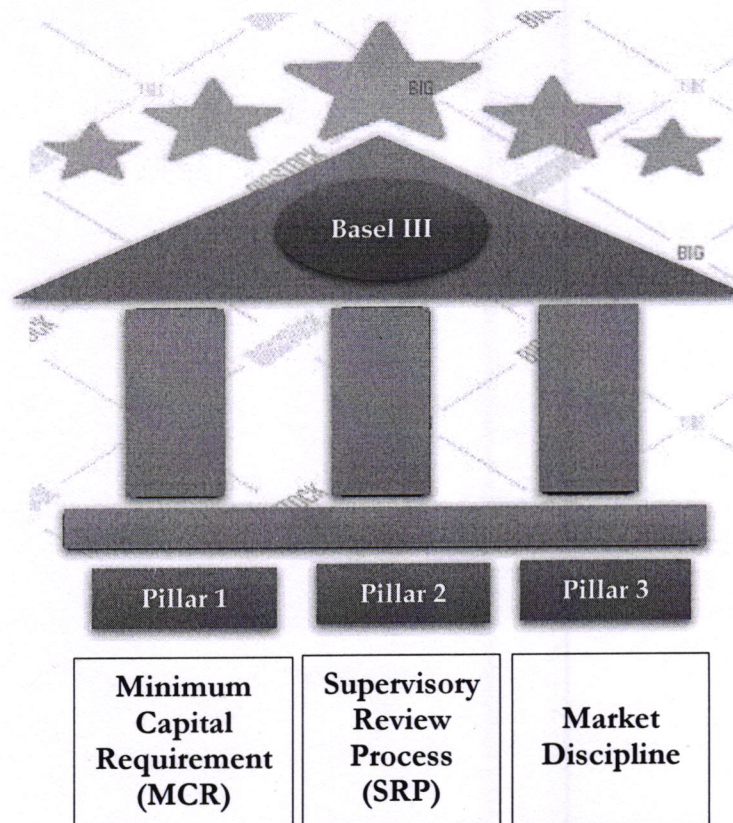


Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the Year Ended December 31, 2023



Shahjalal Islami Bank PLC.

Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III) For the year ended December 31, 2023

Background

To strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector, the Basel Committee on Banking Supervision (BCBS) issued “Basel III: A global regulatory framework for more resilient banks and banking systems” in December 2010. The objective of the reforms was to improve the banking sector’s ability to absorb shocks arising from financial and economic stress, whatever the source, thereby reducing the risk of spillover from the financial sector to the real economy. Through its reform package, BCBS also aims to improve risk management and governance as well as strengthen banks’ transparency and disclosures. The Basel Committee’s comprehensive reform package also addressed the lessons of the economic and financial crisis, which began in 2007, by holding insufficient liquidity buffers and building up excessive on and off-balance sheet leverage that resulted in a gradual erosion of the level and quality of the capital base.

To comply with international best practices and to make the bank’s capital shock absorbent, Bangladesh Bank issued “Guidelines on Risk Based Capital Adequacy” (Revised Regulatory Capital Framework for Banks in Line with Basel III) in December 2014 with the instructions to maintain the minimum capital requirement under pillar 1, an additional capital requirement under pillar 2 and a market disclosure requirement under pillar 3. Shahjalal Islami Bank PLC. (SJIBPLC) has given special attention to implement Basel III inside the Bank. As per Bangladesh Bank guidelines, SJIBPLC has formed “Basel Implementation Unit (BIU)” which is under the supervision of a supervisory committee and includes senior management of the Bank. SJIBPLC has an exclusive body named the Supervisory Review Process (SRP) team constituted by the concerned departmental heads and headed by the Managing Director of the Bank.

Purpose

As part of Basel III compliance, Market Discipline (Pillar 3) is formulated with a view to establish more transparent and more disciplined financial market so that stakeholders can assess the position of a bank regarding holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets.

Disclosure Framework

Shahjalal Islami Bank PLC. has adopted the Basel III framework as part of its capital management strategy in line with the revised Guidelines of Bangladesh Bank and also developed a set of formal disclosure frameworks approved by the Board of Directors of the Bank which includes the ‘Qualitative and Quantitative Disclosures’ containing the components of Scope of Application, Capital Structure, Capital Adequacy, Investment (Credit) Risk, Equities: Disclosures for Banking Book Positions, Profit (Interest) Rate Risk in the Banking Book (PRRBB), Market Risk, Operational Risk, Liquidity Ratio, Leverage Ratio and Remuneration of the Bank.

Consistency and Validation

The quantitative disclosures on Risk Based Capital (Basel III) are made on the basis of the audited consolidated financial statements of Shahjalal Islami Bank PLC. (SJIBPLC) and its subsidiaries for the year ended December 31, 2023. Those are prepared under the historical cost convention in accordance with the International Financial Reporting Standards (IFRSs).



Market Discipline

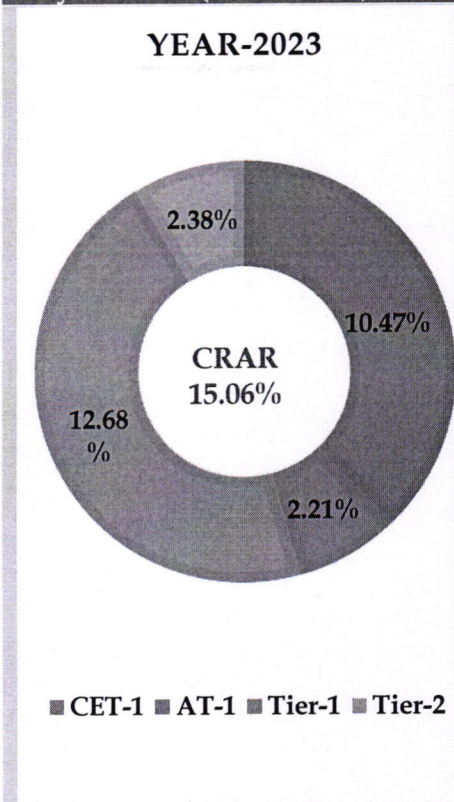
Disclosures on Risk Based Capital (Pillar 3 of Basel III) For the year ended December 31, 2023

As Financial Reporting Standards are yet to be issued by FRC, as per the provisions of FRA (Section-69), consolidated and separate financial statements of the Group and the Bank, respectively, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and, in addition to this, the Bank also complied with the provisions of the "Guidelines for Islamic Banking" issued by Bangladesh Bank through BRPD Circular No. 15 dated November 09, 2009 with reference to the provisions of the Bank Companies Act, 1991 and amendment thereon, the Companies Act 1994 and other circulars/instructions of Bangladesh Bank, the Securities and Exchange Rules 1987 and Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), as a member of that organization.

Therefore, information presented in the 'Quantitative Disclosures' section can easily be verified and validated with corresponding information presented in the audited consolidated financial statements-2023 of SJIBPLC and its subsidiary. The report is prepared once a year and is available on the bank's website (www.sjibld.com).

Key Metrics (Solo Basis)		(Taka in Million)	
Key Items	Particulars	2023	2022
1. RWAs	Investment Risk	192,747.72	203,815.35
	Market Risk	6,416.48	10,258.91
	Operational Risk	27,462.62	22,863.23
	Total RWAs	226,626.82	236,937.49
2. Capital	CET 1 Capital	23,735.65	21,846.54
	AT 1 Capital	5,000.00	5,000.00
	Tier 1 Capital	28,735.65	26,846.54
	Tier 2 Capital	5,390.59	7,217.94
	Total Regulatory Capital	34,126.24	34,064.48
3. MCR	Tier-1 @6.00%	13,597.61	14,216.25
	Buffer @2.50%	5,665.67	5,923.44
	Tier-1 plus Buffer @8.50%	19,263.28	20,139.69
	MCR @10%	22,662.68	23,693.75
	MCR plus Buffer@12.50%	28,328.35	29,617.19
4. Surplus/ Shortfall	Tier-1 plus Buffer	9,472.37	6,706.85
	MCR plus Buffer	5,797.89	4,447.29
5. Leverage	Exposures	399,867.37	392,710.56
	Leverage (%)	7.19%	6.84%
	RWAs to Exposures (%)	56.68%	60.33%

Key Metrics (Solo Basis)



Presentation of Information

In this report, the information of Shahjalal Islami Bank PLC. is presented on a solo and consolidated (conso) basis. All amounts in the format of this Pillar 3 disclosure are denominated in Bangladesh Taka, unless stated otherwise. Certain figures in this document have been calculated using rounded figures.



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

1. Scope of Application

Qualitative Disclosures

a) The name of the top corporate entity in the group to which this guidelines applies:

Shahjalal Islami Bank PLC. (SJIBPLC)

b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group:

- i. that are fully consolidated;
- ii. that are given a deduction treatment; and
- iii. (c) that are neither consolidated nor deducted (e.g. where the investment is risk - weighted).

The Consolidated Financial Statements of the Bank include the financial statements of (i) Shahjalal Islami Bank PLC. including Off-Shore Banking Unit (OBU) and (ii) Shahjalal Islami Bank Securities Limited.

Shahjalal Islami Bank PLC. holds 91.79% shares of Shahjalal Islami Bank Securities Limited. A brief description of the Bank including OBU and its subsidiary are given below:

Shahjalal Islami Bank PLC.

Shahjalal Islami Bank PLC. (hereinafter called the 'Bank' or 'SJIBPLC') was established as a public limited company (Banking Company) on 01 April 2001 in the name of "Shahjalal Islami Bank Limited" which was subsequently renamed as "Shahjalal Islami Bank PLC." vide RJSC Certificate No. C-42778 dated 06 August 2023 under the Companies Act, 1994 as interest free Islamic Shariah based Commercial Bank. The Bank commenced its operation on 10 May 2001 with the permission of Bangladesh Bank. Currently, the Bank is operating its business through head office having 140 (one hundred forty) branches, 132 (one hundred thirty two) ATM booths, 119 (one hundred nineteen) agent banking outlets and 2,875 employees all over Bangladesh. The Bank also has a subsidiary Company named 'Shahjalal Islami Bank Securities Limited' and an Offshore Banking Unit. The Bank is listed with both the Stock Exchanges of the country, i.e., Dhaka Stock Exchange PLC and Chittagong Stock Exchange Limited.

The Bank offers all kinds of Islamic Shari'ah based commercial Banking services to its customers through its branches following the provisions of the Banking Companies Act, 1991 (as amended up to date), Bangladesh Bank's Directives and directives of other regulatory authorities and the principles of the Islamic Shari'ah.

The registered office of the Bank is located at Shahjalal Islami Bank Tower, Plot-04, Block-CWN(C), Gulshan Avenue, Gulshan, Dhaka-1212.



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

Off-shore Banking Unit

Offshore Banking Unit (OBU) is a separate business unit of Shahjalal Islami Bank PLC., governed under the rules and guidelines of Bangladesh Bank. The Bank commenced the operation of its Offshore Banking Unit on 21 December 2008 with the permission from Bangladesh Bank vide letter no. BRPD(P-3)744(99)/2008-2800 dated 24 July 2008. The unit is located at Shahjalal Islami Bank Tower, Plot-04, Block-CWN(C), Gulshan Avenue, Gulshan, Dhaka-1212. Separate Financial Statements of Offshore Banking Unit are also presented.

Agent Banking

Shahjalal Islami Bank PLC. obtained permission from Bangladesh Bank on 16 October 2019 vide reference no. BRPD(P-3)745(54)/2019-8354 to commence Agent Banking services and subsequently started commercial operations on 02 January 2020. Till 31 December 2023 there were 119 Agent Banking Outlets in 43 districts and 96 upazillas across the country. Services that are currently being dispensed include account opening i.e., Al-Wadeeah Current A/C, Mudaraba Savings A/C, Mudaraba Scheme Deposit A/C, Mudaraba Term Deposit A/C, cash deposit and withdrawal from agent banking outlets and SJIBPLC branches, fund transfer (P2P), inward/outward cheque payment, remittance disbursement, balance inquiry, SMS banking, EFTN & RTGS etc.

Shahjalal Islami Bank Securities Limited

Shahjalal Islami Bank Securities Limited is a subsidiary company of Shahjalal Islami Bank PLC. incorporated as a public limited company under the Companies Act, 1994 vide Certificate of Incorporation No. C-86917/10 dated 06 September 2010 and commenced its operation on 25 May 2011. Presently the company is operating its business through Head Office with 02 extension office and 08 branches with 78 employees all over Bangladesh.

The main objective of the company is to carry on business of stock brokers/dealers in relation to shares and securities dealings and other services as mentioned in the Memorandum and Articles of Association of the company. It has corporate membership of Dhaka Stock Exchange PLC and Chittagong Stock Exchange Limited. Shahjalal Islami Bank PLC. holds 91.79% shares of Shahjalal Islami Bank Securities Limited. Its corporate Head office and Principal place of business is at DSL Building (3rd floor), 1/C, DIT Avenue, Motijheel C/A, Dhaka-1000.



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group	The rules and regulations of BRPD of Bangladesh Bank that govern 'Single Borrower Exposure Limit' for the customers are equally applicable for the Bank in financing its own subsidiaries. Bank is following latest Bangladesh Bank circular in determining maximum amount of finance to the subsidiaries of the Bank.
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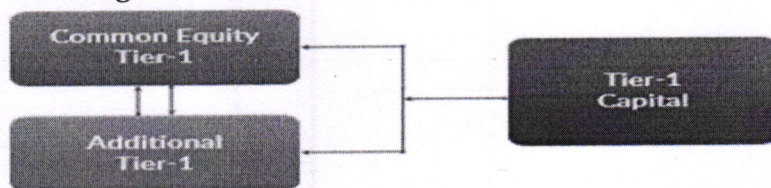
Quantitative Disclosures

d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and name(s) of such subsidiaries.	Not Applicable
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2. Capital Structure

Qualitative Disclosures

a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Common Equity Tier 1, Additional Tier 1 or Tier 2.	<p>As per Guidelines on Risk Based Capital Adequacy of Bangladesh Bank, the regulatory capital of SJIBPLC is classified into two tiers which will consist of sum of the following categories:</p> <p>1. Tier 1 Capital (going-concern capital): Tier 1 capital also called core capital is the high quality capital that can absorb losses. The Tier 1 capital of SJIBPLC is divided into two categories which are:</p>
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a) **Common Equity Tier 1 capital:** Common Equity Tier 1 capital (CET1) is the highest quality of regulatory capital, as it absorbs losses immediately when they occur. CET 1 of SJIBPLC consists of Paid-up Capital, Statutory Reserve, Retained Earnings and Minority Interest in Subsidiaries.

b) **Additional Tier 1 capital:** Additional Tier 1 capital (AT 1) also provides loss absorption on a going-concern basis. AT 1 of SJIBPLC consists of Mudaraba Perpetual Bond issued by the Bank meeting the qualifying criteria for Additional Tier 1.

2. Tier 2 Capital (gone-concern capital): Tier 2 is an additional component of the bank's core capital base under the Basel accord. Tier 2 of SJIBPLC consists of General Provisions and Mudaraba Subordinated Bond/ Debt issued by the Bank meeting the qualifying criteria for Tier 2 Capital.



Market Discipline

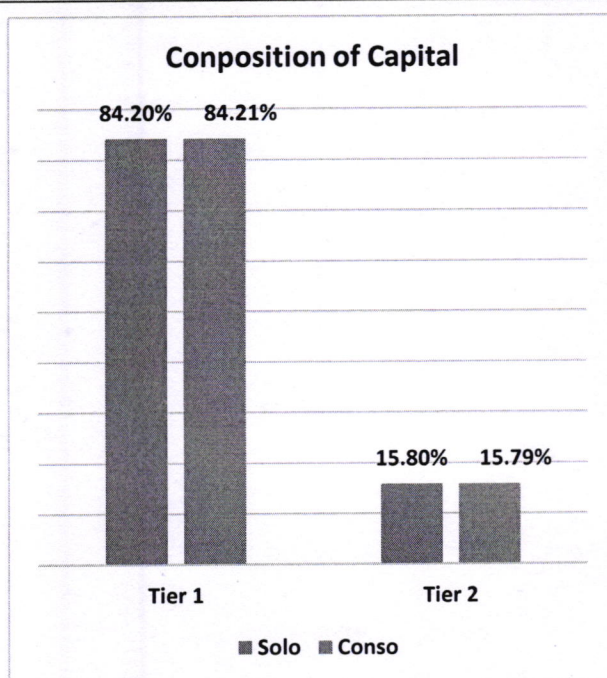
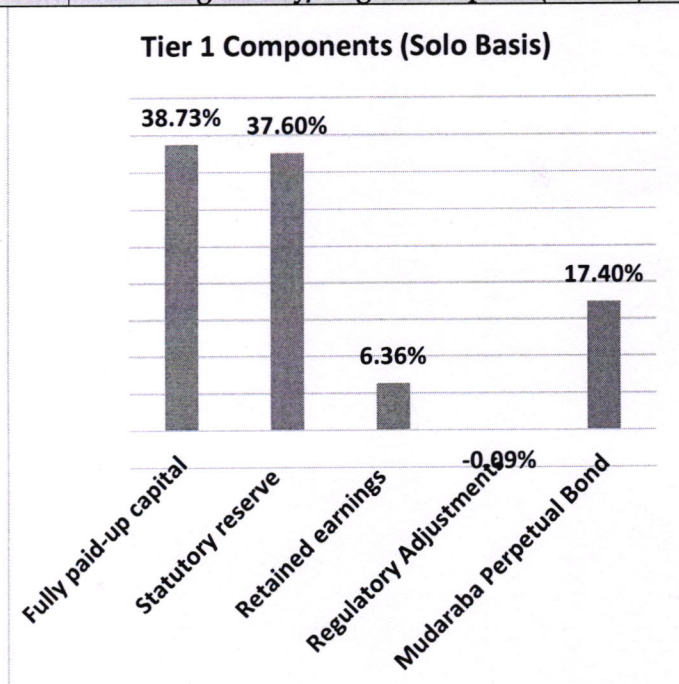
Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

Quantitative Disclosures

b) The amount of Regulatory Capital, with separate disclosure of:

Particulars		<i>Taka in Million</i>	
		Solo	Consolidated
1.	Fully paid-up capital	11,129.68	11,129.68
2.	Statutory reserve	10,803.11	10,803.11
3.	General reserve	-	34.82
4.	Retained earnings	1,827.40	1,831.26
5.	Minority interest in subsidiaries	-	228.46
6.	Regulatory Adjustments: Goodwill and all other Intangible Assets	(24.54)	(24.81)
i.	Common Equity Tier-1 (CET1) Capital (1 to 5)	23,735.65	24,002.52
1.	Instruments issued by the Bank that meet the qualifying criteria for AT1 (Mudaraba Perpetual Bond)	5,000.00	5,000.00
2.	Regulatory Adjustments	-	-
ii.	Additional Tier-1 (AT1) Capital (1 to 2)	5,000.00	5,000.00
A.	Total Tier-1 Capital (i to ii)	28,735.65	29,002.52
1.	General provision against unclassified investments/loans and off balance sheet exposures (including OBU)	4,190.59	4,240.05
2.	Subordinated debt/instruments issued by the Banks that meet the qualifying criteria for Tier 2 capital	1,200.00	1,200.00
3.	Others (if any item approved by Bangladesh Bank)	-	-
B.	Total Tier 2 Capital (1 to 3)	5,390.59	5,440.05
C.	Regulatory Adjustments/Deductions from Capital	-	-
D.	Total Regulatory/Eligible Capital (A+B-C)	34,126.24	34,442.57



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)
For the year ended December 31, 2023

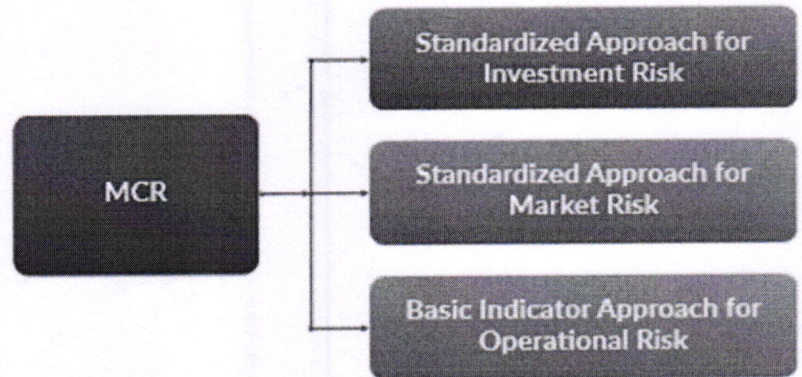
3. Capital Adequacy

Qualitative Disclosures

a) A summary discussion of the Bank's approach to assess the adequacy of its capital to support current and future activities.

Shahjalal Islami Bank PLC. with its focused strategy on risk management has always been consistent in maintaining Capital to Risk Weighted Assets Ratio above the regulatory requirements. The Bank has been successfully managing the incremental growth of Risk Weighted Assets (RWA) by ensuring diversification of the portfolio in SME, Agriculture, Retail and Corporate segments. However, RWA is also managed by taking collaterals against investments. The Bank Management strives to ensure external credit rating which is duly conducted by the investment clients.

The Bank has adopted The Standardized Approach (TSA) to calculate the RWA for Investment Risk and to calculate the capital charge for market risk. On the other hand, Basic Indicator Approach (BIA) is adopted to calculate the capital charge for operational risk. Assessment of capital adequacy is made against the total RWA under the said three approaches.



The Bank has maintained Capital to Risk Weighted Assets Ratio (CRAR) of 14.81% & 15.06% on the basis of "Consolidated" and "Solo" respectively against the minimum regulatory requirement of 12.50% (MCR 10% + Conservation Buffer 2.50%). The Bank's policy is to manage and maintain adequate capital that is sufficient to absorb all material risks associated with the Bank and to comply with regulatory requirements and to satisfy the external rating agencies and all other stakeholders including depositors. The main objective of the capital management process in the Bank is to ensure that Bank has adequate capital to meet up its losses.

Market Discipline

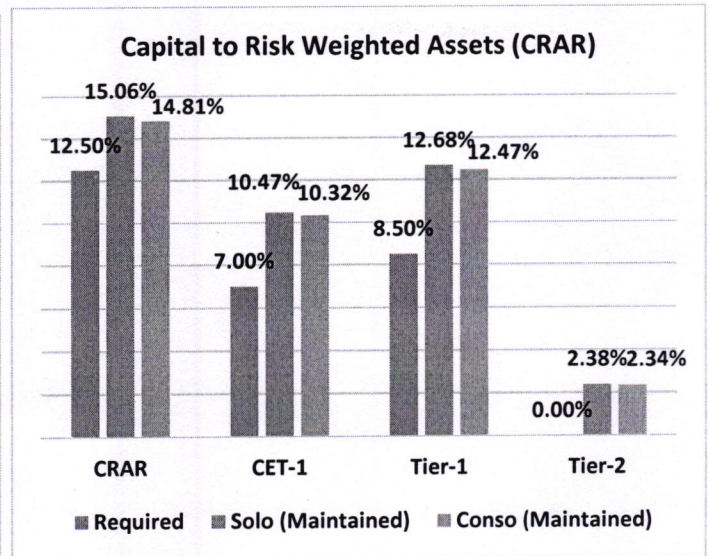
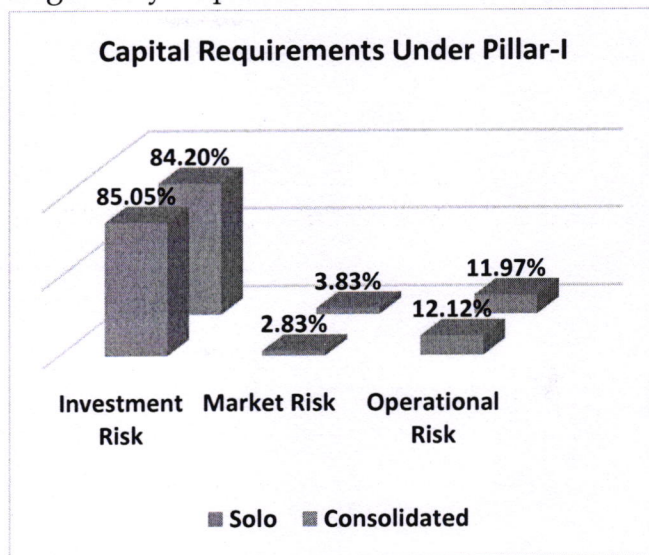
Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

Quantitative Disclosures

Particulars	Taka in Million	
	Solo	Consolidated
b) Capital requirements for Investment (Credit) Risk	19,274.77	19,584.81
c) Capital requirements for Market Risk	641.65	889.50
d) Capital requirements for Operational Risk	2,746.26	2,784.54
Minimum Capital Requirement (b+c+d)	22,662.68	23,258.85
Total Regulatory Capital	34,126.24	34,442.57
Total Risk Weighted Assets (RWA)	226,626.82	232,588.46
e) Capital to Risk-weighted Asset Ratio(CRAR) (iii to iv)	15.06%	14.81%
i. CET 1 capital ratio	10.47%	10.32%
ii. AT 1 capital ratio	2.21%	2.15%
iii. Total Tier 1 capital ratio (i to ii)	12.68%	12.47%
iv. Tier-2 capital ratio	2.38%	2.34%
f) Capital Conservation Buffer (2.50%)	5.06%	4.81%
g) Available Capital under Pillar 2 Requirement*	5,797.89	5,369.01

*After deduction of Minimum Capital Requirement and Capital Conservation Buffer from Total Regulatory Capital.



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

4. Investment (Credit) Risk

Qualitative Disclosures

a) The general qualitative disclosure requirement with respect to investment (credit) risk, including:

i) Definitions of past due and impaired (for accounting purposes)

Past Due: Any Continuous Loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date. Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date. Whereas, In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/overdue after six months of the expiry date.

Impaired: A Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 03 (three) months or beyond but less than 09 (nine) months, the entire loan will be treated as impaired (NPI)

Bangladesh Bank issued Circulars from time to time for strengthening Investment (Credit) discipline and brings provisioning. All Investments/Loans & Advances will be grouped in to four (4) categories for the purpose of classification, namely

(a) **Continuous Investment (Loan):** The Investment accounts in which transactions may be made within certain limit and have an expiry date for full adjustment will be treated as Continuous Investment. Examples are: Cash Credit, Overdraft, etc.

(b) **Demand Investment (Loan):** The Investments that become repayable on demand by the Bank will be treated as Demand Investment. If any contingent or any other liabilities are turned to forced investment (i.e. without any prior approval as regular investment) those too will be treated as Demand Investment. Such as: Forced Investment against Imported Merchandise, Payment against Document, FBP and IBP etc.

(c) **Fixed Term Investment (Loan):** The Investments, which are repayable within a specific time period under a specific repayment schedule, will be treated as Fixed Term Investment.

(d) **Short Term Agricultural & Micro Investment (Loan):** Short-term Agricultural Investment will include the short-term investments as listed under the Annual Credit



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

Program issued by the Agricultural Credit and Financial Inclusion Department (ACFID) of Bangladesh Bank. Investments in the agricultural sector repayable within 12 (twelve) months will also be included herein. Short-term Micro-Credit will include any micro-credit not exceeding an amount determined by the ACFID of Bangladesh Bank from time to time and repayable within 12 (twelve) months, be those termed in any names such as Non-agricultural credit, Self-reliant Credit, Weaver's Credit or Bank's individual project credit.

The above Investments (Loans) are classified as follows:

Types of Investment		Unclassified		Classified		
		STD	SMA	SS	DF	BL
		Overdue/Irregular Period				
Continuous & Demand Investment	Other than CMSME	Below 2 Months	2 to below 3 Months	3 to below 9 Months Defaults: After 6 Months	9 to below 12 Months	12 & above Months
	Cottage, Micro and Small Credits		2 to below 6 Months	6 to below 18 Months Defaults: After 6 Months	18 to below 30 Months	30 & above Months
Fixed Term Investment	Other than CMSME	Below 8 Months	8 to below 9 Months	9 to below 15 Months Defaults: After 12 Months	15 to below 18 Months	18 & above Months
	Cottage, Micro and Small Credits		8 to below 12 Months	12 to below 24 Months Defaults: After 12 Months	24 to below 36 Months	36 & above Months
Short-term Agricultural & Micro Credit		Below 12 Months	-	12 to below 36 Months Defaults: After 12 Months	36 to below 60 Months	60 & above Months

**STD = Standard, SMA = Special Mention Account, SS = Sub Standard, DF = Doubtful, BL = Bad & Loss*

Investments have to be treated as defaulted investment as per section 5 (GaGa) of the Banking Companies Act, 1991 and to be reported accordingly. In this regard, a portion of the "Sub-standard (SS) Investment will be reported as defaulted Investment.

Every business line as well as the overall economic activities got severely affected and influenced by Covid-19. Taking this into consideration, Bangladesh Bank issued BRPD circular # 17 dated September 28, 2020, BRPD circular letter # 56 dated December 10, 2020, BRPD circular letter # 59 dated December 30, 2020, BRPD circular letter # 45 dated October 04, 2021, BRPD circular # 51 & 52 dated December 29, 2021, BRPD circular # 53 dated December 30, 2021 and BRPD circular # 14 dated June 22, 2022, BRPD circular # 51 dated December 18, 2022 and BRPD circular # 53 dated December 22, 2022 instructed to facilitate deferral facilities to the borrowers without applying the above frame of Investment (Loan) classification.

ii) Description of approaches followed for specific and general allowances and statistical methods;

Provision for Investments is created for covering the Bank from possible investment losses in the future. General provision is made on the outstanding amount of investments without considering the classified status following the prescribed rate of Bangladesh Bank. Classified investments of the Bank are categorized as Sub-standard, Doubtful and Bad & Loss as per Bangladesh Bank circulars. For investments which are classified, specific provision is created netting off eligible security value and profit suspense from the outstanding amount. Provision for off balance sheet items is made as per BRPD circular no. 14



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

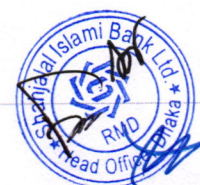
For the year ended December 31, 2023

dated September 23, 2012 for covering the Bank for possible losses in the future. Profit accrued on Sub-standard, Doubtful and Bad & Loss investments is transferred to profit suspense account and not consider as profit income. This profit is recognized as profit income when it realized in cash by the Bank as per latest circular of Bangladesh Bank. Investment are written off to the extent that (i) there is no realistic prospect of recovery, and (ii) against which legal cases are filled and classified as bad & loss as per BRPD circular no. 01 dated February 6, 2019 and BRPD Circular letter no. 01 dated January 05, 2023. However, these write off will not undermine/affect the claim amount against the client of Investments. Detailed memorandum records for all such write off accounts are meticulously maintained and followed up.

The Bank is required to maintain the following general and specific provision in respect of un-classified and classified investments on the basis of Bangladesh Bank guidelines issued from time to time.

Rates of provision are noted below:

Particulars		Percentage (%) of Provision Requirement				
		Un-classified		Classified		
		Standard	SMA	SS	DF	BL
Cottage, Micro & Small Investments Under CMSME		0.25%	0.25%	5%	20%	100%
Medium Enterprise Financing under SMEF		0.25%	0.25%	20%	50%	100%
Consumer	Investment to Professional	2%	2%	20%	50%	100%
	Investment for House Building	1%	1%	20%	50%	100%
	Other than House Building & Professional	2%	2%	20%	50%	100%
Short-term Agricultural and Micro-Credits		1%	1%	5%	5%	100%
Investment to Stock Dealers & Stock Broker		1%	1%	20%	50%	100%
Credit Card		2%	2%	20%	50%	100%
All Other Investments		1%	1%	20%	50%	100%
Staff Investment		0%	0%	20%	50%	100%
Off-balance Sheet Exposures		1%	N/A	N/A	N/A	N/A
Special General Provision for COVID-19		1%	BRPD circular letter no. 56; Date: 10 December 2020			
Special General Provision for COVID-19		2%	BRPD circular letter no. 50 & 53; Date: 14 & 22 December 2021 & 2022			

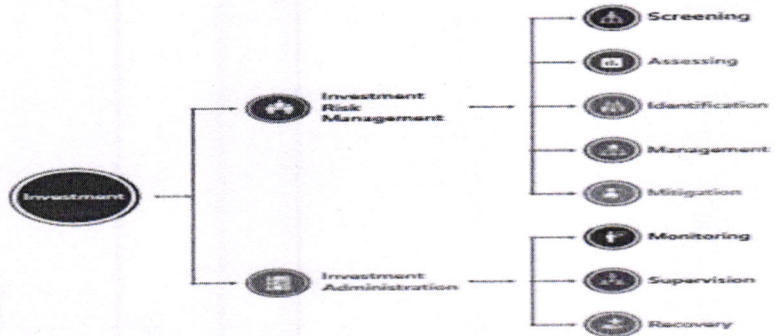


Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III) For the year ended December 31, 2023

iii) Discussion of the Bank's investment risk management policy

The Board of SJIBPLC approves the Investment Risk Manual (IRM) keeping in view relevant Bangladesh Bank guidelines to ensure best practice in investment risk management and maintain quality of assets. Authorities are properly delegated ensuring check and balance in investment operation at every stage i.e. screening, assessing, identification, management and mitigation of investment risk as well as monitoring, supervision and recovery of investments with provision for Early Warning System (EWS).



There is a separate Investment Risk Management (IRM) under the Chief Risk Officer (CRO) for mitigation of investment risk, separate Investment Administration Division (IAD) for ensuring perfection of securities and Recovery Unit for monitoring and recovery of irregular investments. Internal Control & Compliance Division (IC&CD) independently assess quality of investments and compliance status of investments during their audit at least once in a year. Adequate provision is maintained against classified investments as per Bangladesh Bank Guidelines. Status of investments is reported periodically to the Board Risk Management Committee (BRMC)/Board by the concerned Division.

Quantitative Disclosures

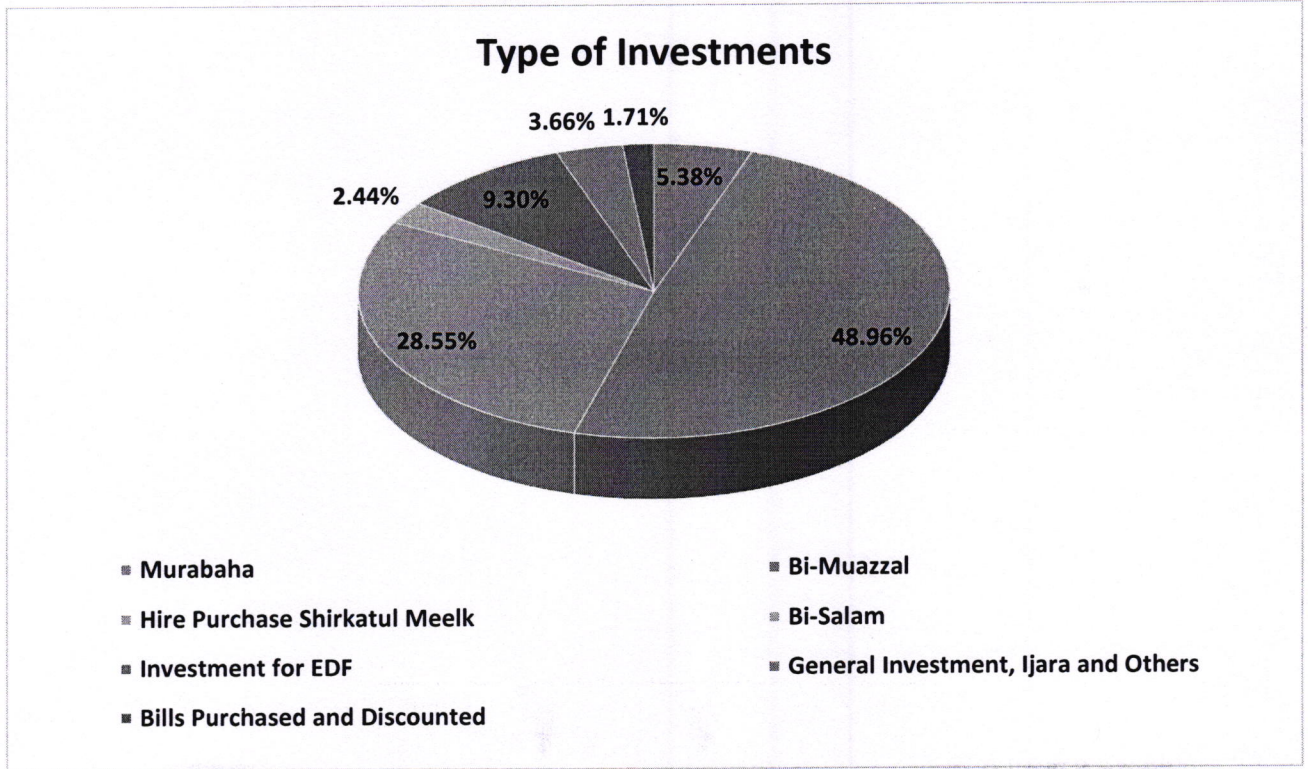
a) Total gross investment risk exposures broken down by major types of investment exposures.

a) Total gross investment risk exposures broken down by major types of investment exposures.

Particulars	Taka in Million
Murabaha	13,012.92
Bi-Muazzal	118,366.89
Hire Purchase Shirkatul Meelk	69,026.50
Bi-Salam	5,894.31
Investment for EDF	22,477.36
General Investment, Ijara and Others	8,837.08
Bills Purchased and Discounted	4,135.74
Total	241,750.80



Market Discipline
Disclosures on Risk Based Capital (Pillar 3 of Basel III)
For the year ended December 31, 2023



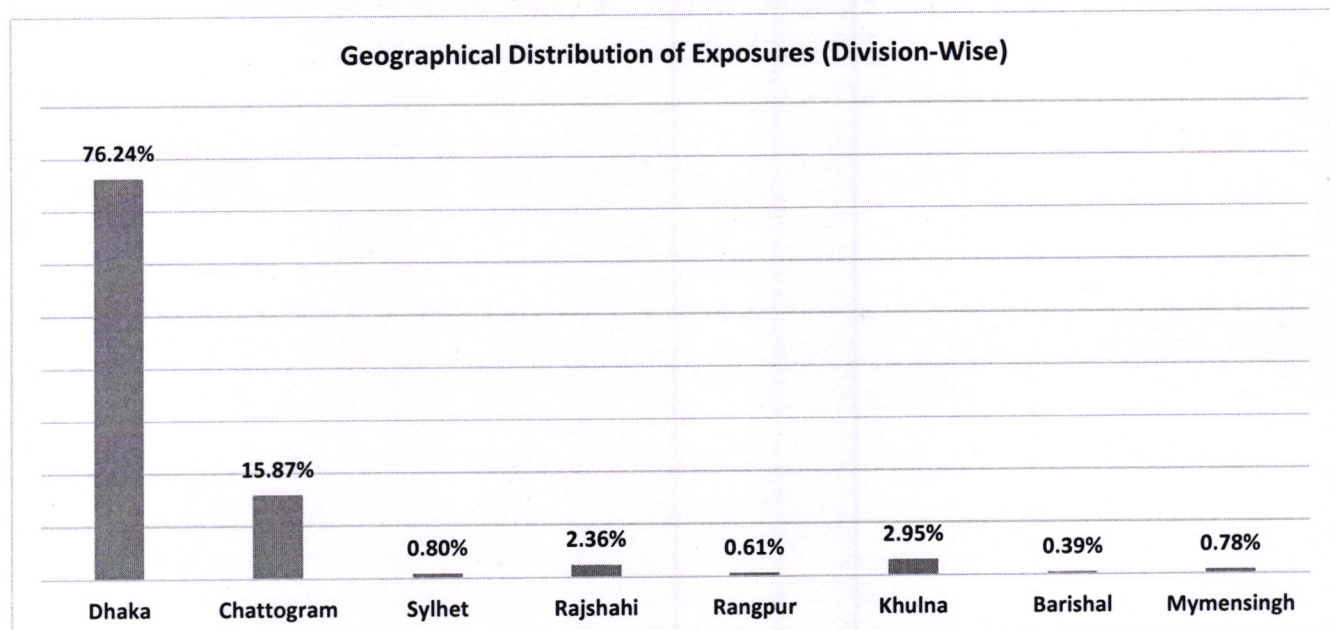
b) Geographical distribution of exposures, broken down in significant areas by major types of investment exposure.

Geographical distribution of exposures, broken down in significant areas by major types of investment exposure of the Bank are as under:

Particulars	<i>Taka in Million</i>
i. Area-wise:	
Urban	235,481.48
Rural	6,269.32
Outside Bangladesh	0.00
Total	241,750.80
ii. Division- wise:	
Dhaka	184,279.83
Chattogram	38,346.74
Sylhet	1,941.92
Rajshahi	5,716.78
Rangpur	1,474.93
Khulna	7,143.22
Barishal	950.56
Mymensingh	1,896.82
Total	241,750.80



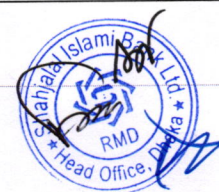
Market Discipline
Disclosures on Risk Based Capital (Pillar 3 of Basel III)
For the year ended December 31, 2023



c) Industry or counterparty type distribution of exposures, broken down by major types of investment exposure.

Industry or counterparty type distribution of exposures, broken down by major types of investment exposure of the Bank are as under:

Particulars	Taka in Million
i. Industry-wise:	
Agriculture & Fishing	4,467.87
Cotton & Textile	26,633.43
Garments	39,378.27
Cement	5,257.32
Pharmaceuticals & Chemicals	9,135.49
Real Estate	11,212.55
Transport	2,883.54
Information Technology	865.37
Non-Banking Financial Institutions	1,578.34
Steel & Engineering	11,671.71
Food Processing & Beverage	18,110.47
Power & Energy	6,566.55
Paper & Paper Products	1,688.41
Plastic & Plastic Product	7,615.15
Electronics	7,714.00
Services Industries	8,171.43
Trading	32,412.14
Construction incl. Work Order Financing	18,024.09
Share business	1,942.58
Staff Investment	2,322.43
Others	24,099.66
Total	241,750.80



Market Discipline

**Disclosures on Risk Based Capital (Pillar 3 of Basel III)
For the year ended December 31, 2023**

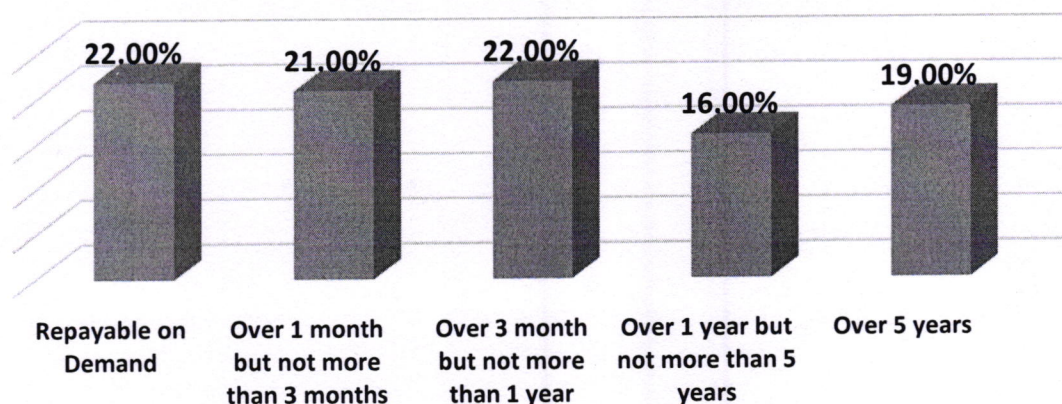
Particulars	Taka in Million
ii. Counterparty-wise:	
Investments to allied concern of Directors	2,159.20
Investments to Executive/Officers	2,322.43
Investments to Customer Groups	85,566.75
Industrial Investment	151,702.22
Others	0.20
Total	241,750.80

d) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of investment exposure.

Residual contractual maturity break down of the whole portfolios, broken down by major types of investment exposure of the Bank are as under:

Particulars	Taka in Million
Repayable on Demand	53,185.18
Over 1 month but not more than 3 months	50,767.67
Over 3 month but not more than 1 year	53,185.17
Over 1 year but not more than 5 years	38,680.13
Over 5 years	45,932.65
Total	241,750.80

Residual Contractual Maturity Breakdown of the Whole Portfolio



e) By major industry or counterparty type:

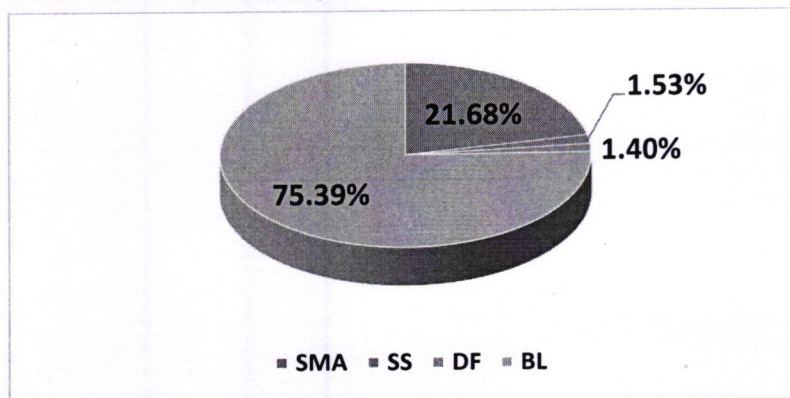
i. Amount of impaired investments and if available, past due investments provided separately

Particulars	Taka in Million
Past Due	
Special Mention Account (SMA)	2,958.49
Sub Standard	209.08
Doubtful	191.47
Bad & Loss	10,288.47
Total	13,647.51



Market Discipline

**Disclosures on Risk Based Capital (Pillar 3 of Basel III)
For the year ended December 31, 2023**



ii. Specific and general provisions

Unclassified Investment	2,865.79
Classified Investment	4,019.93
Off-Balance Sheet Exposure	1,324.80
Total	8,210.52

iii. Charges for specific allowances during the period

Provision on Unclassified Investment	194.06
Provision on Classified Investment	1,570.92
Provision on Off-Balance Sheet Exposure	(31.40)
Provision for other Assets	-
Total	1,733.58

f) Gross Non-Performing Assets (NPAs)

i. Non-Performing Assets (NPAs) to outstanding Investments	4.42%
--	-------

ii. Movement of Non-Performing Assets (NPAs)

Particulars	<i>Taka in Million</i>
Opening Balance	11,332.83
Additions	-
Reductions	643.81
Closing Balance	10,689.02

iii. Movement of specific provisions for NPAs

Opening Balance	3,927.53
Recovery amount previously written-off	22.10
Provisions made during the period	1,570.92
Fully provided Investment write-off	(1,500.62)
Adjustment and Provision transferred	-
Closing Balance	4,019.93



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

5. Equities: Disclosures for Banking Book Position

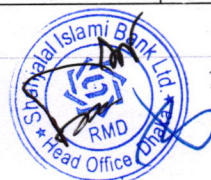
Qualitative Disclosures

a) The general qualitative disclosures requirement with respect to equity risk, including:

Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and	Investment in equity securities are broadly categorized into two parts: i) Quoted Securities that are traded in the secondary market (Trading Book Assets). ii) Unquoted securities that are categorized as Banking book equity exposures which are further sub-divided into two groups: unquoted securities which are invested without any expectation that these will be quoted in near future i.e. Held to Maturity (HTM). And securities those are acquired under private placement or IPO and are going to be traded in the secondary market after completing required formalities. Unquoted securities are valued at cost.
Discussion of important policies covering the valuation and accounting of equity holdings in the Banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices	The primary objective is to invest in equity securities for the purpose of capital gain by selling them in future or held for dividend income. Dividends received from these equity securities are accounted for as and when received and right to receive when established. Both Quoted and Un-Quoted equity securities are valued at cost and necessary provisions are maintained time to time as per instruction of Bangladesh Bank if the prices fall below the cost price.

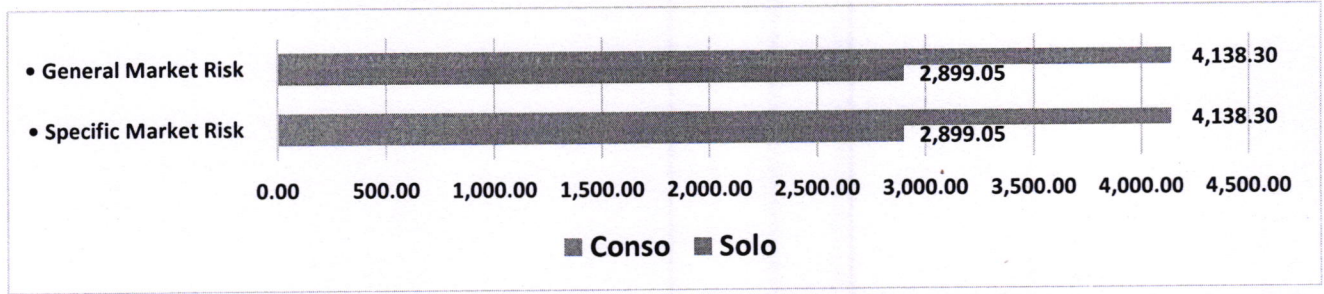
Quantitative Disclosures

Particulars	Solo	Consolidated
	<i>Taka in Million</i>	
a) Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	2,899.05	4,138.30
c) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	18.75	22.02
d) Total un-realized gains (losses)	(497.33)	(835.13)
Total latent revaluation gains (losses)	-	-
Any amounts of the above included in Tier-2 capital.	-	-
e) Capital requirements broken down by appropriate equity groupings, consistent with the Bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.		
Particulars	Solo	Consolidated
	<i>Taka in Million</i>	
• Specific Market Risk	2,899.05	4,138.30
• General Market Risk	2,899.05	4,138.30



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)
For the year ended December 31, 2023



6. Profit (Interest) Rate Risk in the Banking Book (PRRBB)

Qualitative Disclosures

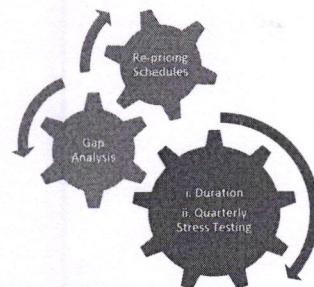
a) The general qualitative disclosure requirement including the nature of PRRBB and key assumptions, including assumptions regarding investment prepayments and behavior of non-maturity deposits, and frequency of PRRBB measurement.

Profit rate risk is the risk where changes in market profit rates might adversely affect Bank's financial condition. Changes in profit rates have two following types of affect:

- i. **Earning Perspective** (Current Earnings): It affects a Bank's earnings by changing its net profit income and the level of other profit (interest) sensitive income and operating expenses. The short term impact of changes in profit rates is on the Bank's Net Profit (Interest) Income (NII).
- ii. **Economic Value Perspective** (Net Worth of the Bank): The economic value of future cash flows changes when profit rate changes. In a longer term, changes in profit rates impact the cash flows on the assets, liabilities and off-balance sheet items, giving rise to a risk to the net worth of the Bank arising out of all re-pricing mismatches and other profit rate sensitive position.

In Shahjalal Islami Bank PLC., the Treasury Division under the supervision of the Asset & Liability Committee (ALCO) is responsible for managing market risk arising from Banking book activities of Bank.

Techniques of Addressing PRRBB: Shahjalal Islami Bank PLC. is applied the following techniques to manage the Profit Rate Risk in the Banking Book.



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III) For the year ended December 31, 2023

Re-pricing Schedules: It is the simplest techniques for measuring a Bank's profit rate risk exposure and that is generating a maturity/re-pricing schedule that distributes profit sensitive assets, liabilities, and OBS positions into a certain number of predefined time bands according to their maturity (if fixed-rate) or time remaining to their next re-pricing (if floating-rate). Those assets and liabilities lacking definitive re-pricing intervals (e.g. sight deposits or savings accounts) or actual maturities that could fluctuate from contractual maturities are assigned to re-pricing time bands according to judgement and past experience of the Bank.

Gap Analysis: It helps to assess the profit rate risk of current earnings. To evaluate earnings exposure, profit rate-sensitive liabilities in each time band are subtracted from the corresponding profit rate sensitive assets to produce a re-pricing "gap" for that time band. This gap is then multiplied by an assumed changed in profit rates to yield an approximation of the change in net profit income that would result from such a profit rate movement.

- i. **Duration:** A maturity/re-pricing schedule is also used to evaluate the effects of changing profit rates on a Bank's economic value by applying sensitivity weights to each time band. Typically, such weights are based on estimates of the duration of assets and liabilities that fall into each time band.
- ii. **Quarterly Stress Testing:** It is conducted on quarterly basis as per the directives of Bangladesh Bank to gain better insight into the vulnerable issue of PRRBB.

Quantitative Disclosures

b) The increase (decrease) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring PRRBB, broken down by currency (as relevant).



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)
For the year ended December 31, 2023

Particulars	Taka in Million		
	Market Value of Assets	351,224.80	
Market Value of Liabilities	326826.10		
Weighted Average of Duration of Assets (DA)	0.91%		
Weighted Average of Duration of Liabilities (DL)	0.77%		
Duration GAP (DA-DL)	0.20%		
Yield to Maturity (YTM-Assets)	5.73%		
Yield to Maturity (YTM-Liability)	2.48%		
Magnitude of Profit Rate Change	1%	2%	3%
Change in Market Value of Equity due to an Increased in Profit Rate	-651.64	-1,303.28	-1,954.93
Stress Testing	Minor	Moderate	Major
Regulatory Capital (After Shock)	33,474.60	32,823.00	32,171.30
RWA (After Shock)	226,606.40	226,606.40	226,606.40
CRAR (After Shock)	14.77%	14.48%	14.20%

7. Market risk

Qualitative Disclosures

a) i) Views of BOD on trading / investment activities	The Board approves all policies related to market risk, setting of limits and review on Core Risk compliance on a regular basis. The objective is to provide cost effective funding to finance asset growth and trade related transactions.
ii) Methods used to measure market risk	Standardized approach has been used to measure the market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category, minimum capital requirement is measured in terms of two separately calculated capital charges for "specific risk" and "general market risk".
iii) Market Risk Management system	The Treasury Division manage market risk covering liquidity, profit rate and foreign exchange risks with oversight from Asset-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director. ALCO meets at least once in a month.
iv) Policies and processes for mitigating market risk	There are approved limits for Investment (Credit) to deposit ratio, liquid assets to total assets ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market and foreign exchange position. The limits are monitored and enforced on a regular basis to protect the loss against market risks. The exchange rate of the Bank is monitored regularly and the Bank reviews the prevailing market condition, exchange rate, foreign exchange position and transactions to mitigate foreign exchange risks.

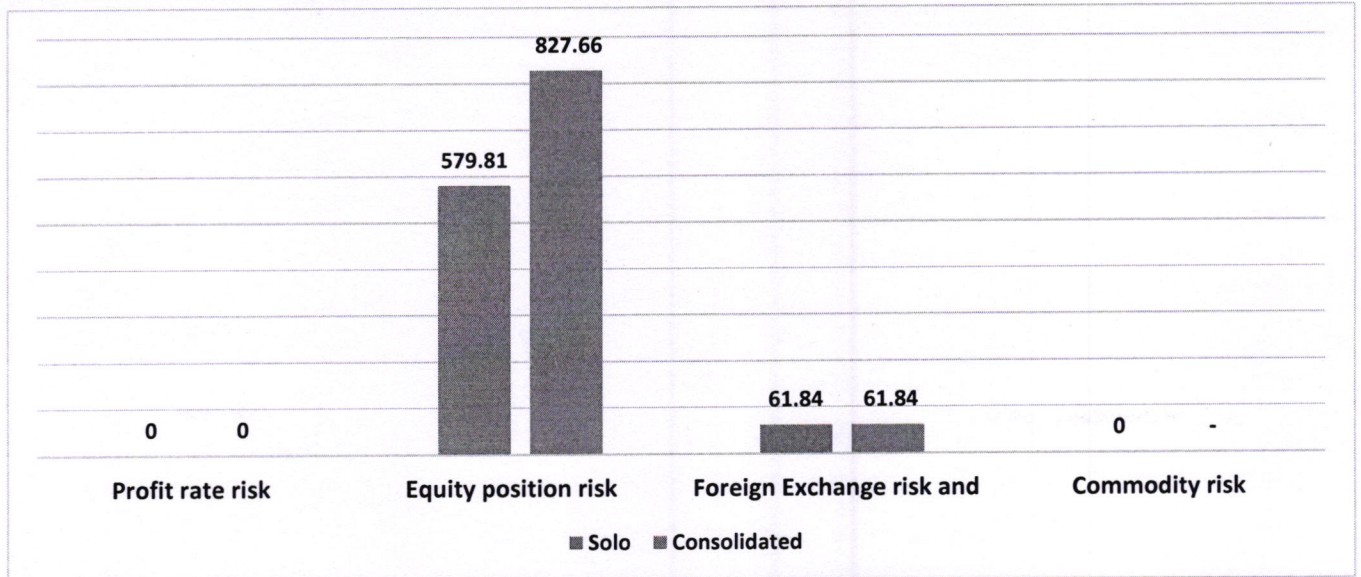


Market Discipline

**Disclosures on Risk Based Capital (Pillar 3 of Basel III)
For the year ended December 31, 2023**

Quantitative Disclosures

b)The capital requirements for	Solo	Consolidated
Particulars	Taka in Million	
Profit rate risk	-	-
Equity position risk	579.81	827.66
Foreign Exchange risk and	61.84	61.84
Commodity risk	-	-
Total Capital Requirement	641.65	889.50



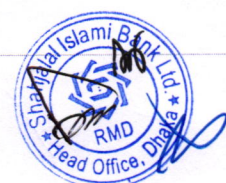
8. Operational Risk

Qualitative Disclosures

a) i) Views of BOD on system to reduce Operational Risk

Operational risk is the risk of loss or harm resulting from inadequate or failed internal processes, people and systems or from external events. The Board of Directors is always focused on deployment of Capable Human Resources, Systems etc. to carry out a large number of transactions effectively and accurately while complying with applicable laws and regulations constitute operational risk management activities of the Bank.

The policy for operational risks including internal control & compliance risk is duly approved by the Board taking into account relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of Internal Control & Compliance to protect against all operational risks. Senior Management is always committed on implementation of the Operational Risk Management framework as approved by the Board. Management also ensures regular review and active participations in monitoring the effectiveness of Risk Management. Both the Board of Directors & Management



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

	<p>of Shahjalal Islami Bank PLC. believe that efficient management of Operational Risk always contribute to earnings and development of bank and preserve interest of all stakeholders.</p>
ii) Performance gap of executives and staffs	<p>Employee performance is the most important factor to achieve organizational goals. Bank maintains a technology based yearly performance monitoring system of each employee to monitor productivity based on allotted budget. Employee can easily check his/her performance growth as well as set strategy for achieving yearly budget. Rewards and recognition decisions of employees are made on the basis of individual performances. Bank has a special focus on:</p> <ul style="list-style-type: none">• Ensuring a balanced diversity,• Increase employee ownership to the Bank,• Improving productivity of an employee• Providing competitive compensation and benefits• Protecting human rights,• Ensuring a healthy and safety workplace,• Ensuring equal opportunity. <p>SJIBPLC's strong brand image also plays an important role in employee motivation. SJIBPLC arranges internal and external Training, Workshop, Webinar, Seminar, Symposium and Participation in Fare etc. to develop employee skills.</p>
iii) Potential external events	<p>By its nature, Operational Risk cannot be totally eliminated. Like other Banks, SJIBPLC also operates its business with few potential external events that may significantly affect the Bank into operational risks are as follows:</p> <ul style="list-style-type: none">• General business and political condition,• Inflation,• Changes in taxation rules,• The risk of litigation process,• Changes in credit quality of borrowers,• Damage of physical asset,• Volatility in equity market,• Information security,• External fraud, Vendor Risk etc.• Business disruption and system failure etc.• Directives from Regulatory Authorities• Changes in Environment, Climate etc.
iv) Policies and processes for mitigating operational risk	<p>In order to mitigate the day to day Operations Manual including Internal Control & Compliance Risk Manual is approved by the Board taking into account relevant guidelines of Bangladesh Bank. Senior Management Team (SMT), Executive Committee, Risk Management</p>



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

	<p>Division (RMD) & Banking Operations Division (BOD) regularly analyzed different outlook of Operational Risks and go up the findings to appropriate authority and Internal Control & Compliance Division (IC&CD) formulate appropriate policies to alleviate Operational Risk of the Bank.</p> <p>Apart from that, there is adequate check & balance at every stage of operation through Department Control Function Check List, Quarterly Operations Report, Key Risk Indicator, Internal Audit etc.</p>
v) Approach for calculating capital charge for operational risk	<p>Basic Indicator Approach (BIA) is used for calculating of capital charge for operational risk as per Guidelines on Risk Based Capital Adequacy of Bangladesh Bank. Under BIA, the capital charge for operational risk is a fixed percentage, denoted by α (alpha) of average positive annual gross income of the Bank over past three years and multiply the average income by 15% to determine capital charges. Figures for any year in which annual gross income is negative or Zero, should be excluded from both the numerator and denominator when calculating the average.</p>

Quantitative Disclosures

Particular	Solo	Consolidated
	<i>Taka in Million</i>	
b) The capital requirements for :		
Operational risk	2,746.26	2,784.54

9. Liquidity Ratio

Qualitative Disclosures

i) Liquidity Risk	<p>Liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit) or when a Bank is unable to fulfill its commitments in time when payment falls due. Thus, liquidity risk can be of two types:</p> <p>(i)Funding liquidity risk and (ii)Market liquidity risk.</p>
ii) Views of Board of Directors on system to reduce liquidity risk	<p>The Bank's own liquidity condition, industry's liquidity scenarios as well as Bank's balance sheet strategy are discussed in every Board meeting to reduce liquidity risk. The Board of Directors approves the strategy and significant policies related to the management of liquidity. According to the strategy and policies, SJIBPLC maintains diversified and stable funding base comprising of core retail, corporate and institutional deposits to manage liquidity risk. The responsibility of managing the</p>



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III) For the year ended December 31, 2023

	<p>liquidity risk of the Bank lies with Treasury Front Office. Different key ratios including CRR, SLR, IDR, SLP, LCR, and NSFR are regularly discussed in monthly meeting of ALCO. The committee meets at least once in a month to review Asset-Liability and Liquidity position of the Bank. Treasury Division maintains liquidity based on current liquidity position, anticipated future funding requirement, sources of fund, options for reducing funding needs and ALCO monitors present and anticipated asset quality, present and future earning capacity, present and planned capital position etc.</p>
iii) Methods used to measure liquidity risk	<p>A sound liquidity risk management employed in measuring, monitoring and controlling liquidity risk is critical to the viability of the Bank. The measurement tools those are used to assess liquidity risks are:</p> <ol style="list-style-type: none">i. Cash Reserve Requirement (CRR);ii. Statutory Liquidity Ratio (SLR);iii. Investment to Deposit Ratio (IDR);iv. Structural Liquidity Profile (SLP);v. Liquidity Coverage Ratio (LCR);vi. Net Stable Funding Ratio (NSFR);vii. Commitment; andviii. Wholesale Borrowing etc.
iv) Liquidity risk management system	<p>The Asset Liability Committee (ALCO) meets at least once in a month to discuss and monitor overall position of the Bank including liquidity. Treasury Division closely monitors liquidity requirements on daily basis by appropriate coordination among funding activities. Besides, monthly fund flow projection is reviewed in ALCO meeting regularly in order to manage liquidity risk of the Bank.</p>
v) Policies and processes for mitigating liquidity risk	<p>In order to develop comprehensive liquidity risk management framework, the Bank has Board approved Contingency Funding Plan (CFP), a set of policies and procedures that serves as a blueprint for the Bank, to meet its funding needs in a planned manner at reasonable cost. Thus, CFP is an extension of ongoing liquidity management that formalizes the objectives of liquidity management by ensuring:</p> <ol style="list-style-type: none">a) Reasonable liquid assets being maintained;b) Measurement and projection of funding requirements during various scenarios; andc) Management of access to sources of fund.



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

Maturity ladder of cash inflows and outflows are effective tool to determine the Bank's cash position. A maturity ladder estimates a Bank's cash inflows and outflows and thus net deficit or surplus (GAP) on a day to day basis in different time buckets (e.g. call, 2-7 days, 1 month, 1-3 months, 3-12 months, 1-5 years, over 5 years).

Quantitative Disclosures

Particulars	Percentage (%)	
	Standard	Maintained
Cash Reserve Requirement (CRR)	≥4.00%	4.47%
Statutory Liquidity Ratio (SLR)	≥5.50%	10.79%
Investment to Deposit Ratio (IDR)	≤92%	85.13%
Liquidity Coverage Ratio (LCR)	≥100%	123.88%
Net Stable Funding Ratio (NSFR)	>100%	126.21%

10. Leverage Ratio

Qualitative Disclosures

a) i) Views of Board of Directors on system to reduce excessive leverage	The responsibility of monitoring excessive leverage of the Bank lies with the concerned divisions under the guidance of the Board of Directors of the Bank. The Board delivers policies and processes from time to time for managing the Bank's leverage ratio up to the mark.
ii) Policies and processes for managing excessive on and off - balance sheet leverage	<p>The leverage ratio was introduced into the Basel-III framework as a non-risk based backstop limit, to supplement risk-based capital requirements. In order to avoid building-up excessive on and off-balance sheet leverage in the Banking system, a simple, transparent, non-risk based leverage ratio has been introduced by the Bangladesh Bank. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements.</p> <p>The leverage ratio is intended to achieve the following objectives:</p> <ul style="list-style-type: none"> • Constrain the build-up of leverage in the Banking sector for broader financial system and the economy; and • Reinforce the risk based requirements with an easy to understand and a non-risk based measure.
iii) Approaches for calculating exposure	<p>The exposure measure for the leverage ratio generally follows the accounting measure of exposure. In order to measure the exposure consistently with financial accounts, the following approaches are applied by the Bank:</p> <p>i. On balance sheet, non-derivative exposures are being net of specific provisions and valuation adjustments</p>



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

(e.g. surplus/ deficit on Available for Sale (AFS)/ Held-for-Trading (HFT) positions).

- ii. Physical or financial collateral, guarantee or investment risk mitigation purchased is not allowed to reduce on-balance sheet exposure.
- iii. Netting of investments and deposits is not allowed.

The Bank has calculated the regulatory leverage ratio as per the guideline of Basel-III. The numerator, capital measure is calculated using the new definition of Common Equity Tier-1 capital applicable from January 01, 2015.

Quantitative Disclosures

b) Leverage Ratio

A minimum Tier-1 leverage ratio of 3% was prescribed by Bangladesh Bank both at solo and consolidated basis as per RBCA guideline. Now the central bank has directed all banks to get prepared to increase leverage ratio 0.25% annually from 2023 in line with Basel-III. According to the circular, the banks will be required to preserve 4% leverage ratio in 2026 from the existing 3%. The Bank measures and maintains leverage ratio on quarterly basis. The status of leverage ratio at the end of each calendar quarter is submitted to Bangladesh Bank. The formula of Leverage Ratio is as under:

$$\text{Leverage Ratio} = \frac{\text{Tier 1 Capital (after related deductions)}}{\text{Total Exposure (after related deductions)}}$$

Particular	Solo	Consolidated
	Taka in Million	
Tier 1 Capital (A)*	28,735.65	29,002.52
Exposure Measure:		
On Balance Sheet Exposure*	347,699.40	349,847.43
Off-Balance Sheet Exposure*	52,192.50	52,376.39
Total deduction from On and Off Balance Sheet Exposure/Regulatory adjustment made to Tier-1 capital	(24.54)	(24.82)
Total Exposure (B)	399,867.36	402,199.00
Leverage Ratio (A/B)	7.19%	7.21%
*Considering all regulatory adjustments		

11. Remuneration

Qualitative Disclosures

a) Information relating to the bodies that oversee remuneration.

- i. Name, composition and mandate of the main body overseeing remuneration.

Human Resources Division of the Bank deals with the remuneration related issues of employees with the assistance of Financial Administration Division as per specific provisions laid down in the Employees' Service Rules of the Bank and Pay structure duly approved by the



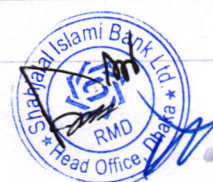
Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III)

For the year ended December 31, 2023

	<p>Board of Directors, while the same is governed and oversight by the Managing Director, Management Committee and Head of Human Resources Division.</p> <p>The Bank has a well-defined Employees' Service Rules approved by the Board of Directors, which includes remuneration/compensation packages, retirement benefits of regular employees and incentive schemes etc. The Board has also approved a very competitive and rewarding scale of pay for the Employees. The Service Rules and Remuneration policies/Pay Structure is reviewed and revised from time to time by the management constituting high powered committee taking account of peer group salary structures as well as inflation.</p>
<p>ii. External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.</p>	<p>Bank does not seek advice from any external consultant in any step of remuneration process and therefore, no commission is paid to this effect.</p>
<p>iii. A description of the scope of the Bank's remuneration policy (e.g. by regions, business lines) including the extent to which it is applicable to foreign subsidiaries and branches.</p>	<p>SJIBPLC follows the uniform remuneration policy. However, management ensures extremely fair and performance based compensation to all employees. Further, the remuneration of higher management, consultants and contractual appointments are determined and oversight by the Board of Directors on case to case basis.</p> <p>As on December 31, 2023, the Bank had no foreign subsidiaries and branches outside Bangladesh.</p>
<p>iv. A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.</p>	<p>The Bank has not categorized any group or grade of employees as material risk taker. The risks in different operational events of the Bank are borne by the concerned employees of those particular areas as a team. However, the members of senior management, senior most branch managers and Head of the functional division at Head Office are considered as senior managers. As such, a number of 119 Executives of the Bank up to the rank of Vice President as on December 31, 2023 has been considered as senior managers as follows:</p>

Designation	Number
Managing Director	1
Additional Managing Director	4
Deputy Managing Director	5
Senior Executive Vice President	11
Executive Vice President	20
Senior Vice President	40
Vice President	38
Total	119



Market Discipline

Disclosures on Risk Based Capital (Pillar 3 of Basel III) For the year ended December 31, 2023

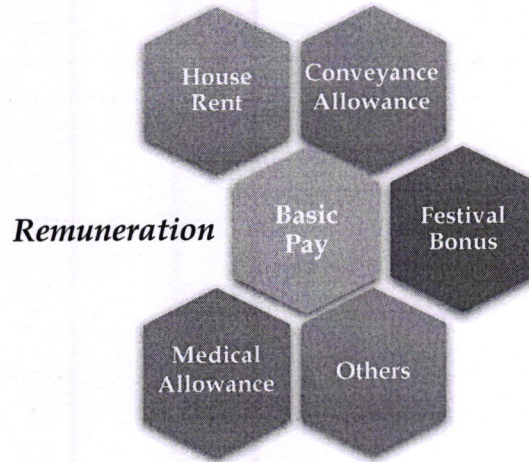
b) Information relating to design and structure of remuneration process.

i. An overview of the key features and objectives of remuneration policy.

The Bank has a well-structured, competitive and rewarding scale of pay for the regular employees of the Bank duly approved by the Board of Directors. The pay package of all employees other than Managing Director and Contractual Employees are determined by the management in accordance with the approved scale of pay. The compensation package of Managing Director is determined by the Board of Directors and subject to the approval of the Central Bank, i.e. Bangladesh Bank. Remuneration Package of Contractual Employees, as and when required, are determined and approved by Board of Directors on case to case basis prior to appointment. The annual increment and incentive bonuses for the eligible employees are paid on the basis of performances under the purview of Board approved policies in this regard.

The main objective of the remuneration policy of the Bank is to retain the existing human resources, attract/hire the talented & experienced professionals and to motivate the workforce to put their best efforts for sustainable growth of the Bank.

The components of remuneration are mentioned in the diagram:



The basic pay & other allowances like house rent, medical allowance are increased at a fixed rate annually subject to satisfactory performance of past year. The employees are also rewarded by way of special promotion, increment for their outstanding performance. Other than monthly remuneration, Bank offers a number of facilities/benefits like Leave Fare Assistance (LFA); Executive Car Facility; Corporate Mobile Phone facility, Maternity benefits for female employees; Employees' House Building Investment Facility; Employees' House Building Safety Scheme; House Furnishing Allowance, Superannuation & Disability & Death benefits etc. Besides, attractive

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	<p>retirement/separation benefit is paid in the form of Gratuity; Contributory Provident Fund; Leave encashment, Social Security fund etc.</p> <p>The employees are paid two festival bonus and boishaki bonus per year. Incentive bonus is also paid on the basis of performance for annual profit of the Bank.</p>
ii. Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.	The remuneration policy and pay structure for the employees of the Bank is reviewed and revised/reshuffled from time to time by management and subsequently placed before the Board of Directors for approval.
iii. A discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	The officials working in the Risk and Compliance areas have got their specific job descriptions & job allocations like professionals of other functional areas and performing their responsibilities independently as per standing guidelines of the regulators as well as the Bank management. Their service and remuneration are governed under the approved Employees' Service Rules of the Bank and pay structure of the Bank.
c) Description of the ways in which current and future risks are taken into account in the remuneration process.	
i. An overview of the key risks that the Bank takes into account when implementing remuneration measures.	<p>The remuneration is measured taking into consideration of the following two risk factors:</p> <ul style="list-style-type: none"> • Financial risks and • Compliance risk. <p>If the financial losses is made for non-compliance of any of that rules & regulations by any employee the bonus, increment etc. are held.</p>
ii. An overview of the nature and type of the key measures used to take account of these risks including risks difficult to measure.	SJIBPLC follows financial capacity of the Bank to measure remuneration packages. Besides, it considers operational impacts, cost of living adjustments, relevant compliances, industry-competitive remuneration in relation to the market reputation and other effective risk-adjusted measures in determine remuneration.
iii. A discussion of the ways in which these measures affect remuneration.	SJIBPLC approaches the employee's remuneration arrangements, especially periodic fixed remuneration enhancements and variable compensation through an integrated risk, finance, compensation and performance management framework. Annual salary increment and potential variable benefits are rewarded at the end of each year.
iv. A discussion of how the nature and type of these measures has	The realistic grounds has considered by the Bank's management to revise and measure the remuneration



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<p>changed over the past year and reasons for the change, as well as the impact of changes on remuneration.</p>	<p>arrangement from time to time in order to ensure risk adjusted business operations and employee satisfaction simultaneously.</p>
<p>d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.</p>	
<p>i. An overview of main performance metrics for Bank, top-level business lines and individuals.</p>	<ul style="list-style-type: none"> • Net Profit (Income) Margin (NIM) • Return on Investment (ROI) • Return on Assets (ROA) • Return on Equity (ROE) • RAROC (Risk adjusted Return on Capital) • Classified Investment Ratio • Earnings Per Share (EPS) • Capital to Risk-weighted Asset Ratio (CRAR) • Operating Efficiency (cost control) • Cost Income Ratio
<p>ii. A discussion of how amounts of individual remuneration are linked to Bank-wide and individual performance.</p>	<p>Annual performance bonus, salary increment and promotion are directly linked with employee's individual performance.</p>
<p>iii. A discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak.</p>	<p>Not Applicable</p>
<p>e) Description of the ways in which the Bank seeks to adjust remuneration to take account of longer-term performance.</p>	
<p>i. A discussion of the Bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.</p>	<p>Currently SJIBPLC does not offer any variable remuneration that may be deferred or vested either in the form of cash, shares or share-linked instruments. However, employees are eligible for variable remuneration arrangement in the form of Incentive Bonus (non-deferred cash awards), applicable to their positions.</p>
<p>ii. A discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.</p>	<p>Not Applicable</p>



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f) Description of the different forms variable remuneration that the Bank utilizes and the rationale for using these different forms.

i. An overview of the forms of variable remuneration offered (i.e. cash, share and share-linked instrument and other forms).	The structure of remuneration arrangements for all employees primarily consists of a fixed remuneration component, which is made up of basic salary, allowances and other benefits. Employees are also eligible for variable remuneration arrangements applicable to their position. Variable remuneration consists of Incentive Bonus (cash awards) for most of SJIBPLC's employees.
ii. A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.	The following variable remunerations are provided by the Bank on the basis of employee's individual performance. <ul style="list-style-type: none"> • Annual performance bonus and • Salary increment.

Quantitative Disclosures

g) Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	Not Applicable				
h)i. Number of employees having received a variable remuneration award during the financial year.	Not Applicable				
h)ii. Number and total amount of guaranteed bonuses awarded during the financial year.	<table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th style="width: 60%;">No. of Guaranteed Bonus</th> <th style="width: 40%;">Total Amount (Tk. in Million)</th> </tr> </thead> <tbody> <tr> <td>3 festival bonuses</td> <td>292.12</td> </tr> </tbody> </table>	No. of Guaranteed Bonus	Total Amount (Tk. in Million)	3 festival bonuses	292.12
No. of Guaranteed Bonus	Total Amount (Tk. in Million)				
3 festival bonuses	292.12				
h)iii. Number and total amount of sign-on awards made during the financial year.	Not Applicable				
h)iv. Number and total amount of severance payments made during the financial year.	Not Applicable				
i) i. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Not Applicable				



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i) ii. Total amount of deferred remuneration paid out in the financial year. Not Applicable

j) Breakdown of amount of remuneration awards for the financial year to show:

- i. Fixed and variable;
- ii. Deferred and non-deferred;
- iii. Different forms used (cash, shares and share linked instruments, other forms).

Sl.	Particulars	Total Amount (Tk. in Million)
i.	Fixed and variable	3,635.78
ii.	Deferred and non-deferred	Nil
iii.	Different forms used	Cash

k) i. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments. Not Applicable

k) ii. Total amount of reductions during the financial year due to ex post explicit adjustments. Not Applicable

k) iii. Total amount of reductions during the financial year due to ex post implicit adjustments. Not Applicable

