of the stakeholders, partners and customers due to its strong commitment and dedication and is ready to serve any eligible customers. Currently, the Unit has been providing off-shore banking services to our existing tested customers of our AD Branches by financing UPAS LCs and discounting export bill.

SBAC Bank has been able to make its presence felt by attracting a good number of customers in a short period of time through effective marketing and competitive pricing of its offshore banking products and ensuring highest level of professionalism and excellent customer services backed by quality manpower and technological supports. OBU extended credit facilities of around USD 8.50 million to our bonafide customers during 2021.

### Treasury

Treasury Division pays attention on minimizing risk, enabling timely liquidity generation both in local currency and foreign currency, ensuring stability in yields, while also facilitating compliance. SBAC Treasury runs with separate Trading and Risk Management units and also with the concept of centralized Foreign Exchange and Money Market activities for efficiency. Treasury Division manages the Bank's Balance Sheet and ensure regulatory compliance with all regulatory and risk ratios, manage the ALCO processes, ensure FX gains through the management of FX business, capital gains through the management of securities trading, drive interest income from investments in money market products and engage in forecasting and proper planning, thereby maximizing treasury gains, while minimizing exposure and market risks of the Bank. SBAC Bank's Treasury Division is constantly evolving to serve the dynamic needs of the organization.



Treasury functions of SBAC Bank are broadly categorized as follows:



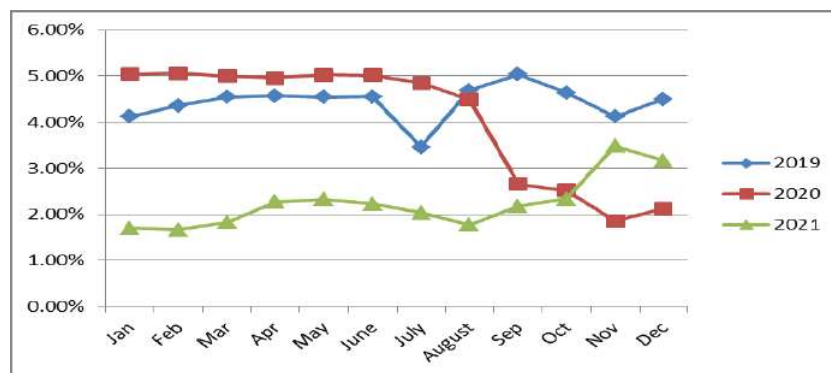


## Money Market Desk

The primary activity of this desk is to manage the liquidity requirements of the Bank through money market products, including Call Money, Notice Money, Term Money, Repo/ Reverse Repo and FX Swaps. Our Treasury has been very active in interbank Money Market through superior forecasting of the market, managing liquidity gaps and thus contributes significantly to the bottom line of the Bank.

Except for the last few months of 2021, the money market was mostly liquid throughout the year. In 2021, the MM Desk successfully ramped up trading position to take advantage of market movements. Alongside maintaining statutory reserve requirements, our dealers took advantage of promising trading opportunities, thus ensuring satisfactory interest income. From January 2021 to December 2021, the average call money rate was from 1.70% to 3.20% mainly because of excess liquidity in the market.

**Average Call Money Rate**

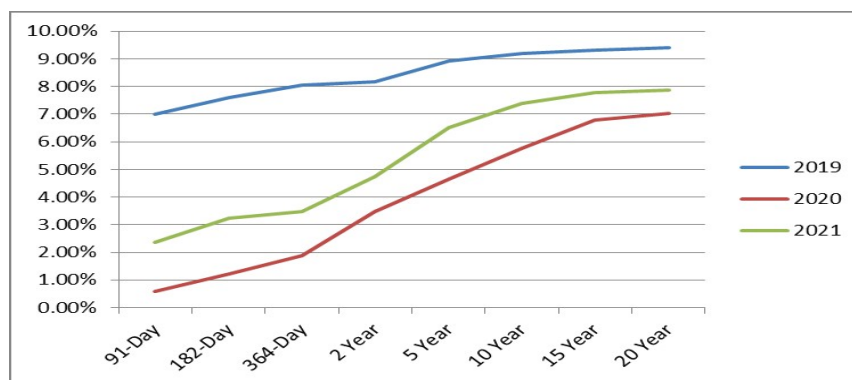


## Fixed Income Investment Desk

SBAC Bank Fixed Income Desk deals with Treasury Bills, Bangladesh Bank Bill, Fixed Rate Treasury Bonds and Floating Rate Treasury Bonds. This Desk makes interest rate forecast and take position on Government Securities. As a Primary Dealer (PD) Bank, SBAC Bank's Treasury is responsible to participate in primary auction of the government securities at least for the amount of own underwriting obligation. SBAC, Treasury has been playing a dynamic role in developing an active and vibrant secondary market of government securities. Fixed Income Investment Desk has been generating a healthy yield in the mode of interest income and capital gain from the holding of securities and trading.

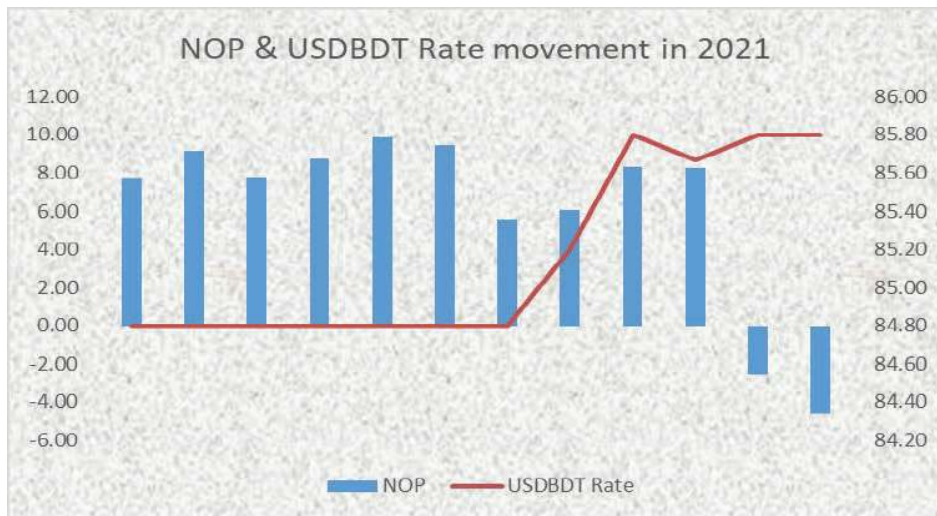
Compare to the previous year, the yield on government securities increased significantly. As an opportunity for investment improved alongside the credit growth, bank's demand for government securities decreased significantly and impacted the yield curve positively. However, in 2021, SBAC Treasury did exceptionally well in both investing and trading of government securities and able to generate substantial income from Fixed Income Securities.

**Yield of Govt. Securities**



**Foreign Exchange Desk**

The Foreign Exchange (FX) Desk manages the day-to-day FCY requirements and also the surplus/shortfall of the Bank's FCY holdings. This Desk continuously makes forecast on movement of future exchange rate and maintains its open position efficiently within the limit of USD 12.66 Million.



As the Covid situation was improving, the overall economy was vivacious in 2021. As a result total imports volume of the country increased significantly and impacted high demand on Foreign Currency. The significant volume of income contribution from treasury in the form of exchange earning this year was possible because of prudent management of

NOP (Net Open Position), efficient organization of liquidity flow arising from export-import business, and intelligent market forecasting. Moreover, Treasury Division provided appropriate fund support to OBU and utilized the surplus FC fund in interbank to earn interest income.

**Asset Liability Management (ALM) Desk**

Asset Liability Committee (ALCO) is one of the core decisions making committees of the Bank and primarily focused on positioning the Bank's overall asset and liability. SBAC Bank has separate Asset Liability Management (ALM) Desk under Treasury, which analyses, evaluates and interprets the market scenario and provide valuable inputs in SBAC Asset Liability Management Committee (ALCO) on a regular basis to ensure the right balance between product profile, cost and risk exposure. ALCO, which is comprised of senior management of SBAC, meets at least once in a month to discuss the current local and global market outlook, major issues that may shake the existing interest rate, liquidity and to decide on policy regarding interest rates and thrust sectors.

ALM Desk official prepare ALCO papers incorporating local and global economic updates, market liquidity forecasts, interest rate projections, balance sheet analysis and proposes it to ALCO. SBAC Treasury has done exceptionally well in this area by keeping management well-informed of crucial changes in the market and pricing techniques of liabilities and assets. In 2020, effective and timely change in rates by ALCO played a vital role in the significant growth of NII. A new ALM policy has been formulated by ALM Desk

keeping BASEL III liquidity ratios (LCR & NSFR) in mind and central bank's ALM guidelines into active consideration. Managing balance sheet composition is a vital part for the bank. SBAC Treasury is always learning from the market and getting updated time to time to manage balance sheet composition at optimum level.

**Credit Administration**

Credit Administration refers to a work process that involves ensuring proper documentation prior to disbursement of any loan/advance as its core responsibility. Among other responsibilities, formulation of policies in line with regulatory requirements, monitoring and supervision of credit portfolios and ensuring compliances are also its prime responsibilities. To this aim, the prudent management of the bank established Credit Administration Division (CAD). From the emergence of the division, it has been serving its purpose painstakingly. The management also entrusted these responsibilities to the officials of this division.

A bank mobilizes funds from surplus unit and lends it to the deficit unit. So, lending money is one of the core functions of a bank and banks generate maximum revenue from its credit operations by charging a higher interest rate on loans than the interest they pay





on customer deposits. Aiming to this, most of the banks focus on making loans rather than efficiently managing the loans. The function of selecting and vetting borrowers is the role of Credit Division of the bank. Where the functions of Credit Division end with the approval of proposal from the competent authorities there the function of Credit Administration starts. Credit Administration ensures that all security documents are obtained in compliance with the terms and conditions of approval and are legally enforceable.

The secured loans constitute a major portion of total loan disbursed, here the proper documentation against secured loan is associated profoundly. Improper documentation against the secured loans arises residual risk as per second Pillar of BASEL-III. Banks collect and preserve documents against loans and advances to ensure legal protection in case of adverse events like default of loans. Lack of required and duly filled up documents and erroneous or fake or forged documents will lead to the amplification of overall risk aspects of loan portfolio and the reduction in the strength of legal shield that slacks the ownership of the bank on collateral and consequently hinders the recovery of loan. Therefore, proper documentation is imperative to safeguard the overall interest of the bank. In this case, it goes without saying that CAD has a significant role in proper documentation, smooth disbursement, timely monitoring and regular follow up.

On the other hand, Non-performing loans have become a worrisome issue for Bangladesh. Due to ever-increasing volume of non-performing loans, our banking sector and the economy in general have taken a negative turn. If loanable funds are blocked as NPL, banks will not have enough reserve for sanctioning future loans, which will affect the economy in multiple ways. The rising trend of NPL will also have a negative impact on bank's profitability. Provisioning against defaulted loans will also jeopardize the financial health of many institutions. The provision amount is kept aside from the bank's profit. When provisioning amount becomes higher than the profit of a bank, it has to maintain provision amounts from its capital, which can result in capital shortfalls. By using the credit administration tools, we can reduce this kind of risk to a minimum level. Here the role of credit administration is vital to guide the bank's loan portfolio to desired level in protecting the bank's interest and hard-earned depositors' money.

The journey of our Credit Administration Division of this bank was not so smooth since its beginning. But with the passage of time, overcoming hundreds of obstacles, this division has reached what we are today. Now the essence of CAD is –well organized, running with efficient and knowledgeable work force having greater capacity, well-articulated policy, defined organogram with individual job responsibilities, greater extent of coordination and understanding with all divisions and branches, centralization of limit authorization, prompt decision-making ability etc.

Now to bring all the disbursement of the bank's loans portfolio under one umbrella, for ensuring proper documentation, monitoring of existing credits and maximizing the recovery, this division has been playing a crucial role. Now limit authorization is centralized. All the branches' & sub-branches' disbursement and limit authorization of SBAC Bank Limited under its actual control and monitoring. Now no branch can set up any limit or disburse any loan without the authorization of CAD. But this did not happen overnight. This has been possible for feeling the urgency to establish a centralized CAD for the safety & security of bank loan management and speedy & smooth disbursement. This was done phase by phase from the mid of June 2018 to December 2021. The remarkable achievements of CAD till date are as follows:

- Implementation of some checklists for various facilities in addition of existing one.
- Successful implementation of centralization of limit authorization.
- Now disbursement of all branches has come under one umbrella without giving any room to any branch/sub-branch to authorize limit by them.
- Our Bank's total loan portfolio has come under its centralized supervision and monitoring.
- Documentation error has significantly been decreased to a minimum level.
- It gives early alerts signals regarding Non-performing loans for information of senior management and suggests necessary measures to keep the disbursed loans performing.
- CAD is discharging its all the defined responsibilities through an efficient team.
- All funded & non-funded facilities are processed through CAD.

- Numbers of accounts having unsatisfactory repayment is significantly lower than that of previous years.
- Number of accounts having excess over limit (EOL)/Overdue have been reduced to a great extent.
- CAD now allows disbursement only after proper documentation by the branches and necessary checking there against.
- CAD works hand to hand with other departments to achieve all credit objectives within a defined timeframe.
- Guides the branches for availing documents as per sanction terms and prevailing norms & laws of the country.
- Works for ensuring that insurance coverage is adequate, covers the risks and properly assigned to the bank.
- Performs jobs relating to Early Alerts signals on loan accounts and inform the same to the Senior Management.
- Works for taking timely corrective actions to address findings of any internal, external, regulatory inspection/ audit.

SBAC Bank Limited is an emerging commercial bank in Bangladesh. Since the inception of centralizing limit authorization, Credit Administration Division is contributing a lot to the bank. Within a short period, SBAC Bank Limited has managed to establish itself as a strong performer in the financial industry. It is rapidly expanding and enjoying a high growth rate. Its loan portfolio is increasing every year. For this reason, efficient management of credit risk is crucial for continuous success of SBAC Bank Limited. For maintaining this steady growth rate and securing our loans portfolio and achieving toward excellence, CAD has been performing under mentioned role & responsibilities:

#### Major role & responsibilities of CAD:

- It works for Limit Authorization in the Core Banking system and issues Disbursement Authority (DA) after ensuring full documentation and compliance of conditions precedent.
- Prepares documentation checklist as per Sanction Advice for ensuring disbursement as per sanction terms & conditions.
- Works for ensuring all loans' security documentation are perfectly done and enforceable as per credit sanction terms & prevailing Laws of the country.
- Works for monitoring Excess Over Limit (EOL), past due loans, overdue installments, etc. and inform the same to the Senior Management.
- Works for pursuing all avenues to maximize recovery of irregular loan accounts of branches.
- Performs jobs relating to redemption of mortgaged property (ies) after adjustment of all liabilities of the client.
- Works for preparation / modification of CAD related policy and memorandum as per instruction of Board of Directors/Senior Management from time to time.
- Acts as coordinator for enlisting of surveyors of the Bank. It uses its enlisted panel lawyers for legal vetting of land documents. These panel lawyers are also asked for drafting, providing legal opinion on various security documents/legal issues.
- Works for keeping historical data on all disbursed loans for any future need of review/decision.
- Works for taking care of Account Transfer Procedures.
- Informs the branches to fulfill the observations within stipulated time to keep the file regular and updated.
- Informs the senior Management, if any irregularities found in any account or in any document/paper etc.

However, no division is beyond limitation as such we are not exception to this. With the increasing loan portfolio day by day, unprecedented complexities due to the advent of new technologies, ever increasing business competition in the industry, greater public demand, expeditious and real-time services, variant requirements of regulatory bodies, it is not easy to cope with these phenomena. So, there is still room for improvement in some areas and which can be attained by -

- Centralizing CAD.
- Using updated information technology for preserving & managing documentations and securities.
- Adapting Policy for management development for developing greater capacities in all aspects.





- Creating the second line of successors by periodic job rotation within the division.
- Providing required logistics support to carry out its day-to-day operations.
- Deploying required manpower for the smooth & speedy disbursement.
- Improving the record keeping system.

Being a vigilant guard, it safeguards bank's interest; minimizes the credit risk and ensures judicious management of bank loan portfolio. All the endeavors of CAD ultimately help the bank to remain in sound track as healthy & robust organization in the financial industry.

We have firm faith that Credit Administration Division will be adept to address all the upcoming challenges in the days to come.

#### ATM, CARDS, Digital Wallet & SBAC Fast Account (e-KYC):

Stepping in to Digital Financial Services:

Digital Bangladesh was one of the nation's dreams, and so special emphasis had given on the application of digital technologies to realize Vision 2021. The government of Bangladesh implemented a large number of projects relating to digital technologies and a number of these are already underway. The government wants to create remarkable innovations that can ease and improve the lives of citizens. As the flagship program of the Digital Bangladesh agenda, we hope to inspire developing and developed nations on public service innovation and transformation by sharing our groundbreaking insights supported by examples, lessons, and knowledge. Several projects of Government for digitalization have been completed and a big number of projects are under progress.

In December 2021 there were over 18.10 crore mobile subscribers and 12.30 crore Internet subscribers in Bangladesh are enjoying the fruits of digitization in numerous areas of activities. The ultimate objective is to make more and more services available at the doorsteps of the people with increased digitalization where possible. A few examples of available digital services are registration for admission to academic institutions, publication of results of examinations, registration for jobs abroad, registration of pilgrimage, collection of official forms, online submission of tax returns, online tendering, SMS services for lodging complaints to police stations, opening instant bank

account by using mobile app & e-KYC, online bill payments for utility services, surfing social media & streaming service etc.

So in line with the government initiatives, under the guidance and support by Bangladesh Bank & Ministry of Finance & ICT, Commercial Banks are focusing on Digital Financial Inclusion. "Digital financial inclusion" can be defined as digital access to and use of formal financial services by excluded and underserved populations. Digital financial services (DFS) has opened the delivery of basic financial services to the unbanked & under-banked population through innovative technologies like mobile-phone-enabled solutions, electronic money models and digital payment platforms.

SBAC Bank started Basic Digital Financial Services (DFS) from the inception of its Card Division. To achieve the vision and commitment & for providing the customer an uninterrupted round the clock digital transaction facilities, SBAC Bank launched ATM/CDM services along with Debit card operations on 9<sup>th</sup> March 2014. So far we have deployed 53 ATMs, 2 CDMs in different branch locations of the country and more ATMs & CRMs are underway to be set up with new and existing branches & sub-branches soon. Though initially we have introduced Proprietorship Debit card but for wider acceptability and ensure more security, we have introduced VISA Debit & Credit Cards with EMV technologies for our customers. Till the date we have issued 58,000 Debit Cards & approximately 5,000 credit cards.

#### Introducing Digital Wallet "Banglapay"

82% of total population are using popular digital platform "Mobile Phone" in Bangladesh. So based on this technology we have introduced SBAC Digital Wallet "Banglapay" on 16<sup>th</sup> December 2018 by offering digital financial services through mobile phones, QR based point-of-sale, and networks of small-scale agents. Recently we have interfaced with Bangla QR through SSL Wireless to acquire retail merchants all over the country. Our Banglapay wallet users can purchase goods & services from more than 35,000 shops & service outlets by tapping finger through their mobile phone. Banglapay has the potential to reach more people, at a lower cost, and with greater convenience than traditional banking services.

With the rapid global expansion of mobile technology, mobile banking and other digital financial services are helping vast numbers of excluded people to access formal financial services. Mobile network operators, governments, and financial institutions, ranging from large commercial banks to microfinance institutions, recognize and have begun to leverage the potential of DFS. As DFS models are being tested with varying degrees of success around the world, so we believe our existing and potential customer will enjoy the maximum banking facilities through their mobile phone across the country.

**Basic Features of Banglapay:**

1. Can Operate Bank Account
2. Fund Transfer
3. Utility or Bill Payment
4. Online purchase
5. Shopping/Purchase
6. Hotel Booking (Local)
7. Ticket Purchase
8. Card Bill Payment
9. Account to Account transfer
10. Transfer to Wallet
11. Cash out from Branch
12. Cash out from Agent
13. School & Hospital Bill payment.
14. Cheque/Pay Order Request
15. Positive Pay
16. Card Block
17. Account/Card Balance Inquiry
18. Mobile Top up and many more.

**SBAC Fast Account by e-KYC:**

According to the BFIU Circular no 25, dated January 08, 2020 and under the Guidelines on Electronic Know Your Customer (e-KYC) & to Establish good governance within the financial industry, Enhancing the growth of financial inclusion, Protect financial sector from abuse of criminal activities, Ensure integrity and stability of the financial sector, Manage ML/TF risks & Reduction of cost related to customer on boarding SBAC Bank introduces “instant Bank account” opening Application & web based solution called SBAC Fast Account.

This is a digital customer on-boarding process of the bank by which customer can open their account from their home even on-the-go by verifying customer's identity with the help of Election Commission's national data base. E-KYC is a combination of paperless customer onboarding, promptly identifying and verifying customer identity, maintaining KYC profile in a digital form and determining customer risk grading through digital means. It is a faster process of doing KYC of customer verifying his/her identity document or bio-metric data.

There are some milestone of Card Division which we have achieved over the period:

**VISA Membership:** For issuing credit cards, it is a pre-requisite to have affiliation with International payment processing organization like VISA,

MasterCard or Amex. This type of affiliation is not only helpful for payment processing but also improves the image, marketability and rating of the bank towards local and international financial institutions. As VISA is a well-accepted international payment brand and has a larger market share in local & international card market, so initially we have pursued with VISA worldwide for their affiliation and membership. On 1<sup>st</sup> March 2016 we have got Associate Membership from VISA Worldwide Pte. Ltd. After completing all sorts of formalities and system level parameter settings in Card Management system, we have started issuing VISA Debit & Credit Cards from 9<sup>th</sup> June 2016.

**Implementation of EMV Chip Card:** EMV is a global standard for credit and debit cards based on chip card technology. The standard covers the processing of credit and debit card payments using a card that contains a microprocessor chip. These transactions are often referred to as "*Chip* and *PIN*" because *PIN* entry is required to verify the customer is the genuine cardholder. Rather than physically signing a receipt for identification purposes, the user just enters a personal identification number (PIN). This number must correspond to the information stored on the chip. Chip and PIN technology makes it much harder for fraudsters to replicate the card, so if someone steals a card, they can't make fraudulent purchases unless they know the four-digit PIN.

So to protect the cardholder's transactions from the fraudster and secure the card data, we have implemented the latest processor based card technology for our valued cardholders.

**Joining to National Payment switch (NPSB):** To comply & accommodate with the great initiative of Bangladesh Bank, we have joined National Payment Switch Bangladesh (NPSB) In October 2014. As a result our Cardholder can withdraw cash from any Bank ATM countrywide, at the same way other Bank Cardholder can withdraw money from SBAC Bank ATMs. Now SBAC Bank Cardholder can get access to more than 11,000 ATMs countrywide for using their Debit cards.

**Introducing VISA Debit & Credit Cards:** After having VISA membership licensing we have introduced latest technology based EMV Debit & Credit Cards for our







valued customers. We have implemented a full range of Credit products like 1) SBAC VISA Classic Credit Card 2) VISA Gold multi currency Credit Card & 3) VISA Platinum Multi Currency Credit Cards.

We have also customized products for frequent travelers and Businessmen, like International Credit Card against RFCD account and ERQ account. However with complete range of Credit card products SBAC bank cardholders can enjoy seamless shopping, dining, health service and other services from different service outlets all over the country.

We have also introduced multifactor authentication & OTP (one time password) for online purchase, hotel booking, railway ticket purchase and e-commerce transactions to protect fraudulent transactions and un-authorized use of cards. Our Card also support dynamic currency transaction by which our international cardholder can by online game or software.

**Contact-less Card:** For faster processing of Card transaction and ensure more security, recently VISA worldwide pte. Ltd announced to introduce contactless Card to all its member banks. Meanwhile we have completed necessary certification and testing and we are going to issue Contactless Card to our valued Cardholder soon.

**Card Loyalty Program:** Under corporate discount tie up program our valued cardholder can enjoy privileged services and attractive discounts while using their Debit & Credit cards in more than 100 merchant outlets including Hospitals, Hotels, restaurants and shopping malls.

**0% EMI Facility:** Customer can enjoy interest free EMI (Equal Monthly Installment) facility for purchasing goods or services from selective merchant outlets. Cardholder can also enjoy EMI facility of his/her card's un-used balance with an attractive & competitive interest rate.

**Other facilities:** We have fund transfer facility with reduced flat interest rate, customer can avail this facility by using their Card Cheque, SBAC Bank account transfer, other bank account transfer through BEFTN.

**24 Hours Customer service:** To provide 24 hours seamless card services, we have introduced 24 hours customer service with intelligent monitoring tools. Our customer service are providing 24 hours support to the cardholder by answering their query and executing the requests. We are going to introduce call center solution and interactive chatting apps for our customers soon applying artificial intelligence and historical data.

**E statement & SMS alert:** SBAC Bank provides E-statement and SMS alert for every transactions, statement notification, payment alert and greetings SMS to all Credit Cardholders. By SMS transaction notification a cardholder can secure his/her card from un-authorized or fraudulent use.

**Secure OTP for E-commerce Transaction:** To prevent fraudulent activities & secure every online & e-commerce transaction, we have OTP (one time password) or known as dynamic token technology for our Card Holders. Every time OTP is generated and sent to Card holder's authorized Mobile number or e-mail addresses while initiating any E-commerce transaction.

For ensuring more security and providing customized features to our card holders, SBAC Bank is working for implementation of own processing Card Centre with world class card management system with robust switch, ATM & POS controller. Transforming the conventional banking in digital banking & diversifying the present banking products, expansion of ATM & CRM network, installation of ATMs/CRMs to all branches and prime public places are under process.

#### Human Resources:

A talented and skilled workforce is the lifeblood of every organization. In support of that, SBAC Bank therefore aims to create a work environment that enables employees to realize their full capabilities and build for themselves a fulfilling career. Through the Human Resources Division, SBAC Bank Limited is committed to providing human resource leadership and expertise that promotes excellence in Bank's Service built on the values of competence, impartiality, integrity, respect, and service.

Human Resources Division sets its goal to help SBAC Bank Limited achieve its strategic mission, while ensuring employees are engaged and motivated to help the Bank succeed. HR has targeted its operational initiatives to align to the SBAC Strategic

Plan by converting human resources into human capital through appropriate knowledge, skills, abilities and personal attribution.

The HR Division has a focus to establish SBAC Bank Limited as the best employer of choice in the banking sector by creating an attractive, inclusive and safe environment that recognizes the talents and encourages employees to take ownership for their professional and personal growth. HR Division has been coming up with relentless recommendations and contributions in each stage of employee life cycle starting from hiring to retirement. The Division has undertaken an initiative to align its core HR functions including but not limiting to attracting, developing, retaining talents with the strategy of the bank.

The following factors differentiate SBAC Bank Ltd. as an excellent work place from generally good work places around the country.



**Compensation & Benefit policy**

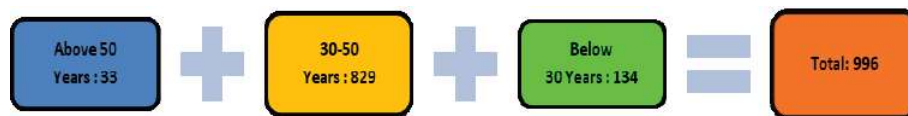
The Bank offers following financial and non-financial benefits for the employees of the bank to ensure a better lifestyle and better career growth.

**Diversity in workforce**

Human Resource Division is committed to attracting and retaining a talented and diverse workforce. Therefore, the bank is trying to bring diversity in workforce in context of age, gender, ethnicity and locality. There is an increasing trend in workforce along with the business and span of service. With 84 branches and 23 sub-branches (As on April, 2022), the bank is a proud employer of a diversified pull of people.

**Total Workforce by Age Group (As on April, 2022)**

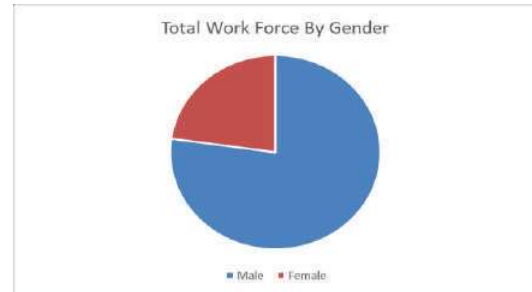
Age ranges	Age: Above 50 Years	Age: 30-50 Years	Age: Below 30 Years	Total
<b>Number of employees</b>	33	829	134	996





### Total Workforce by Gender (As on April, 2022),:

<b>Number of Female Employees</b>	<b>227</b>
<b>Number of Male Employees</b>	<b>769</b>
<b>Total</b>	<b>996</b>



### Excellent Working environment

A healthy environment has been created where employees enjoy working with pride. Believing that human resources are main elements behind success and future sustainability of the bank, the bank is developing and motivating the workforce with contemporary HR policies and attractive benefits. The bank is not only offering a job but also creating opportunities for learning, challenging and rewarding career.

Quality of working relations:

People treat each other as friends, colleagues and co-workers; support and help each other to get the job done.

Having a say:

Employees can participate in decision making process which will build up their confidence and also help the Bank to get innovative ideas for developing new products and improvement of existing operations in an effective and efficient manner.

### Training, Learning and Development

To transform the human resources into human asset, South Bangla Agriculture & Commerce Bank Limited established its Training Institute at the beginning of 2014. Since inception, the Training Institute of the Bank took initiatives for arranging different training programs and workshops to turn the employees into useful and effective workforce. In 2021, the Institute arranged training programs/workshops including foundation training for the fresh employees where **980** employees of different grades of the Bank participated. Details of the training programs/workshops, no. of participants are as follows:

## Details of Training Courses/Workshops (In-house) held in 2021:

SL. No.	Date	Name of the Training	Duration	Number of Participants	Organizer
1.	January 09, 2021 - January 26, 2021	Foundation Training Program	15	33	SBAC Bank Training Institute
2.	January 16, 2021 - January 16, 2021	AML & CFT	01	33	SBAC Bank Training Institute
3.	January 25, 2021 - January 25, 2021	Cyber Security & Awareness	01	33	SBAC Bank Training Institute
4.	January 25, 2021 – January 25, 2021	Gender Equality	01	33	SBAC Bank Training Institute
5.	January 24, 2021 - January 24, 2021	Training Workshop on “IFRS 16 Implementation”.	01	60	SBAC Bank Training Institute
6.	January 25, 2021 - January 25, 2021	Training Workshop on “IFRS 16 Implementation”.	01	68	SBAC Bank Training Institute
7.	January 27, 2021 - January 27, 2021	Training workshop on "Guidelines of operating Utility Software"	01	30	SBAC Bank Training Institute
8.	April 10, 2021 - April 7, 8 & 10, 2021	Training Workshop on “Core Banking Software (CBS)”.	03	39	SBAC Bank Training Institute
9.	April 15-29, 2021– April 15-29, 2021	Professional Development	01	40	SBAC Bank Training Institute
10.	April 25, 2021 - April 25, 2021	AML & CFT	01	40	SBAC Bank Training Institute
11.	May 01, 2021 - May 01, 2021	Gender Equality	01	40	SBAC Bank Training Institute
12.	April 28, 2021 - April 28, 2021	Cyber Security and Awareness	01	40	SBAC Bank Training Institute
13.	June 24, 2021 - June 24, 2021	Workshop on “Ensuring Post Listing Continuous Compliance”	01	15	SBAC Bank Training Institute
14.	June 26, 2021 - June 26, 2021	Training Workshop on Automated Challan System (ACS)	01	46	SBAC Bank Training Institute
15.	June 06, 2021 - June 10, 2021	Training program on “Credit Management”.	04	85	SBAC Bank Training Institute
16.	July 10, 2021 - July 10, 2021	ICT	01	96	SBAC Bank Training Institute
17.	July 27, 2021 - July 29, 2021	Training Program on “Title Documentation”.	03	99	SBAC Bank Training Institute
18.	June 29, 2021 - June 29, 2021	Training Workshop on “e-GP Finance”	01	12	SBAC Bank Training Institute
19.	July 11, 2021 - July 11, 2021	Training Workshop on “e-GP Finance”	01	60	SBAC Bank Training Institute
20.	September 04, 2021 - September 04, 2021	ICT	01	78	SBAC Bank Training Institute
<b>Total</b>			<b>51 days</b>	<b>980</b>	





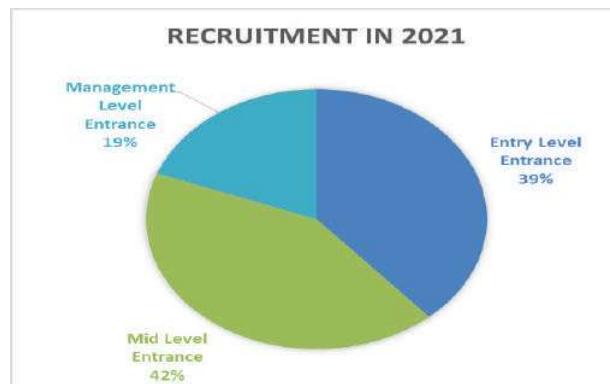
In addition to Training Institute trainings, Human Resources Division nominated employees to training courses, workshops and seminars on different topics in different organizations in 2021. Because of the COVID-19 pandemic, the number of training programs other than the SBAC Bank Training Institute was lower than the other years. A total of 44 employees of SBAC Bank participated in training in different resourceful places like BIBM, ICC Bangladesh, BAB, BBTA, Bangladesh Bank etc.

### Recruitment and Selection

The recruitment and selection unit of HR Division has carried out a massive talent acquisition during 2021. Along with developing an internal pool of competent workforce, HR Division also ensures that there is steady flow of skilled and experienced employees from the job market who can deal with the new challenges of time. HR also contributes in the management and leadership development in every area of the bank.

### Recruitment in 2021

Particular	2021
Entry Level Entrance	38.52
Mid Level Entrance	42.22
Management Level Entrance	19.26
Total	100%



Instead of simply filling up the employee gap in certain positions of the bank, the recruitment and selection team emphasized on the “Best Fit” philosophy that can assure placing right people in right place at the right time. For the expansion of Branch Network, the HR Division has facilitated the recruitment for a total of 135 employees including both fresh and lateral candidates in 2021.

### Internal Control & Compliance

Banking is a diversified and multifarious financial activity which involves different risks. So, the issues of an effective internal control system, good governance, transparency of all financial activities, and accountability towards its stakeholders and regulators have become momentous to ensure smooth performance of the banking industry. An effective internal control and compliance system has become essential in order to underpin effective risk management practices and to ensure smooth performance of the banking industry. In general, internal control is identified with internal audit; but the scope of internal control is not limited to audit work. Internal control by its own merit identifies the risks associated with the process and adopts measures to mitigate or eliminate these risks. Internal Audit, on the other hand, reinforces the control system through regular review of the effectiveness of the controls.

### Internal Control

Internal control is a process, effected by a bank’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

Internal control is a process, rather than a structure. It is not a separate activity disconnected from the rest of business activities, rather is an integral part of those activities. It is a dynamic, continuing series of activities planned, implemented and monitored by the board of directors and management at all levels within an organization. Only part, not all, of internal control consists of policies and procedures. Policies are board or



management statements about what should be done, and may even be unwritten and implied by management's actions. Procedures are the actions that implement a policy, or how it should be done. Internal control provides only reasonable assurance, not absolute assurance, with regard to achievement of the organization's objectives. External events can interfere with achievement of objectives, no matter how good is the system of internal control.

### **Objectives of Internal Control**

The primary objectives of internal control system in a bank are to help the bank perform better through the use of its resources, to communicate better internally and with external stakeholders, and to comply with applicable laws and regulations. The main objectives of internal control are as follows:

- **Operations Objectives:** achievement of a bank's basic mission and vision.
- **Reporting Objectives:** timely, accurate, and comprehensive reporting, financial and non-financial, internal and external.
- **Compliance Objectives:** conducting activities and taking specific actions in accordance with applicable laws and regulations.

### **Objectives of Compliance**

The compliance objectives of internal control refer to ensure that the bank stays in compliance with all applicable laws and regulations, not only those specifically pertaining to banks, but also those laws and regulations (such as labor laws and environmental protection laws) applying to corporations in general. Laws and regulations establish minimum standards of conduct expected by Bangladesh Bank as the regulatory authority.

### **Senior Management Team (SMT)**

Responsibilities of the SMT is to monitor the adequacy and effectiveness of the Internal Control System based on the bank's established policy and procedure.

The SMT review on a yearly basis the overall effectiveness of the control system of the organization and provide a certification on a yearly basis to the Board of Directors on the effectiveness of Internal Control policy, practice and procedure.

The management enriches audit teams with adequate skilled manpower and proper IT support as per requisition of the Audit Committee of the Board (ACB) for purposeful and effective audit.

The management ensures compliance of all laws and regulations that are circulated by various regulatory authorities such as, Bangladesh Bank, Ministry of Finance, Bangladesh Securities and Exchange Commission, etc.

During the audit period, if the present audit team finds any lapse or irregularity which was not detected or identified by the previous auditor then that is also be reported to the Audit Committee.

The Bank has established adequate internal control system that provides reasonable assurance towards achieving the Bank's basic mission and vision, safeguards its assets, timely, accurate, and comprehensive financial and non-financial reporting framework and compliance of all applicable laws and regulations, policies & procedures of the Bank, Bangladesh Bank and other regulatory authorities. The Bank's internal control system -

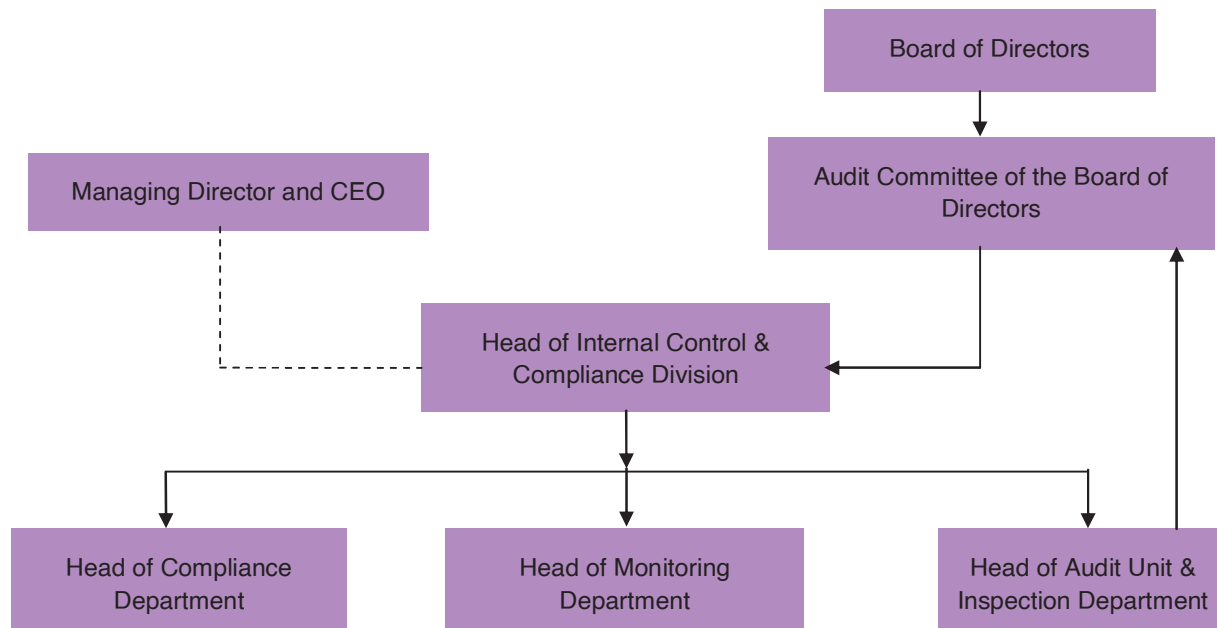
- Ensures efficiency and effectiveness of all activities to improve overall performance;
- Identifies and mitigate various risks;
- Ensures all transaction are properly recorded and reported;
- Ensures proper information system and effective communication channel;
- Ensures compliance with applicable laws and regulations of the country;
- Provides guidelines for preparation of timely, reliable and relevant reports needed for decision-making;
- Provides guidelines for effective monitoring and correcting deficiencies.





SBAC Bank has formulated an Internal Control & Compliance Manual in line with the guidelines framed by Bangladesh Bank which has been updated from time to time. The Bank has also strengthened its Internal Control & Compliance Division (ICCD). The Head of ICCD and Head of Audit has full access to all accounts and documents and directly report to the Audit Committee of the Board of Directors. The head of ICCD has direct access to the Audit Committee of the Board without any management intervention. The internal audit department checks the compliance of the policies, procedures and effectiveness of the internal control system on regular basis and highlights significant findings in any non-compliance to the Audit Committee. The Audit Committee reviews the audit findings identified by the internal audit department.

### Flow Chart of ICC Division



### Anti-Money Laundering & Combating Financing of Terrorism

The Board of Directors of South Bangla Agriculture and Commerce Bank Ltd (SBAC) views Money Laundering Prevention as an integral part of its Risk Management Strategy. As a responsible Corporate Citizen, SBAC Board of Directors treats non-compliance of AML & CFT measures with “Zero Tolerance”. SBAC has been equipping itself through creating capabilities by deploying robust and extensive AML Programs and Policy Guidelines, imparting comprehensive Training of Human Resources to build Human Capital and gradually moving into embracing world class technology tools to protect the Bank and make the business more sustainable.

SBAC strictly deals with its Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) activities and has taken measures to identify and assess related challenges, share good practices and policy responses to new threats and trends arising from the crisis. SBAC ensured the continuity of the evaluation process which requires flexibility, creativity, and additional efforts on the part of the experts and evaluators.

Due to Covid-19 Anti Money Laundering Division adjusted its work method for smooth continuation of the combat against Money Laundering and Terrorist Financing. AML Division has conducted Training Programs virtually for both the year 2020 and 2021. Again, SBAC has conducted few Physical Training during the Pandemic.

Anti-Money Laundering & Combating Financing of Terrorism compliance activities of the Bank is run by a separate AML & CFT Division at Head Office. In line with Bangladesh Financial Intelligence Unit (BFIU) directives, the Bank has formed Central Compliance Committee (CCC) comprising Head from core business units to set out AML & CFT strategies and follow up the progress of implementation. The AMD is assigned as the Chief Anti Money Laundering Compliance Office (CAMLCO) to supervise overall AML & CFT compliance



initiatives. The SVP & Deputy CAMLCO and the Head of AML & CFT Division looks after the day-to-day functions of AML & CFT Division and assists the CAMLCO in devising AML goals, policies and programs.

#### Highlights of activities of 2021

- The members of the Central Compliance Committee (CCC) met 4 times during the year and the committee with eleven members discussed issues related to Anti-Money Laundering & Combating Financing of Terrorism and provided guidance to relevant Divisions/Departments.
- AML Division and Agent Banking Division participated in a Workshop organized by Bangladesh Financial Intelligence Unit at Cox Bazar District.
- Like every year, the Managing Director & CEO issued his statement of commitment regarding strategy, action plan, compliance and consequence of non-compliance.
- SBAC introduced the partial implementation of the Trade Based Money Laundering Policy Guidelines in accordance with the Guidelines issued by BFIU. We are working for the full implantation of the Guidelines.
- AMLD conducted inspection on AML & CFT compliance status of Branches and conducted one hour awareness session at Branch premises to build up awareness on AML & CFT issues among the employees of Branches.
- Sanction Screening” is fully in use by the Branches and Divisions which is helping us to ensure control facilitating offsite monitoring.
- Paperless e-KYC has already been implemented for Digital onboarding of our customers.
- AMLD arranged Training Programs for Divisions at Head Office like as Card Division, Agent Banking Division and Credit Administration Division.
- Arranged for Training Program for 137 Officials via zoom to create awareness on AML & CFT among the officials of Branch particularly in the challenging times following the outbreak of COVID-19 pandemic across the Country.

#### Outlook 2022

- Key goals of AMLD for the year 2022 are to strengthen our Compliance Culture in all Units of SBAC, take necessary action to prevent and Combat Money Laundering and Terrorist Financing.
- AMLD will arrange in every quarter a two days Training Programs on AML & CFT including Trade Based Money Laundering and others tropics of AML related to aware all officials of the Bank about their duties & responsibilities for the purpose of mitigating ML & TF risk within the Bank;
- Monitoring of Branches shall be robust in 2022 which shall include conducting Special Inspections on the Branches as a part of its own monitoring program of Branches’ AML & CFT compliance, apart from ICCD;
- AMLD will ensure that the rating status of each Branches shall be not less than Satisfactory.
- AML Division will take initiatives among the officials of the Bank to conduct Customer Due Diligence (CDD), Enhanced Due Diligence (EDD) and identify Beneficial Ownership of account;
- Ensure regular communication with Branches to ensure practical implementation of Bank’s ML & TF Risk Management Policy Guidelines approved by the Board of Directors.
- Update the ML & TF Risk Management Policy Guidelines in line with the compliance BFIU Circulars/Circular Letters, Guidelines & Money Laundering prevention Rules.
- Update the Customers Acceptance Policy (CAP)/ Guidelines in line with the compliance BFIU Circulars/Circular Letters, Guidelines & Money Laundering prevention Rules.
- Develop Online Questions and Answer Module for Branches to assess their knowledge on ML and TF.
- Conduct workshop/training on ML & TF Risk Management, Trade Based Money Laundering (TBML), Account Opening, KYC, SAR, STR & Operating Procedure for desk level employees including freshers, existing employees, Agent and Agent employees and contractual employees
- Arrange a BAMLCO conference on a half yearly basis for all BAMLCOs of the Bank to keep them updated in relating to AML & CFT issues.
- Take reasonable measures through analyzing Self-Assessment report and Independent Testing Report summary to assess ML & TF risk.







## Annual General Meeting (AGM)

Annual General Meeting will be held on 23/06/2022 through virtual platform as per Directive No. BSEC/CMRRCD/2009-193/08 dated: 10 March, 2021 of Bangladesh Securities and Exchange Commission. The Financial Statements were reviewed in the 141<sup>st</sup> meeting of Board of Directors of the Bank held on April 27, 2022 and recommended the same for final approval in the 9<sup>th</sup> AGM. The Board of Directors in the same meeting has recommended 4.00% Dividend (3.00% Cash and 1.00% Stock). However the record date for cash dividend and to attend and vote in the AGM is 29-05-2022 and the record date for stock dividend will be notified later.

Appointment of Independent Service Provider: As per clause 7 of the Directive No. BSEC/CMRRCD/2009-193/08 dated: 10 March, 2021 of Bangladesh Securities and Exchange Commission, the Board of Directors in its 141<sup>st</sup> Meeting held on April 27, 2022 has appointed Satcom IT Limited as Independent Service Provider to establish a Hybrid/digital platform to ensure smooth observation of the 9<sup>th</sup> Annual General Meeting and online or e-voting platform or system.

Appointment of Scrutinizer: As per clause 7 of the above Directive SA Rashid & Associates has been appointed as Independent Scrutinizer by the Board in its 141<sup>st</sup> Meeting held on 27/04/2022. The aforesaid firm has the experience and qualification of the Chartered Secretary to scrutinize the process of the 9<sup>th</sup> AGM of the Company.

Appointment/Re-appointment of Auditors: Hoda Vasi Chowdhury & Co., Chartered Accountants was appointed as external auditors of the bank was appointed as external auditors of the bank for the year 2019 in the 6<sup>th</sup> AGM and they were re-appointed as external auditors at the 7<sup>th</sup> AGM & 8<sup>th</sup> AGM consecutively for two more years, that is they have completed 03 (three) consecutive years as external auditors. Therefore, as per provision of laws, they are not eligible for re-appointment. The issue was placed before the 46<sup>th</sup> Meeting of the Audit Committee of the Board and subsequently in the 141<sup>st</sup> Board Meeting. The Board recommended the following panel of Auditors for the approval of the shareholders in the 9<sup>th</sup> Annual General Meeting:

- i) MABS & J Partners
- ii) G. Kibria & Co.
- iii) Ahmed Zaker & Co.

## Election of Directors

In compliance with the section 91(2) of the Companies Act 1994, regulation 79-82 of First Schedule of the Companies Act 1994 and Article 101(2) of Articles of Association of the Bank the following persons (one third of the Directors excluding Independent Directors) shall retire from the office of the Directors effective from the close of business of the 9<sup>th</sup> Annual General Meeting of the Bank to be held on 23/06/2022 but they will be eligible for re-election:

1. Mr. Mohammad Nazmul Huq
2. Mr. Mushfiqur Rahman
3. Mr. Mohammad Helal Uddin
4. Mr. Sk. Shyedujjaman
5. Mr. Mohammad Nawaz
6. Mr. Mohammed Ayub

A fair disclosure regarding their background has been disclosed in "Profile of Directors", page no. 27-35.

**Disclosures under Notification No. BSEC/CMRRCD/2006-158/207/ Admin/ 80, dated: 03 June 2018 of BSEC**

(i) **An industry outlook and possible future developments in the industry**

**Banking Sector Performance**

Banks in Bangladesh posted a hefty operating profit in the year of 2021 despite the business slowdown caused by the corona virus pandemic. The lower interest rate on deposits and the moderate lending rate helped banks register the higher operating profit in the January-June period. Banks also managed a good profit from their investment in the capital market as the bourses performed well during the period. The foreign exchange business also made a turnaround, and banks received good commissions and fees from the sharp rise in exports and imports.

**Deposit and Advance**

The growth of bank's advances exhibited an upward trend since Q4FY21 reaching at 10.7 percent (y-o-y) in Q1FY22 from that of 8.5 percent in Q4FY21, reflecting the gradual increase of demand for credit owing to the reopening of the economic activities. While the growth of bank's deposit further decelerated to 12.3 percent in Q1FY22 from that of 13.8 percent in Q4FY21, partly due to a sudden fall in remittance inflows accompanied by a sharp rise in family expenditure following a recovery after the pandemic. Consequently, the overall advance-deposit ratio (ADR) rose to 72.1 percent at the end of Q1FY22 from 71.6 percent at the end of Q4FY20 and remained broadly stable.

Deposit and Advance Position of Scheduled Banks (In percent)

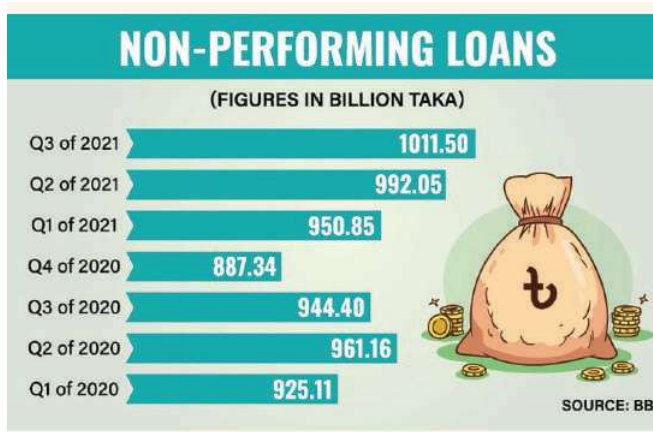
Bank groups	Year-on- year growth of deposit, % (excluding interbank)*		Year-on- year growth of advances, % (excluding interbank)		Advance Deposit Ratio (ADR)	
	Sep. 21	Jun. 21	Sep. 21	Jun. 21	Sep. 21	Jun. 21
SCBs	21.6	20.9	14.7	10.5	54.8	53.7
PCBs	9.1	11.7	9.9	8.4	80.2	79.9
FCBs	4.3	4.8	7.4	-4.2	54.0	51.6
SBs	22.0	16.9	10.2	13.3	70.5	73.9
All	12.3	13.8	10.7	8.5	72.1	71.6

\*Adjusted deposits growth for ADR

Sources: Bangladesh Bank Quarterly Report, Sep-2021

**Asset Quality of Banks:**

The volume of non-performing loans (NPLs) grew by nearly 14.00 per cent or Tk. 124.16 billion to Tk. 1011.50 billion as on September 30, from Tk. 887.34 billion as on December 31, 2020, according to the central bank's latest statistics. The amount of classified loans was Tk. 944.40 billion a year before. (Source: The Financial Express, November 24, 2021).





## Liquidity condition in the banking sector

The surplus liquidity in the banking sector moderated to BDT 2.196 trillion at the end of Q1FY22 from that of BDT 2.315 trillion at the end of Q4FY21 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 26.9 percent at the end of Q4FY21 to 15.8 percent at the end of Q1FY22. The excess liquidity- the excess of CRR and SLR as a percent of total demand and time liabilities (TDTL)- went down to 14.4 percent at the end of Q1FY22 from 15.7 percent at the end of Q4FY21 but went up from 12.6 percent at the end of Q1FY21.

Liquidity Position of the Scheduled Banks (In billion BDT)

Bank groups	CRR			SLR		
	Required Reserves	Balance with BB in local currency	Excess(+)/shortfall (-) in reserve	Required Liquidity	SLR eligible liquid assets of banks**	Excess(+)/shortfall (-) of SLR
SCBs	158.0	181.5	23.5	509.0	1496.2	987.2
SBs*	15.2	15.4	0.2	0.0	0.0	0.0
PCBs (other than Islamic)	255.8	287.3	31.5	839.8	1486.2	646.4
Private Banks (Islamic)	144.3	410.2	265.9	199.2	550.9	351.7
FCBs	29.3	56.0	26.7	108.2	319.0	210.8
All	602.5	950.4	347.9	1656.3	3852.2	2195.9

\* SLR does not apply to specialized banks as exempted by the Government.

\*\*includes cash in tills, balance with BB in foreign currency, balance with Sonali Bank as an agent of BB, unencumbered approved securities and excess reserve.

Sources: Bangladesh Bank Quarterly Report, Sep-2021

## Remittance

Remittance inflows declined by 20.9 percent to USD 10.2 billion in H1FY22 from USD 12.9 billion in H1FY21 partly reflecting diversion of people's tendency to informal remittance channels after re-opening from the lockdowns. As a result of the second wave of the COVID-19 pandemic, many Bangladeshi migrants lost their jobs; some left their business, while many of them returned home and were unemployed. Despite cash support to wage earners aimed at encouraging remittance inflows through formal channels in addition to an increase in manpower export during H1FY22, remittance inflows declined in the period under review. Whereas in FY21, robust remittance inflows was driven by some underlying reasons like-high consumption demand of household, highly depending on formal transfer channels which might induced a short-time rise in remittance inflows. Recently, government raise cash incentives to remitters from 2 percent to 2.5 percent in the view of encouraging transfer money from abroad through banking channel.

### (ii) The segment-wise or product-wise performance

Banking means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise. Thus the Banking products may be classified into two: Liability Products (Deposit Products) and Asset Products (lending products). In this context our bank has well-designed Liability and Asset Products. The segment-wise or product-wise performances are as under:

**Liability Products:** Deposit is the main source of finance. Our Bank has some lucrative deposit product offering attractive profit rate such as: Saving Account, Surokkha Sonchoyi Hisab, Short Term Notice Deposit, Term Notice Deposit, Student Savings Account Tk. 10, 50 & 100 Privileged Account, Senior Citizen Account as Checking Accounts. There are several types of Term Deposit Products such as Fixed Deposit Accounts (01 month,03 months, 6 months 12 month etc.), Monthly Benefit Scheme (Appropriate for those who want to get a specific monthly return for their deposited amount), Special Benefit Scheme: (Deposited amount will be double/triple at maturity). Monthly Savings Scheme: Lakhpoti Savings Scheme, Surokkha Millionaire Scheme.

It is mentionable that Customers can deposit in any branches of SBAC Bank Ltd. For the Account holder, there will be an Insurance Coverage up to Tk. 5,00,000.00 (five lac) in case of Accidental Death and Tk. 50,000.00 (fifty thousand) for normal death (in some cases). Annual Insurance Premium will be paid by the bank for each account holder.

#### Performance of Deposits:

The deposits of the Bank stood 73,103.76 million in 2021 as against Tk. 71,451.46 million in 2020. This growth was supported by branch network and high standard service provided to customers along with concerted and unwavering efforts of the employees of the Bank. Fixed deposits remained the main component of deposits contributing 52.65 percent of the total deposits. Cost of Fund decreased to 8.41 percent as against 9.45 percent of the previous year as a result of decrease in rates of high cost term deposits contributed by the good deposit mix. The clientele group of the Bank was individuals, corporation, NGO, NBFI, government bodies etc.

**Asset Product:** The Bank has the following asset products:

1. **Corporate Financing:** SBAC Bank Ltd. is providing a wide range of financial services, offering specialist advice and loan products to corporate clients to meet diverse demands of changing market scenario. We have expertise to customize products & services to meet specific requirements of our clients. We are committed to serve our customer with extensive branch network all over the country to expedite our client's business growth. We facilitate your business to face the challenges and realize the opportunities, now and in the future. Our main focus is at relationship based banking and understanding corporate & institutional business environments.

Our experienced Branch Managers & their team can respond to and anticipate customer needs and give competitive business advantages to them. Products and services for commercial and business customers include: Working Capital Finance, Project Finance, Term Finance, Trade Finance, Lease Finance, Syndication Loan etc. Our Corporate Financing Category comprises:

- *Working Capital Finance:* Business Enterprises engaged in manufacturing/ trading/ service business are eligible to avail Working Capital Loan to meet day to day expenses for processing of manufacturing and selling product & services. Working capital products include both fund and non-fund based products. Fund-based working capital products include secured over draft, cash credit, packing credit, short-term loans payable on demand. Non-fund based products include bank guarantee, performance guarantees and bid bonds are also supporting the business of our customers.
- *Project Finance:* SBAC Bank Ltd. Provides project loan to set up /BMRE of long-term infrastructure and industrial projects/ service unit on the basis of debt and equity rather than the balance sheets of project sponsors. Project financing have been recognized as an important and crucial mode of finance for a financial institution for substantial growth of its industrial credit vis-à-vis managing long term finance. Growth of project finance/Industrial credit of a developing country like Bangladesh is considered as a key parameter for transforming her dream into a mid-income country group. Hence, apart from trade and commercial finance; SBAC Bank Ltd. from the very beginning has been an active partner of the private sector in developing large and medium scale industry of the country. The Bank has been financing Term Loan (Industrial) facility for establishing new project and/or BMRE of various projects in the sectors viz. textile, garments, power, steel, telecom, pharmaceuticals, packaging, consumer products, health, CNG refueling, Real estate.
- *Term Finance:* SBAC Bank Ltd. is offering short-term & mid-term finance to the customers to meet emergency financial needs of our project/business.
- *Trade Finance:* In short, Trade Financing of the Bank can be categorized as below:





Import	Export
<ol style="list-style-type: none"> <li>1. Letter of Credit: Business Enterprises can avail Non-funded facility for import / procurement of raw materials, machinery, equipment, merchandise item.</li> <li>2. Loan against Imported Merchandize (LIM) and Loan against Trust Receipt (LTR): Business Enterprises engaged in import merchandise can avail working capital for retirement of import documents.</li> </ol>	<ol style="list-style-type: none"> <li>1. Pre-shipment finance: Back-to-Back L/C, EDF, ECC, SOD (Working Capital Finance), Packing Credit.</li> <li>2. Post-shipment finance: Foreign Documentary Bills Purchase, Inward Documentary Bill Purchase.</li> </ol>

- **Lease Finance:** Lease financing became a thrust sector for individual and small enterprise besides medium and large enterprises. SBAC Bank Ltd. has been providing lease finance facility to its customer for acquisition of manufacturing and service equipments for all major industrial sectors. The facility helps the customer to have better financial flexibility under budgetary constraints and to enjoy tax benefit. SBAC Bank Ltd. offers financing vehicles/ CNG conversion/ refueling plant/ sea or river transport, capital machinery/ plat/ equipment/ lift /generator/ boiler, construction equipment/ computer for IT education center, medical equipment etc.
  - **Syndication Loan:** SBAC Bank Ltd. along with other commercial banks has been financing large scale projects under syndication arrangement to raise and meet huge credit need of a company. This arrangement allows the Banks to share expertise among them and diversify its credit risks. To cater the need of leading corporate house SBAC Bank Ltd. has been raising fund from the banking sector on behalf of the customer through syndication arrangement.
- 2. Retail Credit:** Retail Credit is mass-credit services for individual customers to avail credit facilities directly from our wide branch network. With a view to provide faster and more convenient centralized online banking services, most of our branches have been brought under the real time online banking system.
- SBAC Bank Ltd. offers a wide variety of loan product & value added services to suit banking requirements of the individual clients. Products and services for individual customer include: Consumer Finance, Any Purpose Loan, Auto Loan, Professionals' Loan, Education Loan, Home Renovation Loan, Credit Card etc.
- Consumer Finance
  - Credit Card- Local Card, International Card, Dual Currency Card.
- 3. SME Financing:** The growth of Small and Medium enterprises (SMEs) in terms of size and number has multiple effects on the national economy, specifically on employment generation, GDP growth, and poverty alleviation in Bangladesh. At present, Small & Medium Enterprise sector is playing a vital role in creation of new generation entrepreneurs and 'Entrepreneurs Culture' in the country. Experience shows that borrowers of small enterprise sector prefers collateral free loan since normally they cannot offer high value security to cover the exposure.

To facilitate SME sector of the country, SBAC Bank Ltd. provides credit facilities to the small & medium entrepreneurs across the country whose access to traditional credit facilities are very limited. We are offering different products for selected target groups, such as- Transport Loan, Commercial/Residential House Building Loan, Work Order Loan, Bidder's Loan, Working Capital Loan, Project Loan, Trade Finance, Women Entrepreneur's Loan, Small Business Loan, Green Financing etc. SME Financing Portfolio of the Bank comprises the following categories mainly:

- Working Capital Loan [ CC(Hypo), CC(Pledge)]:
- Trade Finance (L/C, LTR, IDBP)
- Transport Loan
- Commercial/Residential House Building Loan
- Work Order Loan
- Bidder's Loan
- Project Loan
- Women Entrepreneur's Loan
- Small Business Loan
- Green Financing



**4. Agriculture Credit:** Bangladesh is an agro-based country and majority of our population dependent on Agriculture. In order to achieve desired growth in agriculture sector of the country, we are committed to increase our present loan portfolio in agricultural sector. SBAC Bank Ltd. is offering Agriculture Loan to the various Agricultural sectors like Fishery, Dairy, Beef Fattening, Poultry etc. for individuals & group at micro level. The Agriculture Credit of SBAC Bank can be categorized in below two main types:

- General Agricultural Credit
- 10.00 Taka Account Loan

**Performance: Loans and Advances:**

The SBAC Bank Limited since its inauguration has been trying to select good borrowers/projects by offering its better customer services to finance and came out successful in 2021. The loans and advances stood at Tk. 65,955.68 million in 2021 against Tk.57,408.83 million in 2020 registering growth 14.89 percent. Yield on advances of the Bank decreased to 8.31 percent from the level of 9.76 percent of previous year due to decrease of lending rates.

The detail features of the Advance and deposit are stated in the section 'Review of Performance of SBAC Bank Ltd. in 2021'.

**(iii) Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any:**

In simple word, Banking means taking risk but risk should be measurable and manageable. SBAC Bank Limited has always been in the forefront of implementing different risk management tools and techniques. The "Risk" of any banking institution may be defined as the possibility of incurring losses, financial or otherwise. Banking business is in fact a business of taking and administering risk. So it is vital to manage all these risks efficiently. In today's challenging financial and economic environment, effective risk management is must for sustainable growth in shareholders' value. In banking arena, key risks include that of credit, market, operational, AML/CFT, liquidity, reputation, environment and other risks like strategic risk, concentration risk, compliance risk etc. The risk management strategy of SBAC Bank Limited is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring.

We have taken sufficient measures to prevent money laundering and terrorist finance. Details of which is given in the "Anti-Money Laundering & Combating Financing of Terrorism" sub-section of this Annual Report in the page no. 95-96, and Details of risk management are given in "the report of the risk management committee (RMC) of the board" in the page no. 194-207.

**(iv) A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin (where applicable):**

As a service oriented banking company, discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin is not relevant. However, a discussion on Interest Income, Interest Expense, Operating Profit and Net Profit is stated below as per BRPD Circular No. 14:

For the year ended 2021, The Bank's Cost of Fund was 8.41 percent, Interest earning asset was Tk. 85,097.31 million. Interest Income was Tk. 5,610.47 million; Interest expense was Tk. 3,955.95 million (solo) & 3944.39 million (consolidated), Operating profit was Tk. 1,995.77 million (Solo) & Tk. 2004.03 million (Consolidated), and Net profit was Tk. 534.72 million (Solo) & 539.89 million (Consolidated)

**(v) A discussion on continuity of any extraordinary activities and their implications (gain or loss):**

There is no incident of any extra-ordinary activities, so there is no question of gain or loss from any extra-ordinary activities.





(vi) **A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions**

As per section 18(2) of Bank Company Act 1991 (amended up to 2018) and Corporate Governance Guidelines issue by Bangladesh Securities and Exchange Commission (Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018) have provided the necessary provisions for related party transactions. As per general instruction in the First Schedule of Bank Company Act 1991 (amended up to 2018) {general instruction Kha 11(ka)}. A statement of all related party transactions has been disclosed in the Financial Statements as **Annexure-A**.

(vii) **A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments**

Area of Utilization of IPO Fund	Amount in BDT	Implementation Schedule
Government Securities (20 Years Bond 40% 15 Years Bond 20% 10 Years Bond 20% 05 Years Bond 20%)	96,27,08,708.00	100% of the proceeds has been implemented.
Estimated IPO Expenses	3,72,91,292.00	
<b>IPO Proceed</b>	<b>100,00,00,000.00</b>	

(viii) **An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc. :**

There is no deteriorating financial result still now after the IPO of the Bank.

(ix) **An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements:**

Though there is a sort of serious volatility in the financial sectors and significant stalemate caused by covid-19 pandemic, but comparatively the Bank has faced a very insignificant amount of variances those occurred between Quarterly financial performances and annual financial statements.

(x) **A statement of remuneration paid to the directors including independent directors:**

Directors are not eligible to any remuneration other than fees for attending meetings of the Board and its Committee. As per BRPD Circular letter No. 11 dated October 04, 2015 and Article 95 of Articles of Association of the Bank directors are eligible to the remuneration of BDT 8,000 only for each meeting attended by them. The following conditions are applicable as under:

- Meeting should be held in the same town or city where the Bank is head quartered. However, the meetings may be held other places subject to intimation to Bangladesh Bank in advance;
- Remuneration is applicable for 2 (two) meetings of Board of Directors, 4 (four) meetings of Executive Committee (EC) and 1 (one) meeting for Risk Management Committee (RMC) and Audit Committee (AC) monthly.
- Travel Bill and two days Hotel bill is payable for the directors traveling within the country and three days Hotel bill for directors (foreigners) coming from out of the country subject to submission of bills of actual expenditures to the bank for preserve.



As per BRPD Circular Letter No. 09 dated 23 March 2020, the meetings of the Board of Directors and its committees were held online through virtual platform.

Statement of Remuneration to Directors including Independent Directors with Details of Meetings attended by the Board Members during the year 2021:

Name	Remuneration	No. of Meeting Attended
Mr. Abdul Kadir Molla	168000.00	21 (Board)
Al-Haj Mizanur Rahman	208000.00	20 (Board), 02 (EC), 03 (AC) & 01 (NRC)
Mr. Abu Zafar Mohammad Shofiuddin	192000.00	21 (Board) & 03 (AC)
Engr. Md. Moklesur Rahman	296000.00	21 (Board), 14 (EC) & 02 (NRC)
Mr. Hafizur Rahman Babu	144000.00	17 (Board) & 01 (EC)
Mrs. Tahmina Afroz	120000.00	14 (Board) & 01 (EC)
Mr. Anwar Hussain	256000.00	18 (Board) & 14 (EC)
Mr. Sk. Shyedujjaman	320000.00	21 (Board), 14 (EC), 02 (RMC) & 03 (NRC)
Mr. Mohammad Nawaz	312000.00	21 (Board), 14 (EC) & 04 (RMC)
Mr. Mohammed Ayub	200000.00	21 (Board), 02 (EC) & 02 (RMC)
Mst. Nasima Begum	168000.00	21 (Board)
Mr. Md. Sajidur Rahman	136000.00	10 (Board), 04 (AC) & 03 (NRC)
Mr. Mohammad Moqbul Hossain Bhuiyan	104000.00	10 (Board), 02 (RMC) & 01 (NRC)
Mr. Mohammad Helal Uddin	8000.00	01 (Board)
Mr. S.M. Amzad Hossain	120000.00	15 (Board)
Begum Sufia Amjad	112000.00	14 (Board)
Captain M. Moazzam Hossain	160000.00	16 (Board), 02 (NRC) & 02 (RMC)
Mr. Sakhawat Hussain	144000.00	15 (Board) & 03 (AC)
Mr. Talukder Abdul Khaleque	192000.00	12 (Board), 10 (EC) & 02 (NRC)
Dr. Syed Hafizur Rahman	168000.00	16 (Board), 03 (AC) & 02 (RMC)
<b>Total Remuneration</b>	<b>3528000.00</b>	

- (xi) **A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity:**  
 The financial statements prepared by the management have presented fairly its state of affairs, the result of its operations, cash flows and changes in equity. Balance Sheet, Income Statement, Cash flow







Statement and Statement of Changes in Equity etc. are presented in Annual Report under respective heads.

The Board of Directors is responsible for the preparation and fair presentation of financial statements in accordance with applicable financial reporting framework, laws and regulations. The Financial Statements have been audited by the External Auditor and reviewed by the Audit Committee of the Board of Directors of the Bank. The financial Statements have been recommended for final approval of the shareholders by the Board of Directors of the Bank.

Financial Statements for the year ended on 31 December, 2021 have been prepared in a very fair way with inclusion of all material aspects, it's state of affairs, the results of its operations, cash flows and changes in equity. Fair Presentation of Financial Statements has been made in Annual Report 2021 and accordingly Opinion of the External Auditor, Hoda Vasi Chowdhury & Co. has been incorporated in the report.

**(xii) A statement that proper books of account of the issuer company have been maintained:**

The bank is fully complied in keeping the proper books of accounts with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Details are disclosed in the section 2.0 of notes of Financial Statements in the Auditors Report. In this regards External Auditor Hoda Vasi Chowdhury & Co., Chartered Accountants has provided their positive opinion in their report in the "Opinion Paragraph".

**(xiii) A statement that appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment:**

Appropriate accounting policies have been consistently applied in preparation of the financial statements of the Bank and the accounting estimates are based on reasonable and prudent judgment. Estimates and underlying assumptions are reviewed on ongoing basis and any revisions to these are recognized in the period in which the estimate is revised and in any future period affected. The significant accounting policies applied and accounting estimates used for preparation of the financial statements of the Bank have been stated in details in notes of the Financial Statements 2021.

**(xiv) A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed:**

The financial statements of the bank as at 31st December, 2021 have been prepared on going concern basis under historical cost convention and in accordance with the "First Schedule" of the Bank Company Act, 1991 (amended up to 2018) and BRPD Circular No. 14, dated: 25th June, 2003, other Circulars of Bangladesh Bank, International Financial Reporting Standards (IFRS), International Accounting Standards (IASs), the Companies Act 1994, the Securities and Exchange Rules 1987, and other laws and rules applicable for Banks in Bangladesh. In case of any requirement of the Bank Company Act 1991(amended up to 2018), and provisions and circulars issued by Bangladesh Bank differ with those of other regulatory authorities and IFRS, the requirements of the Bank Company Act 1991(amended up to 2018), and provisions and circulars issued by Bangladesh Bank will prevail.

**(xv) A statement that the system of internal control is sound in design and has been effectively implemented and monitored:**

The bank has Board approved Internal Control and Compliance (ICC) Policy/Guidelines. The ICC Guidelines are being used to an effective internal control mechanism to safeguard shareholders' investments, the depositors' assets and other stakeholders' interest as well. The Board retains the

ultimate responsibility for its operations, though has delegated to the Audit Committee for the review of the adequacy and effectiveness of the system of internal controls. The Internal Control and Compliance practices of SBAC Bank Limited include- control environment, risk assessment, control activities, segregation & rotation of duties, accounting information and reconciliation, IT security and self-assessment/monitoring.

Effective information system – the key component of an effective internal control mechanism is already in place, which is being periodically reviewed towards making it still effective. In addition, the Bank has established the following internal control measures:

- Strengthened the Internal Control and Compliance Department to ensure comprehensive audit of the branches and Corporate HQ at periodic intervals;
- Review of the Bank’s performance on a quarterly basis at Board level;
- Established authority limits for transactions and expenses;
- Review of Bangladesh Bank’s audit report and Management’s compliance thereof at regular intervals;
- Ensuring strict compliance to all regulatory requirements, both existing and new.

**(xvi) A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress**

There is a well-defined corporate governance practice prevailing in the Bank as per Corporate Governance Code issued by the Bangladesh Securities and Exchange Commission (Notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated: 03 June, 2018). Therefore minority shareholders have been protected from any sorts of abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress. Moreover the Bank has been compliant with provision of laws of the country protecting the interest of minority shareholders.

**(xvii) A statement that there is no significant doubt upon the issuer company’s ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed:**

There are no significant doubts upon the Bank’s ability to continue as a going concern. The financial statements of the Bank have been prepared on the assumption that the entity (i.e. SBAC Bank Limited) is a going concern and will continue operation in the foreseeable future. Hence, it is assumed that SBAC Bank Limited has neither intention nor the need to liquidate or curtail materially the scale of its operations. In this regard, a report on going concern assumption has been disclosed in page no. 128.

**(xviii) An explanation that significant deviations from the last year’s operating results of the issuer company shall be highlighted and the reasons thereof shall be explained:**

There is no significant deviations occurred from the last year’s operating results of our Bank.

**(xix) A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized:**

Key operating and financial data of at least preceding 5 (five) years are as under:

(Taka Fig in Million)

Particulars	2021	2020	2019	2018	2017
1	2	3	4	5	6
Number of Branches	84	83	82	74	64
Number of Sub-branches	21	11	4	-	-
Number of ATMs	48	38	34	25	22





Particulars	2021	2020	2019	2018	2017
Total assets/Total Liabilities	98,172.32	88,403.45	84,564.01	70,661.31	58,940.78
Interest earning assets	85,097.31	75,928.42	73,970.20	63,003.66	53,613.97
Non interest earning assets	13,075.01	12,475.03	10,593.80	7,657.65	5,326.81
Paid up capital	7,846.46	6,846.46	6,224.05	5,658.23	4,985.22
Total shareholders' Equity	10,622.84	9,306.66	8,362.96	7,429.71	6,538.99
Total capital (Tier I +II)	10,834.47	9,269.90	8,371.06	7,827.83	7,012.70
Surplus/(deficit) capital	1,097.48	657.41	1,266.76	1,963.89	2,296.84
Capital to Risk Weighted Asset Ratio (CRAR)	13.91%	13.45%	14.73%	15.85%	16.54%
Total deposits	73,103.76	71,451.46	71,540.16	59,304.33	50,121.49
Total loans and advances	65,955.68	57,408.83	56,000.74	50,254.94	43,284.97
Total contingent liabilities and commitments	18,539.78	14,160.08	15,335.40	12,004.77	11,763.83
Advance deposits ratio (%)	83.69%	80.31%	78.21%	82.50%	83.99%
Total Income	9,353.28	8,317.96	9,200.04	7,873.15	6,266.64
Total Expenses	7,357.51	6,860.29	6,930.86	5,839.31	4,447.35
Profit before tax and provision (Operating Profit)	1,995.77	1,457.67	2,269.18	2,033.84	1,819.29
Profit after tax and provision (Net Profit)	534.72	951.95	967.60	879.59	982.04
Total Export	16,465.15	15,469.72	17,060.41	16,399.66	11,710.17
Total Import	33,061.74	26,313.80	28,110.87	27,352.96	25,900.58
Total Remittance	2,288.21	4,030.92	4,563.65	4,319.98	2,354.23
Classified advance	3,860.90	3,567.96	3,408.95	991.66	375.25
Classified loans to advance ratio	5.85%	6.22%	6.09%	1.97%	0.0087
Yield on Advance (%)	8.31%	9.76%	12.88%	12.99%	12.03%
Cost of fund (%)	8.41%	9.45%	10.47%	10.41%	9.51%
Return on investment (ROI) (%)	12.11%	13.64%	11.03%	13.67%	18.19%
Return on Assets (ROA) (%)	0.57%	1.10%	1.25%	1.36%	1.88%
Return on Equity (ROE) (%)	5.36%	10.78%	12.25%	12.40%	16.16%
Earnings per share (EPS)	0.74	1.39	1.55	1.55	1.97
Net Asset Value Per Share	13.54	13.59	13.44	13.13	13.12
Number of Employees	997	886	869	801	716

**(xx) An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year:**

The Board of Directors recommended 4.00% Dividend(s) (1.00% stock subject to approval of BSEC, and 3.00% cash) for the year 2021 in its 141<sup>st</sup> meeting held on April 27, 2022. The recommended cash dividend shall be finally approved in the 9<sup>th</sup> Annual General Meeting to be held on June 23, 2022. The stock dividend shall be finally approved in the 9<sup>th</sup> AGM and subsequently by the BSEC as per notification no. BSEC/CMRRCD/2009/23/Admin/123, Dated: June 30, 2021.

(xxi) **Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend:**

No bonus share or stock dividend has been declared in 2021 as interim dividend or shall be declared as interim dividend for the 2022.

(xxii) **The total number of Board meetings held during the year and attendance by each director:**  
**Meetings in 2021:**

During the year 2021, 21 Board Meetings, 15 Executive Committee Meetings, 04 Audit Committee Meetings, 04 Risk Management Committee Meeting, and 03 NRC Meeting were held. Details of the participants are as follows:

Sl. No.	Name of Director	Meeting (2021)															Remarks
		Board			EC			AC			RMC			NRC			
		Held	Attended	Absent	Held	Attended	Absent	Held	Attended	Absent	Held	Attended	Absent	Held	Attended	Absent	
1	Mr. Abdul Kadir Molla	21	21	0	-	-	-	-	-	-	-	-	-	-	-	-	
2	Mr. Abu Zafar Mohammad Shofiuddin	21	21	0	-	-	-	4	3	1	-	-	-	-	-	-	
3	Engr. Md. Moklesur Rahman	21	21	0	15	14	1	-	-	-	-	-	-	3	2	1	
4	Al-Haj Mizanur Rahman	21	20	1	15	2	13	4	3	1	-	-	-	3	1	2	Appointed at NRC & EC on 31.10.2021
5	Mr. Hafizur Rahman Babu	21	17	4	15	1	14	-	-	-	-	-	-	-	-	-	
6	Mr. Anwar Hussain	21	18	3	15	14	1	-	-	-	-	-	-	-	-	-	
7	Mrs. Tahmina Afroz	21	14	7	15	1	14	-	-	-	-	-	-	-	-	-	
8	Mr. Sk. Shyedujjaman Nominated by: Moonstar ceramic industries Ltd.	21	21	0	15	14	1	-	-	-	4	2	2	3	3	0	
9	Mr. Mohammad Nawaz	21	21	0	15	14	1	-	-	-	4	4	0	-	-	-	
10	Mr. Mohammed Ayub	21	21	0	15	2	13	-	-	-	4	2	2	-	-	-	
11	Mst. Nasima Begum	21	21	0	-	-	-	-	-	-	-	-	-	-	-	-	
12	Mr. Mohammad Helal Uddin Nominated by : Haji Shakhawat Anwara Eye Hospital Ltd.	21	01	20	-	-	-	-	-	-	-	-	-	-	-	-	Appointment as director was approved by Bangladesh Bank on 19.12.2021
13	Mr. Md. Sajidur Rahman	21	10	11	-	-	-	4	4	0	-	-	-	3	3	0	





Sl. No.	Name of Director	Meeting (2021)															Remarks
		Board			EC			AC			RMC			NRC			
		Held	Attended	Absent	Held	Attended	Absent	Held	Attended	Absent	Held	Attended	Absent	Held	Attended	Absent	

14	Mr. Mohammad Moqbul Hossain Bhuiyan	21	10	11	-	-	-	-	-	-	4	2	2	3	1	2	Appointed at NRC, RMC & AC on 31.10.2021
15	Mr. S.M. Amzad Hossain	21	15	-	-	-	-	-	-	-	-	-	-	-	-	-	Directorship was vacated by operation of law on 01.03.2022
16	Begum Sufia Amjad	21	14	-	-	-	-	-	-	-	-	-	-	-	-	-	Directorship was vacated by operation of law on 01.03.2022
17	Captain M. Moazzam Hossain	21	16	5	-	-	-	-	-	-	4	2	2	3	2	1	Directorship was vacated by Bangladesh Bank on 21.12.2021
18	Mr. Sakhawat Hussain Nominated by : Haji Shakhawat Anwara Eye Hospital Ltd.	21	15	6	-	-	-	4	3	1	-	-	-	-	-	-	Resigned from the Board on 31.10.2021 & His resignation was accepted in the 130 <sup>th</sup> Board meeting held on November 16, 2021
19	Mr. Talukder Abdul Khaleque	21	12	9	15	10	5	-	-	-	-	-	-	3	2	1	Resigned from the Board on 17.08.2021 & His resignation was accepted in the 130 <sup>th</sup> Board meeting held on November 16, 2021
20	Dr. Syed Hafizur Rahman	21	16	5	-	-	-	4	3	1	4	2	2	-	-	-	Resigned from the Board on 15.11.2021 & His resignation was accepted in the 130 <sup>th</sup> Board meeting held on November 16, 2021

**(xxiii) A report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by:**

(a) Parent or Subsidiary or Associated Companies and other related parties (name-wise details):

Shareholding pattern in the SBAC Bank Investment Limited (A subsidiary of the Bank) is as under:

Sl. No.	Name of the Shareholder	Number of Shareholding	Percentage of Shareholding
1.	South Bangla Agriculture and Commerce Bank Limited	3,99,60,000	99.90%
2.	South Bangla Agriculture and Commerce Bank Foundation	40,000	0.10%
	<b>Total</b>	<b>4,00,00,000</b>	<b>100.00%</b>

(b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details):

Sl. No.	Name	Status	No. of Shares	Spouse & Minor Children	No. of Shares
1	Mr. Abdul Kadir Molla	Chairman	33482273	Mst. Nasima Begum	Nil
2	Al-Haj Mizanur Rahman	Vice-chairman	24200000	Mrs. Ruhani Akter	Nil
				Mehreen Rahman Mubashirah	Nil
3	Mr. Abu Zafar Mohammad Shofiuddin	Director	33482273	Mrs. Afroza Sultana	Nil
				A Z M Sahib Quader	Nil
4	Engr. Md. Moklesur Rahman	Director	33482273	Mrs. Quamrun Nahar	Nil
5	Mr. Hafizur Rahman Babu	Director	25111704	Mrs. Nasima Rahman Nipa	Nil
				Nusaiba Rahman Raita	Nil
6	Mr. Mohammed Ayub	Director	27988873	Mrs. Shalina Islam Chowdhury	Nil
7	Mr. Anwar Hussain	Director	15785284	Mrs. Fadia Naz	Nil
8	Mrs. Tahmina Afroz	Director	33482273	Mr. Anwer Hossain Khan	Nil
				Adil Mohammad Khan Akash	Nil
9	Mr. Mohammad Nawaz	Director	20495351	Ms. Sufia Begum	8969047
				Mohammad Nuh Yaseen	Nil
				Sanowara Siddiqa	Nil
				Mohammad Farook Nawaz	Nil
10	Mst. Nasima Begum Nominated by: Thermax Textile Mills Ltd.	Director	Nil	Mr. Abdul Kadir Molla	33482273
11	Mr. Sk. Shyedujjaman Nominated by: Moonstar Ceramic Industries Ltd.	Director	2746700	Sadnam Sadiana	1373350
				Suhain Maisah Zaman	Nil
				Mashiyat Safeerah Shiza	Nil
12	Mr. Mohammad Helal Uddin Nominated by: Haji Shakhawat Anwara Eye Hospital Ltd.	Director	Nil	Rafia Akhter	Nil
13	Mr. Mohammad Nazmul Huq Nominated by: Techno Electricals Ltd.	Director	Nil	Hafiza Huq	Nil
14	Mr. Mushfiqur Rahman Nominated by: M/S. Contech Construction Ltd.	Director	Nil	Yusuf	Nil
15	Mr. Md. Sajidur Rahman	Independent Director	Nil	Ms. Humaira Ayesha Khan	Nil
				Irvan Kaiser Rahman	Nil
16	Mr. Mohammad Moqbul Hossain Bhuiyan	Independent Director	Nil	Ayesha Khatun	Nil
				Anupama Hossain	Nil
17	Ziaur Rahman Zia FCA	Independent Director	Nil	Nazma Khatun	Nil
18	Mr. Mosleh Uddin Ahmed	Managing Director & CEO	Nil	Ms. Luna Sharmin	Nil
				Rudita Sayan	Nil
				Zahin Tanzib	Nil
19	Mr. Mannan Bapari FCMA, CERM	VP & CFO	Nil	Shamima Islam	Nil
				Tafida Tasnuva	Nil
				Mahbeer Bin Mannan	Nil
20	Mr. Md. Mokaddess Ali FCS	SVP & Company Secretary	Nil	Mrs. Hasna Hena	Nil
				Hasnine Farhad	Nil
21	Mr. Md. Masoodur Rahman FCA	Head of ICCD	Nil	Mrs. Sumson Naher	Nil
				Nuraz Mustaneer Rahman	Nil
				Abraz Mustahsan Rahman	Nil



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

SL. No.	Name	Designation	No. of Shares
1	Mr. M. Shamsul Arefin	AMD	Nil
2	Mr. Md. Altaf Hossain Bhuyan	DMD	Nil
3	Mr. Mohammed Salim Chowdhury	DMD	Nil
4	Mr. Md. Nurul Azim	DMD	Nil
5	Mr. Faisal Ahmed	EVP	Nil

**Explanation:** For the purpose of this clause, the expression “executive” means top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit and Compliance.

- (d) Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details):

There is no Shareholders holding ten percent (10%) or more voting interest in the company.

- (xxiv) **In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders:**

- A brief resume of the director
- Nature of his or her expertise in specific functional areas
- Names of companies in which the person also holds the directorship and the membership of committees of the Board

A brief resume of the directors, Nature of his/her expertise in specific functional areas and names of companies in which the person also holds the directorship and the membership of committees of the board have been published in section ‘Directors Profile’.

- (xxv) **A Management’s Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company’s position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:**

Management’s Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company’s position and operations along with a brief discussion of changes in the financial statements, among others, focusing on the above issues has been published in the page no. 46-50 as Management’s Overview. The statement include inter alia (a) accounting policies and estimation for preparation of financial statements; (b) Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes; (c) Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof; (d) Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario; (e) Briefly explain the financial and economic scenario of the country and the globe; (f) Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and (g) Future plan or projection or forecast for company’s operation, performance and financial position, with justification thereof, i.e., actual position has been disclosed in page no. 46-64, those shall be explained to the shareholders in the next AGM.

- (xxvi) **Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed (as per Annexure-A):**

Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) has been disclosed as per **Annexure-A** of Corporate Governance Code of BSEC in page no. 252.

- (xxvii) **The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed (as per Annexure-B and Annexure-C):**

The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 has been disclosed as per **Annexure-B** and **Annexure-C** in the page no. 138 & 156-168.



## Information To The Stakeholders

### Distribution of Shareholdings in 2021

Shareholders' Group	No. of Shares Held	(%) of Shareholding	Value of Shares Held (BDT)
Sponsors/Directors	57,65,27,709	73.4762%	5,76,52,77,090
General Public	11,67,78,008	14.8829%	1,16,77,80,080
Institutions	9,13,39,800	11.6409%	91,33,98,000
Government	Nil	Nil	Nil
Foreign Investors	Nil	Nil	Nil
<b>Total</b>	<b>78,46,45,517</b>	<b>100.00%</b>	<b>784,64,55,170</b>

### Information Sensitive to Share Price

Particulars	Disclosure
Adoption of Financial Statements-2021, Recommendation of Dividend, Record Date for Cash Dividend entitlement & Vote in the AGM, Date of Holding AGM.	Date of AGM: 23/06/2022 at 3:00 PM. Record Date: 29/05/2022 (for Cash Dividend entitlement & Vote in the AGM). Recommended Dividend: 3.00% Cash & 1.00% Stock (The Stock Dividend is subject to approval of shareholders in the 9 <sup>th</sup> AGM and subsequent approval of BSEC).
Adoption of Quarterly Financial Statement (Q1) of the Bank as on 31/03/2022 and related corporate disclosure.	Date of Adoption: 27/04/2022 at 141 <sup>st</sup> Meeting. Net Asset Value (NAV): Tk. 1,091.05 Crore (Consolidated), Tk. 1,090.30 Crore (Solo). NAV per share: Tk. 13.37 (Consolidated), Tk. 13.36 (Solo). NAV per share (Restated): Tk. 13.37 (Consolidated), Tk. 13.36 (Solo). Earnings Per Share (EPS): Tk. 0.22. Net Operating Cash Flow per Share (NOCFPS): Tk. (9.04)

### Dividend Distribution Policy

#### Introduction:

This policy is drafted in compliance with the Directives No. BSEC/CMRRCD/2021-386/03 of Bangladesh Securities & Exchange Commission (BSEC) dated January 14, 2021.

#### Purpose:

The purpose of the policy is to comply with the Directives of Bangladesh Securities & Exchange Commission (BSEC). The parameters set out in the policy are applicable for distribution of dividend.

#### Process of Distribution of Dividend:

Manner and procedures of Cash dividend payment:

- i) The Bank shall pay off cash dividend directly to the bank account of the entitled shareholders as available in the BO account maintained with the depository participant (DP), or the bank account as provided by the shareholder in paper form, through Bangladesh Electronic Funds Transfer Network (BEFTN);
- ii) Through bank transfer or any electronic payment system as recognized by the Bangladesh Bank (if not possible through BEFTIN);
- iii) In case of margin loan and claim by loan provider, through the Consolidated Customer's Bank Account (CCBA) of the stock broker or to the separate bank account of the merchant banker or portfolio manager through BEFTN;





- iv) The Bank, in case of non-availability of bank account information or not possible to distribute cash dividend through BEFTN or any electronic payment system, shall issue cash dividend warrant and shall send it by post to the shareholder;
- v) The Bank shall pay off cash dividend to non-resident sponsor, director, shareholder or foreign portfolio investor (FPI) through the security custodian in compliance with the rules or regulations in this regard;

#### Manner and procedure of stock dividend distribution:

The Bank shall credit stock dividend directly to the BO account or issue the bonus share certificate of the entitled shareholder, as applicable, within 30 (thirty) days of declaration or approval or record date, as the case may be subject to the clearance of the regulatory requirement [if any from Bangladesh Bank, exchange(s) and the Central Depository Bangladesh Limited (CDBL)]:

- i) To the BO account;
- ii) To the suspense BO Account for undistributed or unclaimed stock dividend/bonus shares;
- iii) The bonus dividend shall be transferred to the suspense BO account if BO account is not available or BO account is inactive;
- iv) The sale proceeds of fractional bonus dividend shall be paid off as per circular of BSEC or Bangladesh Bank or other regulatory authority from time to time.

#### Issuance of Bonus Share:

To ensure rightful ownership of the bonus shares the bank shall follow the directives issued by BSEC from time to time.

#### Time line for dividend pays off:

- i) The Bank shall pay off the annual or final dividend to the entitled shareholders, within 30 (thirty) days of approval.
- ii) Amount of declared cash dividend payable for the concerned year/period shall be kept in a separate bank account as per circular of BSEC or Bangladesh Bank or other regulatory authority from time to time.

#### Unpaid or unclaimed of unsettled cash dividend:

Unpaid or unclaimed of unsettled cash dividends shall be settled as per instructions of BSEC or Bangladesh Bank or other regulatory authority from time to time.

#### Unpaid or unclaimed of unsettled stock dividend:

Unpaid or unclaimed of unsettled stock dividends shall be settled as per instructions of BSEC or Bangladesh Bank or other regulatory authority from time to time.

#### Tax matters:

Tax will be deducted at source as per applicable tax laws.

#### Amendments / Modifications:

To the extent any change/amendment is required in terms of any applicable law or change in regulations, the regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with the law of the land. Such amended policy shall be placed before the Board for approval.

#### Disclosure Policy:

The Dividend Distribution Policy shall be available on the Bank's website and shall also be disclosed in the Bank's Annual Report.

#### Summary of Unclaimed Dividend:

As of 31.12.2021 there is an unclaimed/undistributed dividend of Tk. 91,21,799.00 (ninety one lac twenty one thousand seven hundred ninety nine taka). There is also 3,102 (Three thousand one hundred two) number of unclaimed/undistributed bonus shares as on 31.12.2021

## Dividend & Stock Details

### Dividends-2020

Particulars		Date
8 <sup>th</sup> Annual General Meeting	Notice Date	30 <sup>th</sup> September, 2021
	Record/Book Closure Date	Cash Dividend: 28 <sup>th</sup> September, 2021 Stock Dividend: 29 <sup>th</sup> December, 2021
Holding of 8 <sup>th</sup> Annual General Meeting	Held on	21 <sup>st</sup> October, 2021
Cash Dividend (At 4.00%)	Date of Disbursement	10 <sup>th</sup> November, 2021
Stock Dividend (At 4.00%)		25 <sup>th</sup> January, 2022

### Stock Details

Particulars	Dhaka Stock Exchange (DSE)	Chittagong Stock Exchange (CSE)
Stock Symbol	SBACBANK	SBACBANK
Company Code	11151	22035
Year of Listing	2021	2021
Market Lot	1	1
Company Category	B (Banks)	B (Banks)
Electronic Share	YES	YES
Face Value	Tk. 10.00	Tk. 10.00
Market Value (As on 30.12.2021)	15.20 (Per share)	15.10 (Per share)

## Financial Calendar-2021

Quarterly Results	As of	Earnings Per Share (EPS)
Unaudited result for 1st quarter	31.03.2021	0.13
Unaudited result for 2 <sup>nd</sup> quarter	30.06.2021	0.31
Unaudited result for 3 <sup>rd</sup> quarter	30.09.2021	0.81





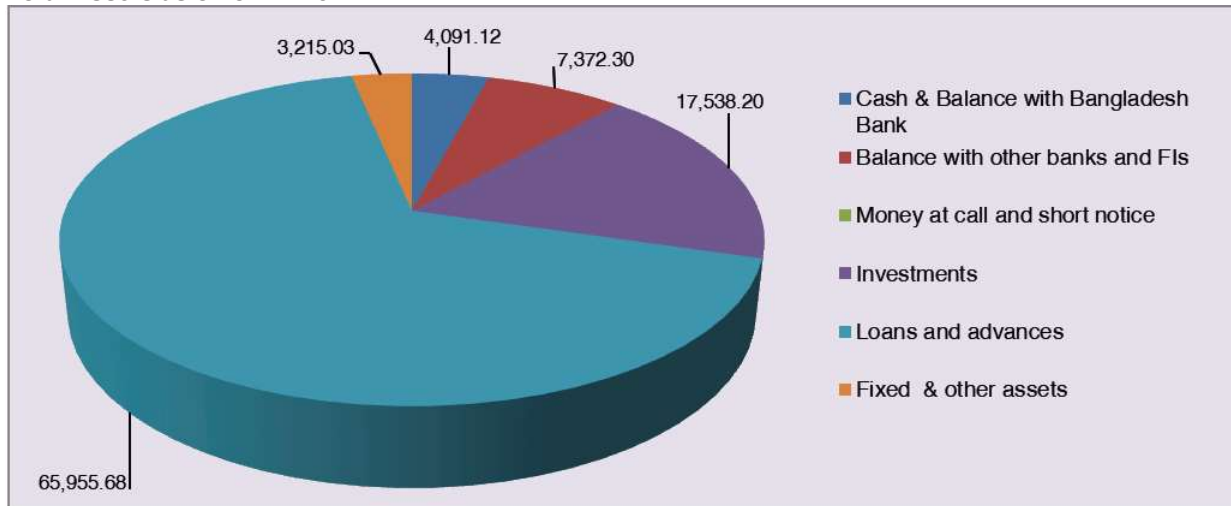
## Graphical Presentation of Financial Performance

### Total Assets :

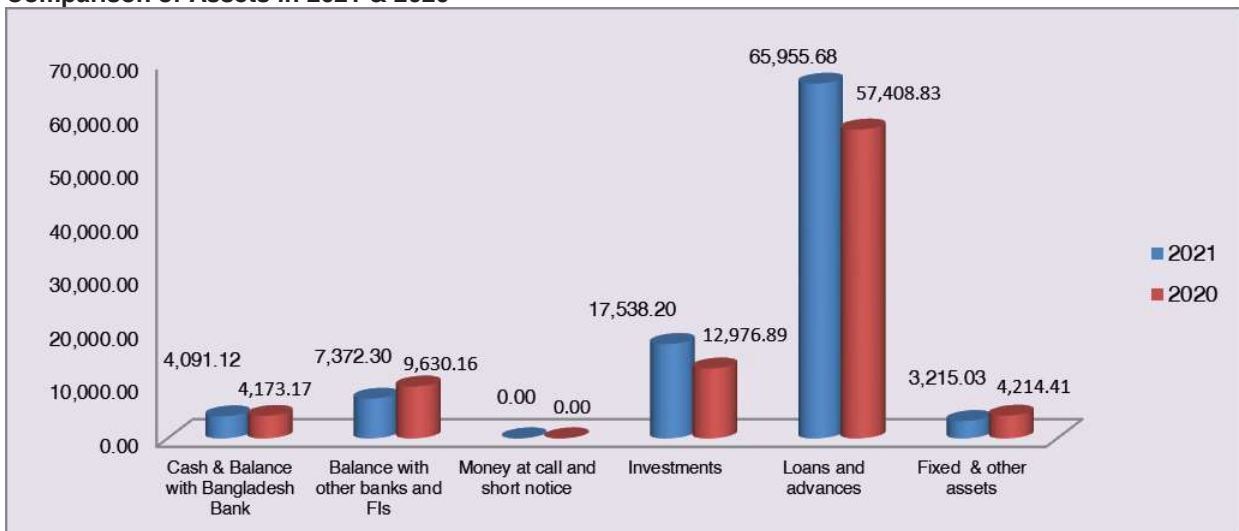
(Fig. Million Taka)

Particulars	2021	2020	Growth (%)
Cash & Balance with Bangladesh Bank	4,091.12	4,173.17	-1.97%
Balance with other banks and FIs	7,372.30	9,630.16	-23.45%
Money at call and short notice	0.00	0.00	
Investments	17,538.20	12,976.89	35.15%
Loans and advances	65,955.68	57,408.83	14.89%
Fixed & other assets	3,215.03	4,214.41	-23.71%
<b>Total Assets</b>	<b>98,172.32</b>	<b>88,403.45</b>	<b>11.05%</b>

### Total Assets as on 31.12.2021



### Comparison of Assets in 2021 & 2020



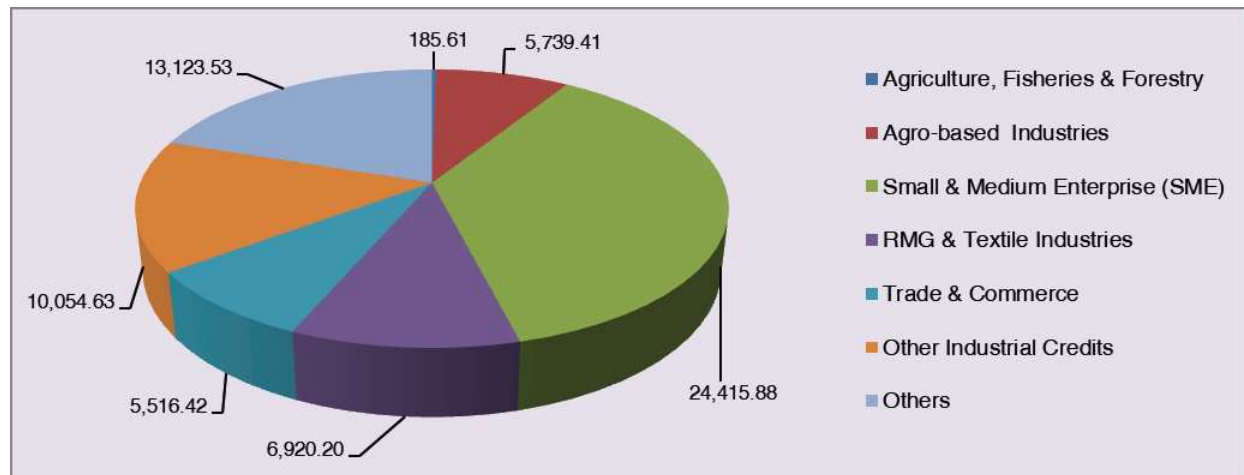
**Loans and Advances :**

**i) Sector wise Loans and Advances**

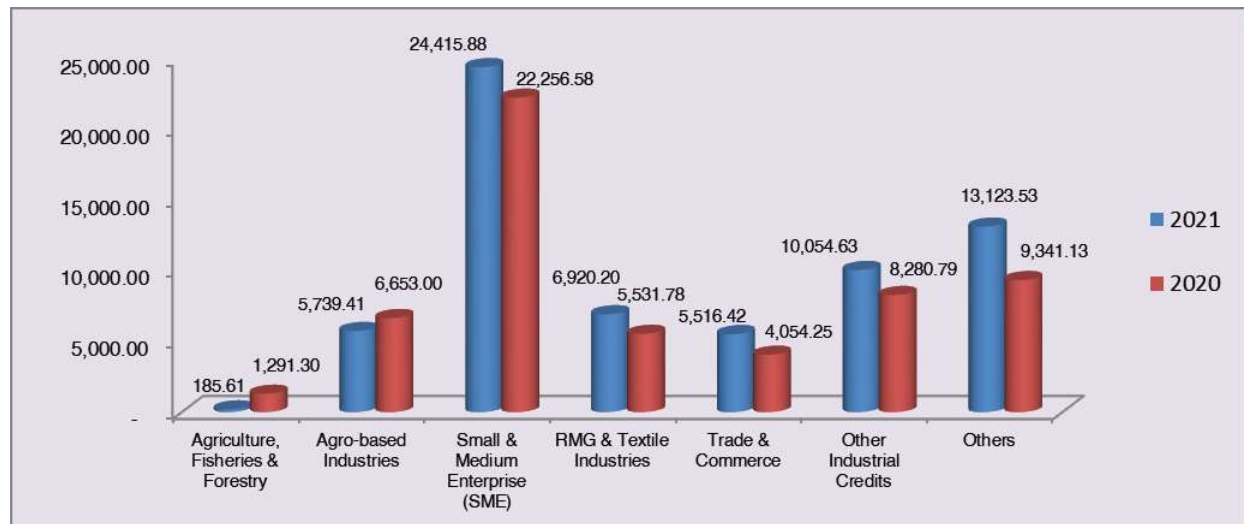
(Fig. Million Taka)

Particular of Sectors	2021	2020	Growth (%)
Agriculture, Fisheries & Forestry	185.61	1,291.30	-85.63%
Agro-based Industries	5,739.41	6,653.00	-13.73%
Small & Medium Enterprise (SME)	24,415.88	22,256.58	9.70%
RMG & Textile Industries	6,920.20	5,531.78	25.10%
Trade & Commerce	5,516.42	4,054.25	36.07%
Other Industrial Credits	10,054.63	8,280.79	21.42%
Others	13,123.53	9,341.13	40.49%
<b>Total</b>	<b>65,955.68</b>	<b>57,408.83</b>	<b>14.89%</b>

**Sector wise Loans and Advances as on 31.02.2021**



**Comparison of Sector wise Loans and Advances in 2021 & 2020**



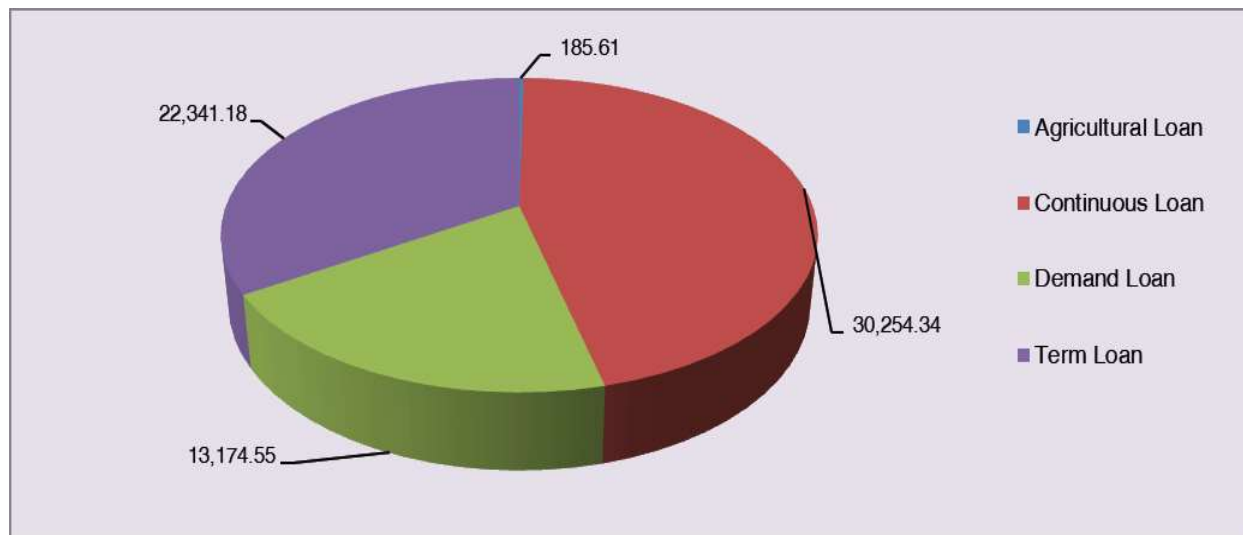


## ii) Category wise Loans and Advances

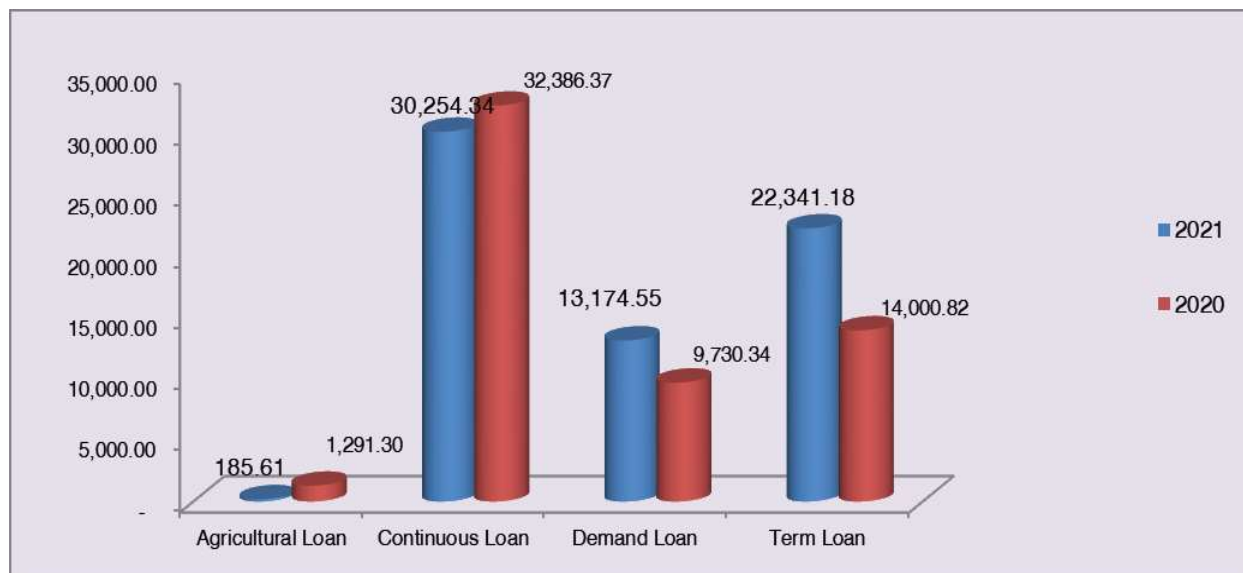
(Fig. Million Taka)

Category of Loans and Advances	2021	2020	Growth (%)
Agricultural Loan	185.61	1,291.30	-85.63%
Continuous Loan	30,254.34	32,386.37	-6.58%
Demand Loan	13,174.55	9,730.34	35.40%
Term Loan	22,341.18	14,000.82	59.57%
<b>Total</b>	<b>65,955.68</b>	<b>57,408.83</b>	<b>14.89%</b>

### Category wise Loans and Advances as on 31.12.2021



### Comparison of Category wise Loans and Advances in 2021 & 2020

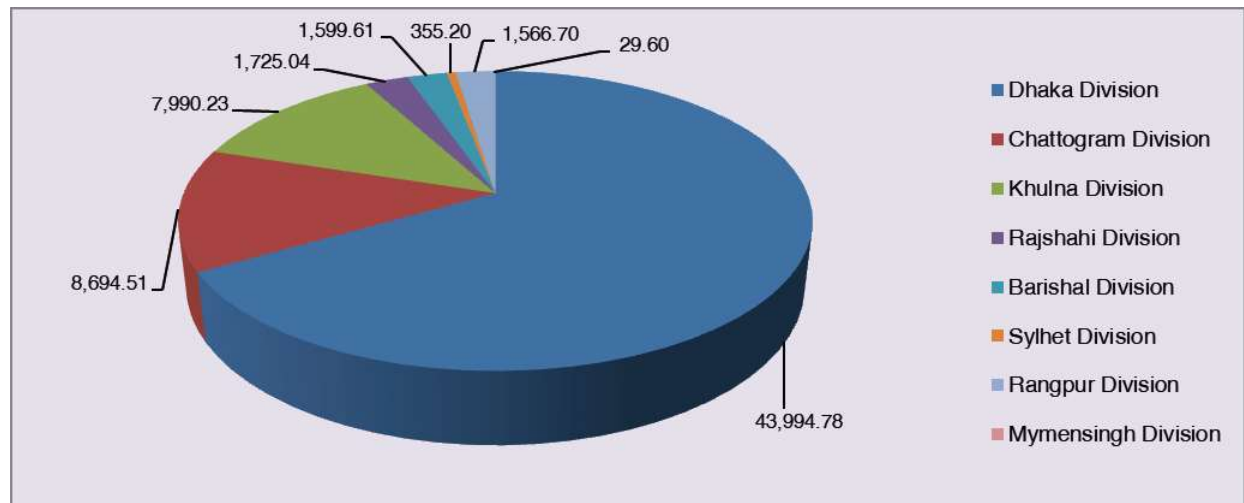


iii) Division wise Loans and Advances

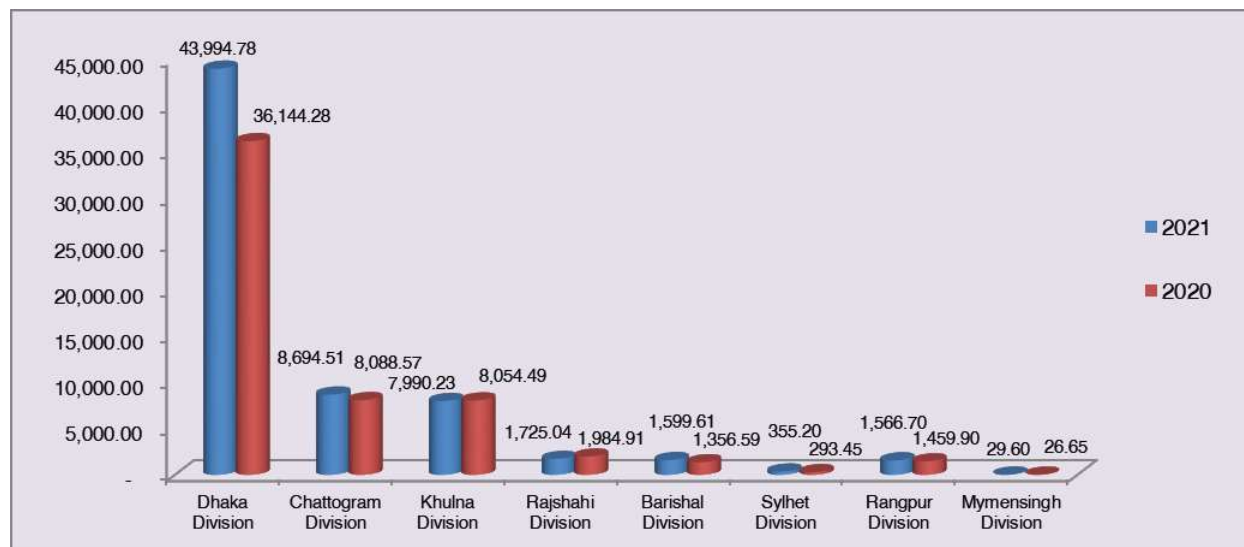
(Fig. Million Taka)

Name of Division	2021	2020	Growth (%)
Dhaka Division	43,994.78	36,144.28	21.72%
Chattogram Division	8,694.51	8,088.57	7.49%
Khulna Division	7,990.23	8,054.49	-0.80%
Rajshahi Division	1,725.04	1,984.91	-13.09%
Barishal Division	1,599.61	1,356.59	17.91%
Sylhet Division	355.20	293.45	21.04%
Rangpur Division	1,566.70	1,459.90	7.32%
Mymensingh Division	29.60	26.65	11.11%
<b>Total</b>	<b>65,955.68</b>	<b>57,408.84</b>	<b>14.89%</b>

Division wise Loans and Advances as on 31.12.2021



Comparison of Division wise Loans and Advances in 2021 & 2020



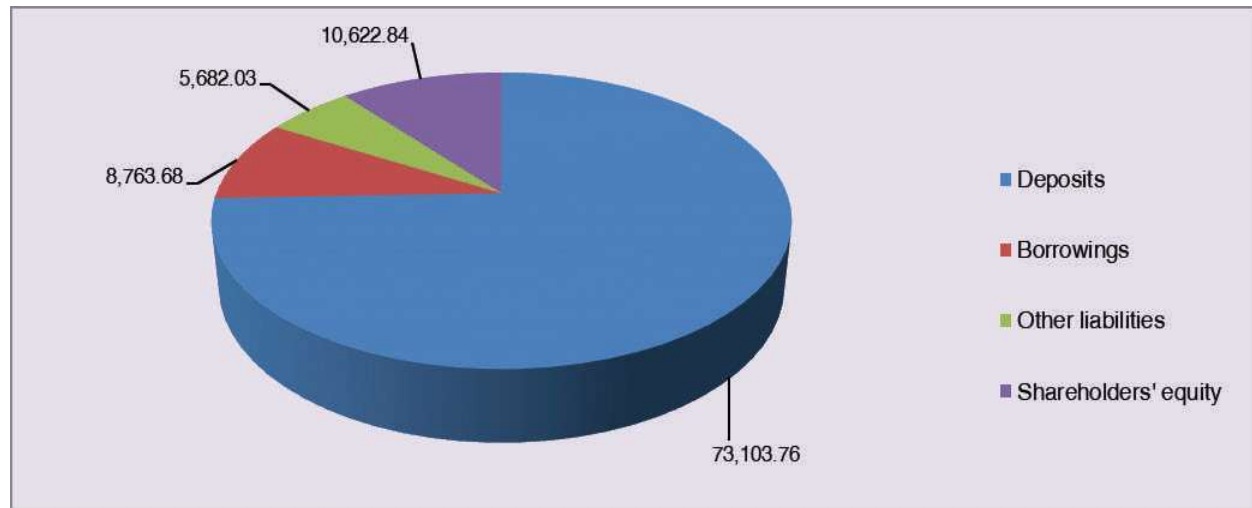


### Total Liabilities :

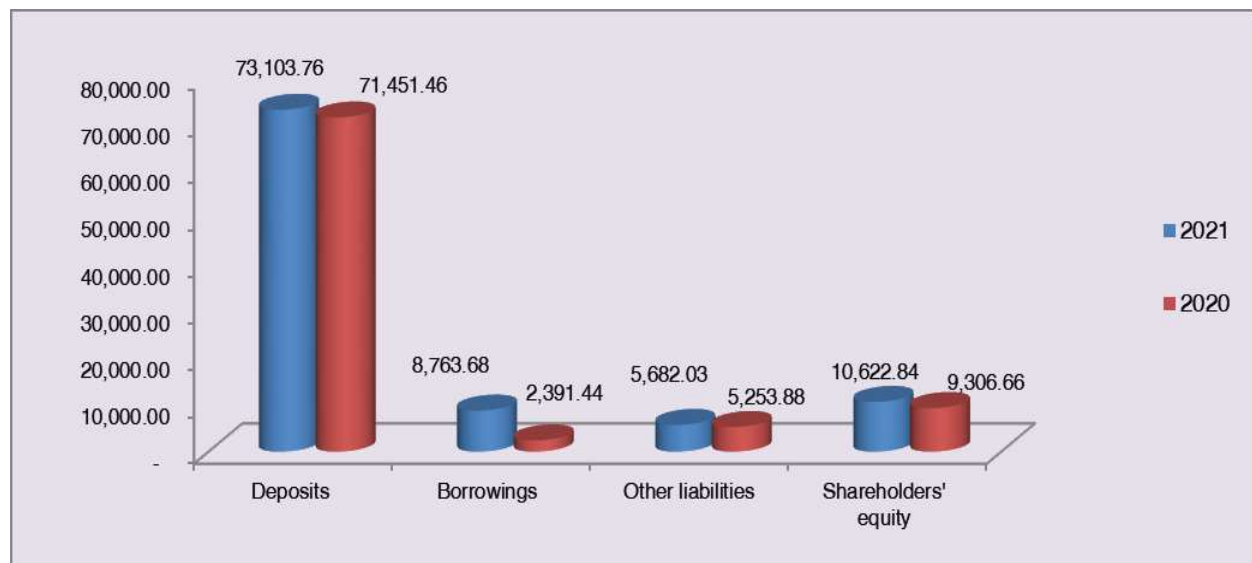
(Fig. Million Taka)

Particulars	2021	2020	Growth (%)
Deposits	73,103.76	71,451.46	2.31%
Borrowings	8,763.68	2,391.44	266.46%
Other liabilities	5,682.03	5,253.88	8.15%
Shareholders' equity	10,622.84	9,306.66	14.14%
<b>Total liabilities</b>	<b>98,172.32</b>	<b>88,403.45</b>	<b>11.05%</b>

### Total Liabilities as on 31.12.2021



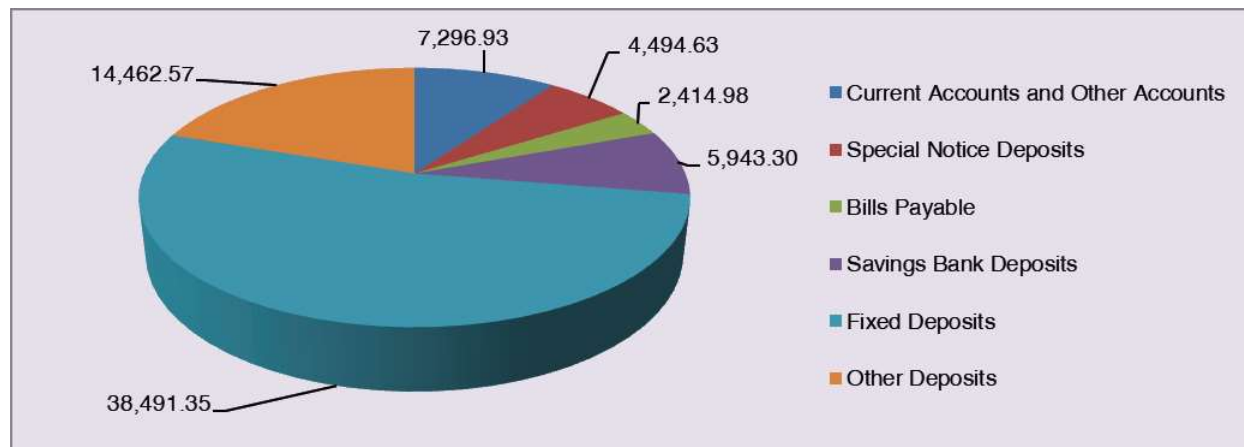
### Comparison of Liabilities in 2021 & 2020



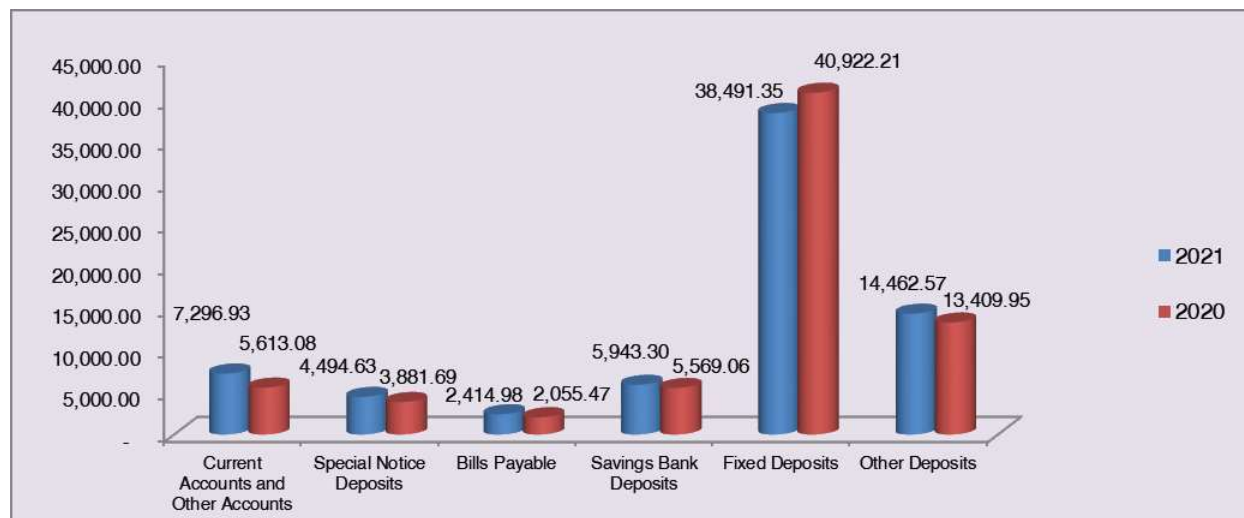
**Deposits :**

Types of Deposit	Outstanding Taka in Million		Growth (%)	Deposit Mix (%)	
	2021	2020		2021	2020
Current Accounts and Other Accounts	7,296.93	5,613.08	30.00%	9.98%	7.86%
Special Notice Deposits	4,494.63	3,881.69	15.79%	6.15%	5.43%
Bills Payable	2,414.98	2,055.47	17.49%	3.30%	2.88%
Savings Bank Deposits	5,943.30	5,569.06	6.72%	8.13%	7.79%
Fixed Deposits	38,491.35	40,922.21	-5.94%	52.65%	57.27%
Other Deposits	14,462.57	13,409.95	7.85%	19.78%	18.77%
<b>Total</b>	<b>73,103.76</b>	<b>71,451.46</b>	<b>2.31%</b>	<b>100.00%</b>	<b>100.00%</b>

**Deposit Mix as on 31.12.2021**



**Comparison of Deposit Mix in 2021 & 2020**





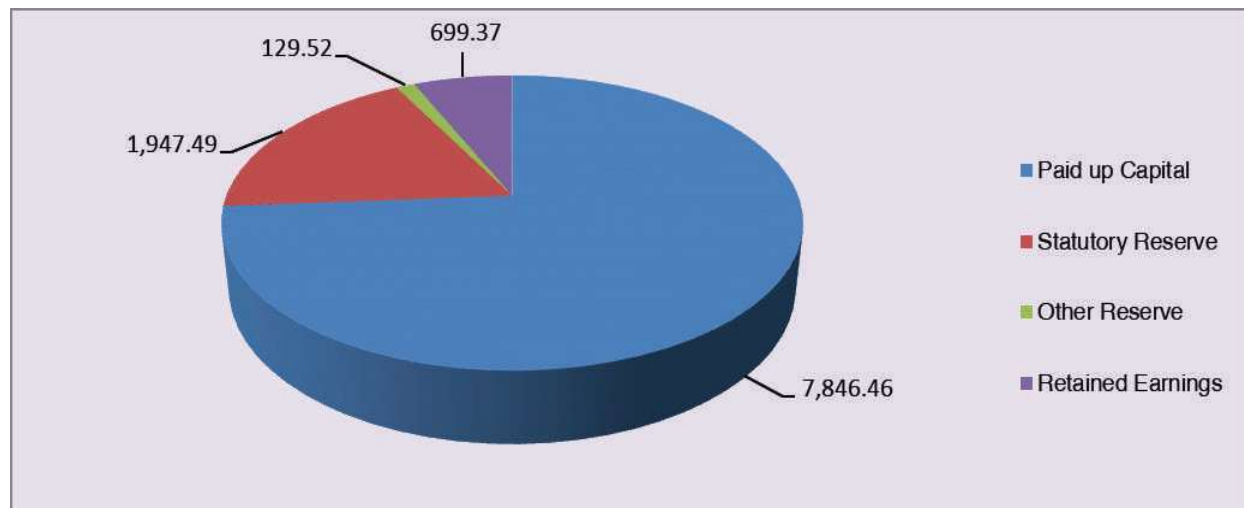


## Shareholders' Equity :

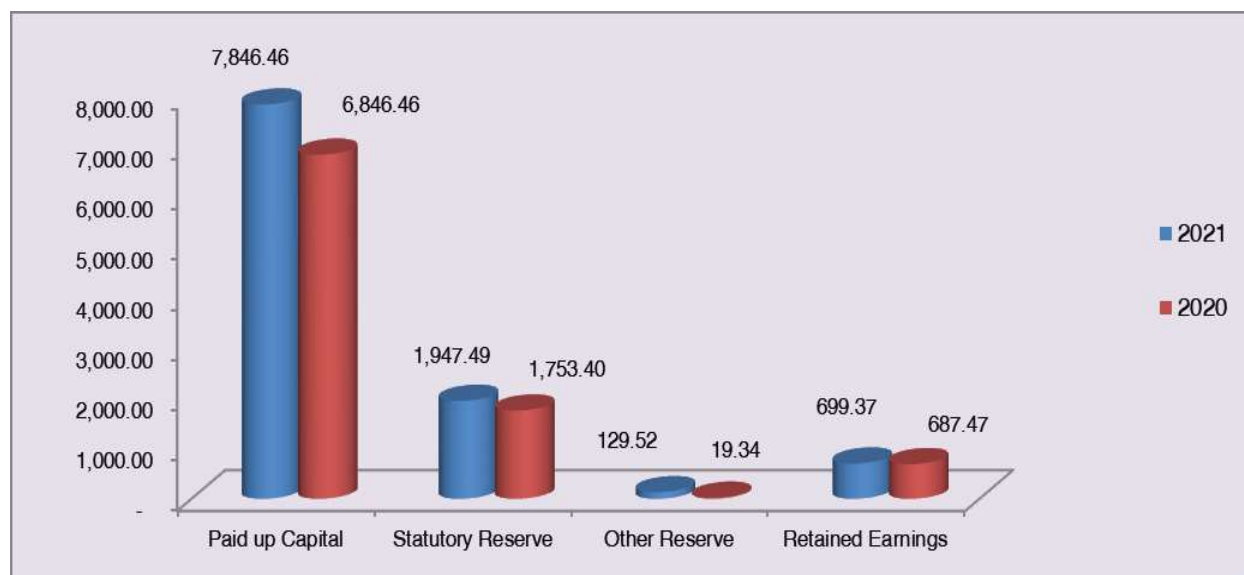
(Fig. Million Taka)

Particulars	2021	2020	Growth (%)
Paid up Capital	7,846.46	6,846.46	14.61%
Statutory Reserve	1,947.49	1,753.40	11.07%
Other Reserve	129.52	19.34	569.78%
Retained Earnings	699.37	687.47	1.73%
<b>Total Shareholders' equity</b>	<b>10,622.84</b>	<b>9,306.66</b>	<b>14.14%</b>

### Shareholders' Equity as on 31.12.2021



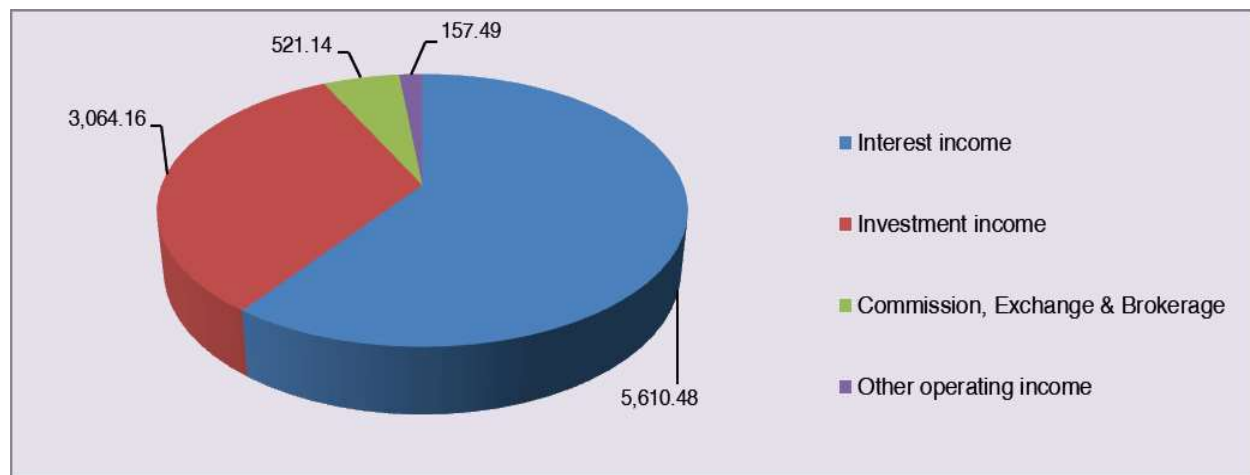
### Comparison of Shareholders' Equity in 2021 & 2020



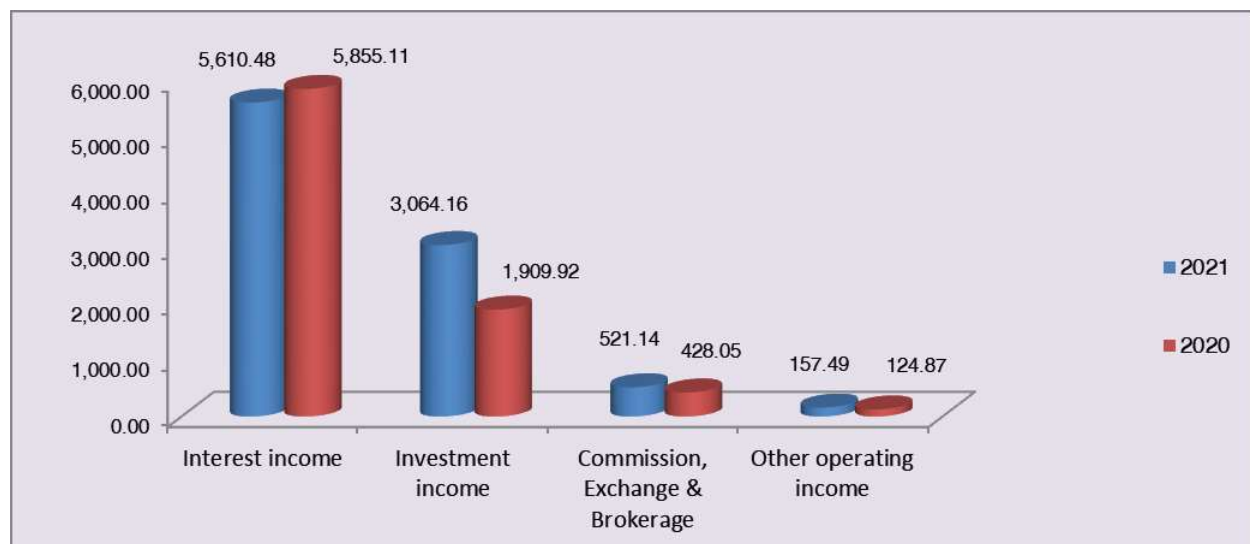
**Total Income :**

Types of Income	Amount in Million Taka		Growth (%)	Income Mix (%)	
	2021	2020		2021	2020
Interest income	5,610.48	5,855.11	-4.18%	59.98%	70.39%
Investment income	3,064.16	1,909.92	60.43%	32.76%	22.96%
Commission, Exchange & Brokerage	521.14	428.05	21.75%	5.57%	5.15%
Other operating income	157.49	124.87	26.12%	1.68%	1.50%
<b>Total income</b>	<b>9,353.28</b>	<b>8,317.96</b>	<b>12.45%</b>	<b>100.00%</b>	<b>100.00%</b>

**Total Income as on 31.12.2020**



**Comparison of Total Income in 2021 & 2020**

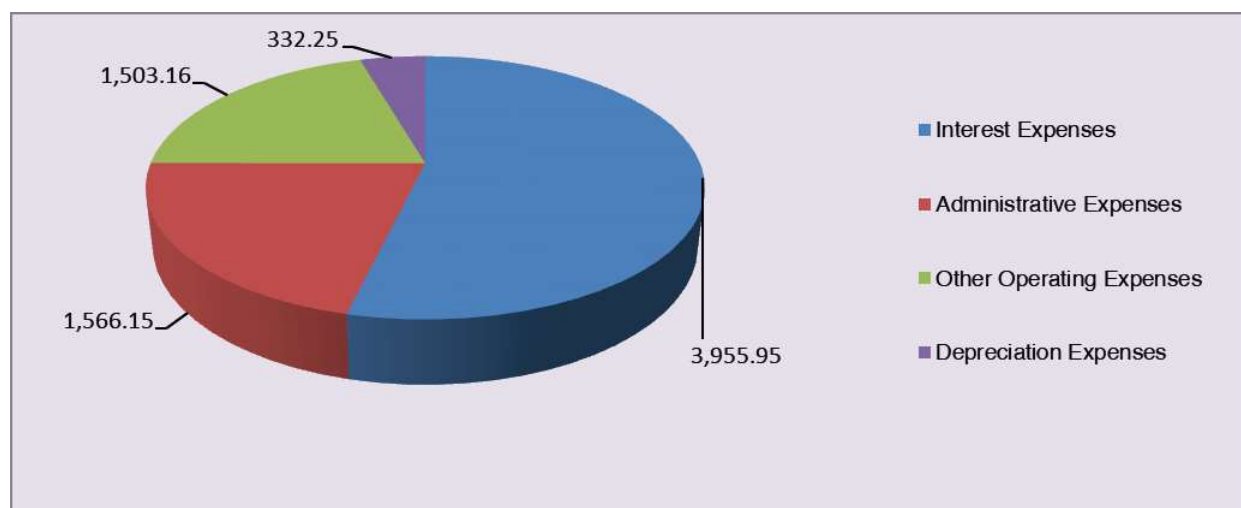




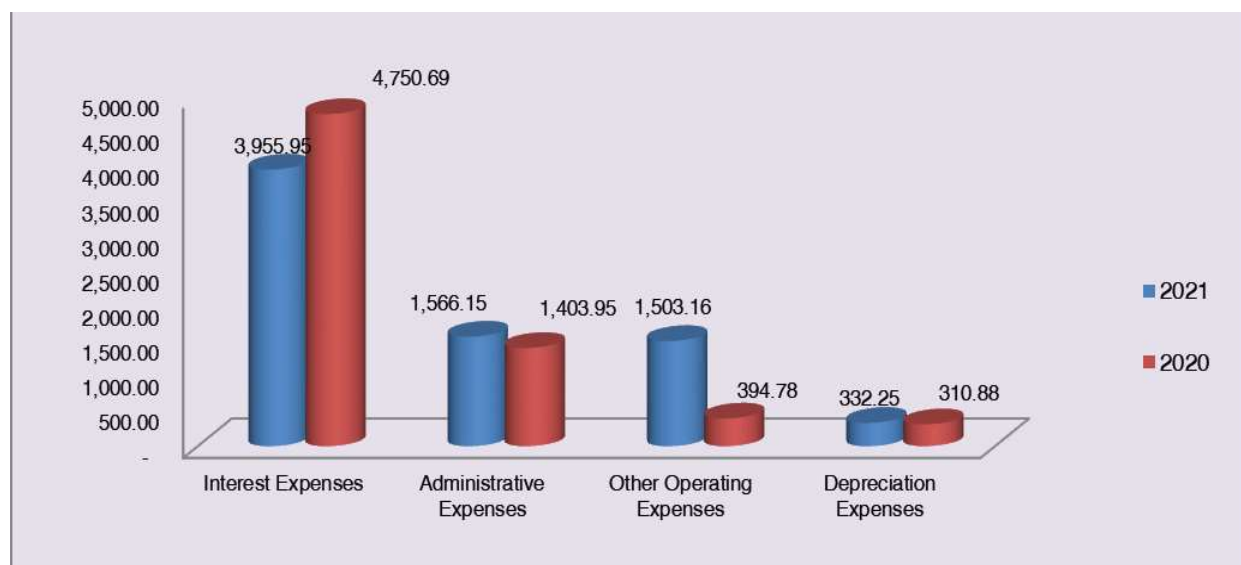
### Total Expenses :

Types of Expense	Amount in Million Taka		Growth (%)	Expense Mix (%)	
	2021	2020		2021	2020
Interest Expenses	3,955.95	4,750.69	-16.73%	53.77%	69.25%
Administrative Expenses	1,566.15	1,403.95	11.55%	21.29%	20.46%
Other Operating Expenses	1,503.16	394.78	280.76%	20.43%	5.75%
Depreciation Expenses	332.25	310.88	6.87%	4.52%	4.53%
<b>Total Expenses</b>	<b>7,357.51</b>	<b>6,860.29</b>	<b>7.25%</b>	<b>100.00%</b>	<b>100.00%</b>

### Total Expenses as on 31.12.2021



### Comparison of Expenses in 2021 & 2020

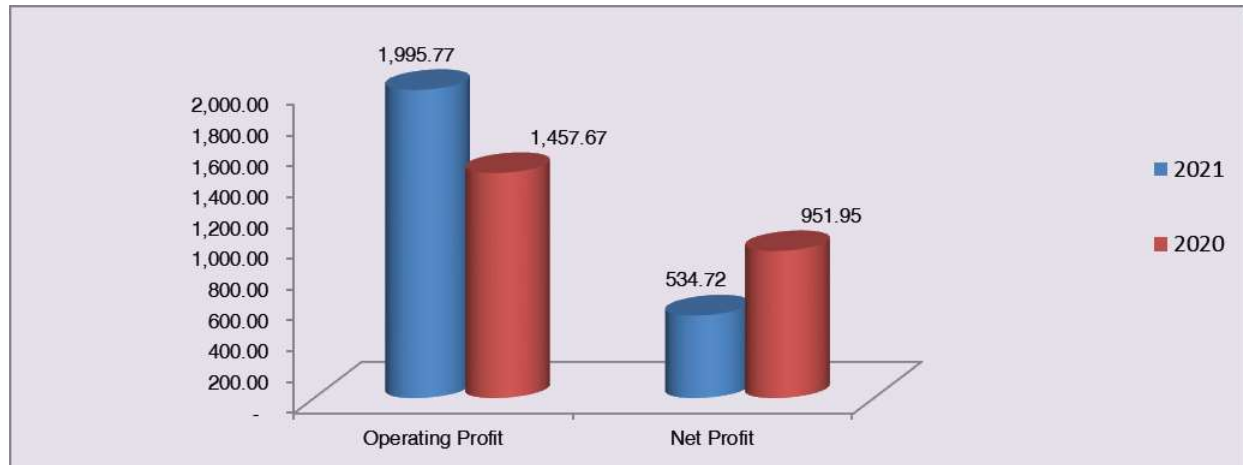


**Profitability :**

(Fig. Million Taka)

Particulars	2021	2020	Growth (%)
Operating Profit	1,995.77	1,457.67	36.92%
Net Profit	534.72	951.95	-43.83%

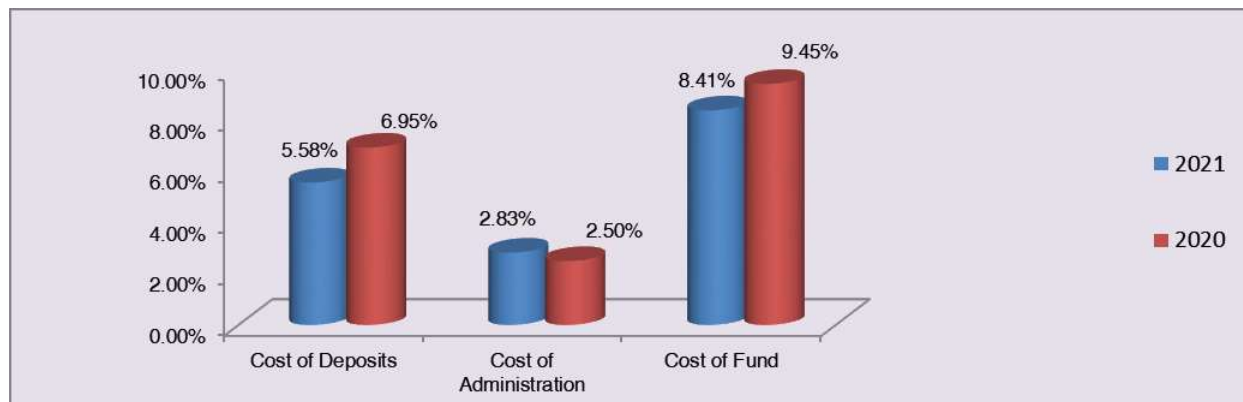
**Comparison of Profitability in 2021 & 2020**



**Average Cost of Funds :**

Particulars	2021	2020	Changes (%)
Cost of Deposits	5.58%	6.95%	-1.37%
Cost of Administration	2.83%	2.50%	0.33%
Cost of Fund	8.41%	9.45%	-1.04%

**Comparison of Cost of Deposits, Cost of Administration & Cost of Fund in 2021 & 2020**

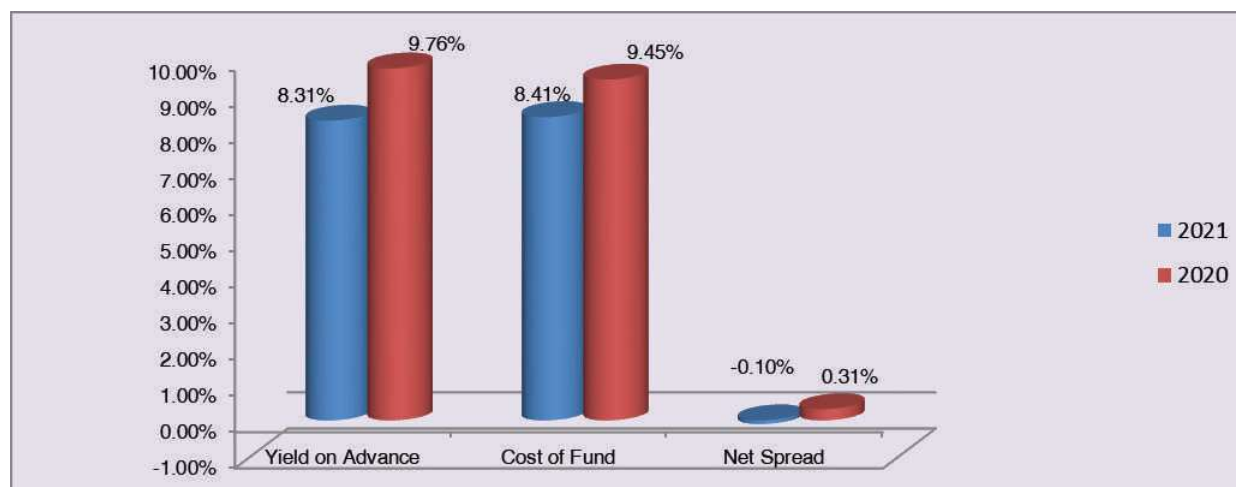




### Net Spread :

Particulars	2021	2020
Yield on Advance	8.31%	9.76%
Cost of Fund	8.41%	9.45%
Net Spread	-0.10%	0.31%

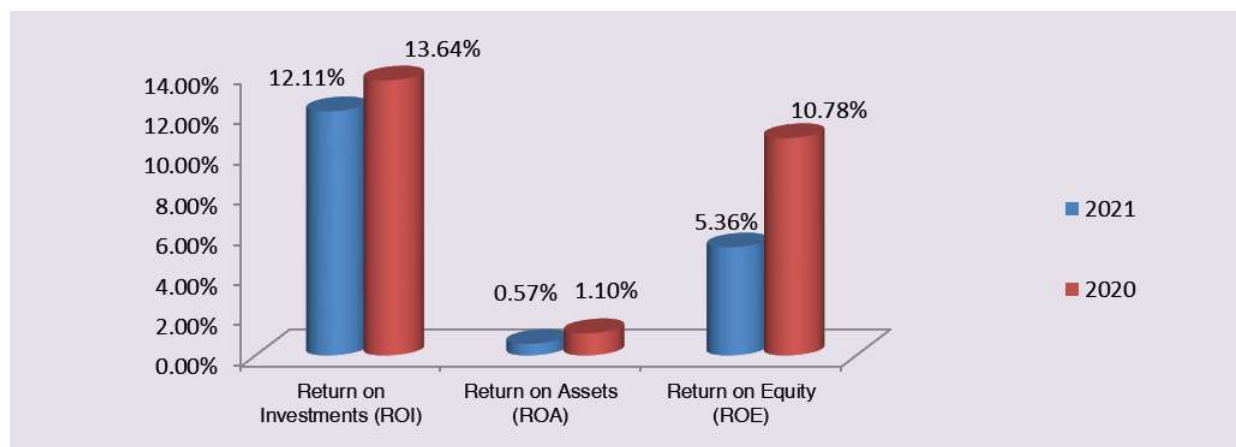
### Comparison of Yield on Advances, Cost of Funds & Net Spread in 2021 & 2020



### Rate of Returns :

Particulars	2021	2020
Return on Investments (ROI)	12.11%	13.64%
Return on Assets (ROA)	0.57%	1.10%
Return on Equity (ROE)	5.36%	10.78%

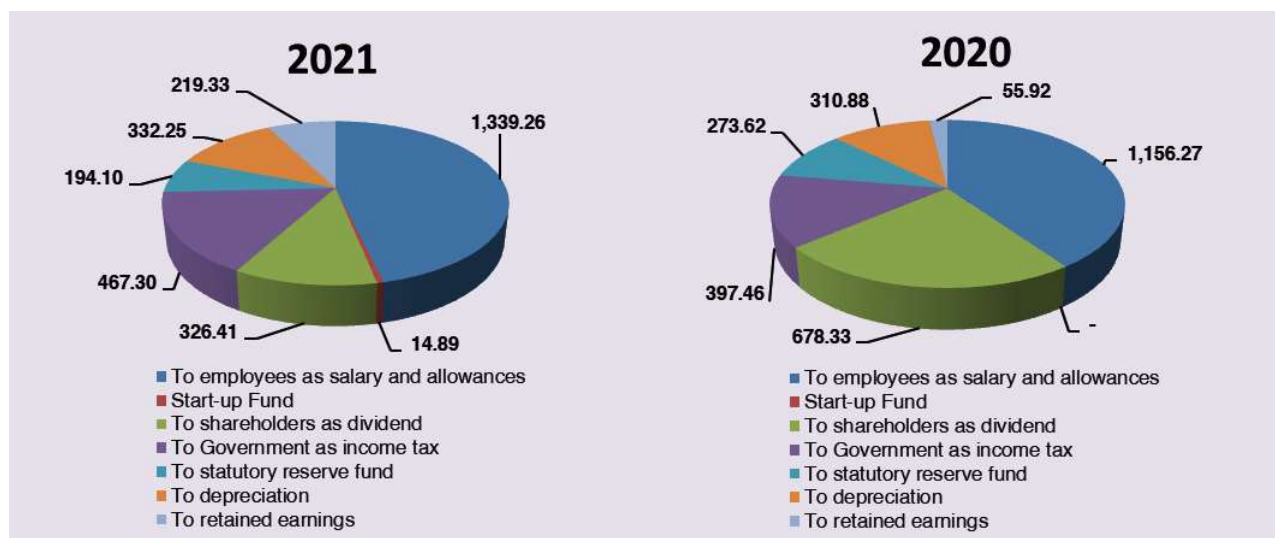
### Comparison of Returns in 2021 & 2020



**Value Added Statement**

Value added is the wealth accretion made by South Bangla Agriculture & Commerce Bank Limited through providing banking and other financial services. Value created from the income from banking services and other financial services is the excess of cost of service rendered. The value added statement shows the total wealth created, how it was distributed to meet certain obligations, reward to those who have created it and portion retained for continuing operation and expansion of the bank. The value added statement of the bank for the year ended 31 December 2021 is given below:

	2021 <u>Taka</u>	%	2020 <u>Taka</u>	%
Fig. in million				
<b>Value Created</b>				
Income from Banking Services	9,353.28		8,317.96	
Less: Cost of services & Supplies	5,677.73		5,393.14	
Value added by banking service	3,675.55		2,924.82	
Non-banking income	-		-	
Provision for deferred tax	28.44		(18.37)	
Provision for loans & other assets	(1,025.29)		(89.88)	
	<b>2,678.70</b>		<b>2,816.57</b>	
<b>Value distributed</b>				
To employees as salaries & allowances	1,339.26	50.00%	1,156.27	41.05%
To shareholders as dividend (Proposed)	326.41	12.19%	627.72	22.29%
To Government as income tax	467.30	17.45%	397.46	14.11%
	2,132.97	79.63%	2,181.45	77.45%
<b>Value retained</b> (to maintain and continue operations)				
Statutory reserve	194.10	7.25%	273.62	9.71%
Depreciation	332.25	12.40%	310.88	11.04%
Start-up Fund	14.89	0.56%	-	-
Retained earnings	4.51	0.17%	50.62	1.80%
	545.75	20.37%	635.12	22.55%
	<b>2,678.72</b>	100.00%	<b>2,816.57</b>	100.00%





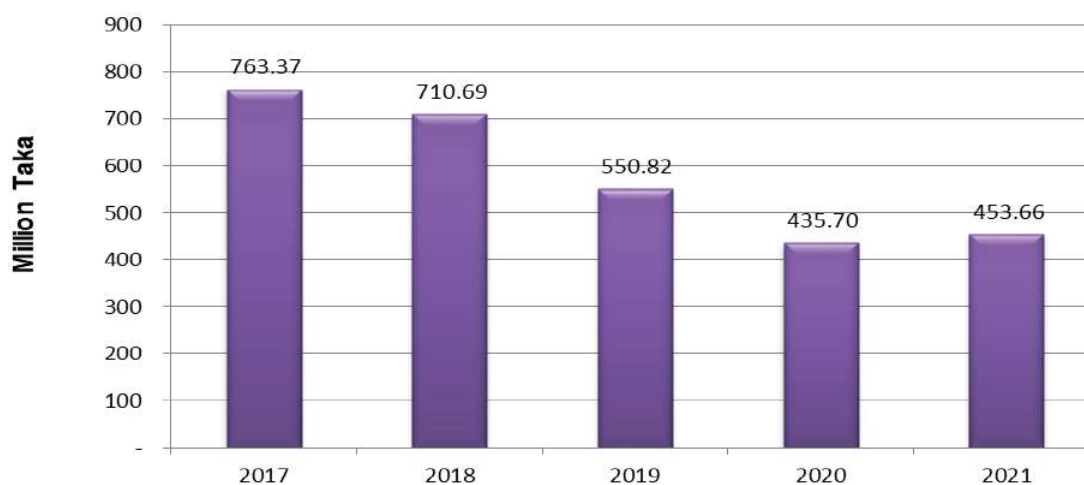
## Economic Value Added (EVA) Statement

Economic value added (EVA) is the measure of financial performance of an organization. It is based on the principle that since a company's management employs equity capital to earn profit, it must pay for the use of this equity capital. This management tool is useful to stakeholders to take decision for increasing wealth.

EVA is equal to Profit after Tax (PAT) plus the provision for loans & other assets less written off loans during the year minus cost of equity. The cost of equity is the opportunity cost that the shareholders forego. For 2021 this cost of equity is calculated on the basis of the return on 5 years Treasury Bonds.

	2017	2018	2019	2020	2021
	Taka	Taka	Taka	Taka	Taka
Shareholders' equity	6,538.99	7,429.71	8,362.96	9,306.66	10,622.84
Add: Provision for loans & advances and other assets	515.71	455.66	517.58	9.51	359.49
<b>Closing Shareholders' equity</b>	<b>7,054.71</b>	<b>7,885.37</b>	<b>8,880.54</b>	<b>9,316.17</b>	<b>10,982.33</b>
Opening shareholders' equity	5,918.60	7,054.71	7,885.37	8,880.54	9,316.17
<b>Average shareholders's equity</b>	<b>6,486.65</b>	<b>7,470.04</b>	<b>8,382.96</b>	<b>9,098.35</b>	<b>10,149.25</b>
<b>Earnings</b>					
Profit after taxation	982.04	879.59	967.60	951.95	534.72
Add: Provision for loans & advances and other assets	296.37	387.62	502.83	87.88	629.39
	<b>1,278.41</b>	<b>1,267.21</b>	<b>1,470.43</b>	<b>1,039.83</b>	<b>1,164.11</b>
Average cost of equity	7.94%	7.45%	10.97%	6.64%	7.00%
Cost of average equity	515.04	556.52	919.61	604.13	710.45
<b>Economic value added</b>	<b>763.37</b>	<b>710.69</b>	<b>550.82</b>	<b>435.70</b>	<b>453.66</b>

### Economic value added



### Market Value Added Statement

Market value added (MVA) is a measure of external performance that indicates how the market has evaluated the company's performance in terms of market value of quoted shares compared to book value of these shares. It is the difference between the current market value of the Bank and the capital contributed by investors. If MVA is positive, the Bank has added value. A high MVA denotes that the Bank has maximized the wealth for the shareholders. The calculation of market value added is tabled below:

Particulars	2021
(a) Face value per share (BDT)	10.00
(b) Market value per share (BDT)	15.20
(c) Number of shares outstanding	78,46,45,517
(d) Market capitalization (BDT in million) [(c) × (b)]	11,926
(e) Book value of paid up capital (BDT in million) [(c) × (a)]	7,846
(f) <b>Market value added (BDT in million) [(d)-(e)]</b>	<b>4,080</b>

\* Closing Price of share on 30.12.2021 at DSE has been taken as Market value per share & the Number of shares outstanding is based on 30.12.2021 also.

### Report On Going Concern

SBAC Bank Ltd. assesses if there exists a material uncertainty which may be an indication of significant doubt about its ability to continue as a going concern. In this regard, the authority goes through appropriate inquiries, analysis, review and estimation in the backdrop of existing and future financial and operational strength of the bank and we are convinced and provide a reasonable assurance to the stakeholders on the continuity as a going concern for the foreseeable future and accordingly the bank has been adopting the 'going concern' basis for preparing financial statements. The financial performance of the bank is good and showing steady growth over the years. While analyzing the comparative financial position of the bank, we find that all the basic indicators of the bank are positive.

- Positive key financial indicators
- Consistency in dividend Payment
- Better quality asset
- Proper liquidity planning & management
- Excellent regulatory compliance culture
- Practicing best Corporate Governance
- Effective Risk management system
- State-of-the-art Information & Technology
- Tailor-made diversified products and services for different class of people
- wide area of operational coverage
- Excellent working environment & Self-driven workforce
- Outstanding Credit Rating

### Major Financial Indicators

Particulars	2021	2020	2019	2018	2017
Net Asset Value (NAV) Per Share	13.54 (both solo & consolidated)	13.59	13.44	13.13	13.12
Net Operating Cash Flow Per Share	(4.86) (both solo & consolidated)	0.73	12.79	6.85	0.49
Return on Equity (ROE)	5.36% (solo) 5.42% (consolidated)	10.78%	12.25%	12.40%	16.16%
Capital to Risk-weighted Assets Ratio (CRAR)	13.94% (solo) 13.91% (consolidated)	13.45%	14.73%	15.85%	16.54%
NPL Ratio	5.85%	6.22%	6.09%	1.97%	0.87%
Earnings Per Share (EPS)	0.74	1.39	1.55	1.55	1.97







## Financial Indications

### Key financial ratios & Performance growth:

During the year 2021, SBAC Bank Ltd. has a praiseworthy growth in its operating performance. Its total asset has increased from Tk. 88,403.45 million to Tk. 98,172.32 million (solo) indicating a growth of 11.05 percent, whereas the consolidated total asset was Tk. 97,813.75 million. On the other hand Loans, Advances and Lease/Investment has increased by 14.89 percent (both solo & consolidated), Shareholders' Equity by 14.14 percent (solo), and 14.20 percent as consolidated basis. So the bank has a stable financial condition, which is an indicator of Bank's continuation in foreseeable periods.

### Analysis of Cash Flow:

Cash flow analysis represents strength about its ability to repay its financial obligation, ability to adapt in changing circumstances and generate sufficient cash and cash equivalent. Net cash from operating activities is Tk. (3,531.29) million (solo) & Tk. 3531.69 million (consolidated) in 2021.

### Maintenance of sufficient Capital:

As on 31 December 2021, the Bank's total equity stands at Tk. 10,622.84 million (solo) as against Tk. 9,306.66 million of 31 December 2020 (whereas it was Tk. 10,628.41 million on consolidated basis in 2021). On the other hand, the paid up capital of the Bank is Tk. 7,846.46 million. Moreover, as on 31 December 2021 Bank's CRAR is 13.91 percent (consolidated), whereas the solo CRAR of the Bank was 13.94 percent; and maintained total regulatory capital was of Tk. 10,830.03 million. The entire situation also indicates to its ability and intention to continue for the predictable future.

Particulars	2021	2020
Minimum Capital Requirement	9,732.55 million	8,612.49 million
Capital Maintained	10,830.03 million	9,269.90 million
Surplus	1097.48 million	657.41 million
CRAR	13.91%	13.45%

### Consistent payment of dividends:

Protecting interest of the shareholders is one of the top priorities of SBAC Bank Ltd. The Bank has a remarkable consistency regarding dividend disbursement to its shareholders over the years, which reflects company's firm commitment to its shareholders.

Particulars	2021	2020	2019	2018	2017	2016
<b>Dividend:</b>						
Stock*	1%	4%	10%	10%	13.50%	15%
Cash	3%	4%	Nil	Nil	Nil	Nil

\* The stock dividend is subject to approval of the Bangladesh Securities and Exchange Commission (BSEC)

## Non-financial Indications

### Credibility in payment of obligations:

The Bank has strong credibility in terms of payment of its commitments to the lenders. The Bank is very particular in fulfilling the terms of repayment agreement without any exception.

### Credit rating of the Bank:

South Bangla Agriculture and Commerce Bank Limited has been rated as 'A' as the long-term credit rating and 'ST-2' as the short-term. The outlook on the rating is Stable. It is generally assumed that an institution with 'A' rating (Long Term) is adjusted to offer adequate safety for timely repayment of financial obligations and it has an

adequate credit profile, whereas an institution rated 'ST-2' (Short Term) carries the lowest credit risk and it has a strong capability for timely payment of financial commitments.

	<b>Rating</b>
<b>Long Term</b>	A
<b>Short Term</b>	ST-2
<b>Rated by</b>	Credit Rating Information and Services Limited (CRISL)
<b>Outlook</b>	Stable
<b>Date of Rating</b>	30 June 2021
<b>Validity of Rating</b>	29 June 2022

### Customer service excellence

The Bank has always prioritized the formulation and implementation of newer tactics & strategies along with better suited financial product & services for the best customer experience. We receive feedback from our customers and work accordingly so that customers experience better service.

### Brand image

Trust is a key to success in service industry that also helps a bank in enhancing its Brand image. We always deploy our best efforts to build trust on us through meeting the expectations of diverse stakeholders. The aggregate of all the efforts from our highly qualified employees, well experienced management & Board with our great loyal customer have made us a well-recognized financial service brand in the market.

### Good governance

Our highly professional Board of Directors along with the vastly experienced management team keeps the bank on the right track continuously through ensuring good governance structure and practices. Since the inception SBAC Bank has been performing its operation with full compliance regarding all the regulatory requirements.

### Expansion of Coverage

South Bangla Agriculture and Commerce Bank Limited has expanded in different places of the country within a short period of time considering the financial implications. The Bank has opened 107 branches & sub-branches (as on April, 2022) already at different places in Bangladesh, and so far we have deployed 53 ATMs (49 Booths) & 02 CDMs at different locations as part of our service digitization and convenience goal. We also have started the Agent Banking operation recently to reach the remote corners with our services.

### Internal environment and employee satisfaction

The Bank has a friendly atmosphere and excellent working environment. Employees here enjoy the warmth of close relationship among them. The board and management is always fair in practicing equality of treatment to all employees which ensure good corporate environment. SBAC Bank ensures employee engagement, equal opportunity, work life balance, personal development for its employees which in turn increases productivity and reduces conflict between employees and management. Besides competitive compensation packages as well as a good number of employee benefits such as provident fund, gratuity fund, health benefit, incentive bonus, LFA and regularly revised Pay scale are few of those key factors producing employee confidence and satisfaction on SBAC Bank.

### Risk Absorption & Adoption to Changes

#### Profit Rate & Foreign Currency Risks

South Bangla Agriculture and Commerce Bank Limited takes all the appropriate measures to minimize the negative consequence arising from volatility in money market both in local and foreign, increase in Investment demand, Increase Import and decrease exports, slow remittance etc. those may raise the rate of profit on





deposit & borrowings including foreign currency. For profit rate risks, the Bank pursues strategies to revise profit rates for any unusual and abrupt change at its own discretion as and when required. The demand of foreign currency payment is mostly backed by Exports earnings and remittance. Treasury continuously monitors price movements of foreign exchange and uses various hedging techniques to manage its open position in such a way that minimizes risk and maximizes return. All these tactics, strategies & measures will obviously provide a shield against Profit Rate & Foreign Currency Risks to enhance Risk Absorption capacity of the bank, this in turn will strengthen the bank's capability to perform as a going concern for a foreseeable future.

### Non-Payment Risk

The Bank has a very strong financial background as well as cash flow along with diversified business packages, where there is no case of 'Non-Payment' in the history of operation of SBAC Bank Ltd. Moreover, it has a firm policy to maintain its AD Ratio at a profitable level ensuring the regulatory binding regarding the Advance Deposit Ratio (ADR) with an ideal deposit mix. The bank has also a concrete strategy for liquidity management. Besides that, ALCO (Asset Liability Committee) of the bank is a very efficient committee entrusted with the overall liquidity management. The management is always concerned about the prevailing and upcoming future changes in the global financial policies and shall response appropriately and timely to safeguard its interest. Considering the all facts we strongly believe that, there is no risk of non-payment in the foreseeable future.

### Management Risk

South Bangla Agriculture and Commerce Bank Limited has a very knowledgeable and well-experienced management. Since the commencement, Board of Directors of the bank has discharged the duties and responsibilities through it's regular meetings. There is well formulated code of conducts including role and responsibilities in place for its Chairman, Board Members, Managing Director & CEO, Company Secretary, Chief Financial Officer (CFO), and Head of Internal Control & Compliance Division of the Bank. So it can be assumed that the threat of arising management risk hampering the smooth operation of the bank as a going concern is minimum.

### Operational Risk

Policies and procedures are being reviewed continually by the Board of Directors of the bank to ensure risk free operation. Internal control and compliance division undertakes regular and special audit on branches and departments at the head office to review the operation and examine the compliance of statutory requirements. The audit committee of the board subsequently analyzes the reports of the internal control and compliance division and recommends the required actions & measures to the board accordingly. So, there is no doubt upon the continuity of the bank as going concern.

### Business Risk

Business risk implies risk of loss or uncertainty in profit and any event that could pose a risk due to some sudden future events. The bank has a very good profitability record and our seasoned management is always conscious about the risk. The management is continuously searching for newer scopes to develop it's business in newer horizon. We already have started Islamic Banking windows in selected branches to provide shariah-based banking services, as well as our agent banking has started functioning recently. Moreover, SBAC Bank Investment Limited, incorporated as a subsidiary of the bank, is committed to offer a broad range of investment banking services including general broking, wholesale broking, margin, portfolio management, investment advisory services as well as dealing in stocks, shares, bonds, debentures, commercial papers etc. The risk management team is working to identify and manage different types of risks including business risk.

### Portfolio Management Risk

The vastly experienced management with unparalleled skills and capability assesses any project, find out the associated risk factors, and monitor performance closely with significant accuracy under continuous supervision & timely directions of the Board. So the Portfolio Management Risk is minimized considerably.



### Credit/Investment Risk

The profitability of a Bank reduces when some of its clients fail to meet the terms of their contracts and/or otherwise fail to perform their agreed obligations. The management considering the vital elements & factors associated with credit risk has subdivided the credit division to deeply analyze and better serve the Corporate, SME and retail segment. Customer relationship management has been given a huge priority to maintain effective and profitable relationship with the existing and prospective customers. Moreover, to minimize the risk and maximize the profitability of the bank through better investment and timely recovery of loans the Asset liability management, Credit administration and legal & recovery team is performing in coordinated fashion.

### Existing and Potential Regulations

Banks in Bangladesh are operated under the regulations, guidelines & Acts formulated by Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC) and other regulatory authorities. In this regard, the Bank Company Act 1991, Companies Act 1994, Income Tax Ordinance 1984, Value Added Tax (VAT) Act 1991 etc. plays a very vital role in regulating and influencing operations of a Bank. Any revision, modification or change in the policies, guidelines regulations made by the regulatory authorities may affect the Banking industry as a whole. Unless any regulatory change materially affects the whole industry, the operations and performance of SBAC Bank Ltd. is expected not to be affected significantly.

### Response to National/ Global Policy Changes

Changes in monetary and/or fiscal policy by the government will affect a company's planning, strategies and profitability. The management is always concerned about the changes in the national or global policy and responds quickly to safeguard its interest as changes in the global or national policies will have either positive or negative impacts for the Bank.

### History of non-operation

SBAC Bank Ltd., one of the 4<sup>th</sup> generation Banks, commenced its business operation on February 20, 2013 and has completed 09 years of successful banking operation without any interruption or non-operation in business. It has a highly experienced board of directors and professionally skilled management team which transforming the Bank as more efficient and stronger for any commercial operations. Moreover, its financial strength is satisfactory too. So, the chance of becoming a non-operative Bank is minimum.

Based on the above discussion, it can be predicted that there is no significant doubt upon the ability of the Bank to continue as a going concern. Moreover, SBAC Bank neither has the intention nor the need to liquidate or limit the scale of its operations. Hence, the Board of Directors of the bank decided that it is appropriate to adopt going concern assumptions and the financial statements have been prepared as per going concern basis accordingly.

On behalf of the Board of Directors



Abdul Kadir Molla  
Chairman





## Management of Non-Performing Asset (NPA)

### Introduction

Bank collects/borrows fund from different sources and investing collected fund by extending credit/loan facilities in different forms mainly to business entities, such investment are Assets of the bank. We also know very well that extension of credit facilitates involved huge credit risk and also security risk. When loan extended are not performed properly i.e., due interest, installments and other payments are not made by the borrower is called Non- Performing Loan/Assets (NPA). Bangladesh Bank has specific guide line for classification of NPA into different categories based on overdue period.

NPA has been a severe crisis to the banks in Bangladesh over the years creating a shocking impact in the profitability of a bank. So, management is very much concern on efficient management of NPA. South Bangla Agriculture and Commerce (SBAC) Bank Ltd, a fourth-generation bank, is no exception to this hazard. SBAC bank is managing its NPA under Legal Affairs and Recovery Division (LARD).

### Cause of Concern

There are practices of following “*ever greening*” the bad loan by making fresh advances to defaulting borrows. This is an unethical practice which prolonging the bad loans resulting true position are not reflected in the Balance Sheet. SBAC Bank Ltd. never doing such unethical practice rather we are very much transparent.

### Major causes of NPA's

- Inaccurate assessment of the character of the borrower as well as actual requirements
- Misinterpreting figures on a spread sheet.
- Simply not saying “NO” to the loan request.
- Lack or inadequate monitoring and follow up of Loans.
- Faulty security as well as imperfect charge documents.
- Political influence and pressures while sanctioning and rescheduling the loan.
- Time consuming legal system causing delay in recovery resulting bad borrowers taking the advantage.
- Directed/targeted lending towards priority and neglected areas.
- Purpose of loan not properly ascertained resulting bad borrower getting scope of diversion of funds.
- Project appraisal not properly evaluated in case of project financing.
- Successor not considered properly when loan extended.
- Willful defaulters and frauds.
- External cause like industrial recession/sickness, natural Calamities, changes in government policies etc.
- Inadequate risk management practice.
- Moral degradation of borrowers.

### Effective measures to manage NPA

#### Preventive measures:

- Careful selection and assessment of borrower
- Close monitoring and follow up of business and borrowers
- Security perfection like perfection in Charge documents, land mortgage, Regulatory compliance etc.
- Requirement of facilities must be assessed properly and accurately
- Timely decision and actions against slow moving and non-performing borrowers.
- Careful evaluation of PEPs (Politically Exposed Persons) related proposals
- Environmental hazard must be taken into consideration
- Checking CIB reports periodically.

**Corrective measures:**

Interaction with defaulted borrowers, Alternative Dispute Resolution (ADR) approach, Compromise/settlement, Deployment of recovery agencies, Circulation of defaulters, Rehabilitation of sick loans etc.

**Rescheduling:** Here repayment of loans is reorganized based on multifarious judgment on case-to-case requirement basis within the guidelines of Bangladesh Bank.

**Legal:** Refers to NI Act suit filling, Auction and finally suit under Artha Rin Adalat Ain 2003.

**Write off (WO):** When the Bank considers an account to be no longer collectable, it will “Write off” the account i.e., the amount is removed from the asset portion of a balance sheet and recorded as an expense item on the income statement or adjusted against provision. Legal action will continue though loan is classified. Finally, when WO loan is realized, the realized amount (if any) will be treated as income of the bank.

**NPA Classification as per Bangladesh Bank Guideline**

All credit that exists in the portfolio to be grouped in the class of unclassified (UC), Special Mention Account (SMA), Sub-Standard (SS), Doubtful (DF) and Bad/Loss (BL) according to their overdue nature.

**Treatment of Interest under classification**

Interest on loans and advances classified as SS and DF to be charged as usual and the unpaid accrued interest amount to be transferred to “Interest Suspense account” instead of income account. On the other hand, interest realized out of Interest suspense to be taken as income. The charging of interest will be suspended whenever a loan will be classified as Bad/Loss (BL).

**Provisioning for NPA**

Bangladesh Bank (BB) has specific guidelines to maintain provisions at different rates for different categories of classification against operating profit. BB guidelines are as follows:

SI	NPA status	Required rate of Provision
01	UC	1%
02	SS	20%
03	DF	50%
04	B&L	100%

**Note:** Provisions will be calculated for SS to BL after deduction of 50% value of Land and Building mortgaged with the Bank.

**Impact of NPA on Bank:**

NPA affects the profitability, liquidity and the competitiveness of a bank. NPAs impose a double burden, firstly reducing profit because of maintaining provision and secondly reducing further landing capabilities resulting slowdown growth of the bank.

**Functions of LARD**

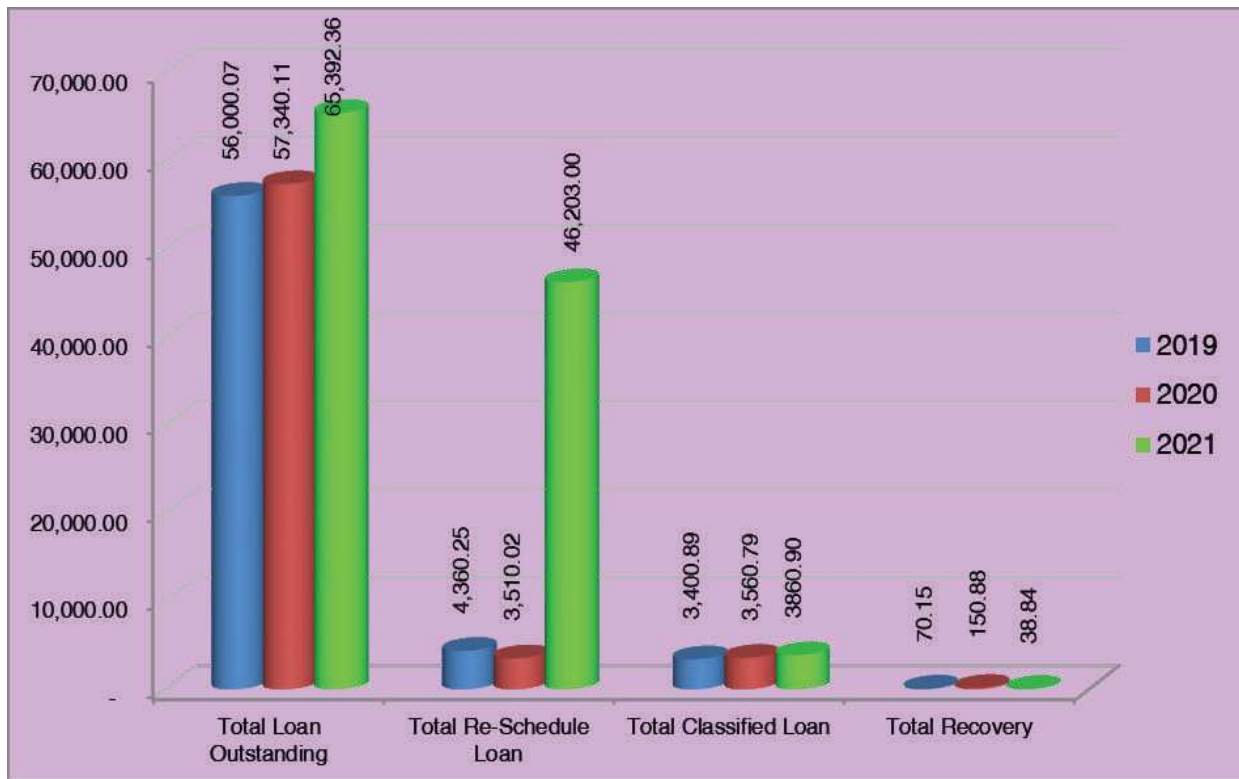
LARD is a dedicated division in managing NPA’s. LARD has reconstituted Task Force (TF) with senior management team. Moreover, a Special Asset Management Team (SAMT) is carefully chalking out branch wise strategic plan to arrest fresh NPL and recovery of stuck-up loans. Functions of SAMT is as follows:

- Regular review of non-performing or worsen loan accounts to determine Account Action Plan/Recovery strategy to realize said loan.
- Pursue all options to maximize recovery
- Ensure adequate and timely loan loss provisions are made based on actual and expected losses.
- Initiate legal actions against defaulted borrowers and all out support to the branches in this respect.
- Maintenance of database of defaulted and slow-moving accounts of the branches, and providing advices branches time to time for strengthening monitoring process to avoid classification.
- Providing report to higher authority of the bank and to Bangladesh Bank as per their requirement.





## NPL comparing to loans and advances at SBAC Bank for last three years:



### Conclusion:

SBAC Bank is constantly trying to reduce its NPA burden in their portfolio but there is no quick-fix solution to solve the problem. We need to come out with realistic approach and detailed plan for different strategies for different cases. We know prevention is better than corrective measures. So, SBAC Bank now are practicing all out preventive measures at the time of sanctioning loans. Hopefully, as an outcome of vigorous monitoring and persuasion through TF & SAMT, NPA size of the bank will be gradually decreasing to a desired level.

### Strategic Plan for 2022:

The strategic priorities and actions plan of the bank for 2022 are mentioned below:

- To strengthen the Digital Financial Services and ensure diversification of products and services by introducing IT based innovative products and engaging alternate delivery channels.
- To prioritize the Capital Market Operation and Investment Banking through SBAC Bank Investment Limited, a fully owned subsidiary of the Bank.
- To focus on the Fee-based Income through acceleration of Import, Export and Commission based business.
- To emphasize on enhancement of Islamic Banking services through initiating more Islamic Banking Windows and building trust on our Shariah practice within the Bank, so that we can fruitfully harvest the benefit of phenomenal growth and expansion of shariah Based banking in Bangladesh.
- Our prime focus is on the asset quality of the Bank. The Board as well as the Management have set goal of zero classification. We have formulated policies to keep the non performing loan (NPL) below 1%. A Robust Recovery Plan has been formulated for the recovery of overdue/classified loans;
- We believe in compliance culture. Our philosophy is 'compliance first; profit is it's logical consequence'. So we are reaffirming our commitment towards doing business in compliance with all laws, rules, regulations related to banking as well as the laws of the Country.



- To focus on providing technology based retail banking products and services through extensive service delivery channels.
- To maintain highest quality of customer services by offering best products compatible with customers' need.
- To continue the drive for financial inclusion through widening the coverage of banking services. The operation of Agent Banking has come into operation to achieve our financial inclusion target.
- To emphasize on continuation of diversification of credit portfolio in corporate exposure focusing on retail, SME, direct green finance and agriculture loans, SME segment and prioritizing on geographic dispersion.
- To ensure the improvement of deposit mix by penetrating board-based customers to enhance the share of low cost and no cost deposits.
- To maintain sufficient liquidity through managing asset-liability adroitly and timely recovery of loans.
- To ensure that no more fresh loans and advances shall turn into non-performing asset through installing regular administering and effective monitoring.
- To formulate strategies and programmes to develop our human resources more Professiona1ly and skillfully to meet the challenges of ever changing customer demands and attitudes in the service sector.
- To keep up our Continuous effort for improving internal governance through strengthening good corporate cultures, motivation, training and supervision at all levels of organisation.
- To continue our drive for improving the efficiency of performance and bring in required structural changes through Continuing the Business Process Re-engineering in different functional areas as required.
- To ensure that budgetary control has been put in at all levels of operation as part of our Cost minimization and efficiency optimization effort.
- To confirm efficient and effective risk management for sustainable business growth.
- Increasing brand visibility and creating favourable brand image of the bank through distinctive brand positioning in the minds of our prospects and customers is one of our significant priorities for the coming year.

On behalf of the Board of Directors



**Abdul Kadir Molla**  
Chairman

