

Chapter 05

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 (amended up to 2020), 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, 2022; 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 its Financial Statements comply with the Companies Act, 1994 (amended up to 2020) 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 at 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 2022 have been prepared in compliance with laws, rules and regulatory guidelines as per the Companies Act, 1994 (amended up to 2020); 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 2022, 22 (twenty-two) 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 (amended up to 2020), the Bank Company Act-1991 (amended up to 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 (amended up to 2020) 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 2022 and Audited Financial Statements for the year 2022 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 2023 have also been provided in this Report.

An Overview on Global and Local economy

Global Economic Outlook:

Due to the global covid-19 pandemic and the conflicts and tensions between nations specially the Russia-Ukraine war that disrupted the supply chain and caused economic slowdown and high commodity prices worldwide, Bangladesh faced the challenges of being an emerging market and developing economy also. The Russia-Ukraine conflict has been showing significant negative impact on world trade. As a result, food supply chains have been disrupted and Western sanctions on Russia have led to global trade instability. At the same time, the prices of petroleum along with commodity prices are rising, which is also creating inflationary pressures on the economies.

The global economy rebounded in 2021 with a 5.5 percent growth rate, the highest since 1976, after shrinking 3.4 percent in 2020. The UN expected the global economy to grow by 4.0 percent in 2022 and 3.5 percent in 2023. The World Bank estimated a 5.5 percent growth in 2021 and projected a 4.1 and 3.2 percent growth in 2022 and 2023 respectively in its Global Economic Prospect, January 2022. The IMF forecasted a 3.6 percent growth for both 2022 and 2023, which was lower than its previous update in January 2022 by 0.8 and 0.2 percentage points. The global growth was expected to slow down from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023, which was the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. This reflected significant slowdowns for the largest economies of the world.

Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024. Normalization of expansionary monetary and fiscal policies that delivered unprecedented support during the pandemic is cooling demand as policymakers aim to lower inflation back to target. But a growing share of economies are in a growth slowdown or outright contraction. The global economy's future health rests critically on the successful calibration of monetary policy, the course of the war in Ukraine, and the possibility of further pandemic-related supply-side disruptions, for example, in China. More energy and food price shocks might cause inflation to persist for longer. Global tightening in financing conditions could trigger widespread emerging market debt distress.

A worsening of China's property sector crisis could spill over to the domestic banking sector and weigh heavily on the country's growth, with negative cross-border effects. With tightening financial conditions, macroprudential policies should remain on guard against systemic risks. Intensifying structural reforms to improve productivity and economic capacity would ease supply constraints and in doing so support monetary policy in fighting inflation. Policies to fast-track the green energy transition will yield long-term payoffs for energy security and the costs of ongoing climate change. Phasing in the right measures over the coming eight years will keep the macroeconomic costs manageable. And last, successful multilateral cooperation will prevent fragmentation that could reverse the gains in economic well-being from 30 years of economic integration.

The global economy at a glance in 2022

Post Covid Renovation Just had Started	<ul style="list-style-type: none"> World GDP growth rate will reduced to 1.1% in 2023 against 2.4% in 2022 (IMF) Businesses lost 25% of their revenue and 11% of workforce Bangladesh GDP also reduced to 3.45% in FY20 and 6.94% in FY21 against 7.88% in FY19
Russia-Ukraine War since February 24, 2022	<ul style="list-style-type: none"> One-third of world economy will face economic recession in 2023 (IMF) Bangladesh GDP growth rate may be reduced to 6.5% from earlier forecasted 7.25% in 2023. (World Bank forecasted 5.2% GDP growth rate of BD in 2023).
Inflation	<ul style="list-style-type: none"> Inflation rate of USA was 9.1% in June 2022, which was a 40 year high. Inflation rate of UK was 10.1% in July 2022, which was also a 40 year high. Inflation rate of Bangladesh reached to 9.52% in August 2022, though it was reduced to 8.7% in December 2022.
Forex Reserve	<ul style="list-style-type: none"> UK foreign exchange reserve equaled 1.8 months of import in September 2022 Forex Reserve of Germany, France, UK and Italy stood at 277,458 million, 238,277 million, 182,790 million and 211,308 million USD respectively at the end of 2022. Bangladesh Fex reserve declined to \$33.8b in Dec. 22, though it was exceeded \$48b in August 2021.

GDP Growth Rate: World Economic Outlook (Update April 2023)

Latest World Economic Outlook Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2022	2023	2024
World Output	3.4	2.8	3.0
Advanced Economies	2.7	1.3	1.4
United States	2.1	1.6	1.1
Euro Area	3.5	0.8	1.4
Germany	1.8	-0.1	1.1
France	2.6	0.7	1.3
Italy	3.7	0.7	0.8
Spain	5.5	1.5	2.0
Japan	1.1	1.3	1.0
United Kingdom	4.0	-0.3	1.0
Canada	3.4	1.5	1.5
Other Advanced Economies	2.6	1.8	2.2
Emerging Market and Developing Economies	4.0	3.9	4.2
Emerging and Developing Asia	4.4	5.3	5.1
China	3.0	5.2	4.5
India	6.8	5.9	6.3
Emerging and Developing Europe	0.8	1.2	2.5
Russia	-2.1	0.7	1.3
Latin America and the Caribbean	4.0	1.6	2.2
Brazil	2.9	0.9	1.5
Mexico	3.1	1.8	1.6
Middle East and Central Asia	5.3	2.9	3.5
Saudi Arabia	8.7	3.1	3.1
Sub-Saharan Africa	3.9	3.6	4.2
Nigeria	3.3	3.2	3.0
South Africa	2.0	0.1	1.8
Memorandum			
Emerging Market and Middle-Income Economies	3.9	3.9	4.0
Low-Income Developing Countries	5.0	4.7	5.4

Source: IMF, World Economic Outlook Update, April 2023

Local Economic Outlook

Bangladesh undoubtedly has accomplished an extraordinary and substantial advancement in poverty mitigation amid last decade, consequence of the devoted endeavors of the government and the appropriate and successful execution of numerous public and private development activities. Government along with non-government institutions, autonomous bodies carried out various activities involving introducing microcredit in order to expedite the government's efforts of poverty reduction. Special fund for export-oriented industries, working capital for the affected industries and service sector institutions, working capital to SMEs, credit guarantee schemes for SMEs are mentionable programs of the government. Parallel to the roads, development projects like Padma Bridge, Metrorail, BRT, Dhaka Elevated Express way, Karnaphuli tunnel and some other mega-projects are being implemented which are contributing to GDP growth of the country. Consequently our economy was growing consistently high over a decade crossing 7.0 percent milestone in FY 2015-16 and 8.0 percent milestone in FY 2018-19. However, the COVID-19 pandemic reduced the growth rate to 3.45 percent in FY 2019-20. The economy grew by 6.94 percent in FY 2020-21.

The pervasive COVID-19 pandemic had detrimental consequences on economic activities in Bangladesh to some extent while the country was in a position to achieve commendable progress on various economic and social indicators. According to provisional estimate of Bangladesh Bureau of Statistics (BBS), per capita GDP and per capita national income stood respectively at US\$ 2,723 and US\$ 2,824 in FY 2021-22 compared to US\$ 2,462 and US\$ 2,591 respectively in FY 2020-21. Medium-term forecasts for GDP growth rates are 7.5 percent in FY 2022-23, 7.8 percent in FY 2023-24 and 8.0 percent in FY 2024-25. Whereas the point-to-point inflation in March 2022, stood at 6.22 percent.

On the other side, Russia-Ukraine war brought about significant negative impact on world trade. As a result, food supply chains have been disrupted and Western sanctions on Russia have led to global trade instability. At the same time, the prices of petroleum along with commodity prices are rising, which is also creating inflationary pressures on the economies. All these undesirable issues have become a catalyst to the depletion of our foreign exchange reserve. Due to the deficit of the overall balance, the foreign exchange reserve decreased also. The foreign exchange reserve reduced to USD 33.75 billion at the end of December 2022.

Economy & Growth: In the midst of challenges to the post-pandemic recovery and global uncertainties stemming from the Russia-Ukraine war, the real GDP growth of FY22 experienced a slight decrease to 7.10 percent from the previously estimated 7.25 percent.

However, the overall fiscal stance remained stable with higher revenue mobilization and lower government expenditure.

Despite the ongoing macroeconomic challenges, the non-performing loan (NPL) in the banking sector decreased in Q2FY23 mainly because of relaxed policy initiatives of Bangladesh Bank in the loan repayment process. However, both banks' advances and deposit growth decreased, leading to a rise in the overall advance-deposit (ADR) ratio in Q2FY23.

The growth momentum is expected to strengthen in the remaining period of the current fiscal year, driven by growth supportive fiscal and monetary policies, strong domestic and external demand, improving external situations, and rising business confidence. Although the inflationary situation is expected to soften due to the improved inflation scenario of major trading partner economies, there are still considerable uncertainties that could arise from unfavorable global developments, such as the Russia-Ukraine war and tight global financial conditions.

Inflation: Gradually increasing import costs, which were partially impacted by the significant depreciation of BDT against USD, led to a rise in non-food inflation. Despite the point-to-point headline inflation decreasing to 8.71 percent in December 2022 after reaching a ten-year high of 9.52 percent in August 2022. In Q2FY23, food inflation declined by 1.17 percentage points from 9.08 percent in the previous quarter, primarily due to a decrease in prices of vegetables, fish, fruits, spices, and edible oils and fats. However, non-food inflation continued to rise in Q2FY23, reaching 9.98 percent in November 2022 before marginally decreasing to 9.96 percent in December 2022. This increase in non-food inflation was mostly due to the price hike in household furniture, operations and repairs, medical care and health expenses, recreation and educational expenses, and miscellaneous goods and services.

In the coming months, inflationary pressure is expected to ease due to the deceleration in global commodity prices, as well as a better-than-targeted harvest of aman and boro paddies. Furthermore, the exchange rate pressure is predicted to ease, leading to a favorable impact on imported commodity prices and domestic inflation. However, the inflation outlook remains uncertain due to persistent supply disruptions and global commodity prices, as well as geopolitical tension stemming from the Russia-Ukraine war. Additionally, higher inflation in most trading countries and potential supply bottlenecks in China pose additional risks to the domestic inflation outlook. Nevertheless, BB's monetary policy is cautiously restrictive to address the inflation issues and curb unanchored inflation expectations. Additionally, the government's open market operations and other

supply-side interventions would help alleviate the high inflation toll on low-income groups.

Money & Credit Market: There was a reduction in liquidity in the money market due to several factors, including a large net sell of foreign currency by Bangladesh Bank, an increase in currency holding by the public, and a low growth of bank deposits. To address this issue, Bangladesh Bank took supportive measures for conventional and Islami banks, including raising its repo rate by 25 basis points to 5.75 percent in response to rising inflationary pressure. Despite a slight increase in net domestic assets, broad money growth continued to fall due to a considerable decline in net foreign assets. As a result of the liquidity contraction, interest rates in the interbank market rose sharply, while interest rates in the retail market increased slightly.

Scheduled banks' total liquid assets declined by 5.33 percent in Q2FY23 compared to Q1FY23, with Bangladesh Bank's recent interventions in the foreign exchange market contributing to a 4.86 percent drop in total liquid assets in excess of maintained SLR in December 2022 compared to the previous month. However, to stabilize the money market, Bangladesh Bank provided increased liquidity support and injected BDT 1,679.70 billion through repo operations during Q2FY23. This represented a staggering 1,780.22 percent growth of repo in volume during Q2FY23 compared to Q1FY23. The ongoing liquidity stress resulted in an upward movement of interest rates in retail money markets, with the weighted-average interest rate on lending rising to 7.22 percent in December 2022 from 7.12 percent in September 2022.

The government's restrictive import policy, combined with global war-related supply disruptions, led to a decrease in total government expenditure by 1.4 percent to BDT 1,043.7 billion in Q2FY23. Despite maintaining satisfactory macroeconomic performance amid the global COVID-19 pandemic and Russia-Ukraine war-related supply bottlenecks, global turmoil remains a risk to Bangladesh's fiscal stance through the foreign exchange and trade path.

Capital Market: The recent adverse macroeconomic situation in the domestic and global economies partly led to the volatile performances of the capital market during the couple of quarters. The capital market showed a weak performance during Q2FY23 compared to Q1FY23, as reflected in movements in price indices, market capitalization, price-earnings ratio and turnover.

The Bangladesh Bank (BB) and Bangladesh Securities and Exchange Commission (BSEC) took several steps to restore investor confidence in Bangladesh's capital market. To diversify investors' portfolios through risk-free investment in government securities, the BSEC started trial trading on 10 October 2022 in both stock exchanges. Moreover, to

increase the attainment of international investors, the memorandum of understanding (MoU) was signed between the BSEC and the Securities and Commodities Authority (SCA) of the United Arab Emirates to explore opportunities for dual listing, bond issue, joint subscription, and commodities exchange in both countries. Also, BB provided additional time to banks to adjust their investment from the capital market exposure limit.

External Sector: In the first half of FY23, the overall balance experienced a deficit of USD 7.17 billion. To prevent excessive fluctuations in exchange rates, Bangladesh Bank injected a net total of USD 4.24 billion into the foreign exchange market during Q2FY23. Despite concerns over global economic uncertainty caused by the Ukraine conflict and high global inflation rates, export growth moderated to 10.33 percent in Q2FY23 (y/y) from 11.89 percent in Q1FY23. Import payments decreased by 13.24 percent (y/y) in Q2FY23, compared to a positive growth of 11.7 percent in Q1FY23. This reduction in import payments was mainly due to a decrease in the import of intermediate goods, capital machinery, and capital goods, while imports of food items and consumer goods continued to grow during this period. Inward remittances declined by 0.22 percent to USD 4.8 billion in Q2FY23, after recording 4.9 percent positive growth in Q1FY23.

Banking Sector: The performance of the banking sector in Q2FY23 was mixed, with some positive and negative indicators. The ratio of non-performing loans (NPLs) to total loans decreased, mainly due to State-owned Commercial Banks (SCBs) and Private Commercial Banks (PCBs). However, liquidity conditions deteriorated due to factors such as continuous dollar sales by Bangladesh Bank, declining remittance trends, and inflationary pressures. The banking sector also faced challenges due to the hike in Bangladesh Bank's policy rates to curb inflation.

The overall gross NPL ratio in the banking sector improved, with a decline from 9.36 percent in Q1FY23 to 8.16 percent in Q2FY23. The SCBs and PCBs showed the greatest improvement, with their gross NPL ratios declining to 20.28 percent and 5.13 percent, respectively, at the end of Q2FY23. Meanwhile, the ratios for Foreign Commercial Banks (FCBs) and Specialized Banks (SBs) slightly increased to 4.91 percent and 12.80 percent, respectively. The net NPL ratio also decreased to 0.08 percent in Q2FY23 from 0.90 percent in Q1FY23.

Despite the improvement in the NPL ratio, excess liquidity in the banking sector narrowed, which may continue to be a concern in the coming quarters. However, the refinance schemes for the agricultural sector and funding opportunities for the CMSMEs could maintain adequate liquidity in the banking

sector. The positive outlook on external developments, such as declining import payments and falling commodity prices, may also improve the liquidity situation in the future. Nonetheless, good

governance in the banking sector, an enhanced loan recovery process, and constant monitoring will be critical to maintaining stability in the banking industry.

Major Challenges the Bangladesh Economy may face in 2023



Review of Performance of SBAC Bank Ltd. in 2022

South Bangla Agriculture and Commerce Bank Limited started its journey in 2013 as one of the 4th generation banks of the country. The Bank has been able to record a notable progress in almost all the areas of operation in 2022 despite various challenges it faced. The bank earned Tk. 1,754.55 million (Solo) & Tk. 1,796.56 million (Consolidated) operating profit, maintained adequate capital adequacy ratio, established new branch & sub-branch as well as agent banking network, and upheld asset qualities. The Financial performances of the Bank are as follow:

Total Assets

Total assets of the bank stood at Tk. 106,626.90 million (Solo) & Tk. 106,307.06 million (Consolidated) in 2022 as against Tk. 98,172.32 million (Solo) & 97,813.75 million (Consolidated) in 2021 registering a growth of 8.61 percent (Solo) & 8.68 percent (Consolidated). The increase in assets was mainly driven by diversified 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. 5,293.20 million (Consolidated) in 2022 of which Tk. 987.50 million (Consolidated) in the form of cash and rest of Tk. 4,305.69 million (Consolidated) held with Bangladesh Bank & its Agent as against Tk. 4,091.12 million (Consolidated) in 2021 of which Tk. 855.11 million

(Consolidated) in the form of cash and rest of Tk. 3,236.01 million (Consolidated) 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. 2,902.74 million (Consolidated) in 2022 of which Tk. 2,624.17 million (Consolidated) in Bangladesh and Tk. 278.57 million (Consolidated) outside Bangladesh as against Tk. 7,372.30 million (Consolidated) in 2020 of which Tk. 7,080.59 million (Consolidated) in Bangladesh and Tk. 291.71 million (Consolidated) outside Bangladesh.

Investment in Shares & Securities:

The position of Investment of the Bank is Tk. 17,126.56 million (Consolidated) in 2022 as against Tk. 17,538.20 million (Consolidated) in 2021. The investment decreased during the year 2022 by Tk. 411.63 million (Consolidated).

Loans, Advances and Lease/Investments:

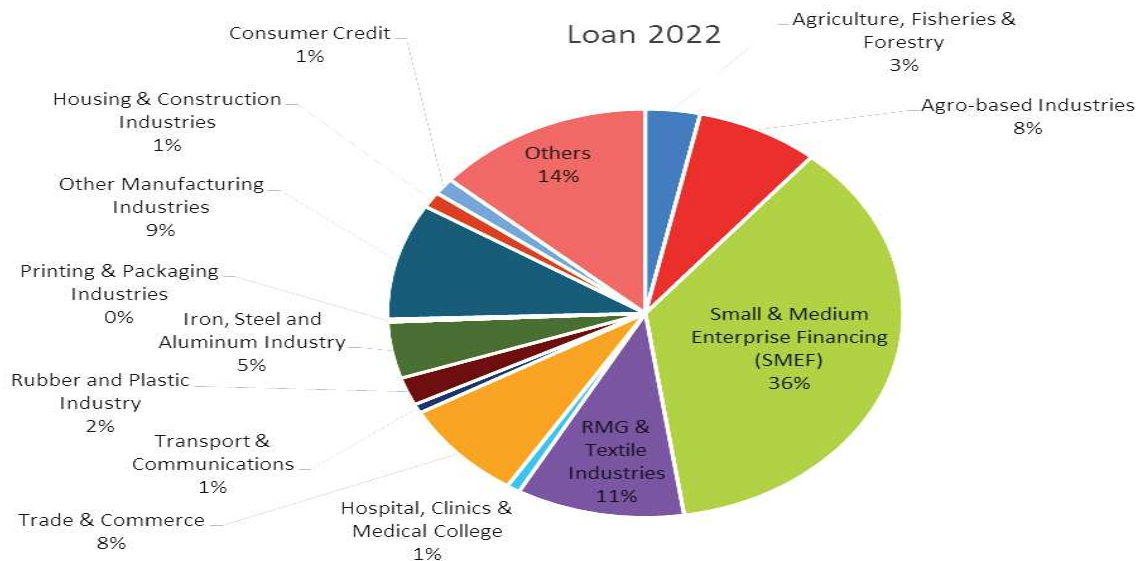
The SBAC Bank Limited since its inauguration has been deploying all out efforts to invest on good borrowers/projects by offering its better customer services as well as diversified products and services. The loans and advances/investments stood at Tk. 77,827.26 million (Consolidated) & Tk. 77,992.32 million (Solo) in 2022 against Tk. 65,955.68 million (Consolidated & Solo) in 2021 registering growth of 18.25 percent (Solo) & 18.00 percent (Consolidated).

Yield on loans and advances/ investments of the Bank decreased to 8.08 Percent from the level of 8.31 Percent of previous year due to decrease of lending rates.

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

(Fig. in million Taka)

Particular of Sectors	2022	2021	Growth (%)
Agriculture, Fisheries & Forestry	2,666.82	185.61	1,336.81%
Agro-based Industries	6,001.59	5,739.41	4.57%
Small & Medium Enterprise Financing (SMEF)	28,371.56	24,415.88	16.20%
RMG & Textile Industries	8,211.60	6,920.20	18.66%
Hospital, Clinics & Medical College	648.97	536.04	21.07%
Trade & Commerce	6,166.43	5,516.42	11.78%
Transport & Communications	566.06	326.91	73.15%
Rubber and Plastic Industry	1,730.21	1,022.79	69.17%
Iron, Steel and Aluminum Industry	3,468.34	2,963.62	17.03%
Printing & Packaging Industries	191.58	92.44	107.25%
Other Manufacturing Industries	7,165.08	5,975.79	19.90%
Housing & Construction Industries	983.40	870.94	12.91%
Consumer Credit	1,030.99	901.09	14.42%
Others	10,624.63	10,488.54	1.30%
Total	77,827.26	65,955.68	18.00%



Liabilities

The liabilities (excluding equity) of the Bank stood at Tk. 95,477.42 million (Consolidated) in 2022 of which Tk. 84,209.59 million (Consolidated) (88.20%) was deposit and rest Tk. 11,267.83 million (Consolidated) (11.80%) was borrowing & other liabilities as against Tk. 87,185.34 million (Consolidated) in 2021 of which Tk. 72,694.33 million (Consolidated) (83.38%) was deposit and rest Tk. 14,491.01 million (Consolidated) (16.62%) was borrowing & other liabilities. The borrowings from other banks, financial institutions and agents stood at Tk. 4,031.55 million (Consolidated) in 2022 which represents Bank's borrowing from

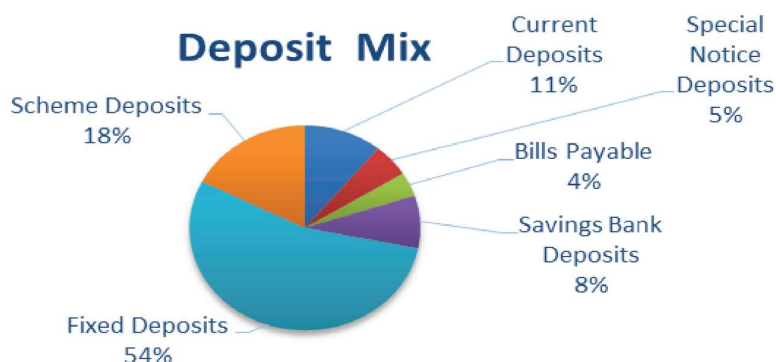
Bangladesh Bank under various Refinance Scheme & EDF.

Deposits:

The deposits of the Bank stood Tk. 84,209.58 million (Consolidated) & Tk. 84,599.43 million (Solo) in 2022 as against Tk. 72,694.33 million (Consolidated) & Tk. 73,061.63 million (Solo) in 2021. Fixed deposits remained the main component of deposits contributing 54.27 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 (%)	
	2022	2021		2022	2021
Current Deposits	9,236.44	7,253.49	27.34%	10.97%	9.98%
Special Notice Deposits	4,370.19	4,487.51	-2.61%	5.19%	6.17%
Bills Payable	3,197.41	2,414.98	32.40%	3.80%	3.32%
Savings Bank Deposits	6,920.99	5,943.30	16.45%	8.22%	8.18%
Fixed Deposits	45,698.47	38,132.48	19.84%	54.27%	52.46%
Scheme Deposits	14,786.09	14,462.57	2.24%	17.56%	19.90%
Total	84,209.59	72,694.33	15.84%	100.00%	100.00%



Shareholders' Equity

The shareholders' equity of the Bank stood at Tk. 10,796.55 million (Solo) & Tk. 10,829.65 million (Consolidated) in 2022 as against Tk. 10,622.84 million (Solo) & Tk. 10,628.41 million (Consolidated) in 2021 registering growth of 1.64 percent (Solo) & 1.89 percent (Consolidated). The shareholders' equity of the Bank consists of Paid-up capital, Statutory Reserve, Revaluation Reserve on Govt. Securities and Retained Earning.

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

(Amount in million Taka)

Particulars	2022	2021	Growth (%)
Cash and Balance with Bangladesh Bank	5,293.20	4,091.12	29.38%
Balance with other banks and FIs	2,902.74	7,372.30	-60.63%
Money at call and short notice	-	-	-
Investments in Shares and Securities	17,126.56	17,538.20	-2.35%
Loans, Advances and Lease/Investments	77,827.26	65,955.68	18.00%
Fixed & other assets	3,157.30	2,856.45	10.53%
TOTAL PROPERTY AND ASSETS	106,307.06	97,813.75	8.68%
Deposits	84,209.59	72,694.33	15.84%
Borrowings	4,031.54	8,763.68	-54.00%
Other liabilities	7,236.28	5,727.33	26.35%
Total Shareholders' equity	10,829.65	10,628.41	1.89%
TOTAL LIABILITIES AND CAPITAL	106,307.06	97,813.75	8.68%

Interest Income/Profit on Investment

The interest income/profit on investment stood at Tk. 5,884.35 million (Consolidated) in 2022 as against Tk. 5,610.48 million (Consolidated) in 2021. Interest income consists of Interest/profit on investment earned from loans & advances/ profit on investments amounting Tk. 5,695.51 million (Consolidated), and Interest received on FDR & SND account kept with other banks and financial institutions amounting Tk. 156.15 million, Interest Income from the Off-shore Banking Unit Tk. 31.64 million, and Income from SBAC Bank Investment Limited Tk. 34.15 million (inter company). Details of Interest Income are as follows:

Types of Interest Income	Amount (Taka in Million)	
	2022	2021
Interest on loans and advances/profit on investments	5,730.70	4,968.72
Interest received from Banks & Financial Institutions	156.16	630.55
Interest Income (Off-shore Banking Unit)	31.64	22.77
Inter Company	(34.15)	(11.56)
Total Interest Income	5,884.35	5,610.84

Interest Expense/Profit on Deposits

The interest expense/profit on deposits stood at Tk. 4,606.95 million (Consolidated) & Tk. 4,627.65 million (Solo) in 2022 as against Tk. 3,944.39 million (Consolidated) & Tk. 3,955.95 (Solo) in 2021. Interest cost of deposits was the main component of interest expenses whereas interest cost of borrowings also had impact in 2022. Details of Interest Expense/profit on deposits are as follows:

Types of Interest Expense	Amount (Taka in Million)	
	2022	2021
Interest/profit on Deposits	4,150.95	3,706.66
Interest on Borrowings	510.85	260.85
Inter Company	(34.15)	(11.56)
Total Interest expense/Profit on Deposits	4,627.65	3,955.95

Net Interest Income

The net interest income stood at Tk. 1,255.65 million (Solo) & Tk. 1,277.40 million (Consolidated) in 2022 as against Tk. 1,654.52 million (Solo) & Tk. 1,666.09 million (Consolidated) in 2021. 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. 1,689.15 million (Solo) & Tk. 1,705.31 million (Consolidated) in 2022 as against Tk. 1,847.00 million (Solo & Consolidated) in 2021.

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. 1,263.47 million (Consolidated) in 2022 of which Tk. 1,060.38 million (Consolidated) was commission, exchange earnings & brokerage and Tk. 203.09 million (Consolidated) was other operating income as against Tk. 678.64 million (Consolidated) in 2021 of which commission, exchange earnings & brokerage income was Tk. 521.14 million (Consolidated) and other operating income was Tk. 157.49 million (Consolidated).

Total Operating Income

The operating income stood at Tk. 4,182.64 million (Solo) & Tk. 4,246.18 million (Consolidated) in 2022 as against Tk. 4,180.16 million (Solo) & Tk. 4,191.72 million (Consolidated) in 2021. The operating income increased due to 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. 2,449.61 million (Consolidated) & Tk. 2,428.09 million (Solo) in 2022 as against Tk. 2,187.69 million (Consolidated) & Tk. 2,184.40 million (Solo) in 2021. 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 2022 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 1,149 (as on December 31, 2022) & the total number of manpower of the Bank was 997 (as on December 31, 2021). The productivity of the employees is measured in the following ratio:

(Amount in Million Taka)

Particular	2022	2021	Growth (%)
Operating Income per employee	3.70	4.20	-12.10%
Operating Expense per employee	2.13	2.19	-2.84%
Profit before provision per employee	1.56	2.01	-22.21%
Profit before tax per employee	0.41	1.03	-59.81%
Assets per employee	92.52	98.11	-5.69%

Provision against Loans and Advances

In 2022, the amount of Non-Performing Loan (NPL) was Tk. 4,031.22 million. Total required provision was Tk. 3,113.59 million out of which Tk. 2,499.77 million and Tk. 613.82 million were against specific and general provision on loans and advances respectively. On the other hand total provision Tk. 2,743.59 million have been kept leaving a shortfall of Tk. 370.00 million in general provision. 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. 1,287.17 million (Solo) & Tk. 1,321.72 million (Consolidated) in 2022 as against Tk. 970.48 million (Solo) & Tk. 978.75 million (Consolidated) in 2021.

Provision for Income Tax

Provision against income tax of SBAC Bank Limited was Tk. 732.08 million (Consolidated) & Tk. 725.07 million (Solo) in 2022 as against Tk. 438.86 million (Consolidated) & Tk. 435.76 million (Solo) in 2021.

Net Profit after Tax

Net profit after tax stood at Tk. 589.63 Million (Consolidated) & Tk. 562.10 million (Solo) in 2022 as against Tk. 539.89 million (Consolidated) & Tk. 534.72 million (Solo) in 2021. In 2022, Earnings per Share (EPS) stood at Tk. 0.72 (Consolidated) & Tk. 0.69 (Solo), Return on Assets (ROA) stood at 0.58 percent (Consolidated) & 0.55 percent (Solo), and Return on Equity (ROE) stood at 5.50 percent (Consolidated) & 5.24 percent (Solo) as against Tk. 0.66 (Consolidated & Solo), 0.58 percent (Consolidated) & 0.57 percent (Solo), and 5.42 percent (Consolidated) & 5.36 percent (Solo) respectively in 2021.

Statutory Reserve

As per Bank Company Act 1991 (amended up to 2018), 20 percent of profit before tax is required to be transferred to statutory reserve. As such an amount of Tk. 257.43 million has been transferred to statutory reserve in 2022 which was Tk. 194.10 million in 2021. Total statutory reserve stood at Tk. 2,204.93 million as on December 31, 2022 which was Tk. 1,947.49 million as on December 31, 2021.

OPERATING PERFORMANCE OF THE BANK

(Amount in million Taka)

Particulars	2022	2021	2020	2019	2018	Growth (%) [2021 to 2022]
Interest Income	5,884.34	5,610.47	5,855.11	7,357.32	6,420.41	4.88%
Less: Interest Expense	4,606.95	3,944.39	4,750.69	4,847.32	3,869.22	16.46%
Net Interest Income	1,277.39	1,666.08	1,104.42	2,510.00	2,551.19	-22.79%
Investment Income	1,705.31	1,847.00	1,909.92	1,217.52	917.54	-44.35%
Non-Interest Income & Other Operating Income	1,263.48	678.64	552.92	625.19	535.20	86.18%
Total Operating Income	4,246.18	4,191.72	3,567.27	4,352.72	4,003.93	-21.33%
Less: Operating Expense	2,449.61	2,187.69	2,109.90	2,083.54	1,970.10	-27.99%
Profit before provision	1,796.57	2,004.03	1,457.67	2,269.18	2,033.84	-9.98%
Less: Provision	474.84	1,025.29	89.88	504.83	392.62	-53.69%
Net Profit before Tax	1,321.73	978.74	1,367.78	1,764.35	1,641.22	36.19%
Provision for Income Tax	732.08	438.86	415.83	796.75	761.64	68.00%
Net Profit after Tax	589.65	539.88	951.54	967.60	879.59	10.27%
Less: Statutory Reserve + Start up Fund and Capital reserve	263.65	208.96	273.62	352.87	328.24	26.17%
Profit available to ordinary share holders	326.00	3.30.93	677.97	614.73	551.34	0.07%
Earnings Per Share (EPS)	Tk 0.72	Tk 0.66	Tk. 1.39	Tk. 1.55	Tk. 1.55	-2.70%
Return on Equity (ROE)	5.50%	5.42%	10.78%	12.55%	12.40%	2.61%
Return on Assets (ROA)	0.58%	0.58%	1.10%	1.25%	1.36%	1.75%

We have a remarkable contribution to the Government Exchequer. We have contributed total Tk. 2,013.47 million in 2022 as Withholding Tax, AIT and VAT & Excise Duty as under:

Particulars	Withholding Tax	Advance Income Tax	VAT and Excise Duty	Total
2022	836.54	852.44	324.49	2,013.47
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 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 07 (seven) 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. All 86 branches and 24 Sub-Branches (88 branches and 25 sub-branches as on 21.05.2023) of the bank are

doing their Import and Export business for their clients like an AD Branch.

Correspondent Banking:

Correspondent Banking relationship is initial and essential phase for conducting foreign trade business. SBAC Bank Ltd. 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 2022, the number of foreign correspondent banks was 208 in 47 countries across the Globe. Bank maintains 14 Nostro Accounts in 5 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 Ltd. 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 the 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. To Combat Trade Based Money Laundering in the form of Over invoicing / Under invoicing, SBAC Bank has gone for business tie up with ZEN Innovations AG Switzerland for using their Global Trade Tracker (GTT) platform for checking justification of commodity price in trade transaction. Moreover to Combat Trade Based Money Laundering in the form Ghost Shipment / Phantom Shipment as well as for fulfilment of sanction compliance SBAC Bank has gone for business tie up with Lloyd's List Intelligence UK for checking shipment and/or container tracking.

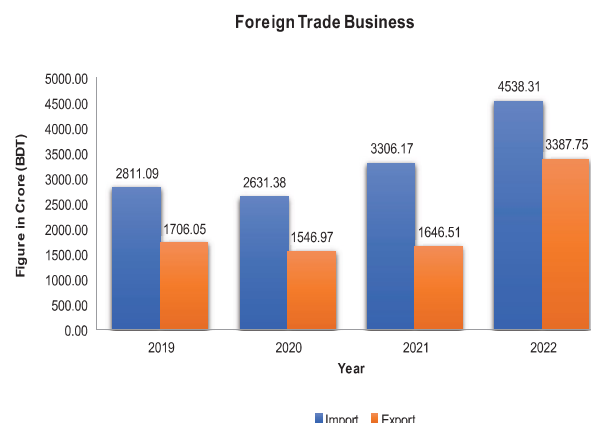
Foreign Trade Business:

Due to adverse impact arising from foreign currency crunch, Russia-Ukraine war and sluggish economic activities during the pandemic affected previous years our foreign trade business was hampered. 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 equipment, electronic goods, food grains, motor vehicles, spare parts, garment fabrics and accessories, sports items, chemicals, baby food etc. In the year 2022 the total import business of SBAC Bank was Tk. 43,383.07 million against Tk. 33,061.74 million in 2021, with about 37% growth year-over-year. Import volume in the year 2019 and

2020 was Tk. 28,110.90 million and Tk. 26,313.80 million respectively.

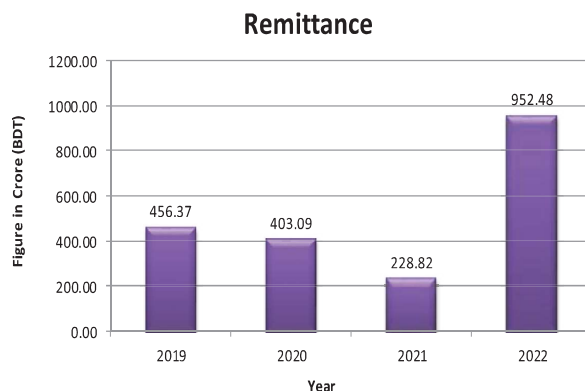
In order to support the exporters as well as to contribute in Country's economy, while raising revenue from export financing activities, SBAC Bank adopted customer friendly financing strategy. Since Bangladesh RMG sector is one of the lifelines of country's economy and plays significant roles for socioeconomic 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 2022 total export business of SBAC Bank was Tk. 33,857.74 million against Tk. 16,465.15 million of the year 2021, with almost 106% growth YoY. Export volume in the year 2019 and 2020 was Tk. 17,060.50 million and Tk. 15,469.70 million



Remittance:

SBAC Bank Ltd. 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 14 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; NEC Money Transfer, UK; 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 2022, SBAC Bank received Tk. 9,524.77 million as wage earners remittance. Remittance figure was Tk. 2,288.21 million in the year 2021, Tk. 4,030.90 million

in the year 2020 and Tk. 4,563.70 million in the year 2019.



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 of 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 2.08 million to our bonafide customers during 2022.

Treasury

In banking business, movement or transformation of the components in the balance sheet is an ongoing process which has a resultant effect on the profitability and overall strength of Bank. 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:

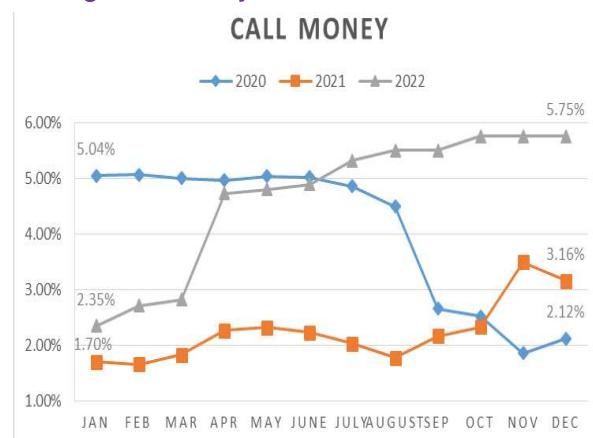


Money Market Desk

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 first quarter of 2022, the money market was moderately tight throughout the year. In 2022, 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. In the beginning of 2022 average call money rate was 2.35% and ended up in December 2022 with 5.75% mainly because of tight liquidity in the market.

Average Call Money Rate

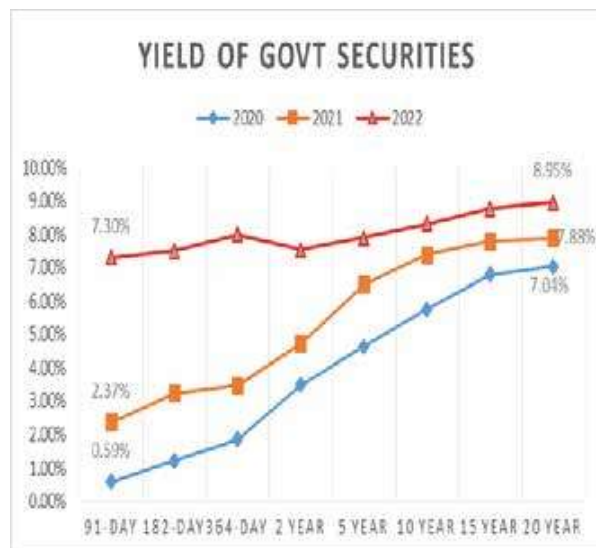


Fixed Income Investment Desk

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.

Yield of Govt. Securities

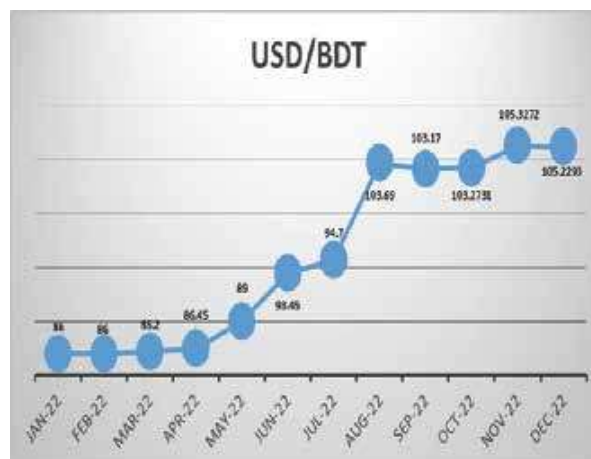


Compare to the previous year, the yield on government securities increased significantly. As an opportunity for investment improved alongside the credit growth, bank's demand for government securities decreased significantly and impacted the yield curve positively. However, in 2022, SBAC Treasury did exceptionally well in both investing and trading of government securities and able to generate substantial income from Fixed Income 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 9.50 Million.

After the Russian invasion of Ukraine, global economy saw an unprecedented inflation and every import cost had risen to abnormal level and we the Bangladeshi people had to watch our foreign reserve depleting very fast. All the banks of the country had to slow down their LC openings at some point in 2022. Even in the dire situations like these SBAC treasury managed to keep a positive NOP (Net Open Position) at the end of the year. The significant volume of income contribution from treasury in the form of exchange earning this year was possible because of prudent management of NOP, 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 2022, 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. Residual risk arises due to improper documentation against the loans & advances 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 2022. 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.

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 also 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, expired limit, insurance policy etc. and inform the same to the Senior Management.
- Works for close monitoring of overdue/classified PIF and submit report to top management as per Bangladesh Bank Circular.
- 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.
- Withdrawal of lien mark upon adjustment of liability.
- 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.
- 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 issuance of circular from time to time for smooth credit operations.
- 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 by implementation of e-doc management.

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 9th March 2014. We have deployed 55 Automated Teller Machines (ATMs), 2 CDMs (67 ATMs as on 21.05.2023) 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 66,700 Debit Cards & approximately 5,500 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 16th 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 1st 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 9th 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 unauthorized 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, Resort, Electronics, Jewelry, Air ticket, and Shopping malls.

0% EMI (SIP) 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.

E-alert/e-mail notification system:

SBAC Bank is one of the leading banks in Bangladesh that provides a wide range of banking services. One of its popular services is the Visa card that allows customers to make transactions both locally and internationally. To ensure customers/SBAC Bank's card holder have a safe and secure experience, in recent days, the bank has implemented an e-alert / e-mail notification system that provides real-time notifications for all transactions made using their cards. The e-alert / e-mail notification system helps customers to keep track of their card transactions in real-time, the e-alert service is available 24/7, which means that customers can receive notifications at any time of the day or night. Moreover, it also helps the bank to quickly detect fraudulent transactions and take prompt actions to prevent further damage. Overall, this system provides for a secure and reliable Visa card experience for SBAC Bank's customers.

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.

Inter Bank Internet Banking Fund Transfer (IBFT) Facilities:

National Payment Switch Bangladesh (NPSB) is processing Inter-Bank Internet Banking Fund Transfer (IBFT) transactions facilities since 2019. It is an Online Fund transfer facilities (Receiving & Sending) from

Qcash & NPSB member banks through Bangladesh Bank. An account/card holder of an IBFT member Banks can transfer funds (account to account/card to card, Apps to card/account, Card/Account to Apps) to other Banks through Internet Banking (IBFT), we are receiving funds through IBFT in SBAC Cards and on process for sending of fund through IBFT soon.

VMT/Direct Money Transfer, VISA OCT and AFT Facilities:

Visa Money Transfer (VMT) is a convenient service offered which enables its customers to pay for a VISA Credit card bill, by using the Bank's VISA Card Pay service. Such service does not entail any branch queues, any waiting, and any issuing cheques. Visa Direct provides Originators (financial institutions and eligible third parties such as person-to-person payment service providers, merchants, corporations, and other payment service providers) with a way to connect to Visa, get access to information, and push payments directly onto Visa cards.

Money is pulled from the sender's account using an Account Funding Transaction (AFT), then pushed to the recipient's account using an Original Credit Transaction (OCT). On line credit transfer /OCT, AFT /Account Funding Transaction facilities already allowed in SBAC Debit & Credit Cards allow Card to Card, Account to Account, Account to Card, Mobile Apps, MFS through VISA VMT, OCT and AFT [Note: Completely restricted and disallowed for online Gambling (Domestic and Cross Boarder), and Domestic Non-Money transfer, Lottery Original Credit transaction.]

An Account Funding Transaction (AFT) is a transaction in which funds are pulled from an account and used to fund a non-merchant account. For example, VISA AFT through SBAC Cards allow to top up a wallet, or fund a person-to-person (P2P) money transfer.

Qpay Apps Facilities:

Qpay Bangladesh application has many use cases such as mobile recharge, fund transfers, credit card bill payment, transfer money to MFS accounts, withdraw Cash from ATM Booths, pay utility (water, gas, electricity, Satellite TV) bills, make QR payments etc.

Through Qpay apps, SBAC Cards are allowing the above services.

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 competencies 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.



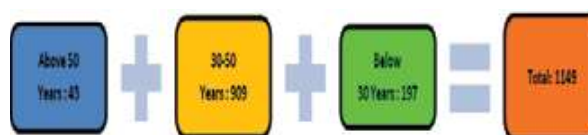
Diversity in workforce

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 86 branches and 24 sub-branches (88 branches and 25 sub-branches as on 21.05.2023), the bank is a proud

employer of a diversified pull of people. At present, we have a total number of 1175 employees (as on 21.05.2023)

Total Workforce by Age Group (as on 31.12.2022)

Age ranges	Age: Above 50 Years	Age: 30-50 Years	Age: Below 30 Years	Total
Number of employees	43	909	197	1149



Total Workforce by Gender (as on 31.12.2022):

Number of Female Employees	248
Number of Male Employees	901
Total	1149

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. 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 2022, the Institute arranged training programs/workshops including foundation training for the fresh employees where 1991 participants of different grades of the Bank participated. SBAC Bank Training Institute arranged training programs on a variety of topics through virtual platform and at its institute premises such as Internal Control & Compliance, Foreign Exchange & Foreign Trade, Treasury Challan Received Through Automated Challan System (ICCRS), e-GP Finance, operation of e-KYC Software & its Account Opening Procedure, Credit Management, Prevention of Money Laundering and Combating Financing of Terrorism, Gender Equality, Awareness of Digital Transformation & Cyber Security, Agent Banking Flora Systems, Manners Etiquettes & Ethics in Banking: Services, Detection and Disposal of Forged and Mutilated Notes, Islamic Banking Products and Operations, RTGS Foreign Payment, Customer Service Development, CIB Batch Reporting in Banking, Awareness of Digital Transformation & Cyber Security, ISS (Integrated Supervision System) reporting, Risk Management in Bank Internal Capital Adequacy Assessment Process (ICAAP) Comprehensive Risk Management Report CRMR/Stress Testing, Documentation, Refinance scheme of Bangladesh Bank ADB & JICA, Agent Banking Services.

In addition to Training Institute's trainings, Human Resources Division nominated employees for training courses, workshops and seminars on different topics in different organizations in 2022. A total of 42 employees of SBAC Bank participated in training in different resourceful places like BIBM, ICC Bangladesh, BAB, BBTA, Bangladesh Bank etc. Besides, BIBM conducted a 30-day long foundation training for 37 newly joined MTOs of SBAC Bank Ltd.

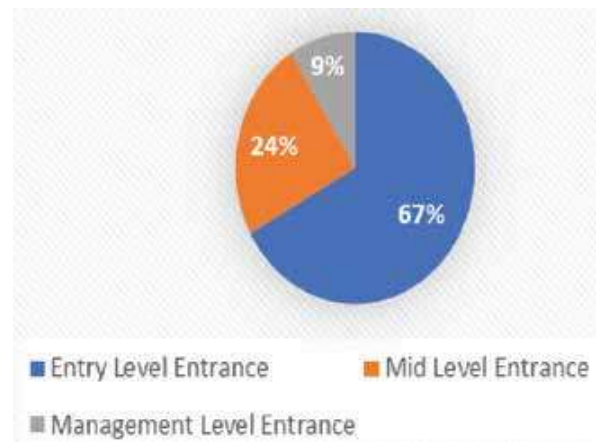
Recruitment and Selection

The recruitment and selection unit of HR Division has carried out a massive talent acquisition during 2022. 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 2022

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 239 employees including both fresh and lateral candidates in 2022.

Particular	2022
Entry Level Entrance	67%
Mid Level Entrance	24%
Management Level Entrance	9%
Total	100



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.

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 BB 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.

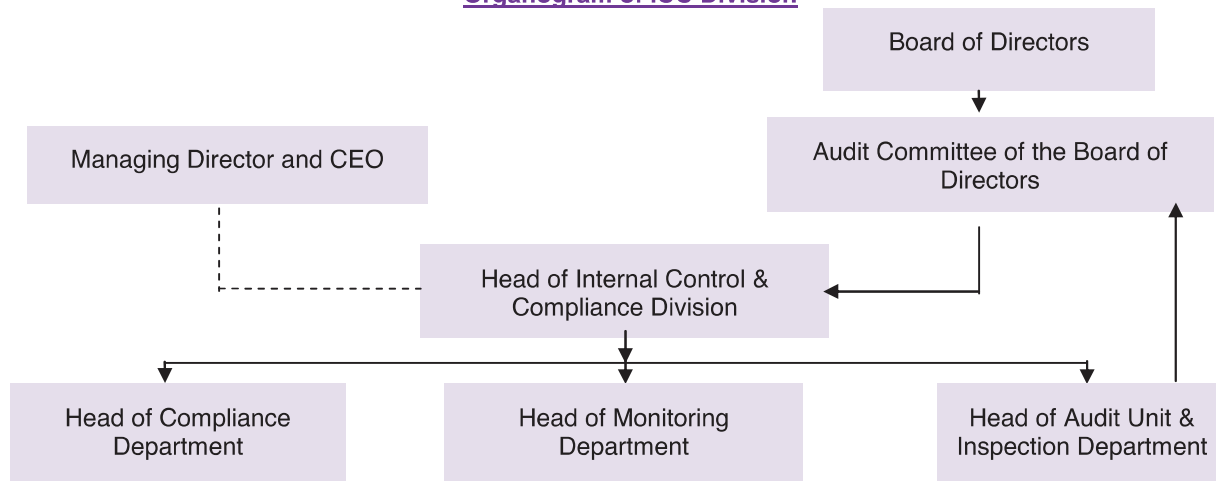
During the audit period, if the present audit team finds any lapse or irregularity which was not detected or identified by the previous auditor then that is also be reported to the Audit Committee.

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 transactions 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.

Organogram of ICC Division



Anti-Money Laundering & Combating Financing of Terrorism

Money Laundering (ML), Terrorist Financing (TF) & Proliferation of Financing (PF) weapons of mass destruction have become very important issue in almost every part of the world in recent times that may cause significant level of risk for economic & social security. Besides, Money Laundering & Terrorist Financing risk has been intensified recently due to integration of sophisticated technology in global financial sector. SBAC Bank Ltd, as a financial institution is not excluded from this risk. Keeping in the view of this perspective, our Bank from the very beginning has been considering ML, TF & PF risk with much importance and determined not to let Money Launderers & Terrorists or Perpetrators to use the Bank as a channel to Launder Money or Finance Terrorism in any possible way and accordingly necessary rules & policy guidelines have already been formulated for mitigating this risk with due care.

Hence, SBAC has its own Anti-Money Laundering (AML) & Combating Financing of Terrorism (CFT) Compliance Program. It has been designed considering the range of activities, complexity of operations and the nature & degree of Money Laundering & Terrorist Financing risks faced by the Bank. Certainly, it is designed as per the prevailing laws, Bangladesh Financial Intelligence Unit (BFIU) Guidelines, Circulars & Circular Letters and Instructions. SBAC applies risk sensitive Customer Due Diligence (CDD) measures, Monitors Business Relationships and Suspicious Transactions pursuant to the national regulations and international standards.

SBAC, during the year 2022 has performed following activities for strict adherence of Anti Money Laundering & Combating Financing Terrorism program:

- To facilitate the implementation of the Anti-Money Laundering & Combating Financing of Terrorism Compliance Culture in SBAC, AML & CFT Division of the Bank issued several Circulars, Circular Letters &

Valuable Instructions for Branches and all Business Units during 2022 so far keeping in consistency with BFIU Circulars & Circular Letters and ML & TF Risk Management Guidelines as well as Bank's ML & TF Risk Management Policy Guidelines.

- Displaying the Banner & festoons at a visible place of the Bank's Head office as well as all Branches Premises containing with different AML & CFT awareness related slogans to aware all officials of the Bank including the customers
- Bangladesh Financial Intelligence Unit (BFIU) has celebrated 20th Anniversary on 18th June, 2022 as a central agency to fight against Money Laundering (ML), Terrorist Financing (TF) and Financing of Proliferation (PF) of Weapons of Mass Destruction (WMD). On the occasion, the Bank displayed the Banner & festoons at a visible place of the Bank's Head office as well as all Branches Premises containing with different AML & CFT awareness related slogans to aware all officials of the Bank including the customers
- AML & CFT Division conducted inspection on AML & CFT compliance status of 04 (Four) Branches and conducted Off-Site inspection on 08 (Eight) Branches.
- AML & CFT Division of SBAC arranged 03 (Three) regional Training program on AML & CFT issue in Khulna, Barishal & Chattogram Region where 161 participants got the training.
- AML & CFT Division made a "Question & Answer Based Guide Book" containing numerous information and question with answer regarding AML & CFT issues for all employees to enhance their knowledge & perception on AML & CFT issues.
- AML & CFT Division has developed a separated AML Corner under the Dashboard of HR Book with the help of our Information Technology Division for uploading the Circulars & Circular Letters (of BFIU & SBAC), Acts, Guide Books, Guidance Notes, Policies and Forms in respect of Anti Money Laundering &

Terrorist Financing issues where anyone can easily view and download the mentioned Circulars & Circular Letters.

- Monitor of customer transactions Branch as well as centrally on a regular basis for identifying Suspicious Transaction. The complex transaction, transactions with deviation from normal transaction and the transactions that does not have reasonable purpose or the transaction with unusual pattern are to be more emphasized during our monitoring;
- AML & CFT Division submitted numbers of Suspicious Transaction Report (STR) and Suspicious Activity Report (SAR) to BFIU which is better than the previous year;
- AML & CFT Division communicated with Branches including all business units to improve their AML & CFT compliance culture, identifying needs and directing Branches as needed and responding to queries of branches;
- AML & CFT Division has extended its initiative to create awareness on AML & CFT among the customers by displaying awareness Banner on conspicuous place of the Branches and distributing awareness leaflets among the Customers.
- Main goals of AML & CFT Division for the year 2023 are to strengthen our compliance culture in all units of SBAC. Specific goals are as follows:
- AML & CFT Division will update ML & TF Risk Management Policy Guidelines within the year 2023 in line with the compliance BFIU Circulars/Circular Letters, Guidelines & Money Laundering prevention Rules;
- Continuing communication with Branches to improve their AML & CFT compliance culture, identifying needs and directing Branches as and when needed and responding to queries of Branches;
- AML & CFT Division will arrange a day long training program on AML & CFT including Trade Based Money Laundering to aware all officials of the bank about their duties & responsibilities for the purpose of mitigating ML & TF risk within the Bank;
- AML & CFT Division will arrange an awareness program for the senior management of the Bank on AML & CFT issues.
- AML Division has a plan to arrange a BAMLCO conference for all BAMLCO's of the Bank to keep them updated in relating to AML & CFT issues.
- Monitoring of branches shall be robust in 2023 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;
- AML & CFT Division will take proper measure among the officials of the Bank to conduct Customer Due Diligence (CDD), Enhanced Due Diligence (EDD) and identify Beneficial Ownership of account;
- AML & CFT Division will Implement Risk Based approach for AML/CFT Supervision/inspections on

Branches as a part of its own monitoring program of Branches' AML & CFT compliance, apart from ICCD.

Annual General Meeting (AGM)

Annual General Meeting will be held Online/virtually using Digital Platform through the Link: <https://sbacbank.bdvirtualagm.com> on June 18, 2023. The Financial Statements were reviewed and adopted in the 163rd Meeting of Board of Directors of the Bank held on April 26, 2023 and recommended the same for final approval in the 10th AGM. The Board of Directors in the same meeting has recommended 3.50% Cash Dividend. The record date for cash dividend and to attend and vote in the AGM is 21-05-2023.

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 163rd Meeting held on April 26, 2023 has appointed Satcom IT Limited as Independent Service Provider to establish a digital platform to ensure smooth observation of the 10th Annual General Meeting and online or e-voting platform or system.

Appointment of Scrutinizer: As per clause 7 of the above Directive S. Abdur Rashid FCS has been appointed as Independent Scrutinizer by the Board in its 163rd Meeting held on 26/04/2023. Mr. Rashid has the experience and qualification of the Chartered Secretary to scrutinize the process of the 10th AGM of the Company as far the above circular.

Appointment/Re-appointment of Auditor(s): MABS & J Partners, Chartered Accountants, and G. Kibria & Co., Chartered Accountants were appointed as statutory auditors of the bank for the year 2022 in the 9th AGM and they are eligible to be re-appointed as statutory auditors for the 2023 until the completion of next AGM. Therefore, the Board of Directors in its 163rd Meeting recommended to re-appoint both the firms as statutory auditors subject to approval of the shareholders in the 10th Annual General Meeting and regulatory authorities.

Appoint/Re-appoint Corporate Governance Auditor: As per the provisions of the Corporate Governance Code issued by Bangladesh Securities and Exchange Commission, M/s Islam & Co., Chartered Accountants, was appointed as Corporate Governance Auditor in the Annual General Meeting (AGM) for certification on compliance of the Corporate Governance Code of the Bank for a term until conclusion of the 10th AGM, but the firm (i.e. M/s Islam & Co.) through an e-mail dated March 04, 2023 & a subsequent official letter on March 21, 2023 informed its inability on performing the compliance audit. Consequently, the Board of Directors in its 160th Meeting dated 22-03-2023 appointed M/S. M/s Hoda Vasi Chowdhury and Company as the Compliance Auditor of Corporate Governance for a

term until conclusion of the 10th AGM at a remuneration of Tk. 30,000.00 (Thirty Thousand) Only.

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 10th

Annual General Meeting of the Bank to be held on 18/06/2023 but they will be eligible for re-election:

1. Mr. Abdul Kadir Molla
2. Mr. Abu Zafar Mohammad Shofiuddin
3. Engr. Md. Moklesur Rahman
4. Mr. Mohammad Mahbubor Rahman
5. Mr. Md. Emdadul Hoque

Accordingly, the board has elected Mr. Mokaddess Ali FCS, the Company Secretary of the Bank as Chief Election Commissioner (CEC) to conduct the Election as per Election rule of the Bank.

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

The overall banking sector showed a mixed performance in 2022, as evidenced by a reduction of the ratio of non-performing loans (NPLs) to total loans, a declining trend in the growth of both bank advances and deposits, a deterioration in maintaining provision, and a deceleration of excess liquidity in the banking system. The ratio of gross non-performing loans to total loans declined in Q2FY23 compared to Q1FY23, owing mostly to State-owned Commercial Banks (SCBs) and Private Commercial Banks (PCBs). Liquidity condition in banking sector kept worsening because of a host of reasons such as continuous dollar sales by the Bangladesh Bank, declining remittance trend, growing inflationary pressure. In addition, hike in BB's policy rates to curb inflationary pressure also has impact on liquidity in banking sector. The banking sector's profitability witnessed an improvement in the last half of 2022. Moreover, the net profit of the banking industry increased to BDT 92.91 billion in Q1FY23 from BDT 72.29 billion in Q1FY22.

Deposit and Advance

The gap of growths between bank's deposits and bank's advances widened significantly at the end of Q2FY23. Although, bank's advances maintained a moderate growth of 14.1 percent at the end of Q2FY23, bank's deposit growth further deteriorated. The bank's deposit growth fell to 5.6 percent at the end of Q2FY23 from 7.8 percent at the end of Q1FY23, reflecting weaker saving owing from high inflationary pressure. Consequently, the overall advance-deposit ratio (ADR) rose to 79.00 percent in end-December 2022 from 76.23 percent in end-September 2022 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)	
	Dec. 22	Sep. 22	Dec. 22	Sep. 22	Dec. 22	Sep. 22
SCBs	0.5	0.3	18.8	17.7	69.00	64.81
PCBs	6.9	10.5	13.2	14.6	84.64	82.18
FCBs	15.5	11.4	7.8	0.4	50.90	48.3
SBs	6.4	9.6	11.2	10.0	75.76	73.43
All	5.6	7.8	14.1	14.6	79.00	76.23

*Adjusted deposits growth for ADR

Source: Bangladesh Bank Quarterly Report, Oct-Dec, 2022

Asset Quality of Banks:

The Non-Performing Loan (NPL) in the banking sector observed an improvement in Q2FY23, mostly due to favorable loan repayment policies confronting the ongoing macroeconomic stress. The ratio of gross NPLs to total loans declined and reached 8.16 percent at the end of Q2FY23 from 9.36 percent at the end of Q1FY23. The ratio of net NPLs to total loans also declined to 0.08 percent at the end of Q2FY23 from 0.90 percent at the end of Q1FY23, reflecting narrowed provision shortfall compare to previous quarter of Q1FY23.

Liquidity condition in the banking sector

The surplus liquidity in the banking sector has further declined to BDT 1457.28 at the end of Q2FY23 from that of BDT 1703.2 billion at the end of Q1FY23, partly due to BB's intervention to the foreign exchange market by selling USD emanating from the Russia-Ukraine war and higher demand for credit.

The excess liquidity- the excess of CRR and SLR as a percent of total demand and time liabilities (TDTL) has declined to 8.6 percent at the end of Q2FY23 from 10.2 percent at the end of Q1FY23.

Liquidity Position of the Scheduled Banks (In billion BDT)

CRR				SLR		
Bank groups	Required Reserves	Balance with BB in local currency	Excess(+)/shortfall (-) in reserve	Required Liquidity	SLR eligible liquid assets of banks**	Excess(+)/shortfall (-) of SLR
1	2	3	4	5	6	7
As of end December, 2022						
SCBs	160.50	186.30	25.80	516.90	1013.27	496.37
SBs*	17.56	17.83	0.27	0.00	0.00	0.00
PCBs (other than Islamic)	290.13	333.97	43.83	956.31	1501.51	545.19
Private Banks (Islamic)	162.91	253.42	90.51	225.89	325.67	99.77
FCBs	33.02	78.01	44.99	118.76	434.71	315.94
All	664.12	869.53	205.40	1817.87	3275.15	1457.28
As of end September, 2022						
SCBs	161.4	169.7	8.3	520.2	1143.5	623.3
SBs*	17.5	19.1	1.6	0.0	0.0	0.0
PCBs (other than Islamic)	285.7	301.2	15.5	940.9	1575.6	634.7
Private Banks (Islamic)	160.2	218.5	58.4	222.0	358.3	136.3
FCBs	31.6	68.3	36.8	115.5	424.4	308.9
All	656.3	776.8	120.5	1798.6	3501.8	1703.2

* 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 (column 4)

Note: According to the circular No-MPD-02, 2013 with effect from February 01, 2014 SLR has been calculated separately (excluded CRR) as 13% for conventional banks and 5.5% for Islamic banks of the total demand and time liabilities.

According to circular No. MPD-03, April 09, 2020, CRR revised to 4.0 percent from 5.0 percent effective from April 15, 2020.

Source: Bangladesh Bank Quarterly Report, Oct-Dec, 2022.

Remittance

The inward remittances declined by 0.22 percent to USD 4.8 billion in Q2FY23 after recording 4.9 percent positive growth in Q1FY23. A-half of the total remittances came from gulf region with 5.40 percent negative growth, of which 37.8 percent from Saudi Arabia with 20.0 percent decline, led to turn down total remittance inflows. However, the remittance inflows from UAE, USA, and Euro region grew by 48.8 percent, 15.9 percent, and 10.6 percent respectively. Moreover, BB has taken some policy measures to uphill the inward remittance growth. It is expected that BB's supportive policies for remittance inflow and high growth of overseas employment amid improved economic and working condition in the source countries would have a positive effect on inward remittances in the upcoming days.

(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: Lakhopoti 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 accountholder.

Performance of Deposits:

The deposits of the Bank stood Tk. 84,209.59 million (Consolidated) & Tk. 84,599.43 million (Solo) in 2022 as against Tk. 72,694.33 million (Consolidated) & Tk. 73,061.63 million (Solo) in 2021. This growth was supported by branch network and high standard service provided to customers along with concerted and solid efforts of the employees of the Bank. Fixed deposits remained the main component of deposits contributing 54.27 percent of the total deposits. Cost of Fund (including operating cost) decreased to 8.10 percent as against 8.41 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-funded 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. 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
1. Letter of Credit: Business Enterprises can avail Non-funded facility for import / procurement of raw materials, machinery, equipment, merchandise item.	1. Pre-shipment finance: Back-to-Back L/C, EDF, ECC, SOD (Working Capital Finance), Packing Credit.
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.	2. Post-shipment finance: Foreign Documentary Bills Purchase, Inward Documentary Bill Purchase.

- **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, Surokkha millionaire Scheme, Ashroy HBL, 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)]: | ▪ Bidder's Loan |
| ▪ Trade Finance (L/C, LTR, IDBP) | ▪ Project Loan |
| ▪ Transport Loan | ▪ Women Entrepreneur's Loan |
| ▪ Commercial/Residential House Building Loan | ▪ Small Business Loan |
| ▪ Work Order Loan | ▪ Green Financing |

4. **Agriculture Credit:** 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 of Loans and Advances:

The loans and advances stood at Tk. 77,827.26 million (Consolidated) & Tk. 77,992.32 million (Solo) in 2022 as against Tk. 65,955.68 million (Consolidated & Solo) in 2021 registering growth 18.00 percent. The growth of deposits was used for funding growth in credit. Yield on loans and advances of the Bank decreased to 8.08 percent from the level of 8.31 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 2022'.

(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. 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. 74-75, and Details of risk management are given in "the report of the risk management committee (RMC) of the board" in the page no. 169-172.

(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, dated 25th June 2003.

For the year ended 2022, The Bank's Cost of Fund (including operating cost) was 8.10 percent, Interest earning assets was Tk. 91,279.89 million (Consolidated) & Tk. 91,444.95 million (Solo). Interest Income was Tk. 5,884.35 million (Consolidated) & Tk. 5,883.30 million (Solo); Interest expense was Tk. 4,606.95 million (Consolidated) Tk. 4,627.65 million (Solo), Operating profit was Tk. 1,796.56 million (Consolidated) & Tk. 1,754.55 million (Solo), and Net profit after Tax was & Tk. 589.63 million (Consolidated) & Tk. 562.10 million (Solo).

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

There is no incident of any extraordinary activities, so there is no question of gain or loss from any extraordinary 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.**

Section 18(2) of the 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 the 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**

The proceeds of the Initial Public offering (IPO) had been utilized fully as per schedule as published in the prospectus.

(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 chronic downturn & stalemate in the economy around the world caused by Russia-Ukraine war, and a serious instability in the financial sector following the unprecedented 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 2022:

Name	Remuneration	No. of Meeting Attended
Mr. Abdul Kadir Molla	168000	21 (Board)
Mr. Mohammed Ayub	192000	20 (Board), 03 (EC) & 01 (RMC)
Mr. Abu Zafar Mohammod Shofiuddin	208000	21 (Board), 05 (AC)
Engr. Md. Moklesur Rahman	192000	21 (Board) & 03 (EC)
Al-Haj Mizanur Rahman	168000	19 (Board), 02 (EC)
Mr. Mohammad Nawaz	208000	20 (Board), 03 (EC) & 03 (RMC)
Mr. Anwar Hussain	184000	20 (Board) & 03 (EC)
Mr. Hafizur Rahman Babu	168000	19 (Board) & 02 (EC)
Mst. Nasima Begum Nominated by: Thermax Textile Mills Ltd.	168000	21 (Board)
Mr. Sk. Shyeduljaman Nominated by: Moonstar Ceramic Industries Ltd.	232000	20 (Board), 05 (AC) & 04 (RMC)
Mr. Mohammad Helal Uddin* Nominated by: TBO Trade Ltd.	160000	18 (Board), & 02 (RMC)
Mr. Mushfiqur Rahman Nominated by: M/S. Contech Construction Ltd.	176000	20 (Board) & 02 (RMC)
Mr. Mohammad Nazmul Huq Nominated by: Techno Electricals Ltd.	144000	16 (Board) & 02 (RMC)
Mr. Md. Sajidur Rahman	120000	10 (Board), 05 (AC) & 01 (NRC)
Professor Mohammad Moqbul Hossain Bhuiyan	200000	19 (Board), 05 (AC), 01 (RMC) & 01 (NRC)
Mr. Ziaur Rahman Zia FCA	176000	18 (Board), 04 (AC) & 01 (NRC)
Mrs. Tahmina Afroz**	104000	12 (Board) & 01 (EC)
Total Remuneration	29,68,000.00	

* Mr. Mohammad Helal Uddin was appointed as a nominated director of TBO Trade Ltd. at 155th Board Meeting of the Bank held on 15.12.2022, whose approval was pending at Bangladesh Bank till December 31, 2022. Previously He was appointed as a director, nominated by Hazi Shakhawat Anwara Eye Hospital Ltd.

** Mrs. Tahmina Afroz tendered her resignation from the Post of Director on 06.11.2022, and the resignation was accepted & approved by the Board of Directors in its 153rd meeting held on 16.11.2022.

NOTE: No remuneration was paid for 139th Board Meeting as it was the 3rd Meeting of that particular Month.

(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(s) 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, 2022 have been prepared in a very fair way with inclusion of all material aspects, its 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 2022 and accordingly Opinions of the External Auditors, MABS & J Partners, and G. KIBRIA & CO. have 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 MABS & J Partners, Chartered Accountants and G. KIBRIA & CO., Chartered Accountants have 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 2022.

(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, 2022 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 (amended up to 2020), 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 its 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. 111-114.

(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 are 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 05 (five) years shall be summarized:

Key operating and financial data of at least preceding 05 (five) years are as under:

[Fig. in million Taka where applicable]

Particulars	Growth (%)	2022	2021	2020	2019	2018
Number of Branches	2.38%	86	84	83	82	74
Number of Sub Branches	14.29%	24	21	11	4	-
Number of ATMs	14.58%	55	48	38	34	25
Paid-up capital	4.00%	8,160.31	7,846.46	6,846.46	6,224.05	5,658.23
Total assets/Total Liabilities	8.68%	106,307.06	97,813.75	88,403.45	84,564.01	70,661.31
Interest earning assets	7.27%	91,279.89	85,097.31	75,928.42	73,970.20	63,003.66
Non interest earning assets	18.17%	15,027.17	12,716.44	12,475.03	10,593.80	7,657.65
Total shareholders' Equity	1.89%	10,829.65	10,628.41	9,306.66	8,362.96	7,429.71
Total capital (Tier I +II)	2.94%	11,148.58	10,830.03	9,269.90	8,371.06	7,827.83
Surplus/(deficit) capital	(5.46%)	1,037.52	1,097.48	657.41	1,266.76	1,963.89
Capital to Risk Weighted Asset Ratio (CRAR)	(0.93%)	13.78%	13.91%	13.45%	14.73%	15.85%
Total deposits	15.84%	84,209.59	72,694.33	71,451.46	71,540.16	59,304.33
Total Loans and Advances	18.00%	77,827.26	65,955.68	57,408.83	56,000.74	50,254.94
Total contingent liabilities and commitments	17.49%	21,782.44	18,539.78	14,160.08	15,335.40	12,004.77
Advance deposits ratio (%)	3.72%	86.80%	83.69%	80.31%	78.21%	82.50%
Total Interest Income	4.88%	5,884.35	5,610.48	5,855.11	7,357.32	6,420.41
Total Non-Interest Income	86.18%	1,263.47	678.64	552.92	625.19	535.20
Investment Income	(7.67%)	1,705.31	1,847.00	1,909.92	1,217.52	917.54
Total Income	8.81%	8,853.13	8,136.12	8,317.95	9,200.03	7,873.15

Particulars	Growth (%)	2022	2021	2020	2019	2018
Total Interest Expenses	16.80%	4,606.95	3,944.39	4,750.69	4,847.32	3,869.22
Total Administrative Expenses	19.06%	1,594.57	1,339.25	1,156.27	1,123.10	959.07
Total Other Expenses	0.78%	855.04	848.44	953.33	960.20	1,011.02
Total Expenses	15.08%	7,056.56	6,132.08	6,860.29	6,930.86	5,839.31
Profit before tax and provision (Operating Profit)	(10.35%)	1,796.56	2,004.04	1,457.66	2,269.17	2,033.84
Profit after tax and provision (Net Profit)	9.21%	589.63	539.89	951.95	967.60	879.59
Total Export	105.63%	33,857.74	16,465.15	15,469.72	17,060.41	16,399.66
Total Import	31.22%	43,383.07	33,061.74	26,313.80	28,110.87	27,352.96
Total Remittance	316.25%	9,524.77	2,288.21	4,030.92	4,563.65	4,319.98
Classified advance	4.41%	4,031.22	3,860.90	3,567.96	3,408.95	991.66
Classified loans to advance ratio	(11.45%)	5.18%	5.85%	6.22%	6.09%	1.97%
Total Provision kept against Unclassified Loans and Advances including Off Balance Sheet Exposures	20.24%	444.52	369.68	9.51	521.52	469.67
Total Provision kept against Classified Loans and Advances	13.82%	2499.77	2196.16	1566.77	617.44	516.58
Yield on Advance (%)	(2.77%)	8.08%	8.31%	9.76%	12.88%	12.99%
Cost of Deposits (%)	(4.66%)	5.32%	5.58%	6.95%	7.76%	7.43%
Return on Assets (ROA) (%)	(5.17%)	0.58%	0.58%	1.10%	1.25%	1.36%
Return on Equity (ROE) (%)	(3.32%)	5.50%	5.42%	10.78%	12.25%	12.40%
Earnings per share (EPS)	4.55%	0.72	0.66	1.39	1.55	1.55
Net Asset Value Per Share	1.92%	13.27	13.02	13.59	13.44	13.13
Number of Employees	15.25%	1149	997	886	869	801
Number of Profit Earning Branch	5.08%	62	59	50	67	61
Number of Deposit Accounts	8.71%	331,391	304,851	279,949	240,343	187,990
Number of Loan Accounts	19.81%	13,558	11,316	10,730	9,253	7,826
Number of Debit Card	23.32%	65,338	52,982	41,814	28,884	15,514
Number of Credit Card	38.31%	5,033	3,639	2,856	2,416	1,490

(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 3.50% Cash Dividend for the year 2022 in its 163rd meeting held on April 26, 2023. The recommended dividend shall be finally approved in the 10th Annual General Meeting to be held on June 18, 2023.

(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 2022 as interim dividend or shall be declared as interim dividend for the 2023.

It is mentionable here that, the shareholders of SBAC Bank Ltd. approved 3% Cash Dividend and 1% Stock Dividend (subject to approval of BSEC) for the year ended December 31, 2021 in the 9th AGM dated 23 June 2022. Subsequently, the 1% stock dividend was approved by the Bangladesh Securities and Exchange Commission (BSEC) on March 29, 2023 as per provision of relevant rules & regulations. Consequently the Board of Directors in its 162nd meeting held on 05.04.2023 fixed 11.04.2023 as the record date for the aforesaid stock dividend as per the letter no. BSEC/CI/CPLC (Public)-1033/2022-1219 dated March 29, 2023. The Date of Allotment of the Bonus Share (Stock Dividend) was 08.05.2023. Therefore, the Paid-up capital of the Bank stands at Tk. 824,19,16,500.00 after the allotment.

**(xxii) The total number of Board meetings held during the year and attendance by each director:
Meetings in 2022:**

During the year 2022, 22 Board Meetings, 03 Executive Committee Meetings, 05 Audit Committee Meetings, 04 Risk Management Committee Meeting, and 01 NRC Meeting were held. Details of the participants are as follows:

Sl. No.	Name of Directors	Meeting (2022)															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	22	22	0	-	-	-	-	-	-	-	-	-	-	-	-	
2	Mr. Mohammed Ayub	22	21	1	3	3	0	-	-	-	4	1	3	-	-	-	Appointed at RMC on 27.10.2022
3	Mr. Abu Zafar Mohammod Shofiuddin	22	22	0	-	-	-	5	5	0	-	-	-	-	-	-	
4	Engr. Md. Moklesur Rahman	22	22	0	3	3	0	-	-	-	-	-	-	-	-	-	
5	Al-Haj Mizanur Rahman	22	20	2	3	2	1	-	-	-	-	-	-	-	-	-	
6	Mr. Mohammad Nawaz	22	21	1	3	3	0	-	-	-	4	3	1	-	-	-	
7	Mr. Anwar Hussain	22	21	1	3	3	0	-	-	-	-	-	-	-	-	-	
8	Mr. Hafizur Rahman Babu	22	19	3	3	2	1	-	-	-	-	-	-	-	-	-	
9	Mst. Nasima Begum Nominated by: Thermax Textile Mills Ltd.	22	22	0	-	-	-	-	-	-	-	-	-	-	-	-	
10	Mr. Sk. Shyedujjaman Nominated by: Moonstar Ceramic Industries Ltd.	22	21	1	-	-	-	5	5	0	4	4	0	-	-	-	
11	Mr. Mohammad Helal Uddin Nominated by: TBO Trade Ltd.	22	19	3	-	-	-	-	-	-	4	2	2	-	-	-	
12	Mr. Mushfiqur Rahman Nominated by: M/S. Contech Construction Ltd.	22	21	1	-	-	-	-	-	-	4	2	2	-	-	-	
13	Mr. Mohammad Nazmul Huq Nominated by: Techno Electricals Ltd.	22	17	5	-	-	-	-	-	-	4	2	2	-	-	-	
14	Mr. Md. Sajidur Rahman	22	11	11	-	-	-	5	5	0	-	-	-	1	1	0	
15	Professor Mohammad Moqbul Hossain Bhuiyan	22	20	2	-	-	-	5	5	0	4	1	3	1	1	0	Member of RMC till 07.03.2022
16	Mr. Ziaur Rahman Zia FCA	22	19	3	-	-	-	5	4	1	-	-	-	1	1	0	
17	Mrs. Tahmina Afroz	22	13	9	3	1	2	-	-	-	-	-	-	-	-	-	Resigned from the Board on 06.11.2022& her resignation was accepted in the 153 rd Board meeting held on 16.11.2022

(xxiii) **A report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details 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%
Total		4,00,00,000	100.00%

(b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children as on 31.12.2022 (name-wise details):

Sl. No.	Name	Status	No. of Shares	Spouse & Minor Children	No. of Shares
1	Mr. Abdul Kadir Molla	Chairman	34821563	Mrs. Nasima Begum	Nil
2	Mr. Mohammed Ayub	Vice-chairman	29108427	Mrs. Shalina Islam Chowdhury	Nil
3	Mr. Abu Zafar Mohammad Shofiuddin	Director	34821563	Mrs. Afroza Sultana A Z M Sahib Quader	Nil
4	Engr. Md. Moklesur Rahman	Director	34821563	Mrs. Quamrun Nahar	Nil
5	Al-Haj Mizanur Rahman	Director	25168000	Mrs. Ruhani Akter Mehreen Rahman Mubashirah	Nil
6	Mr. Hafizur Rahman Babu	Director	26116172	Mrs. Nasima Rahman Nipa Nusaiba Rahman Raita	Nil
7	Mr. Anwar Hussain	Director	16416695	Mrs. Fadia Naz	Nil
8	Mr. Mohammad Nawaz	Director	21315165	Ms. Sufia Begum Mohammad Nuh Yaseen Sanowara Siddiq Mohammad Farook Nawaz	9327808 Nil
9	Mst. Nasima Begum Nominated by: Thermax Textile Mills Ltd.	Director	Nil	Mr. Abdul Kadir Molla	34821563
10	Mr. Sk. Shyedujaman Nominated by: Moonstar Ceramic Industries Ltd.	Director	2856568	Sadnam Sadiana Suhain Maisah Zaman Mashiyat Safeerah Shiza	1428284 Nil Nil
11	Mr. Mohammad Helal Uddin* Nominated by: TBO Trade Ltd.	Director	Nil	Rafia Akhter	Nil
12	Mr. Mohammad Nazmul Huq Nominated by: Techno Electricals Ltd.	Director	Nil	Hafiza Huq	Nil
13	Mr. Mushfiqur Rahman Nominated by: M/S. Contech Construction Ltd.	Director	Nil	Yousuf	Nil
14	Mr. Md. Sajidur Rahman	Independent Director	Nil	Ms. Humaira Ayesha Khan Irvan Kaiser Rahman	Nil Nil
15	Mr. Mohammad Moqbul Hossain Bhuiyan	Independent Director	Nil	Ayesha Khatun Anupama Hossain	Nil Nil
16	Ziaur Rahman Zia FCA	Independent Director	Nil	Nazma Khatun	Nil
17	Mr. Habibur Rahman	Managing	Nil	Mrs. Tahmeda Akhtar	Nil

Sl. No.	Name	Status	No. of Shares	Spouse & Minor Children	No. of Shares
		Director & CEO		Alayna Ayesha	Nil
				Sameer Sulayman	Nil
18	Mr. Md. Masoodur Rahman FCA	SEVP & CFO	Nil	Mrs. Sumson Naher	Nil
				Nuraz Mustaneer Rahman	
				Abraz Mustahsan Rahman	
19	Mr. Md. Mokaddess Ali FCS	EVP & Company Secretary	Nil	Mrs. Hasna Hena	Nil
				Hasnine Farhad	
20	Mr. Md. Abdul Mannan	EVP & Head of ICCD	Nil	Ms. Habsa Begum	Nil
				Mashia Ahlam	
				Naifa Ahlam	

* Mr. Mohammad Helal Uddin, one of the directors of the Board, who was once nominated by Hazi Shakhawat Anwara Eye Hospital Limited previously, was appointed as a nominated director of TBO Trade Ltd. at 155th Board Meeting of the Bank held on 15.12.2022, as Hazi Shakhawat Anwara Eye Hospital Ltd. withdrawn the nomination of Mr. Mohammad Helal Uddin through their latter dated 15.11.2022 and the Board of Directors of the Bank accepted & approved the withdrawal in its 153rd Meeting Dated 16.11.2022. Subsequently the approval of Mr. Uddin as a director (nominated by TBO Trade Ltd.) was pending at Bangladesh Bank till December 31, 2022.

- (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. Md. Nurul Azim	DMD	Nil
2	Mr. Md. Abdul Matin	DMD	Nil
3	Mr. Md. Altaf Hossain Bhuyan	DMD	Nil
4	Mr. Faisal Ahmed	EVP	Nil
5	Mr. Asif Khan	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’, page no. 26-38

(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. 48-50 as ‘Review of the Managing Director & CEO’. 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, 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** in page no. 212.

(xxvii) The report as well as certificate regarding compliance of conditions of this Code (corporate governance code of BSEC) 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. 120 & 134-146.

Information To The Stakeholders

Distribution of Shareholdings in 2022

Shareholders' Group	No. of Shares Held	(%) of Shareholding	Value of Shares Held (BDT)
Sponsor Directors	36,18,66,272	44.34%	3,61,86,62,720
Sponsor Shareholders	21,64,43,628	26.52%	2,16,44,36,280
General Shareholders	11,60,62,368	14.22%	1,16,06,23,680
Financial Institutions	12,05,64,695	14.77%	1,20,56,46,950
Non-resident Bangladeshi	10,94,374	0.13%	1,09,43,740
Government	Nil	Nil	Nil
Foreign Investors	Nil	Nil	Nil
Total	81,60,31,337	100.00%	8,16,03,13,370

Information Sensitive to Share Price

Particulars	Disclosure
Adoption of Financial Statements-2022, Recommendation of Dividend, Record Date for Cash Dividend entitlement & Vote in the AGM, Date of Holding AGM.	Date of AGM: 18/06/2022 at 11:30 AM. Record Date: 21/05/2023 (for Cash Dividend entitlement & Vote in the AGM). Recommended Dividend: 3.50% (Cash)
Adoption of Quarterly Financial Statement (Q1) of the Bank as on 31/03/2023 and related corporate disclosure.	Date of Adoption: 14/05/2023 at 164 th Meeting. Net Asset Value (NAV): Tk. 1,103.77 Crore (Consolidated), Tk. 1,099.80 Crore (Solo). NAV per share: Tk. 13.53 (Consolidated), Tk. 13.48 (Solo). Earnings Per Share (EPS): Tk. 0.17. Net Operating Cash Flow per Share (NOCFPS): Tk. (0.43)

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 BEFTN);
- 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.

Dividend & Stock Details

DIVIDENDS-2021

Particulars		Date
9 th Annual General Meeting	Notice Date	01 st June, 2022
	Record/Book Closure Date	Cash Dividend: 29 May, 2022 Stock Dividend: 11 April, 2023
Holding of 9 th Annual General Meeting	Held on	23 rd June, 2022
Cash Dividend (At 3.00%)	Date of Disbursement	June 27, 2022 to July 22, 2022
Stock Dividend (At 1.00%)		08 May, 2023

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 29.12.2022)	10.60 (Per share)	10.70 (Per share)

SUMMARY OF UNCLAIMED DIVIDEND

As of 31.12.2022 there is an unclaimed/undistributed dividend of Tk. 5,91,21,073 (Five crore ninety one lac twenty one thousand seventy three). A complete detail of unclaimed/undistributed dividend has been disclosed in our website at <https://www.sbacbank.com/investors-relations>

FINANCIAL CALENDAR-2022

Quarterly Results	As of	Earnings Per Share (EPS)
Unaudited result for 1 st quarter	31.03.2022	0.22
Unaudited result for 2 nd quarter	30.06.2022	0.32
Unaudited result for 3 rd quarter	30.09.2022	0.72

SWOT Analysis

SWOT analysis is a cumulative strategic technique used usually to help an organization in identifying strengths, weaknesses, opportunities, and threats related to the day to day operation of the organization. This technique has been developed to be used at the preliminary stages of decision-making processes as a tool of evaluating the strategic position of a business organization. The technique has also been in practice to define the objectives of a business organization having a significant role of diagnosing both the internal and the external factors for achieving the objectives of a business firm.

SWOT assumes that strengths and weaknesses are frequently internal, while opportunities and threats are more commonly external. The name is an acronym for the four parameters the technique examines:

STRENGTHS

features of the business that give it an advantage over others.

WEAKNESSES

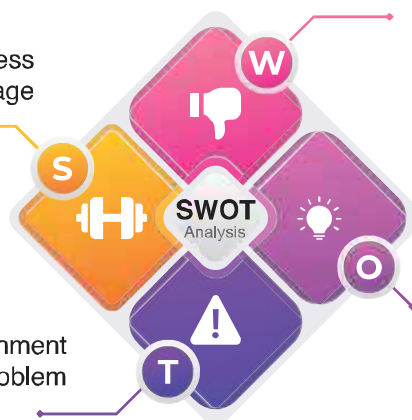
features that place the business at a disadvantage position relative to others.

THREATS

elements in the environment that could create problem for the business.

OPPORTUNITIES

elements in the environment that the business could exploit to its advantage.



Strengths:

- Good Asset quality and Strong Capital Base. The Bank started its journey with an Authorized Capital of Tk. 10,000.00 million, and its paid-up capital has stood at Tk. 8,160.31 million (as on 31.12.2022) & Tk. 8,241.92 million (as on 08.05.2023 after allotment of 1% bonus share for the year 2021) already. It has been successful in maintaining the CRAR of 13.78 percent (Consolidated) & 13.72 percent (Solo).
- The fully professional Board of Directors consisting of the visionary Business individuals having long professional experiences, and pioneer of prominent corporate houses of the country.
- The highly experienced management team that consists of seasoned bankers who has served in diversified capacities in the recognized financial organizations so far.
- The competent, skilled, highly experienced workforce that is self-driven and fully dedicated to achieve service excellence.
- The remarkable Brand image of the Bank in the market created by competing its' contemporary Banks. Despite being a comparatively new Bank, it has earned a good trust among the People. SBAC Bank had been awarded "The Golden Globe Tigers Award 2018" for Excellence and Leadership in Branding and Marketing.
- State of the Art Banking technology that facilitates innovation and digitalization in new product development & promptness of services.
- Satisfactory & steady Credit Rating of 'A' for long term and 'ST-2' for short term.
- The steady Return on Asset (ROA) and Return on Equity (ROE) growth of the Bank, which are 0.58 percent (Consolidated) & 0.55 percent (Solo), and 5.50 percent (Consolidated) & 5.24 percent (Solo) respectively in 2022.
- Diversified credit portfolio of the Bank that prevents the loans & advances from being concentrated on a fewer sectors thus protects the Bank from the concentration risk as well.
- An extensive service coverage through 86 branches, 24 sub-branches, 55 ATMs & 15 agent banking outlets (88 branches, 25 sub-branches, 67 ATMs & 18 agent banking outlets as on 21.05.2023), and strong presence in international trade through foreign correspondent Banks.
- Diversification of service through opening of Islamic Banking windows to provide shariah-based banking services and establishment of subsidiary companies naming SBAC Bank Investment Limited to offer a broad range of investment banking services as well as dealing in stocks, shares,

bonds, debentures, commercial papers or any instrument floated in the stock markets.

- Having an App-based mobile banking application naming 'BanglaPay' that has been rendering a wide range of services with great ease & promptness.
- Having a subsidiary company i.e. SBAC Bank Investment Limited enhances the revenue and diversifies the capital base further.
- Strictness in practicing good corporate governance and ensuring full regulatory compliance.
- A culture of fast adaptability to changes.
- Ample opportunity of Off-shore banking as the bank has a distinctive Trade Processing Unit (TPU) for off-shore banking related staffs.
- Presence of diversified banking products offering the most valued banking amenities to the customers. Recently, the bank has introduced 02 Nos. of Special Saving Deposit Accounts, i.e. SBAC Probashi for the Expatriates, and SBAC Payroll for the salaried persons.

Weaknesses

- Lack of sufficiency in skilled human resources in the industry.
- Prioritizing the industry culture to introduce new avenues of earning which requires undertaking extensive Research & Development programme.
- Management of Non-performing Assets needs more depth-evaluation and further actions.
- The portion of low cost-no cost deposit (e.g. Current account, Savings account) in the overall deposit mix is not at a desired level yet.
- Management's delegation in approval of loan is still limited comparing those of the competitors, therefore more time is required in loan approval process compared to the competitive banks.
- Number of loss-bearing branches should have been reduced further with more intensive care & concentration on them.

Opportunity

- Continuous GDP growth of the country and rising of Income level of the people indicate that demand for financial services would increase in the near future among all classes in the society.
- Remittance inflow in the country is almost steady, and because of the 2.50% incentive given by the government on using legal channel to send

remittance, banks are being preferred now as a legal channel of remittance flow.

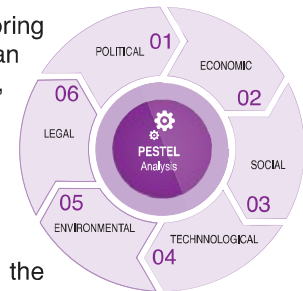
- Increase in ADR and IDR to release funds to invest more by the banks that will give some positive energy to the economy in facing challenges.
- The banking industry has got a unique opportunity to be further digitalized since the social distance of COVID-19.
- Financial Inclusion through digitalized banking, agent banking along with extensive sub-branch network may be an effective remedy to cope up with fiercely competitive environment of reduced profit margin for banks.
- The adaptive and digitally synchronized products can meet up the unique needs of ever-changing customers and also widens the avenue of conglomeration with other corporate organizations and culture.

Threats

- Banking industry with a number of new banks and NBFIs offering further diversified financial products and services may experience unhealthy competitions among the competitors of the financial sector.
- Probable political instability may be a major challenge for the banks and financial institutions.
- Intense competition in lending is offering the borrowers an increased bargaining power unreasonably and creating an opportunity for the borrowers with ill-motif to abuse the bank loan thus endangering a bank to face the consequences of more default loan.
- The loanable fund may shrink in future as a consequence of implementation of single digit interest rate as the depositors may choose government savings tools because of their higher yield, that in turn will reduce the profitability of the bank.
- An alarming amount of non-performing loan impacts the profitability negatively creating challenges of maintaining more provision.
- Digitalization of the banking and financial sector has been posing a higher risk for cyber-attack as most of the banks have no preparation to protest against such attack on their data security.
- Inflationary pressure may increase further because of expansionary monetary policy, which may raise a serious risk to the microeconomic stability of Bangladesh.

PESTEL Analysis

PESTEL analysis is a strategic framework that assists in the assessment and monitoring of macro-environmental factors that can have a considerable influence on an organization's performance. By examining Political, Economic, Social, Technological, Environmental, and Legal factors, the framework allows businesses to analyze the external environment, identify potential opportunities and risks, and make informed decisions.



Political Factors:

These factors are all about how and to what extent a government intervenes in the economy or a certain industry. These include the following:

- Government policy
- Tax Policy
- Trade restrictions
- Bureaucracy
- Political stability or instability
- Foreign trade policy
- Tariffs

Economic Factors:

Economic factors are determinants of an economy's performance. These factors may have a direct or indirect long-term impact on a company, since it affects the purchasing power of the people. These include the following:

- Economic Growth Rates
- Exchange Rates
- Disposable income
- Interest Rates
- Inflation rates
- Unemployment Rates

Social Factors:

This represents the demographic characteristics, norms, customs and values of the population within which the organization operates. Factors to be considered are the following:

- Cultural Aspects & Perceptions
- Population Growth Rate
- Income Distribution
- Lifestyle Attitudes
- Health Consciousness
- Age Distribution
- Career Attitudes
- Safety Emphasis

Technological Factors:

These factors are related to innovations in technology that may affect the operations of the industry and the market favorably or unfavorably. Technological factors affect in three distinct ways those are: new ways of producing goods & services, new ways of distributing goods & services, and new ways of communicating with target markets. Technological factors include the following:

- Research and Development (R&D) activity
- Technological Incentives
- Level of Innovation
- Automation
- The Rate of change in technology
- Amount of Technological Awareness

Environmental Factors:

These factors include ecological and environmental aspects such as weather, climate, environmental offsets and climate change which may the operation of a business. Furthermore, growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer. This has led to many companies getting more and more involved in practices such as corporate social responsibility (CSR) and sustainability. Key environmental factors include the following:

- Weather Conditions
- Climate Change
- Natural disasters (tsunami, tornadoes, etc.)
- Temperature
- Pollution

Legal Factors

Legal factors pertain to any legal forces that define what a business can or cannot do. Companies need to know what is and what is not legal in order to trade successfully and ethically. Legal factors include the following:

- Industry Regulations
- Employment Laws
- Acts & Laws related to Intellectual Property
- Health and Safety Laws.
- Licenses & Permits
- Labor Laws
- Consumer Protection Laws

Analysis of Impact on the Industry & Response from our End

Macroeconomic Factors	Impact on Industry	Our Response
Political Factors: <p>In recent years, Bangladesh has achieved a noteworthy level of political stability, and there are currently no signs of any imminent instability. This is due to the implementation of several measures aimed at preventing politically motivated violence and terrorism, which are being strictly enforced with zero tolerance. Additionally, the government has implemented a range of business-friendly policies that lead to significant strides in expanding its export markets and has attracted substantial FDI in recent years.</p>	<p>While recovering from the Covid-19 induced stagnation keeping pace with the entire world, the Russia-Ukraine war added some severe impact upon the recovery process. The demand for all goods and services skyrocketed in one hand leading to significant increase in demand of loans and advances putting pressure on liquidity and reserves. Accomplishment of mega projects has also intensified the pressure. Despite the situation, a number of non-residents and foreign investors have a keen interest for investing here which is a good sign for the economy.</p>	<p>The Board of Directors and the Management have been continuously evaluating political factors to adjust their business strategies accordingly. Our top priority is to manage non-performing loans while also ensuring expected growth. To promote good governance at all levels, we will deploy even more rigorous due diligence measures.</p>
Economic Factors: <p>Bangladesh economy was growing consistently high over a decade crossing 7.0 percent milestone in FY 2015-16 and 8.0 percent milestone in FY 2018-19. However, the COVID-19 pandemic reduced the growth rate to 3.45 percent in FY 2019-20. The economy grew by 6.94 percent in FY 2020-21. Medium-term forecasts for GDP growth rates are 7.5 percent in FY 2022-23, 7.8 percent in FY 2023-24 and 8.0 percent in FY 2024-25. The point-to-point inflation in March 2022, stood at 6.22 percent, compared to the inflation rate 5.47 percent in March 2021. The Russia-Ukraine conflict has been showing significant negative impact on world trade. As a result, food supply chains have been disrupted and Western sanctions on Russia have led to global trade instability. At the same time, the prices of petroleum along with commodity prices are rising, which is also creating inflationary pressures on the economies. According to provisional estimate of BBS, per capita GDP and per capita national income stood respectively at US\$ 2,723 and US\$ 2,824 in FY 2021-22 compared to US\$ 2,462 and US\$ 2,591 respectively in FY 2020-21.</p>	<p>Though there is a fall in the private investment in recent years, it is expected that private sector credit growth will regain its previous pace once the aftershock of pandemic is over and Russia-Ukraine conflict comes to an end leading an end to global supply chain disruptions. Rising trend of disposable income will definitely increase the demand of consumer goods & service products. Given the circumstances, banks need to be ready for meeting up the demand of enhanced consumer loans when the pandemic is ended.</p>	<p>The Bank is concentrating on achieving a favorable CASA ratio through mobilizing low-cost or no-cost fund. Management will continue it's drive to diversify the loan and advance portfolio through disbursing a significant portion to SME and Retail & consumer sectors. Moreover, the effort for attracting good corporate borrowers is continuing simultaneously.</p>
Social Factors: <p>The per capita income of our citizens has been steadily increasing though income inequality among different social classes is a worrisome issue. The literacy rate has also been rising. Nowadays, customers are more inclined towards technology-based</p>	<p>As citizens' income levels continue to rise, the utilization of financial services is progressively growing. However, the ongoing income disparity and unequal distribution of wealth highlight the significance of promoting 'inclusive banking' and 'financial inclusion' in the near</p>	<p>SBAC Bank is making a strong push towards expanding its physical network by establishing more branch and sub-branch operations in order to reach the unbanked population of the country. The bank is committed to enhancing the quality of customer service by</p>

services and products that offer convenience and automation. Young individuals are showing a keen interest in launching start-ups and entrepreneurial ventures. Health has become an increasingly important concern. Population growth rate has dropped significantly, indicating progress for the country's overall development.

future. The increasing popularity of Mobile Financial Services attests to customers' demand for effortless banking experiences.

introducing advanced technology to improve the customer experience. The management has devised a strategy to introduce technology-based products that cater to the preferences of the younger generation who demand convenient services with greater automation and added value.

Technological Factors:

The continuous advancements in technology and increasing awareness among people have resulted in customers becoming more discerning and raising their expectations. Besides, the government's substantial investments towards establishing a world-class IT infrastructure in the country have significantly accelerated the rate of technological change, facilitated further innovation, and elevated the level of automation to new heights.

In today's business and commerce landscape, technological progress has become a crucial determinant of success. Adopting superior technology enables organizations to gain a competitive edge over their rivals. However, the increasing reliance on information technology in the banking sector has also led to a significant cybersecurity and data security risk, which is becoming a major concern for the industry.

SBAC Bank's core banking software is regularly updated to facilitate seamless day-to-day operations. The Bank is dedicated to providing up-to-date services, such as internet banking, SMS banking, BACH (Bangladesh Automated Clearing House), Electronic Fund Transfer (EFT) and RTGS (Real Time Gross Settlement) and a unique app-based initiative called Banglapay to ensure customer satisfaction. The IT team is always vigilant and proactive in addressing cybersecurity concerns.

Environmental Factors:

The global focus on environmental conservation through anti-pollution measures is on the rise. There is a growing emphasis on sustainable finance, including green financing, in both financial markets and the international political arena.

Bangladesh Bank has established a separate department namely Sustainable Finance Department with a view to developing sustainable banking (i.e., Green Banking and CSR) framework and to integrate it into core business operation of banks and FIs through efficient and effective implementation of Green Banking and corporate social responsibility (CSR). The department is engaging and encouraging all banks and FIs to step-up their green banking initiatives and standards as well as ensuring proper implementation of CSR fund.

South Bangla Agriculture and Commerce Bank Limited is always committed to the sustainable development through the creation of long-term value with respect to the environment, stakeholders and the community. The Bank always complies with the green finance, environmental risk management, in-house environmental management, climate risk management, green marketing, online banking, green branch, green product innovation, green strategic planning and CSR Policies of the central bank strictly. We firmly committed to invest in CSR activities and social initiatives those ensures long term sustainability of environment and society.

Legal Factors:

In the banking industry, compliance with regulations is of utmost importance and the sector is likely the most heavily regulated in the country. Currently, the industry is confronted with increasingly strict rules and regulations that are more standardized and rigorous than in the past.

The banking industry is regulated under the Bank Company Act 1991 (amended up to 2018), guided by the circulars and guidelines of Bangladesh Bank, the listing regulations, and securities laws of BSEC. The compliance of the Companies Act-1994 (amended up to 2020), Income Tax Ordinance and Rules 1984, Value Added Tax (VAT) Act and Rules etc. is also mandatory for a Bank.

Ever since its establishment, SBAC Bank has fostered a culture that prioritizes full compliance with regulations. The bank has earned a positive reputation among all its stakeholders by adhering to all relevant rules and regulations. It places great importance on compliance and conducts its business operations accordingly, with a view towards achieving sustainable growth in terms of assets and profitability.

Our Business Model

South Bangla Agriculture and Commerce Bank Limited with 10 years of promising banking services & progressive experience has designed its business model for meeting diversified customer needs and fulfilling their growth expectations on the basis of trust, respect and confidence. We are continuously adapting the business model to sustain competitive pressures and absorb shocks, whereas we are careful to ensure a balance between different stakeholder objectives to create maximum contributions across the value chain. With the advancement of technology and change in influential factors our management team is striving to make the best use of available resources according to the Business Model.

Key Partners	Value Proposition	Customer Segments
<ul style="list-style-type: none"> Customers Shareholders Investors Employees Regulators Other Banks and NBFIs Surplus Economic Units 	<ul style="list-style-type: none"> Complete Solution of Business Needs One Stop Service for Personal Banking Innovative Products & Services Timely & Superior Services Wide availability of Banking Services 	<ul style="list-style-type: none"> Corporate Clients Institutional Clients Small & Medium Enterprises Individuals/Retail Clients Banks Non-Banking Financial Institutions Govt. & Non-Govt. Organizations

BUSINESS MODEL

Key Resources	Key Activities	Delivery Channels
<ul style="list-style-type: none"> Vastly Experienced & Highly Professional Board Profoundly Skilled Workforce Devoted Service Attitude Wide Range of Products & Services Strong Capital Base Wide Distribution Network Vast Correspondent Network Upgraded IT Infrastructure 	<ul style="list-style-type: none"> Deposit Management Lending Management Risk Management Compliance Management Fund Management Product & Process Innovation Trade Services Remittance Service Treasury Solutions Islamic Banking Services Off-shore Banking Service Improvement Brand Building 	<ul style="list-style-type: none"> Branches & Sub-Branches Agent Banking Call Center Digital Platforms (Banglapay) Automated Teller Machines Subsidiary Company
Customer Relationships	Cost Structure	Revenue Streams
<ul style="list-style-type: none"> Identify customer needs Individual Solutions Continuous customer Engagement Receiving Feedback Continual Review Research & Development Special Campaign Loyalty Programs Advisory Roles Relationship Management based business model 	<ul style="list-style-type: none"> Interest Expense Salary and Allowances Administrative Expense IT and Infrastructure Expense Capital Expenditure Other Operating Expenses 	<ul style="list-style-type: none"> Interest Income Investment Income Income from commission, fees etc. Exchange and Brokerage gain Other Operating Income

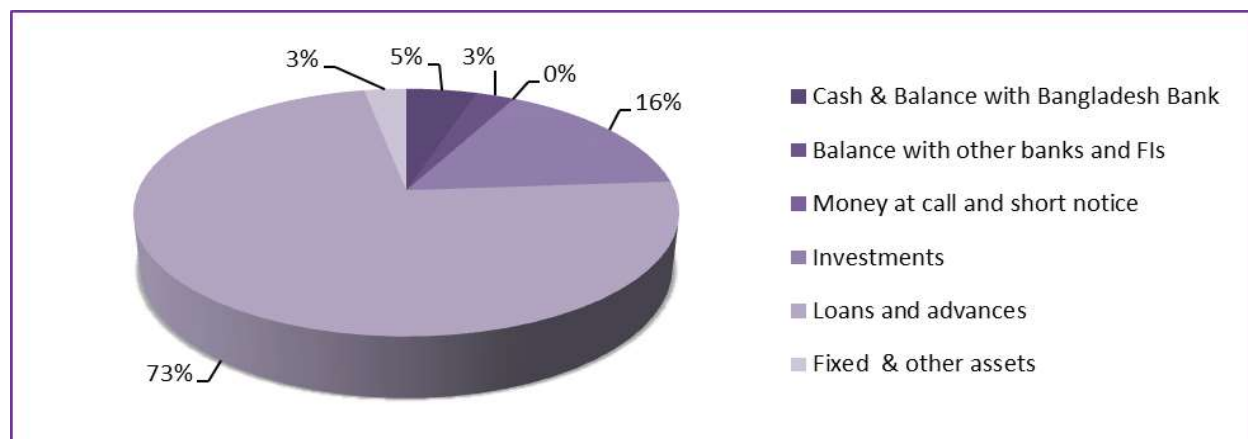
Graphical Presentation of Financial Performance

Total Assets

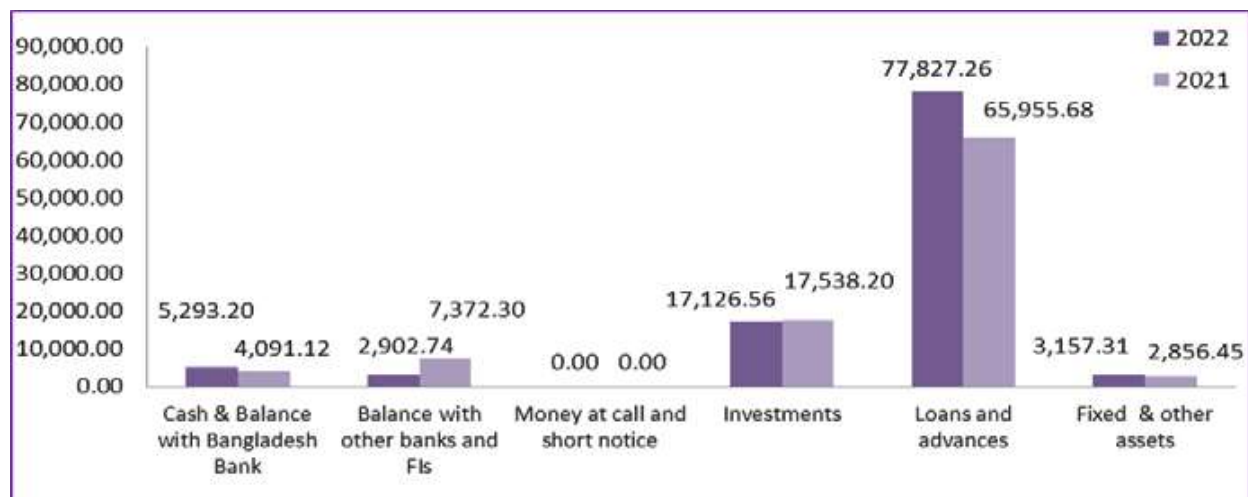
(Fig. Million Taka)

Particulars	2022	2021	Growth (%)
Cash & Balance with Bangladesh Bank	5,293.20	4,091.12	29.38%
Balance with other banks and FIs	2,902.74	7,372.30	-60.63%
Money at call and short notice	0.00	0.00	
Investments	17,126.56	17,538.20	-2.35%
Loans and advances	77,827.26	65,955.68	18.00%
Fixed & other assets	3,157.31	2,856.45	10.53%
Total Assets	106,307.06	97,813.75	8.68%

Total Assets as on 31.12.2022



Comparison of Assets in 2022 & 2021



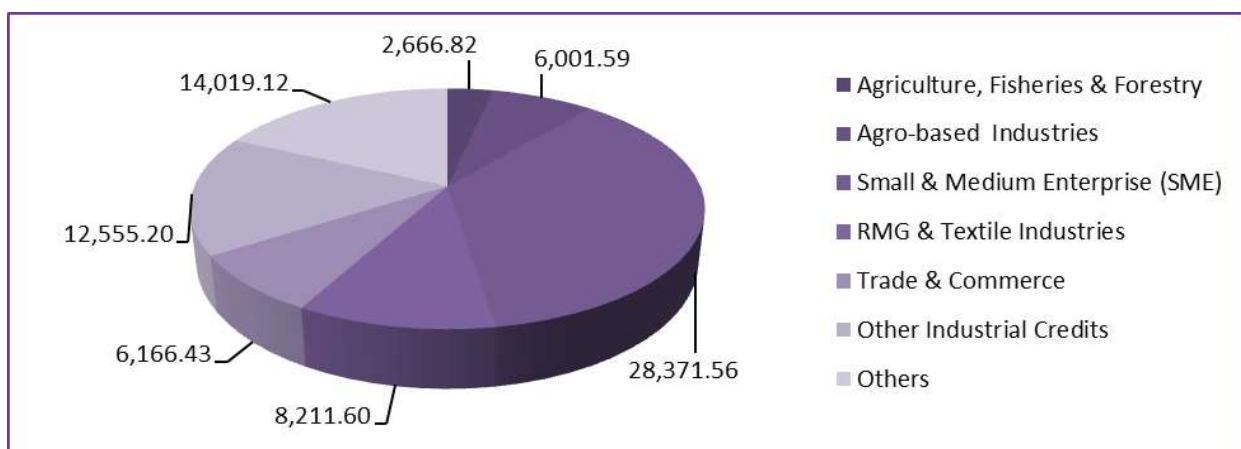
Loans and Advances

i) Sector wise Loans and Advances

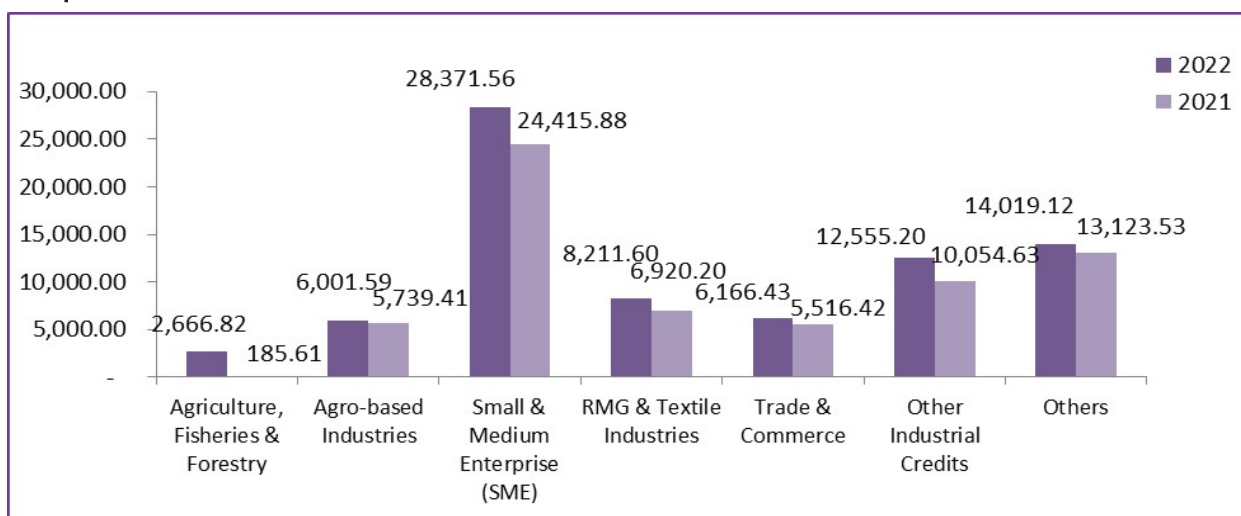
(Fig. Million Taka)

Particular of Sectors	2022	2021	Growth (%)
Agriculture, Fisheries & Forestry	2,666.82	185.61	1336.81%
Agro-based Industries	6,001.59	5,739.41	4.57%
Small & Medium Enterprise (SME)	28,371.56	24,415.88	16.20%
RMG & Textile Industries	8,211.60	6,920.20	18.66%
Trade & Commerce	6,166.43	5,516.42	11.78%
Other Industrial Credits	12,555.20	10,054.63	24.87%
Others	14,019.12	13,123.53	6.82%
Total	77,992.32	65,955.68	18.25%

Sector wise Loans and Advances as on 31.02.2022



Comparison of Sector wise Loans and Advances in 2022 & 2021

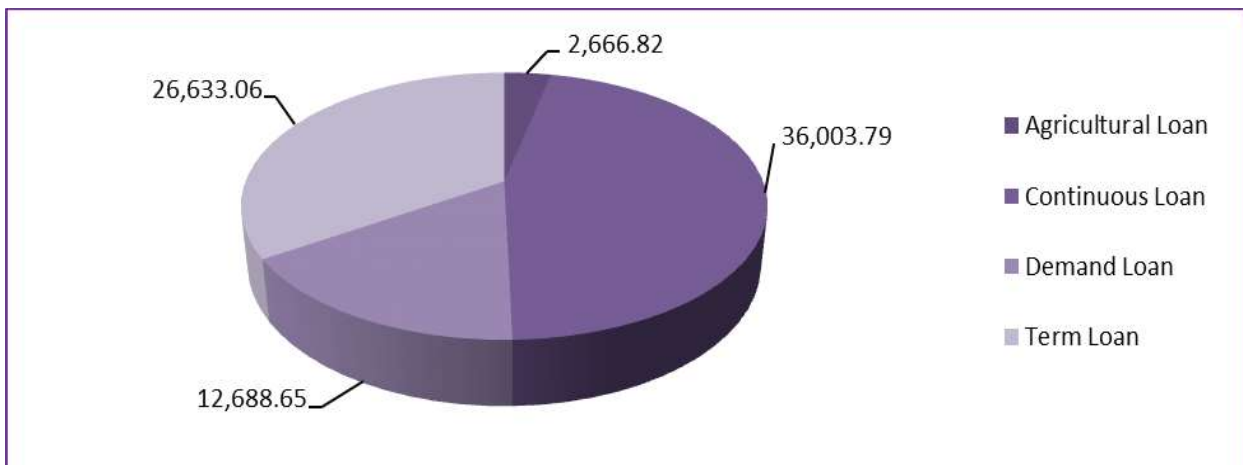


ii) Category wise Loans and Advances

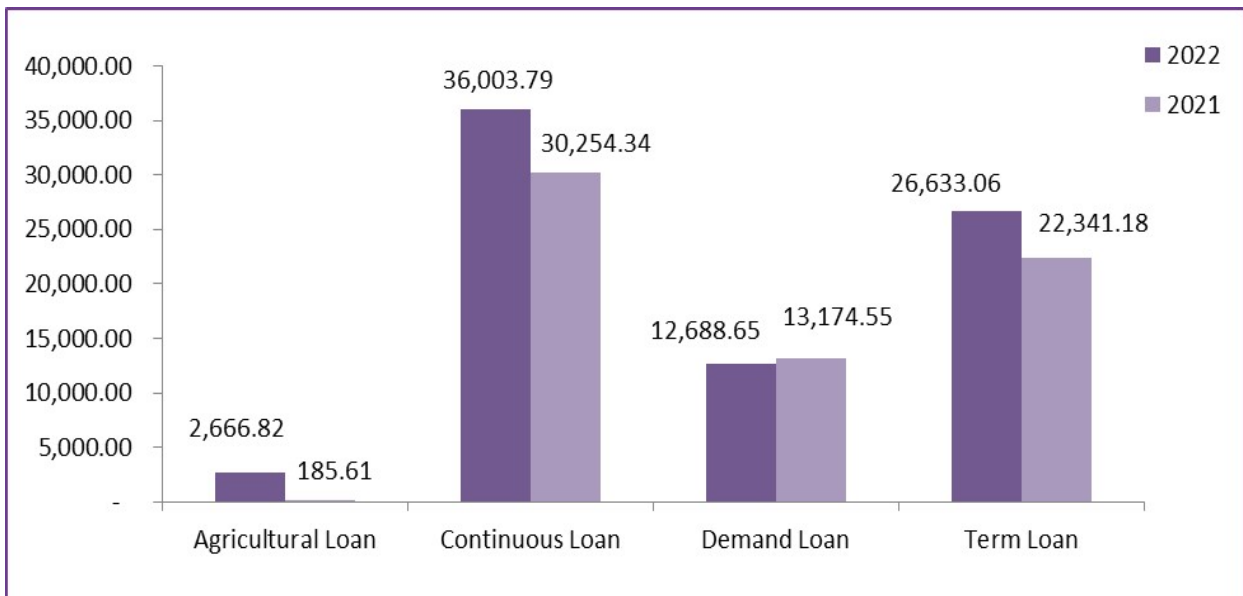
(Fig. Million Taka)

Category of Loans and Advances	2022	2021	Growth (%)
Agricultural Loan	2,666.82	185.61	1336.81%
Continuous Loan	36,003.79	30,254.34	19.00%
Demand Loan	12,688.65	13,174.55	-3.69%
Term Loan	26,633.06	22,341.18	19.21%
Total	77,992.32	65,955.68	18.25%

Category wise Loans and Advances as on 31.12.2022



Comparison of Category wise Loans and Advances in 2022 & 2021

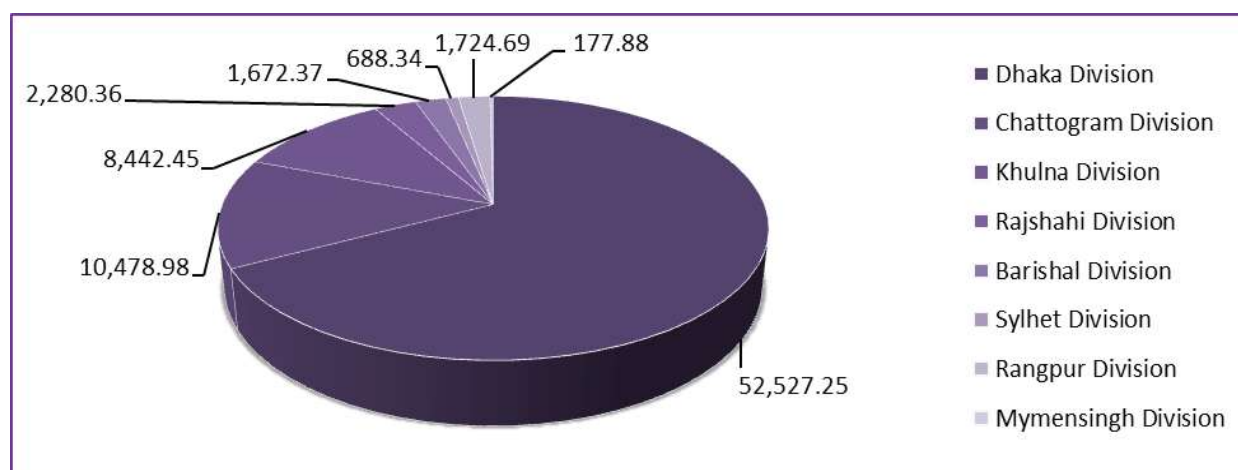


iii) Division wise Loans and Advances

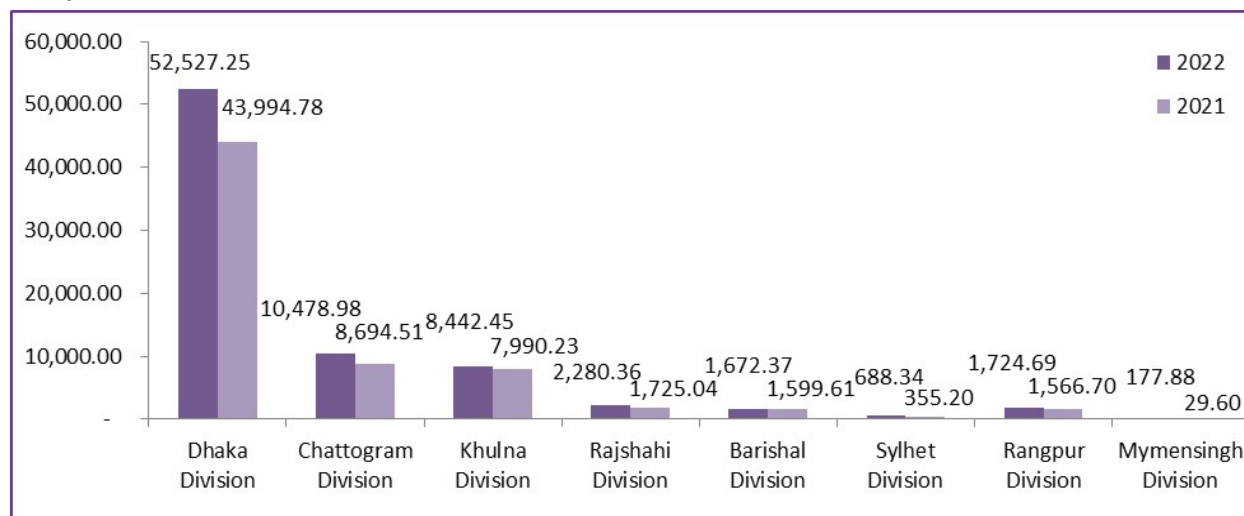
(Fig. Million Taka)

Name of Division	2022	2021	Growth (%)
Dhaka Division	52,527.25	43,994.78	19.39%
Chattogram Division	10,478.98	8,694.51	20.52%
Khulna Division	8,442.45	7,990.23	5.66%
Rajshahi Division	2,280.36	1,725.04	32.19%
Barishal Division	1,672.37	1,599.61	4.55%
Sylhet Division	688.34	355.20	93.79%
Rangpur Division	1,724.69	1,566.70	10.08%
Mymensingh Division	177.88	29.60	500.86%
Total	77,992.32	65,955.68	18.25%

Division wise Loans and Advances as on 31.12.2022



Comparison of Division wise Loans and Advances in 2022 & 2021

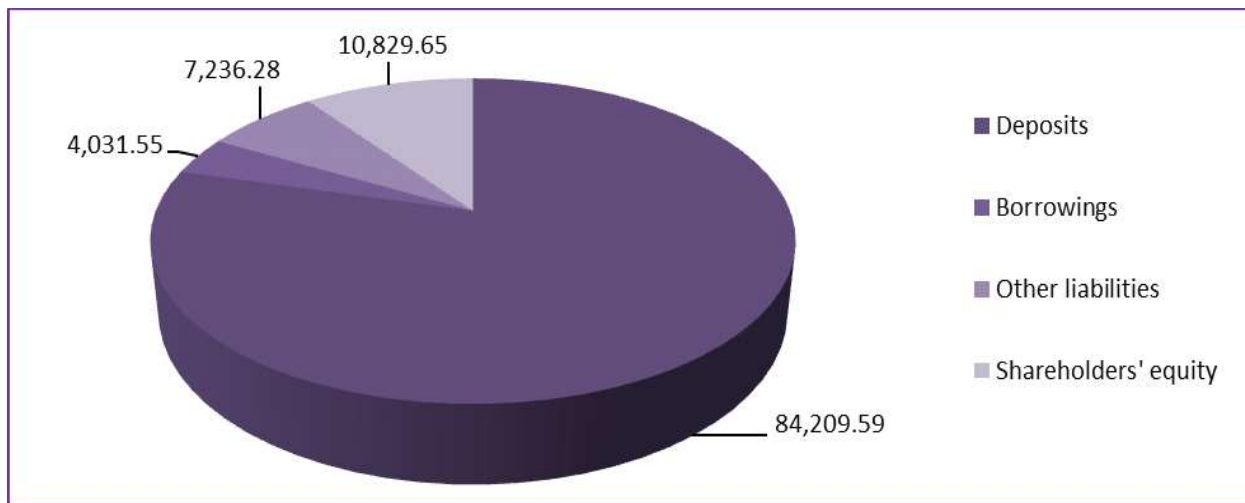


Total Liabilities

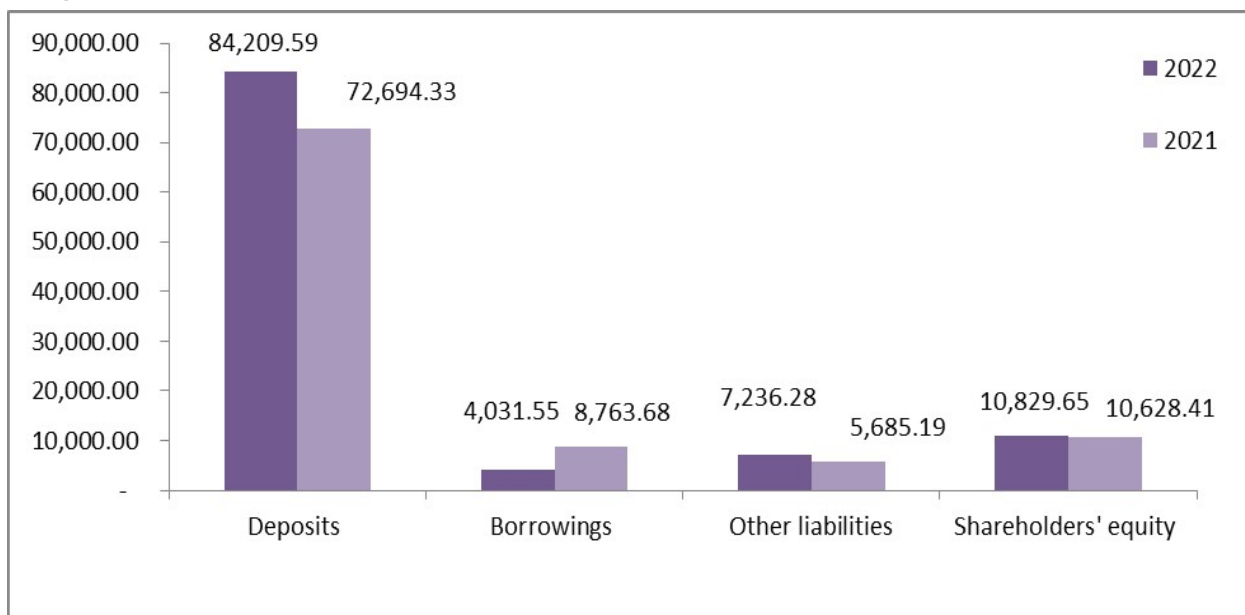
(Fig. Million Taka)

Particulars	2022	2021	Growth (%)
Deposits	84,209.59	72,694.33	15.84%
Borrowings	4,031.55	8,763.68	-54.00%
Other liabilities	7,236.28	5,685.19	27.28%
Shareholders' equity	10,829.65	10,628.41	1.89%
Total liabilities	106,307.06	97,771.62	8.73%

Total Liabilities as on 31.12.2022



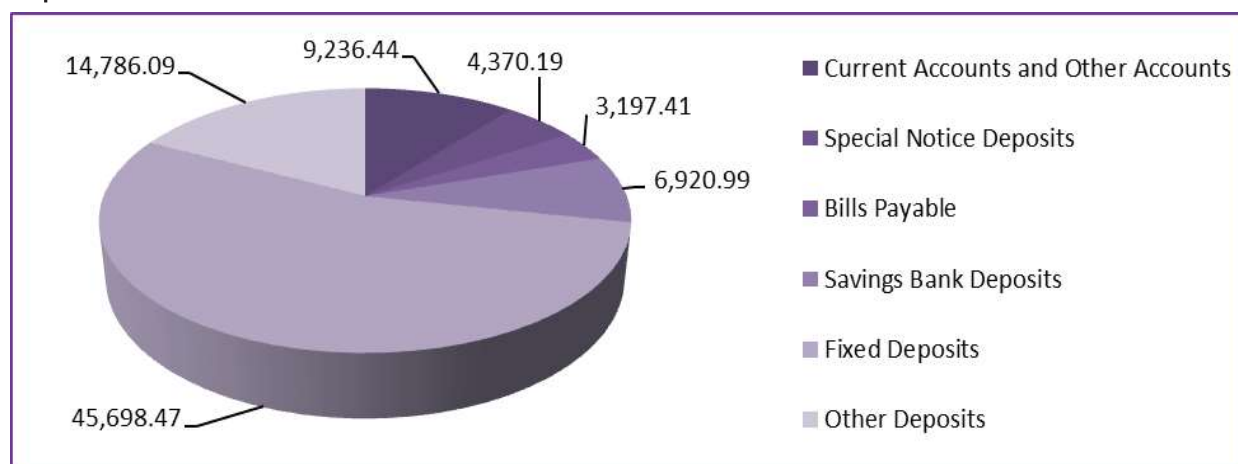
Comparison of Liabilities in 2022 & 2021



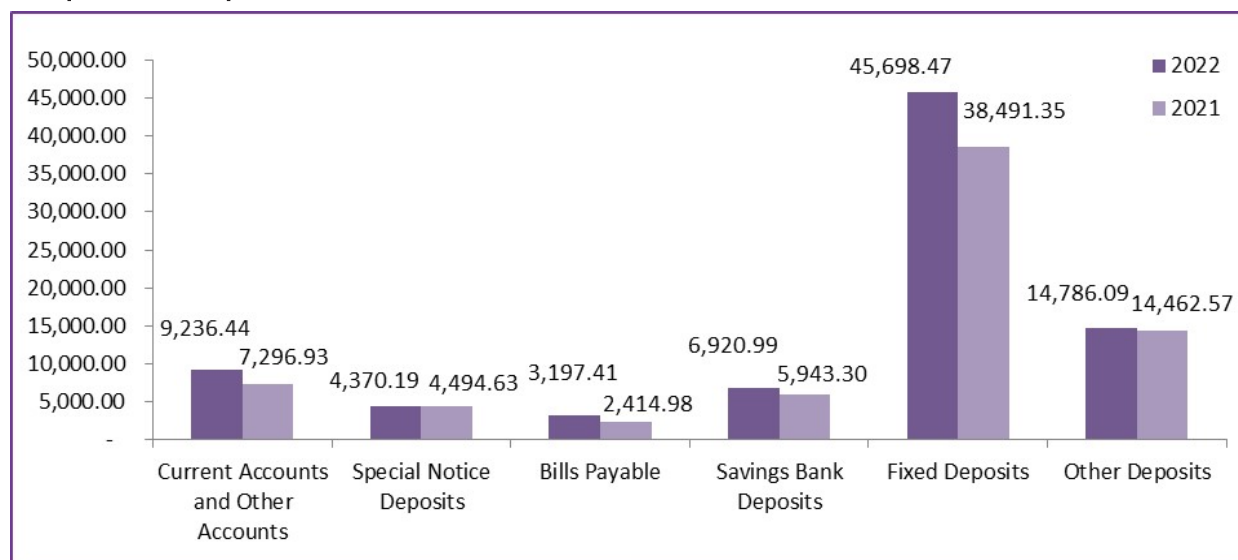
Deposits

Types of Deposit	Outstanding Taka in Million		Growth (%)	Deposit Mix (%)	
	2022	2021		2022	2021
Current Accounts and Other Accounts	9,236.44	7,253.49	27.34%	10.97%	9.98%
Special Notice Deposits	4,370.19	4,487.51	-2.61%	5.19%	6.17%
Bills Payable	3,197.41	2,414.98	32.40%	3.80%	3.32%
Savings Bank Deposits	6,920.99	5,943.30	16.45%	8.22%	8.18%
Fixed Deposits	45,698.47	38,132.48	19.84%	54.27%	52.46%
Other Deposits	14,786.09	14,462.57	2.24%	17.56%	19.90%
Total	84,209.59	72,694.33	15.84%	100.00%	100.00%

Deposit Mix as on 31.12.2022



Comparison of Deposit Mix in 2022 & 2021

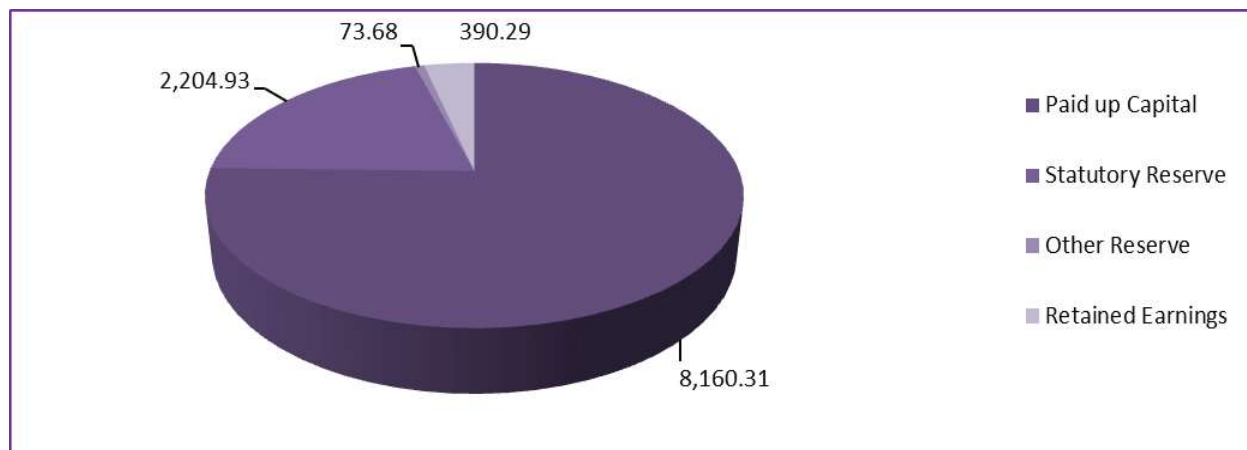


Shareholders' Equity

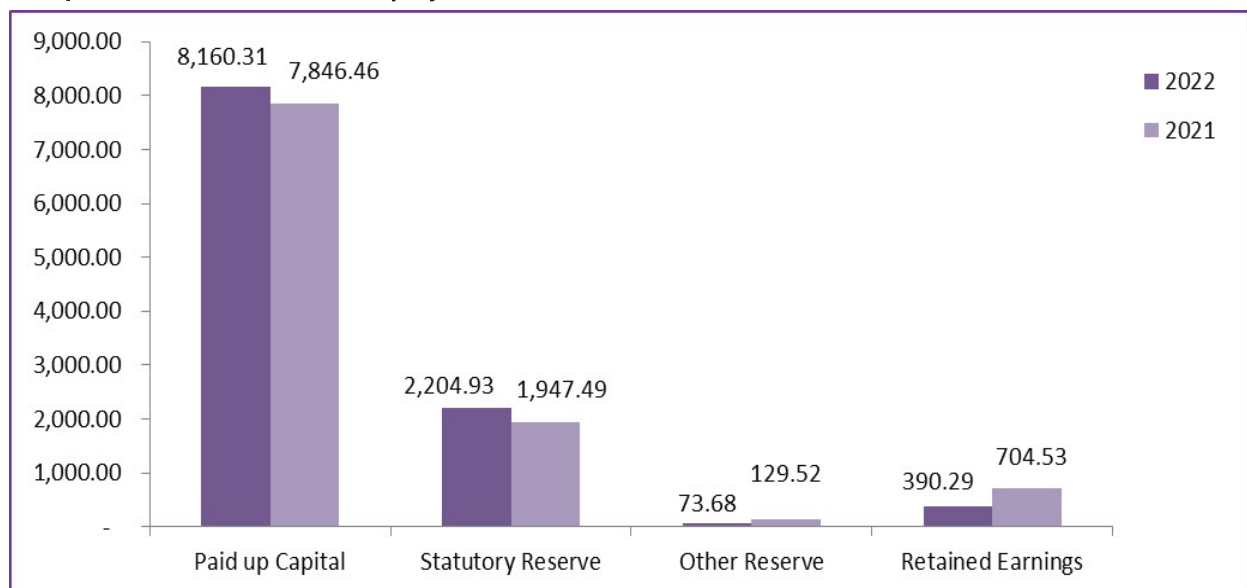
(Fig. Million Taka)

Particulars	2022	2021	Growth (%)
Paid up Capital	8,160.31	7,846.46	4.00%
Statutory Reserve	2,204.93	1,947.49	13.22%
Other Reserve	73.68	129.52	-43.11%
Retained Earnings	390.29	704.53	-44.60%
Total Shareholders' equity	10,829.21	10,628.00	1.89%

Shareholders' Equity as on 31.12.2022



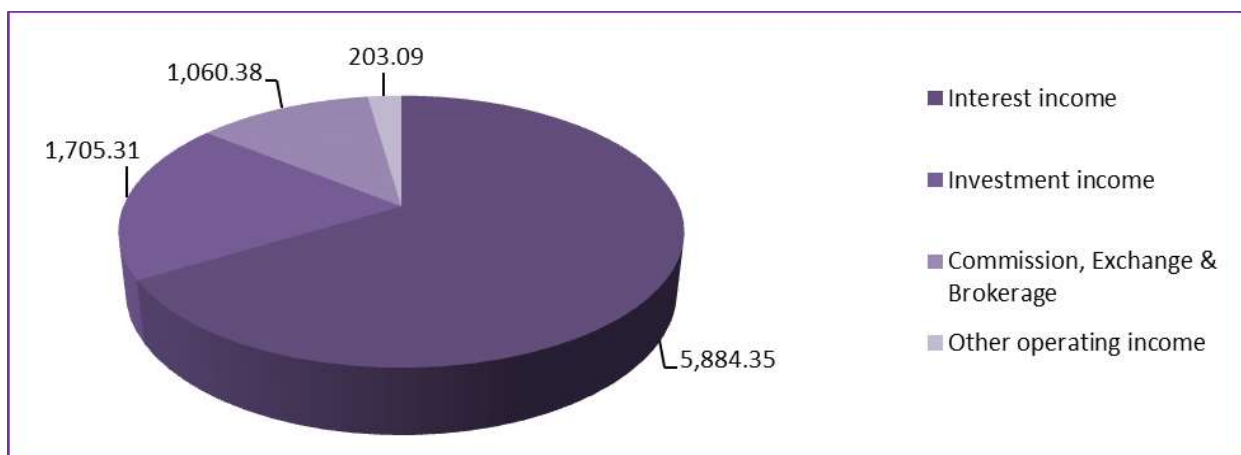
Comparison of Shareholders' Equity in 2022 & 2021



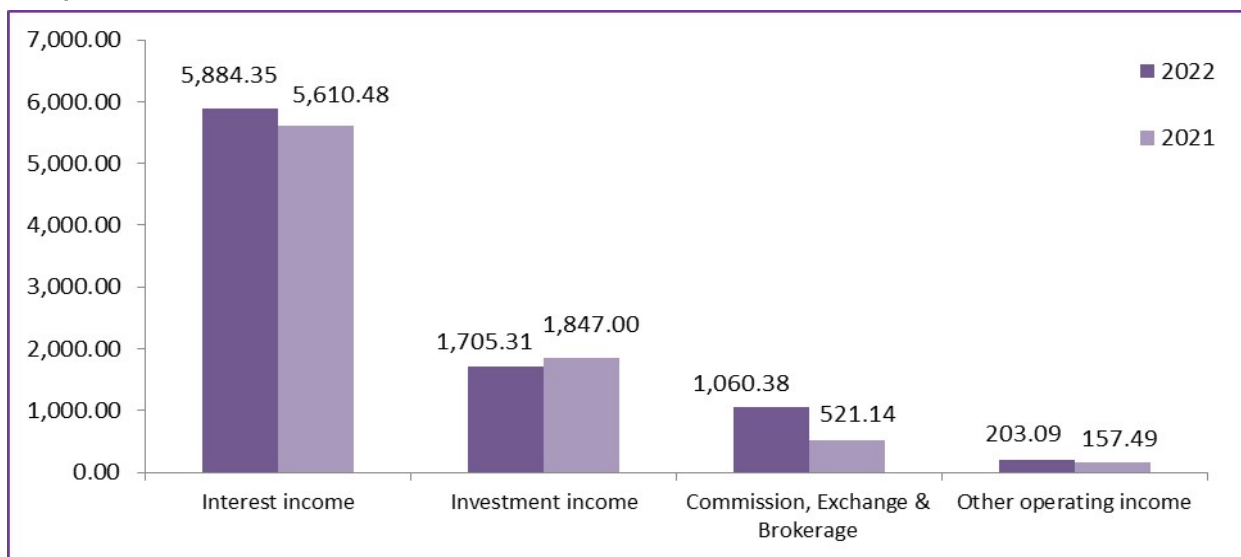
Total Income:

Types of Income	Amount in Million Taka		Growth (%)	Income Mix (%)	
	2022	2021		2022	2021
Interest income	5,884.35	5,610.48	4.88%	66.47%	68.96%
Investment income	1,705.31	1,847.00	-7.67%	19.26%	22.70%
Commission, Exchange & Brokerage	1,060.38	521.14	103.47%	11.98%	6.41%
Other operating income	203.09	157.49	28.95%	2.29%	1.94%
Total income	8,853.13	8,136.12	8.81%	100.00%	100.00%

Total Income as on 31.12.2022



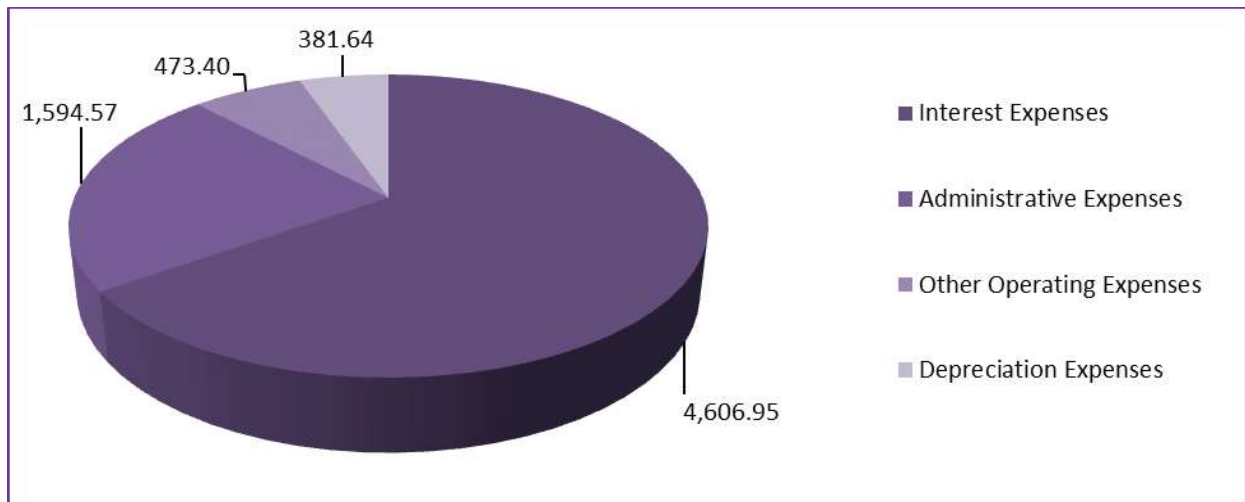
Comparison of Total Income in 2022 & 2021



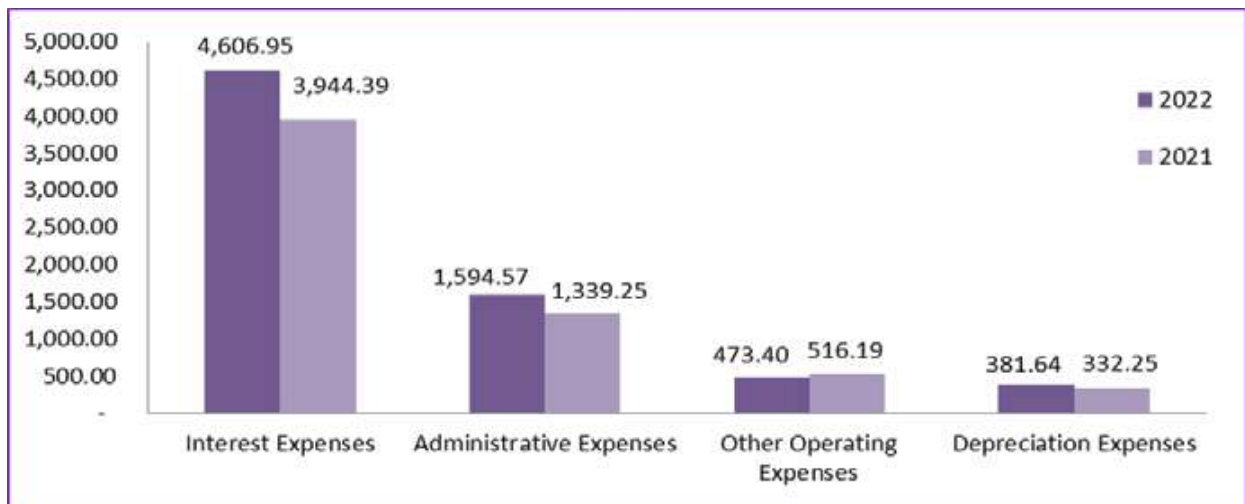
Total Expenses:

Types of Expense	Amount in Million Taka		Growth (%)	Expense Mix (%)	
	2022	2021		2022	2021
Interest Expenses	4,606.95	3,944.39	16.80%	65.29%	64.32%
Administrative Expenses	1,594.57	1,339.25	19.06%	22.60%	21.84%
Other Operating Expenses	473.40	516.19	-8.29%	6.71%	8.42%
Depreciation Expenses	381.64	332.25	14.87%	5.41%	5.42%
Total Expenses	7,056.56	6,132.08	15.08%	100.00%	100.00%

Total Expenses as on 31.12.2022



Comparison of Expenses in 2022 & 2021

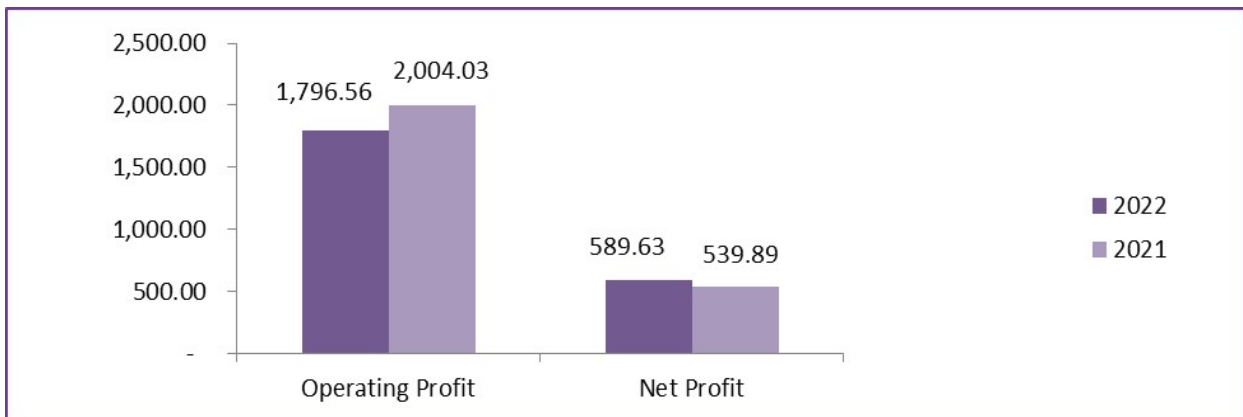


Profitability:

(Fig. Million Taka)

Particulars	2022	2021	Growth (%)
Operating Profit	1,796.56	2,004.03	-10.35%
Net Profit	589.63	539.89	9.21%

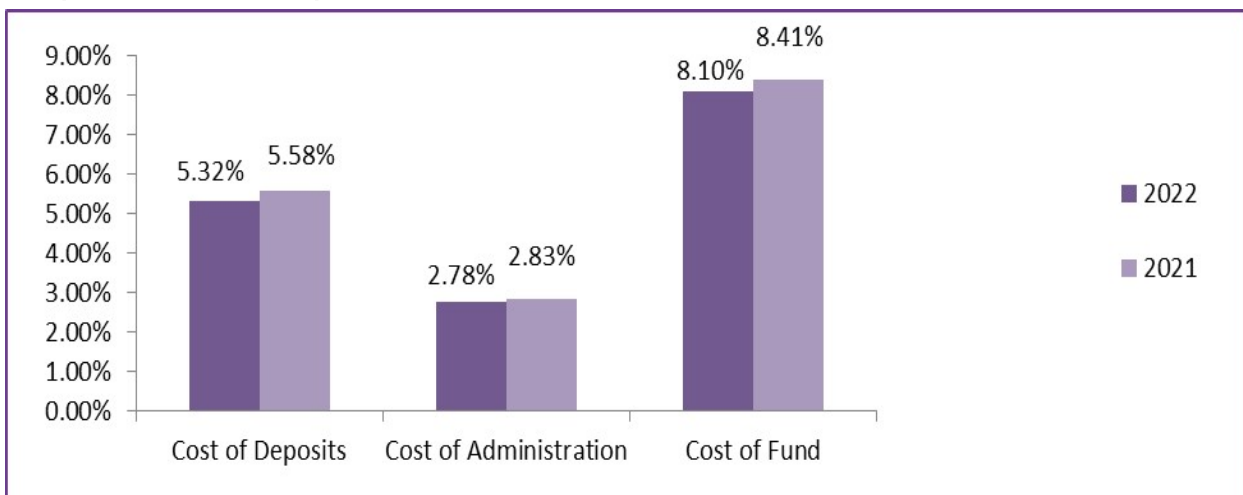
Comparison of Profitability in 2022 & 2021



Average Cost of Funds:

Particulars	2022	2021	Changes (%)
Cost of Deposits	5.32%	5.58%	-0.26%
Cost of Administration	2.78%	2.83%	-0.05%
Cost of Fund	8.10%	8.41%	-0.31%

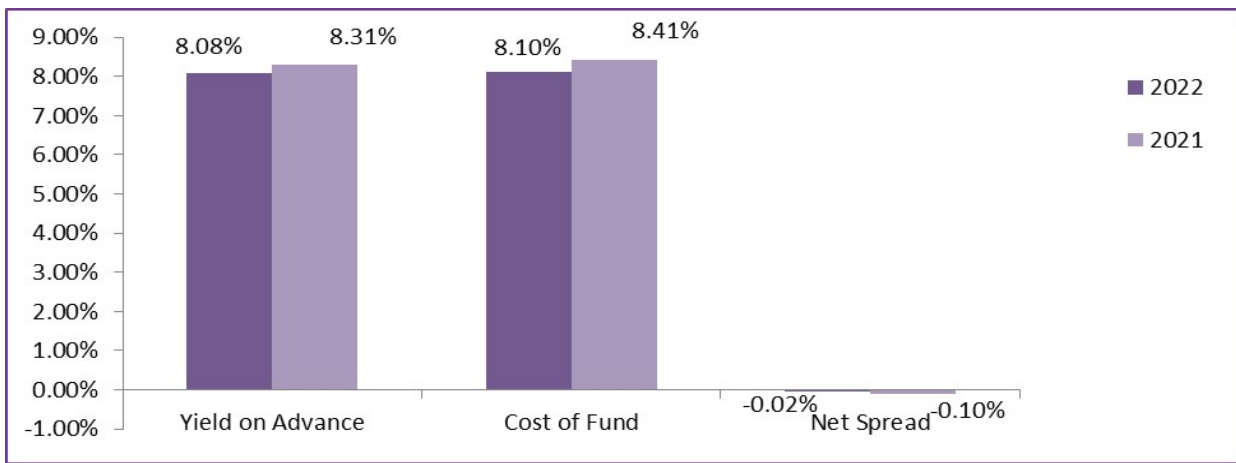
Comparison of Cost of Deposits, Cost of Administration & Cost of Fund in 2022 & 2021



Net Spread:

Particulars	2022	2021
Yield on Advance	8.08%	8.31%
Cost of Fund	8.10%	8.41%
Net Spread	-0.02%	-0.10%

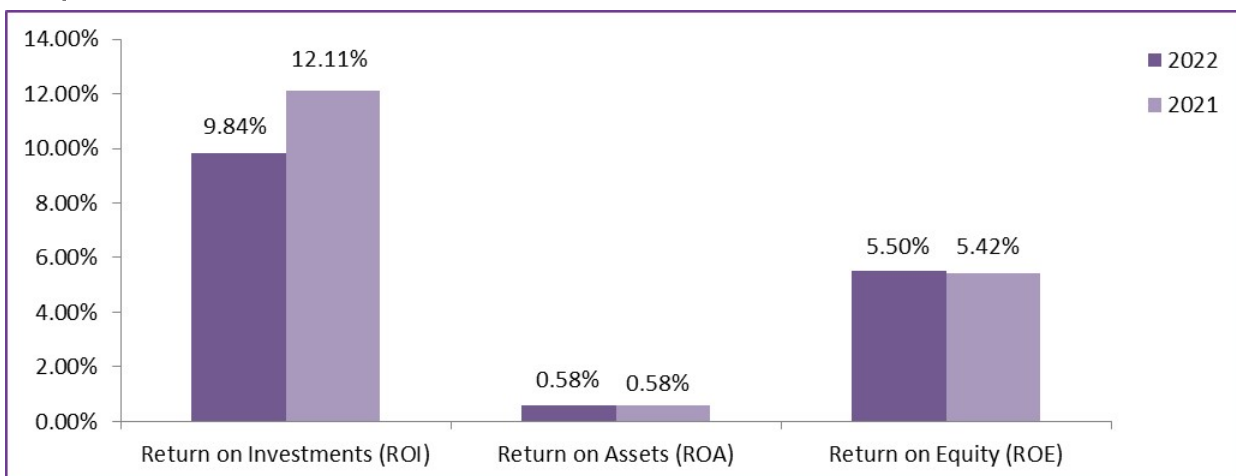
Comparison of Yield on Advances, Cost of Funds & Net Spread in 2022 & 2021



Rate of Returns :

Particulars	2022	2021
Return on Investments (ROI)	9.84%	12.11%
Return on Assets (ROA)	0.58%	0.58%
Return on Equity (ROE)	5.50%	5.42%

Comparison of Returns in 2022 & 2021

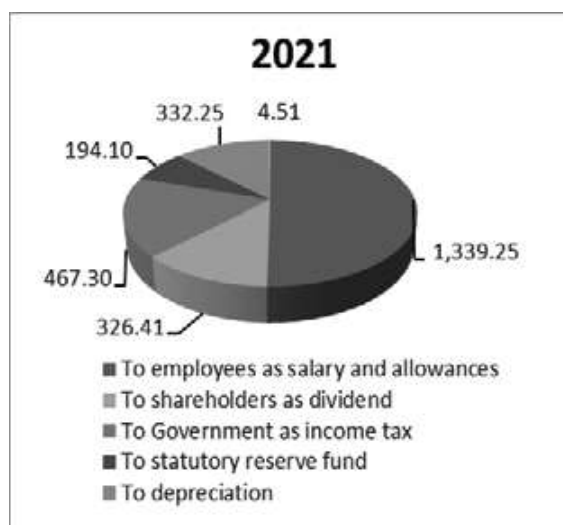


Value Added Statement

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 2022 is given below:

Fig. in million

	2022	%	2021	%
	<u>Taka</u>		<u>Taka</u>	
Value Created				
Income from Banking Services	8,853.13		8,136.12	
Less: Cost of services & Supplies	5,099.86		4,460.58	
Value added by banking service	3,753.27		3,675.54	
Provision for deferred tax	0.69		28.44	
Provision for loans & other assets	(480.47)		(1,040.15)	
	3,273.49		2,663.82	
Value distributed				
To employees as salaries & allowances	1,594.57	48.71%	1,339.25	50.28%
To shareholders as dividend (Proposed)	288.47	8.81%	326.41	12.25%
To Government as income tax	732.77	22.39%	467.30	17.54%
	2,615.81	79.91%	2,132.96	80.07%
Value retained				
(to maintain and continue operations)				
Statutory reserve	257.43	7.86%	194.10	7.29%
Depreciation	362.14	11.06%	332.25	12.47%
Retained earnings	38.11	1.16%	4.51	0.17%
	657.68	20.09%	530.86	19.93%
	3,273.49	100.00%	2,663.82	100.00%



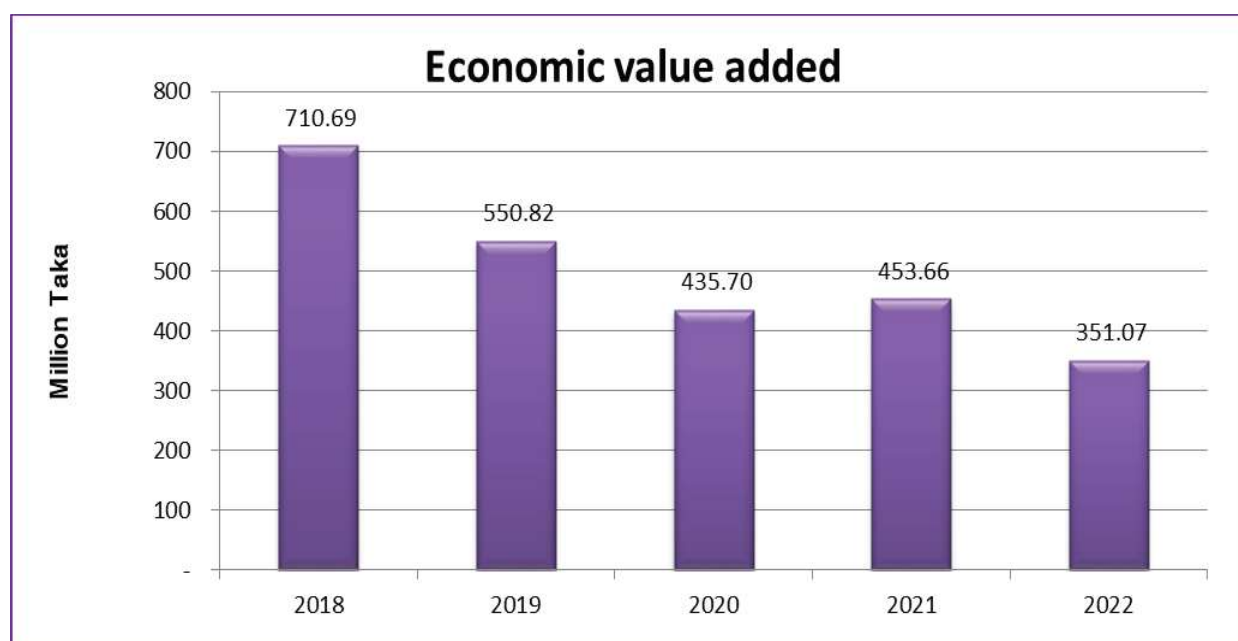
Economic Value Added (EVA) Statement

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 2022 this cost of equity is calculated on the basis of the return on 5 years Treasury Bonds.

Fig. in million

	2018	2019	2020	2021	2022
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Shareholders' equity	7,429.71	8,362.96	9,306.66	10,622.84	10,829.21
Add: Provision for loans & advances	455.66	517.58	9.51	359.49	478.82
Closing Shareholders' equity	7,885.37	8,880.54	9,316.17	10,982.33	11,308.04
Opening shareholders' equity	7,054.71	7,885.37	8,880.54	9,316.17	10,982.33
Average shareholders's equity	7,470.04	8,382.96	9,098.36	10,149.25	11,145.18
Earnings					
Profit after taxation	879.59	967.60	951.95	534.72	589.61
Add: Provision for loans & advances	387.62	502.83	87.88	629.39	596.24
	1,267.21	1,470.43	1,039.83	1,164.11	1,185.84
Average cost of equity	7.45%	10.97%	6.64%	7.00%	7.49%
Cost of average equity	556.52	919.61	604.13	710.45	834.77
Economic value added	710.69	550.82	435.70	453.66	351.07



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	2022
(a) Face value per share (BDT)	10.00
(b) Market value per share (BDT)	10.60
(c) Number of shares outstanding	81,60,31,337
(d) Market capitalization (BDT in million) [(c) × (b)]	8,649.93
(e) Book value of paid up capital (BDT in million) [(c) × (a)]	8,160.31
(f) Market value added (BDT in million) [(d)-(e)]	489.62

* Closing Price of share on 29.12.2022 at DSE has been taken as Market value per share & the Number of shares outstanding is based on 29.12.2022 also.

Report on Going Concern

SBAC Bank Ltd. has assessed its financial and operational strength to determine if there are any significant uncertainties that may cast doubt on its ability to continue operating as a going concern. After conducting appropriate investigations, analyses, reviews, and assessments, the bank has concluded that it can operate as a going concern for the foreseeable future. The bank has prepared its financial statements on this basis, and all key indicators of the bank are favorable. The bank's financial performance has been robust, with consistent growth over the years. Therefore, stakeholders can be reasonably assured that the bank can continue operating successfully.

- 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
- Excellent Credit Rating

Major Financial Indicators

Particulars	2022	2021	2020	2019	2018
Net Asset Value (NAV) Per Share	13.27 (Consolidated) 13.23 (Solo)	13.02 (Both Solo & Consolidate)	13.59	13.44	13.13
Net Operating Cash Flow Per Share	3.02 (Consolidated) 2.98 (Solo)	(4.38) (Both Solo & Consolidate)	0.73	12.79	6.85
Return on Equity (ROE)	5.50% (Consolidated) 5.24% (Solo)	5.42% (Consolidated) 5.36% (solo)	10.78%	12.25%	12.40%
Capital to Risk-weighted Assets Ratio (CRAR)	13.78% (Consolidated) 13.72% (Solo)	13.91% (Consolidated) 13.94% (Solo)	13.45%	14.73%	15.85%
NPL Ratio	5.18% (Consolidated) 5.17% (Solo)	5.85% (Both Solo & Consolidate)	6.22%	6.09%	1.97%
Earnings Per Share (EPS)	0.72 (Consolidated) 0.69 (Solo)	0.66 (Both Solo & Consolidate)	1.39	1.55	1.55

Financial Indications

Key financial ratios & Performance growth:

During the year 2022, SBAC Bank Ltd. had a praiseworthy growth in its operating performance. Its total asset has increased from Tk. 98,172.32 million (Solo) of 2021 to Tk. 106,626.90 million (Solo) in 2022 indicating a growth of 8.61% percent, whereas the consolidated total asset was Tk. 106,307.06 million in 2022. Besides, Advances and Lease/Investment has increased by 18.25 percent (solo) & 18.00 percent (Consolidated) i.e. the Advances and Lease/Investment has increased to Tk. 77,992.32 million (Solo) and Tk. 77,827.26 million (Consolidated). Shareholders' Equity has increased by 1.64 percent (solo), and 1.89 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. 2,431.93 million (solo) and Tk. 2,463.35 million (consolidated) in 2022.

Maintenance of sufficient Capital:

As on 31 December 2022, the Bank's total equity stands at Tk. 10,796.55 million (Solo) as against Tk. 10,622.84 million (Solo) of 31 December 2021, whereas it was Tk. 10,829.65 million in 2022 as against Tk. 10,628.41 million of 2021 on a consolidated basis. On the other hand, the paid-up capital of the Bank stands at Tk. 8,160.31 million in 2022. Moreover, as on 31 December 2022 Bank's CRAR is 13.78 percent (Consolidated) whereas the solo CRAR of the bank was 13.72 percent; and maintained total regulatory capital of Tk. 11,148.58 million (Consolidated) & Tk. 11,126.53 million ((Solo). The entire situation also indicates to its ability and intention to continue for the predictable future.

Particulars	2022	2021
Minimum Capital Requirement	10,111.05 million	9,732.55 million
Capital Maintained	11,148.58 million	10,830.03 million
Surplus	1,037.52 million	1,097.48 million
CRAR	13.78%	13.91%

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	2022	2021	2020	2019	2018	2017	2016
Dividend:							
Stock	Nil	1%	4%	10%	10%	13.50%	15%
Cash	3.50% (Board Recommended)	3%	4%	Nil	Nil	Nil	Nil

Non-financial Indications

Credibility in payment of obligations:

SBAC 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.

	Rating
Long Term	A
Short Term	ST-2
Rated by	Credit Rating Information and Services Limited (CRISL)
Outlook	Stable
Date of Rating	27 June 2022
Validity of Rating	26 June 2023

Customer service excellence

The Bank prioritizes innovation and customer satisfaction by regularly implementing new strategies and products, as well as incorporating customer feedback to improve service quality.

Brand image

Our bank is committed to establishing trust with our stakeholders, consistently meeting their expectations through the combined efforts of our highly qualified employees, experienced management and board, and loyal customer base, which has contributed to our recognition as a reputable financial services brand.

Good governance

SBAC Bank's Board of Directors and experienced management team prioritize good governance structures and practices to ensure regulatory compliance. Since its inception, the bank has adhered to all regulatory requirements.

Expansion of Coverage

SBAC Bank Limited has rapidly expanded its presence across the country, taking into account the financial considerations. The bank had established 110 branches & sub-branches as on 31.12.2022 (113 branches & sub-branches as on 21.05.2023) at various locations of the country, and as part of our goal to digitize services and enhance convenience we have installed 51 ATM booths (62 ATM booths as on 21.05.2023) and 02 CDMs at different places. Recently, we have also initiated Agent Banking operations to extend our services to remote areas through 15 Agent Banking Outlets as on 31.12.2022 (18 agent outlets as on 21.05.2023).

Internal environment and employee satisfaction

The Bank fosters a positive and supportive workplace, prioritizing fairness, equal opportunities, and employee engagement. Competitive compensation packages and a range of benefits, such as provident fund, gratuity fund, health benefits, incentive bonuses, LFA, and regularly revised pay scales, contribute to employee confidence and satisfaction at SBAC Bank.

Risk Absorption & Adoption to Changes

Profit Rate & Foreign Currency Risks:

SBAC Bank Ltd. employs measures to mitigate negative consequences arising from money market volatility, increase in investment demand, increase of import & decrease of export, and slow remittance flow. It adjusts profit rates and monitors foreign exchange price movements to manage its open position and employs hedging techniques. These tactics strengthen its ability to operate as a going concern. We deploy strategies to revise profit rates for any unusual and abrupt change as and when required to manage profit rate risks. 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 position in such a way that minimizes risk and maximizes return.

Non-Payment Risk:

SBAC Bank has a strong financial background with no history of non-payment, a solid ADR policy, and efficient liquidity management. The management responds promptly to changes in global financial policies to safeguard the bank's interests. There is no foreseeable risk of non-payment.

Management Risk:

We have a vastly experienced management team, and highly qualified Board of Directors who fulfill their duties through regular meetings. The bank has well-defined codes of conduct, minimizing the risk of management-related issues affecting ongoing operations.

Operational Risk:

The Board of Directors ensures risk-free operations by reviewing policies and procedures. The Internal Control and Compliance Division conducts regular and special audits of branches and departments, and the Audit Committee recommends necessary actions to the board. We have confidence in the bank's continued operation as a going concern.

Business Risk:

Business risk refers to the possibility of experiencing losses or uncertainty in profits due to unexpected events. Our bank has a solid track record of

profitability, and our experienced management team is mindful of potential risks. We are expanding into new areas by offering Islamic Banking windows and agent banking services. Our subsidiary, SBAC Bank Investment Limited, offers a wide range of investment banking services. Our risk management team works to identify and mitigate various types of risks, including business risk.

Portfolio Management Risk:

With their vast experience, unparalleled skills and capabilities, our management team carefully evaluates every project, identifies associated risk factors, and closely monitors performance with great accuracy. They work under the continuous supervision and timely guidance of the Board to ensure that portfolio management risks are minimized to a significant extent.

Credit/Investment Risk:

If a bank's clients fail to meet their obligations, the bank's profitability can decrease. Our management team has subdivided the credit division to better serve corporate, SME, and retail segments, analyze credit risk factors, and prioritize customer relationship management. Our Asset Liability Management, Credit Administration, and Legal & Recovery teams work together to minimize risk and maximize profitability by ensuring better investments and timely loan recovery.

Existing and Potential Regulations

Banks in Bangladesh operate under regulations set by regulatory bodies such as the Bangladesh Bank, and Bangladesh Securities and Exchange Commission (BSEC). The Bank Company Act, 1991

(amended up to 2018), Companies Act 1994 (amended up to 2020), Income Tax Ordinance 1984, and other relevant regulations govern the activities banks. Changes to the related policies, regulations by the regulatory authorities may impact the banking industry as a whole, but our operations and performance are not expected to be significantly affected unless there is a regulatory change that affects the entire industry.

Response to National/ Global Policy Changes

Government monetary and fiscal policy changes can affect our company's planning, strategies, and profitability. We monitor these changes closely and act promptly to safeguard our interests as they can have both positive and negative impacts on our bank.

History of non-operation

SBAC Bank Ltd. is a fourth-generation bank that started operations on February 20, 2013, and has completed ten years of uninterrupted banking operations. The bank has an experienced board of directors and a skilled management team, making it efficient and strong for commercial operations. Its financial strength is satisfactory, and the likelihood of it becoming non-operative is minimal.

Based on the above discussion, it can be predicted that there is no significant doubt about the bank's ability to continue as a going concern. The bank's board of directors has decided to adopt going concern assumptions, and the financial statements have been prepared accordingly as the bank has no intention or need to liquidate or limit its operations.

Management of Non-Performing Asset (NPA)

Bank collects/borrows fund from different sources and invests 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 on 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 selection of good borrowers as well as actual requirements.
- Inaccurate assessment of creditworthiness of potential borrowers.
- Failure to identify capacity of the borrower to run the business successfully.
- Failure to assess inherent risks (Financial, business, management & security risk) in the business and its mitigating factors.
- Lack of proper utilization of fund.
- Diversion of fund.
- Lack of supervision, follow-up and monitoring process.
- 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:

- Proper selection of borrowers as well as actual requirements.
- Proper assessment on Creditworthiness of potential Borrowers.
- Properly identify the capacity of the borrower to run the business successfully.
- Proper working capital assessment.
- Properly assess inherent risks (Financial, business, management & security risk) in the business and its mitigating factors.
- Ensure proper utilization of fund.
- Protect diversion of fund.
- Close supervision, monitoring and follow up of business and borrowers.
- Proper Loan Documentations.
- 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 and collect information

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 under Section 138 of the NI Act 1881, Auction and finally suit under the 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 Guide Line

All credit that exists in the port-folio 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 guide lines 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	0.25% to 2%
02	SS	5% to 20%
03	DF	20% to 50%
04	B&L	100%

**** Note:** • Base for Provision = Balance Outstanding-Interest Suspense- Eligible Security.

• Required Provision for Substandard (SS) Cottage Micro Small (CMS) Loan is 5% and other than CMS Loan is 20%. Whereas required provision for Doubtful CMS Loan is 20% and other than CMS Loan is 50%

Impact of NPA on Bank:

NPA affects the profitability, liquidity and the competitiveness of a bank. NPAs impose a double

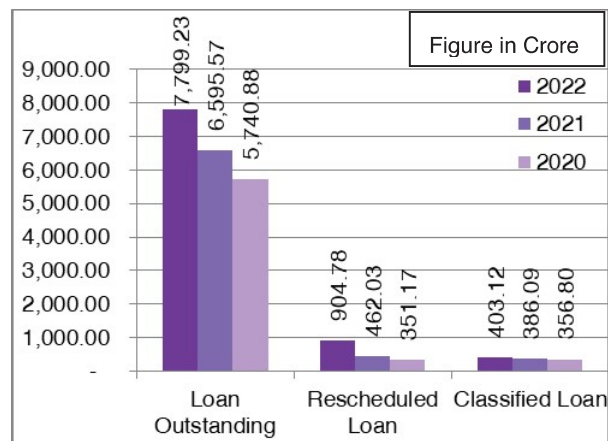
burden, firstly reducing profit because of maintaining provision and secondly reducing further lending capabilities resulting slowdown growth of the bank.

Functions of LARD

LARD is a dedicated division in managing NPA's. LARD has reconstituted Task Force (TF) with senior management team. Functions of LARD is as follows:

- Regular review of non-performing or worse 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:



SBAC Bank is constantly trying to reduce its NPA burden in their portfolio. 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 is practicing all out preventive measures at the time of selection and assessment of borrower, sanctioning loans, close monitoring and follow up of business and borrowers. Hopefully, as an outcome of collective effort of branches and LARD, Legal steps and Negotiations, and proper guideline of Board and Top Management, NPA size of the bank will be gradually decreasing to a desired level.

STRATEGIC PLAN FOR 2023

Banking sector in Bangladesh is passing a delicate time with customers and clients having lesser trust and lack of confidence with their asset. Regaining their trust through systematic approaches and actions will be the utmost priority for the bank. Considering the present situation we have set our strategic priorities and action plan of the bank for 2023 as under:

- Improvement of customer service further through putting the whole entity under surveillance, ensuring uniform, courteous and helpful response from the front line staff, developing ability of officers/staff to identify special customer segments and handle them separately, arranging regular customer feedback programs for identification of action areas to monitor and improve service levels.
- To install meritocracy & accountability based human resources is the core focus in 2023 for us. Right people must be placed in the right place. Extensive Human Resource Evaluation & Performance based & Accountable HR will be implemented. As per categorization of branch and its organogram effective manpower will be deployed for the maximum benefits.
- To update strategies and programs to upgrade our human resources & their professional skills to meet the challenges of ever-changing customer demands and attitudes.
- Streamlining Credit Approval Process by ensuring proper credit risk analysis so that NPA can be kept at minimum level.
- Maintaining a better asset quality of the bank is a huge challenge now-a-days. So, a robust recovery plan has been formulated for the recovery of problematic loans, regular administering and effective monitoring have been installed to ensure that no more fresh loans and advances shall turn into non-performing asset, as well as efficient & effective risk management system has been introduced to confirm for sustainable business growth.
- To initiate robust recovery drive through restructuring of recovery and legal team at head office, imposing recovery target on respective branches and quarterly review of their achievement, introducing reward program for the officials against recovery performance of classified loan, and arranging exit plan for the unsatisfactory customers.
- To achieve sustainable investment & funding target through formation of MIS unit for tracking and faster delivery of business proposals, revision of credit policy, formulation/ revision of PPG of new loan products, maximum utilization of re-finance scheme of Bangladesh Bank, focusing on RMG, other export, backward linkage (deemed export), and reviewing of loan & advance portfolio on quarterly basis.
- To achieve sustainable business growth through maintaining stable, well-assorted deposit management, adroit management of asset & liability portfolio, conservative advance-deposit ratio, increasing operational efficiency & security, enhancing fee & commission-based income, reducing operational cost, upgrading customer service, ensuring merit-based human resource, installing innovative solutions, and utilizing alternative delivery channels etc.
- To mobilize deposit through launching special products for remittance senders and freelancers & special campaign for school banking account, forming dedicated deposit marketing team at head office for CASA Deposit & introduction of premium accounts etc., cash management team for Corporate Deposit, and facilitating expansion of Digital Banking Products, i.e. Bangla Pay, Mobile Apps based Account Opening etc. & expansion of islamic banking wing, agent outlets as well, and collection of tuition fees, Utility collection i.e. TITAS, WASA, DESCO, BRTA, REB, etc., Corporate Salary Account, etc.
- Expansion of foreign currency business by setting export target achievement policy such as imposition of significant growth target to top 10 big branches, hunting some big export clients within short time, and enhancement of LDBP Business, whereas remittance target must be achieved through more agreements with exchange houses, priority service to remittance clients, forming special remittance collection unit/ team. To identify opportunity in the thrust sectors like pharmaceuticals and IT Company.
- Minimization of Cost & Maximization of Profit through putting budgetary control at every level of operation is one of our major focus for 2023 considering the recent world economic scenario.
- In order to boost financial inclusion and accelerate the economic activities in distant and rural regions the bank will establish more technology-driven sub-branches. We focus on engaging more alternative delivery channels like agent banking outlets in 2023 to accelerate our drive for financial inclusion by widening the coverage of banking services.
- To strengthen the digital financial services and ensure diversification of products by introducing IT based innovative products and engaging alternative delivery channels. To attain this objective further emphasize on card and other forms of digital business will be ensured, more near field communication (NFC) card will be purchased, instant debit card will be Introduced and ultimately our card systems will be upgraded further.
- To be more cautious regarding combating AML & CFT issues. All types of regulatory requirements will have to be followed meticulously.
- Focusing on enhancement of brand identity of the bank through material & virtual branding programmes such as digital branding, e-marketing, social media-facebook, website, etc.

On behalf of the Board of Directors



Abdul Kadir Molla
Chairman