

Compliance Status on BSEC Notification

on Corporate Governance

The Bangladesh Securities and Exchange Commission (BSEC) issued a Corporate Governance (CG) Guideline in 2012 which is being followed by banks on 'Comply' basis. Status of compliance by Shahjalal Islami Bank Limited with the said CG guidelines issued by BSEC through Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969 is as follows:

(Report under Condition No. 7.00)

| Condition No. | Title | Compliance Status | | Remarks (if any) |
|---------------|---|-----------------------------------|--------------|---|
| | | (Put ✓ in the appropriate column) | | |
| | | Complied | Not complied | |
| 1.0 | Board of Directors | | | |
| 1.1 | Board's size shall not be less than 5 and more than 20 | √ | | - |
| 1.2 | Independent Director | | | |
| 1.2 (i) | At least one fifth (1/5) of the total number of directors in the Company's Board of Director shall be independent director. | √ | | The Board of Directors consists of 18 (Eighteen) members including 2 (Two) Independent Directors which is in compliance with Section-15(9) of the Banking Companies Act, 1991 (Amended upto 2013) |
| 1.2 (ii) | Independent director means a director- | | | |
| 1.2 (ii) (a) | Holds no share or less than one percent (1%) shares of total paid up capital. | √ | | - |
| 1.2 (ii) (b) | Neither a sponsor nor concerned with any sponsor or director or shareholder who holds 1% or more shares of the company on the basis of family relationship. | √ | | - |
| 1.2 (ii) (c) | Not a stakeholder of the company or its subsidiary/ associated companies. | √ | | - |
| 1.2 (ii) (d) | Not a member, director or officer of any stock exchange. | √ | | - |
| 1.2 (ii) (e) | Not a shareholder, director or officer of any member of Stock Exchange or an Intermediary of the capital market. | √ | | - |

| Condition No. | Title | Compliance Status | | Remarks (if any) |
|---------------|---|-----------------------------------|--------------|---|
| | | (Put ✓ in the appropriate column) | | |
| | | Complied | Not complied | |
| 1.2 (ii) (f) | Not a partner or executive during preceding 3 (three) years of concerned company's statutory audit firm. | ✓ | | - |
| 1.2 (ii) (g) | Not a independent director in more than 3 (three) listed companies. | ✓ | | - |
| 1.2 (ii) (h) | Not convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a non-bank financial institution (NBFIL). | ✓ | | - |
| 1.2 (ii) (i) | Not convicted for a criminal offence involving moral turpitude. | ✓ | | - |
| 1.2 (iii) | Independent director(s) shall be appointed by the Board of Directors and approved by the Shareholders in the AGM. | ✓ | | - |
| 1.2 (iv) | The post of independent director(s) cannot remain vacant for more than 90 days. | ✓ | | - |
| 1.2 (v) | Laying down the Code of Conduct of all Board Members and record of Annual Compliance of the Code of Conduct. | ✓ | | - |
| 1.2 (vi) | The tenure of office of an Independent Directors shall be for a period of 3 (three) years which may be extended for 1 (one) term only. | ✓ | | - |
| 1.3 | Qualification of Independent Director (ID) | | | |
| 1.3 (i) | Independent director shall be knowledgeable individual with integrity who is able to ensure required compliance with financial, regulatory and corporate laws and can make meaningful contribution to business. | ✓ | | - |
| 1.3 (ii) | The independent director must have at least 12 (twelve) years of corporate management/ professional experiences along with other requisites. | ✓ | | - |
| 1.3 (iii) | In special cases above qualification may be relaxed by the Commission. | N/A | | - |
| 1.4 | The Chairman of the Board and The Chief Executive Officer | | | |
| | | ✓ | | - |
| 1.5 | Directors Report to Shareholders | | | |
| 1.5 (i) | Industry outlook and possible future developments in the industry | ✓ | | - |
| 1.5 (ii) | Segment-wise or product-wise performance. | ✓ | | - |
| 1.5 (iii) | Risks and concerns | ✓ | | - |
| 1.5 (iv) | Discussion on cost of goods sold, gross profit margin and net profit margin. | ✓ | | Cost of Fund, Operating & Net Profit and related ratios are provided. |

| Condition No. | Title | Compliance Status | | Remarks (if any) |
|---------------|---|-----------------------------------|--------------|---------------------------------------|
| | | (Put ✓ in the appropriate column) | | |
| | | Complied | Not complied | |
| 1.5 (v) | Discussion on continuity of any Extra-Ordinary gain or loss. | ✓ | | SJIBL does not have such gain or loss |
| 1.5 (vi) | Basis for related party transaction, a statement of all related party transactions should be disclosed in the annual report. | ✓ | | - |
| 1.5 (vii) | Utilization of proceeds from public issues, right issues and/ or through any others instruments. | N/A | | - |
| 1.5 (viii) | An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc. | N/A | | - |
| 1.5 (ix) | If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report. | | | N/A |
| 1.5 (x) | Remuneration to directors including independent directors. | ✓ | | - |
| 1.5 (xi) | The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operation, cash flows and changes in equity. | ✓ | | - |
| 1.5 (xii) | Proper books of account of the company have been maintained. | ✓ | | - |
| 1.5 (xiii) | 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. | ✓ | | - |
| 1.5 (xiv) | International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed. | ✓ | | - |
| 1.5 (xv) | The system of internal control is sound in design and has been effectively implemented and monitored. | ✓ | | - |
| 1.5 (xvi) | There are no significant doubts upon the company's ability to continue as a going concern. | ✓ | | - |
| 1.5 (xvii) | Significant deviations from the last year's operating results of the company shall be highlighted and the reasons thereof should be explained. | | | N/A |

| Condition No. | Title | Compliance Status | | Remarks (if any) |
|-------------------|---|-----------------------------------|--------------|------------------|
| | | (Put ✓ in the appropriate column) | | |
| | | Complied | Not complied | |
| 1.5 (xviii) | Key operating and financial data of at least preceding 5 (five) years shall be summarized. | ✓ | | - |
| 1.5 (xix) | If the company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given. | N/A | | - |
| 1.5 (xx) | The number of Board meetings held during the year and attendance by each director shall be disclosed. | ✓ | | - |
| 1.5 (xxi) | The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by: | | | |
| 1.5 (xxi) a) | Parent/Subsidiary/Associated Companies and other related parties (name wise details); | ✓ | | - |
| 1.5 (xxi) b) | Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details); | ✓ | | - |
| 1.5 (xxi) c) | Executives (top five salaried employees of the company other than stated in 1.5(xxii)b); | ✓ | | - |
| 1.5 (xxi) d) | Shareholders holding ten percent (10%) or more voting interest in the company (name wise details). | ✓ | | - |
| 1.5 (xxii) | In case of appointment/re-appointment of a Director the Company shall disclose the following information to the Shareholders: | | | |
| 1.5 (xxii) a) | a brief resume of the Director; | ✓ | | - |
| 1.5 (xxii) b) | Nature of his/her expertise in specific functional areas. | ✓ | | - |
| 1.5 (xxii) c) | Names of companies in which the person also holds the directorship and the membership of committees of the board. | ✓ | | - |
| 2.0 | Chief Financial Officer, Head of Internal Audit & Company Secretary | | | |
| 2.1 | Appointment of CFO, Head of Internal Audit and Company Secretary and their clearly defined roles, responsibilities and duties. | ✓ | | - |
| 2.2 | Attendance of CFO and the Company Secretary at Board of Directors meeting | ✓ | | - |
| 3.0 | Audit Committee | | | |
| 3 (i) | Audit Committee as a sub-committee of the Board of Directors. | ✓ | | - |
| 3 (ii) | The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business. | ✓ | | - |
| 3 (iii) | The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing. | ✓ | | - |

| Condition No. | Title | Compliance Status | | Remarks (if any) |
|---------------|--|-----------------------------------|--------------|------------------|
| | | (Put ✓ in the appropriate column) | | |
| | | Complied | Not complied | |
| 3.1 | Constitution of the Audit Committee | | | |
| 3.1 (i) | The Audit Committee shall be composed of at least 3 members. | √ | | - |
| 3.1 (ii) | Constitution of Audit Committee from Board Members including at least one Independent Director. | √ | | - |
| 3.1 (iii) | All members of the Audit Committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience. | √ | | - |
| 3.1 (iv) | Filling of Casual Vacancy in Committee | N/A | | - |
| 3.1 (v) | The Company Secretary shall act as the secretary of the Committee. | √ | | - |
| 3.1 (vi) | The quorum of the Audit Committee meeting shall not constitute without at least 1 independent director. | √ | | - |
| 3.2 | Chairman of the Audit Committee | | | |
| 3.2 (i) | Chairman of the Audit Committee shall be an Independent Director. | √ | | - |
| 3.2 (ii) | Chairman of the audit committee shall remain present in the Annual General Meeting (AGM). | √ | | - |
| 3.3 | Role of Audit Committee | | | |
| 3.3 (i) | Oversee the financial reporting process. | √ | | - |
| 3.3 (ii) | Monitor choice of accounting policies and principles. | √ | | - |
| 3.3 (iii) | Monitor Internal Control Risk management process. | √ | | - |
| 3.3 (iv) | Oversee hiring and performance of external auditors. | √ | | - |
| 3.3 (v) | Review along with the management, the annual financial statements before submission to the board for approval. | √ | | - |
| 3.3 (vi) | Review along with the management, the quarterly and half yearly Financial Statements before submission to the Board for approval. | √ | | - |
| 3.3 (vii) | Review the adequacy of internal audit function. | √ | | - |
| 3.3 (viii) | Review statement of significant related party transactions submitted by the management. | √ | | - |
| 3.3 (ix) | Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors. | √ | | - |
| 3.3 (x) | When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/ applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results. | N/A | | - |

| Condition No. | Title | Compliance Status | | Remarks (if any) |
|----------------|--|-----------------------------------|--------------|------------------|
| | | (Put ✓ in the appropriate column) | | |
| | | Complied | Not complied | |
| 3.4 | Reporting of the Audit Committee | | | |
| 3.4.1 | Reporting to the Board of Direct | | | |
| 3.4.1 (i) | The Audit Committee shall report on its activities to the Board of Directors. | ✓ | | - |
| 3.4.1 (ii) | The Audit Committee shall immediately report to the Board of Directors on the following findings, if any: | | | |
| 3.4.1 (ii) (a) | Report on conflicts of Interests. | Nil | | - |
| 3.4.1 (ii) (b) | Suspected or presumed fraud or irregularity or material defect in the internal control system; | Nil | | - |
| 3.4.1 (ii) (c) | Suspected infringement of laws, including securities related laws, rules and regulations; | Nil | | - |
| 3.4.1 (ii) (d) | Any other matter which shall be disclosed to the Board of Directors immediately. | Nil | | - |
| 3.4.2 | Reporting of anything having material financial impact to the Commission. | Nil | | - |
| 3.5 | Reporting to the Shareholders and General Investors. | ✓ | | - |
| 4.0 | External/Statutory Auditors should not be engaged in | | | |
| 4 (i) | Appraisal or valuation services or fairness opinions. | ✓ | | - |
| 4 (ii) | Financial information systems design and implementation. | ✓ | | - |
| 4 (iii) | Book-keeping or other services related to the accounting records or financial statements. | ✓ | | - |
| 4 (iv) | Broker-dealer services. | ✓ | | - |
| 4 (v) | Actuarial services. | ✓ | | - |
| 4 (vi) | Internal audit services. | ✓ | | - |
| 4 (vii) | Any other service that the Audit Committee determines. | ✓ | | - |
| 4 (viii) | No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that Company. | ✓ | | - |
| 5.0 | Subsidiary Company | | | |
| 5 (i) | Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company. | ✓ | | - |
| 5 (ii) | At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company. | ✓ | | - |

| Condition No. | Title | Compliance Status | | Remarks (if any) |
|---------------|---|-----------------------------------|--------------|------------------|
| | | (Put ✓ in the appropriate column) | | |
| | | Complied | Not complied | |
| 5 (iii) | The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company. | ✓ | | - |
| 5 (iv) | The Minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the Subsidiary Company also. | ✓ | | - |
| 5 (v) | The Audit Committee of the holding company shall also review the Financial Statements, in particular the investments made by the Subsidiary Company. | ✓ | | - |
| 6.0 | Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO) | | | |
| 6 (i) | They have reviewed financial Statements for the year and that to the best of their knowledge and belief: | ✓ | | - |
| 6 (i) a) | These financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading. | ✓ | | - |
| 6 (i) b) | These financial statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws. | ✓ | | - |
| 6 (ii) | There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct. | ✓ | | - |
| 7.0 | Reporting and Compliance of Corporate Governance | | | |
| 7 (i) | The company shall obtain a Certificate from a Professional Accountant/Secretary (CA/CMA/CS) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis. | ✓ | | - |
| 7 (ii) | The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions. | ✓ | | - |

**CERTIFICATE ON COMPLIANCE OF CONDITIONS
OF CORPORATE GOVERNANCE GUIDELINES
FOR THE YEAR ENDED ON 31 DECEMBER 2017
TO THE SHAREHOLDERS OF
SHAHJALAL ISLAMI BANK LIMITED**

We have examined the compliances of Corporate Governance Guidelines by Shahjalal Islami Bank Limited (the “Company”) for the year ended on 31 December, 2017 as required under clause 7(i) of the Bangladesh Securities & Exchange Commission (BSEC) notification SEC/CMRRCD/2006-158/134/ADMIN/44 dated on 7th August 2012 and SEC/CMRRCD/2006-158/147/Admin/48 dated 21 July 2013.

The Company’s Responsibilities

Those charged with government and management of the company are responsible for complying with the conditions of corporate governance guidelines. Those charged with the governance of the company are also responsible for stating in the director’s report whether the company has complied with the conditions of corporate governance guidelines.

Our Responsibilities

The compliance of conditions in the aforesaid notification and reporting the status of compliance is the responsibility of the Management of the Company. Our responsibility is to certify whether the company is in compliance with the said conditions of corporate governance based on our examination. For the purpose of issuing this certificate our examination was limited to the procedures as adopted by the Management of the Company for ensuring compliance to the conditions of Corporate Governance Guidelines and implementation status thereof.

Opinion

To the best of our information and according to the explanations given to us, we certify that, the company has complied with conditions of corporate governance guidelines as stipulated in the above mentioned notification issued by BSEC.

Dhaka, 06 May 2018


Mak & Co.

Chartered Accountants

Compliance Report on BSEC Notification

The authorized Capital of Shahjalal Islami Bank Limited is Tk. 10,000,000,000 divided into 1,000,000,000 ordinary shares of Tk. 10 each. The paid-up Capital of the Bank is Tk. 7,714,225,390 divided into 771,422,539 ordinary shares. As per Section 1.4(k) of BSEC Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 the pattern of shareholding is given below:

i) Parent/Subsidiary/Associated companies and other related parties: N/A

a) Shares held by the Directors and their Spouses:

Annexure-I

| SL | Name of Directors | Position | No of Shares | % of Share |
|----|--|----------------------|--------------|------------|
| 1 | Akkas Uddin Mollah | Chairman | 15,429,286 | 2.00% |
| 2 | Anwer Khan Modern Hospital Ltd. (rep. by Mohammed Golam Quddus) | Vice-Chairman | 15,468,182 | 2.01% |
| 3 | Khandaker Sakib Ahmed | Vice-Chairman | 15,429,126 | 2.00% |
| 4 | Anwer Hossain Khan | Director | 23,060,446 | 2.99% |
| 5 | Electra International Ltd (rep. by Md. Sanaullah Shahid) | Director | 19,741,486 | 2.56% |
| 6 | Shams Uddin Khan (Rep. of Shamsuddin Khan & Harun Miah Ltd.) | Director | 15,428,504 | 2.00% |
| 7 | Md. Abdul Berek | Director | 15,428,570 | 2.00% |
| 8 | Abdul Halim | Director | 18,765,748 | 2.43% |
| 9 | Mohiuddin Ahmed | Director | 15,436,575 | 2.00% |
| 10 | Engr. Md. Towhidur Rahman | Director | 17,334,350 | 2.25% |
| 11 | A.K.Azad | Director | 29,409,812 | 3.81% |
| 12 | Mohammed Yunus | Director | 19,071,782 | 2.47% |
| 13 | Fakir Akhtaruzzaman | Director | 15,428,451 | 2.00% |
| 14 | Daffodils Trading International (rep. by Khorshed Alam Khan) | Director | 15,807,000 | 2.05% |
| 15 | Fresh Export Import Ltd. (rep. by Md. Moshior Raman Chamak) | Director | 15,575,241 | 2.02% |
| 16 | Shahan Ara Begum | Director | 15,466,557 | 2.00% |
| 17 | Mosharraf Hossain Chowdhury | Independent Director | Nil | - |
| 18 | Farida Parvin Nuru | Independent Director | Nil | - |
| 19 | Farman R. Chowdhury | Managing Director | Nil | - |

b) Shares held by the Chief Executive Officer, Company Secretary, Head of Internal Audit and Chief Financial Officer: Nil

c) Shares held by top five salaried employees other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit: NIL

d) Shareholders holding ten percent (10%) or more voting interest in the company as at 31 December 2017 : Nil

Number of Board Meeting held in 2017 and the attendance of Directors:

From 01-01-2017 to 03-07-2017

Annexure-II

| SL | Name of Directors | Position | Meeting Held | Attended | Remarks |
|----|---|----------------------|--------------|----------|---------|
| 1 | Engr. Md. Towhidur Rahman | Chairman | 7 | 7 | |
| 2 | Mohiuddin Ahmed | Vice-Chairman | | 7 | |
| 3 | Harun Miah (Rep. of Shams Uddin Khan & Harun Miah Ltd.) | Vice-Chairman | | 4 | |
| 4 | Anwer Hossain Khan | Director | | 4 | |
| 5 | Md. Sanaullah Shahid (Rep. of Electra International Ltd.) | Director | | 7 | |
| 6 | Md. Abdul Berek | Director | | 5 | |
| 7 | Abdul Halim | Director | | 6 | |
| 8 | Akkas Uddin Mollah | Director | | 7 | |
| 9 | Khandaker Sakib Ahmed | Director | | 7 | |
| 10 | A.K. Azad | Director | | 3 | |
| 11 | Mohammed Younus | Director | | 4 | |
| 12 | Fakir Akhtaruzzaman | Director | | 7 | |
| 13 | Mohammed Golam Quddus (Rep. Anwer Khan Modern Hospital Ltd.) | Director | | 7 | |
| 14 | Mosharraf Hossain Chowdhury | Independent Director | | 6 | |
| 15 | Farida Parvin Nuru | Independent Director | | 2 | |
| 16 | Farman R. Chowdhury | Managing Director | | 7 | |

From 04-07-2017 to 31-12-2017

| SL | Name of Directors | Position | Meeting Held | Attended | Remarks |
|----|---|----------------------|--------------|----------|---------|
| 1 | Engr. Md. Towhidur Rahman | Chairman | 9 | 9 | |
| 2 | Khandaker Sakib Ahmed | Vice-Chairman | | 8 | |
| 3 | Mohammed Golam Quddus (Rep. Anwer Khan Modern Hospital Ltd.) | Vice-Chairman | | 9 | |
| 4 | Anwer Hossain Khan | Director | | 9 | |
| 5 | Akkas Uddin Mollah | Director | | 6 | |
| 6 | Khandaker Sakib Ahmed | Director | | 8 | |
| 7 | A.K. Azad | Director | | 3 | |
| 8 | Mohammed Younus | Director | | 8 | |
| 9 | Fakir Akhtaruzzaman | Director | | 8 | |
| 10 | Mosharraf Hossain Chowdhury | Independent Director | | 9 | |
| 11 | Farida Parvin Nuru | Independent Director | | 1 | |
| 12 | Farman R. Chowdhury | Managing Director | | 9 | |

Number of Executive Committee Meeting held in 2017 was 43 and the attendance of Directors:

From 01-01-2017 to 03-07-2017

| SL | Name of Directors | Position | Meeting Held | Attended |
|----|-----------------------|---------------|--------------|----------|
| 1 | Md. Sanaullah Shahid | Chairman | 23 | 22 |
| 2 | Fakir Akhtaruzzaman | Vice Chairman | | 15 |
| 3 | A.K.Azad | Member | | 3 |
| 4 | Akkas Uddin Mollah | Member | | 20 |
| 5 | Anwer Hossain Khan | Member | | 11 |
| 6 | Mohammed Younus | Member | | 10 |
| 7 | Khandaker Sakib Ahmed | Member | | 22 |

From 04-07-2017 to 31-12-2017

| SL | Name of Directors | Position | Meeting Held | Attended |
|----|---------------------------|---------------|--------------|----------|
| 1 | Akkas Uddin Mollah | Chairman | 20 | 16 |
| 2 | Fakir Akhtaruzzaman | Vice Chairman | | 10 |
| 3 | Anwer Hossain Khan | Member | | 15 |
| 4 | A.K.Azad | Member | | 4 |
| 5 | Khandaker Sakib Ahmed | Member | | 17 |
| 6 | Mohammed Younus | Member | | 17 |
| 7 | Engr. Md. Towhidur Rahman | Member | | 18 |