

4.1 Background of Shahjalal Islami Bank Limited (SJIBL)

Shahjalal Islami Bank Limited (SJIBL) is based on Islamic Shariah. SJIBL is named after the name of a saint Hajrat Shahjalal (R) who dedicated his life for the cause of peace in this world and hereafter and served the humanity.

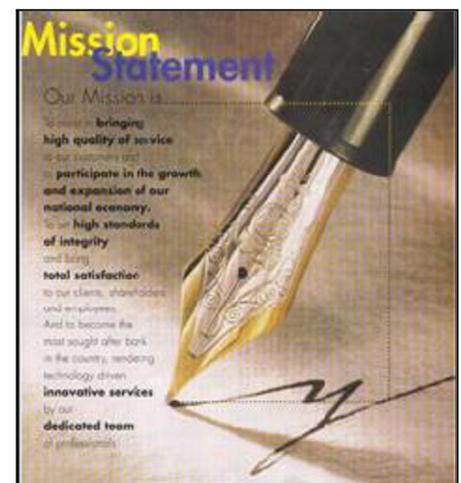
SJIBL was incorporated as a Public limited company on 1st April 2001 under companies Act 1994. It started its Banking operation on May 10, 2005 with the 1st branch (main branch) opened at 58, Dilkusha C/A, Dhaka obtaining the license of Bangladesh Bank, for enlistment of economic condition of its customers as well as to contribute sustainable economic growth and development in trade and industry of the country. Its corporate head quarter is situated at 10 Dilkusha C/A, Jiban Bima Bhaban, Dhaka-1000, Bangladesh. Now it has 51 branches all over the Bangladesh. The sponsors of SJIBL are leading business personalities and renowned industrialist of the country. Now this bank has paid up capital – Tk. 2,245.98 million and No. of Employees is 1109.

4.2 Vision of SJIBL

To be the unique modern Islami Bank in Bangladesh and to make significant contribution to the national economy and enhance customers' trust & wealth, quality investment, employees' value and rapid growth in shareholders' equity.

4.3 Mission of SJIBL

- To provide quality services to customers.
- To set high standards of integrity.
- To make quality investment.
- To ensure sustainable growth in business.
- To ensure maximization of Shareholders' wealth.
- To extend our customers innovative services acquiring state-of-the-art technology blended with Islamic principles.



4.4 Strategies of SJIBL

- To strive for customers best satisfaction & earn their confidence.
- To manage & operate the Bank in the most effective manner.
- To review & updates policies, procedures & practices to enhance the ability to extend better services to the customers
- To train & develop all employees & provide them adequate resources so that the customers needs are reasonably addressed.
- To promote organizational efficiency by communicating company plans, polices & procedures openly to the employees in a timely fashion.
- To cultivate a congenial working environment
- To diversify portfolio both the retail & wholesale markets.

4.5 Objectives of SJIBL

The prime objective of Shahjalal Islami Bank Limited is to promote, foster and develop the application of Islamic principles, law and tradition to the transaction of financial, banking and related business affairs. The objective of Shahjalal Islamic Bank Limited in the context of its role in the economy may be enumerated as follows:

- To offer contemporary financial services in conformity with Islamic Shariah.
- To contribute towards economic development and prosperity within the principles of Islamic Justice.
- To facilitate efficient allocation of resources.
- To help achieving stability in the economy.
- To keep position in the competitive market.
- To establish interest-free and welfare oriented banking system.
- To help in poverty alleviation and employment generations.
- To contribute in sustainable economic growth.

4.6 Motto of SJIBL

Committed to Cordial Service.

4.7 Corporate Information of SJIBL

Name of the Company	Shahjalal Islami Bank Limited
Legal Form	A public limited company incorporated in Bangladesh on 1st April 2001 under the companies Act 1994 and listed in Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.
Commencement of Business	10th May 2001
Registered Office	Jiban Bima Bhaban Front Block (4th Floor) 10, Dilkusha Commercial Area Dhaka-1000.
Telephone No.	88-02-9570812, 7160591
Fax No.	88-02-9570809, 9553562
Website	www.shahjalalbank.com.bd
SVMFT	SJBL BD DH
E-mail	sblho@shahjalalbank.com.bd
Chairman	Alhaj Engr. Md. Towhidur Rahman
Managing Director	Muhammad Ali
Auditors	M/S. Syful Shamsul Alam & Co. Chartered Accountants Paramount Heights 65/2/1 Box Culvert Road (level-6) Purana Paltan, Dhaka-1000 Phone: 88-02-9555915, 9560332
Tax Advisor	M/S K.M Hasan & Co. Chartered Accountants 87, New Eskaton Road Dhaka. Phone: 88-02-9351457, 9351564
Legal Advisor	Hasan & Associates Chamber of Commerce Building (6th floor), 65-66 Motijheel C/A, Dhaka
No. of Branches	51
No. of ATM Booth	05
No. of SME Centers	05
Off-Shore banking Unit	01
No. of Employees	1109
Stock Summary:	
Authorized Capital	Tk. 4,000 million
Paid up Capital	Tk. 2,245.98 million
Face Value per Share	Tk. 100

Table 4.1: Corporate Information.

4.8 Divisions of SJIBL

Shahjalal Islami bank has some major divisions and each comprising of various departments. The major divisions in the Shahjalal Islami bank are as follows:

4.8.1 Investment Division

Banking business consists of borrowing and lending, Bank act as an intermediary between surplus and deficit economic units. Thus a banker is a dealer in money and credit. Banks accept deposit from large number of customers and then lend a major portion of the accumulated money to those who wish to borrow. This division has the authority to determine the party or the client who will get the credit facility from the bank. The credit clients are selected according to the criteria of credit policy. This division has the full authority to take any decision against or favor the client.

4.8.2 Financial Administration Division

This division handles the credit proposal, disbursement, monitoring and credit recovery position that is given by all branches. Each branch has their own credit division and all branch-wise activities are reported to the head office credit services division.

4.8.3 Audit & Inspection Division, H.O

This division can control all the financial position, activities of overall organization. They provide the total budgetary limitation to every department for the respective year. They also carry out the financing activities with the access and operational activities.

4.8.4 Marketing & Public Relation Division

- To improve the marketing network throughout the country
- To implement the marketing strategies and the concept of Trade Marketing
- To improve the procedure which is ultimately provide data regarding to competition and relative market
- To arrange of several workshops and seminar which can, improve the quality of existing officers as a competitive edge position

4.8.5 Common Services Division

This division handles all the general activities except the credit and financial sector. All the administration activities are designed and implemented by this division.

4.8.6 Human Resource Division (HRD)

This division deals with the employees as the core resources of the organization. They mainly emphasize on the recruitment of employees and the employee benefits & services. And, the main philosophy is to motivate the employee to work with efficiently and effectively.

4.8.7 Computer IT Division (IT)

This division handles the IT activities. Each branch has their own IT division and all branch-wise activities are reported to the head office IT division.

4.8.8 International Division

This division works internationally. The entire branch-wise international work is controlled and monitored by this division.

4.9 Management

Shahjalal Islami Bank Limited has been practicing corporate management with Board of Directors. The Board of Directors for efficient operation of the Bank forms members of Executive Committee. Besides, a Management Committee is formed with top Executives of the Bank as members. The Board of Directors formulates the major policies and business strategies of the Bank. The Executive Committee and Management Committee executes, implement and monitor the implementation of these policies and strategies.

4.9.1 Hierarchy of Shahjalal Islami Bank Limited

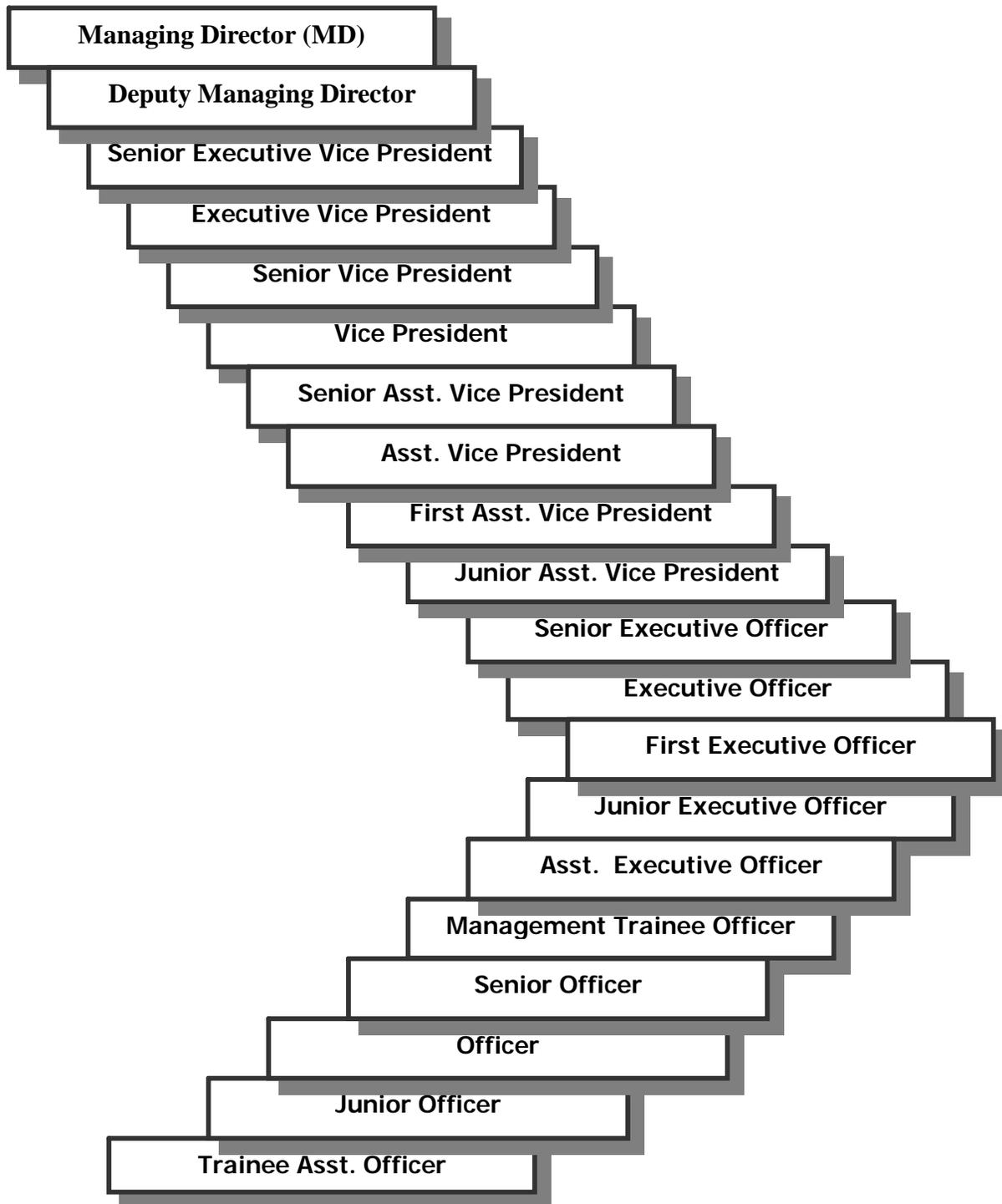


Figure 4.1 : Hierarchy of Shahjalal Islami Bank Limited

4.9.2 Shariah Council: Shariah Supervision

Shariah Council of the Bank is playing a vital role in guiding and supervising the implementation and compliance of Islamic Shariah principles in all activities of the Bank since its very inception. The Council, which enjoys a high status in the structure of the Bank, consists of prominent Ulama, reputed banker, renowned lawyer and eminent economist.

As per article 30 of the articles of Association of the bank, Shariah council for the bank has been constituted. The Shariah council of the bank consists of prominent Ulama, Bankers, Lawyer and Economists to advice and guide on the implementation of Islamic Shariah in business activities. The council enjoys a special status in the structure of the bank and playing a vital role to make the bank as Shariah compliant.

Members of the Shariah Council meet frequently and deliberate on different issues confronting the Bank on Shariah matters. They also conduct Shariah inspection of branches regularly so as to ensure that the Shariah principles are implemented and complied with meticulously by the branches of the Bank.

4.9.3 Corporate Governance

In recent times, corporate governance has been considered most essential aspect for efficient management of a business house. SJIBL Continues to be deeply committed to the highest standard of corporate governance throughout the organization. It is about promoting corporate fairness, transparency and accountability to all stakeholders. As a responsible corporate citizen, it recognizes the significance of effective governance in the Bank. Their Corporate Governance serves the goal of strengthening and consolidating on a lasting basis the trust placed in the company by the shareholders, clients, employees and the general public.

4.10 Products and Services:

The SJIBL serves its massive clientele with a variety of services apart from the conventional ones. Its frequent improvement and introduction of new products and services has given it a margin over the competitors.

- ▶ Different Types of Scheme:
 - Monthly Deposit Scheme (MDS)
 - Mudarah Term Deposit Receipt (MTDR)
 - Monthly Income Scheme (MIS)
 - Double Profit Deposit Scheme (DPDS)
 - Millionaire Scheme.
 - Hajj Palon Scheme etc

- ▶ Different Types of Investment (Lone) Facilities:
 - Trade.
 - Working Capital Financing.
 - Industry.
 - Agriculture, Fishing and Forestry.
 - Transport and communication.
 - Water works and sanitary service.
 - Construction.
 - Storage.
 - Miscellaneous etc.

4.11 Reserves of SJIBL

In accordance with the provision of Bank Companies Act, 20% of operating profit before tax is required to be transferred to statutory reserve. As such an amount of Tk.823.55 million has been transferred to statutory reserve during the year 2008.

4.12 Deposits

Total deposit of Shahjalal Islami Bank stood Tk.36,484.24 million as on 31.12.2008 as against Tk. 22,618.19 million of 31.12.2007 registering an increase of Tk.13,866.05 million, and 61.31% growth. Deposit is the ‘life-blood’ of a Bank. Bank has given utmost importance in mobilization of deposits introducing some popular and innovative schemes.

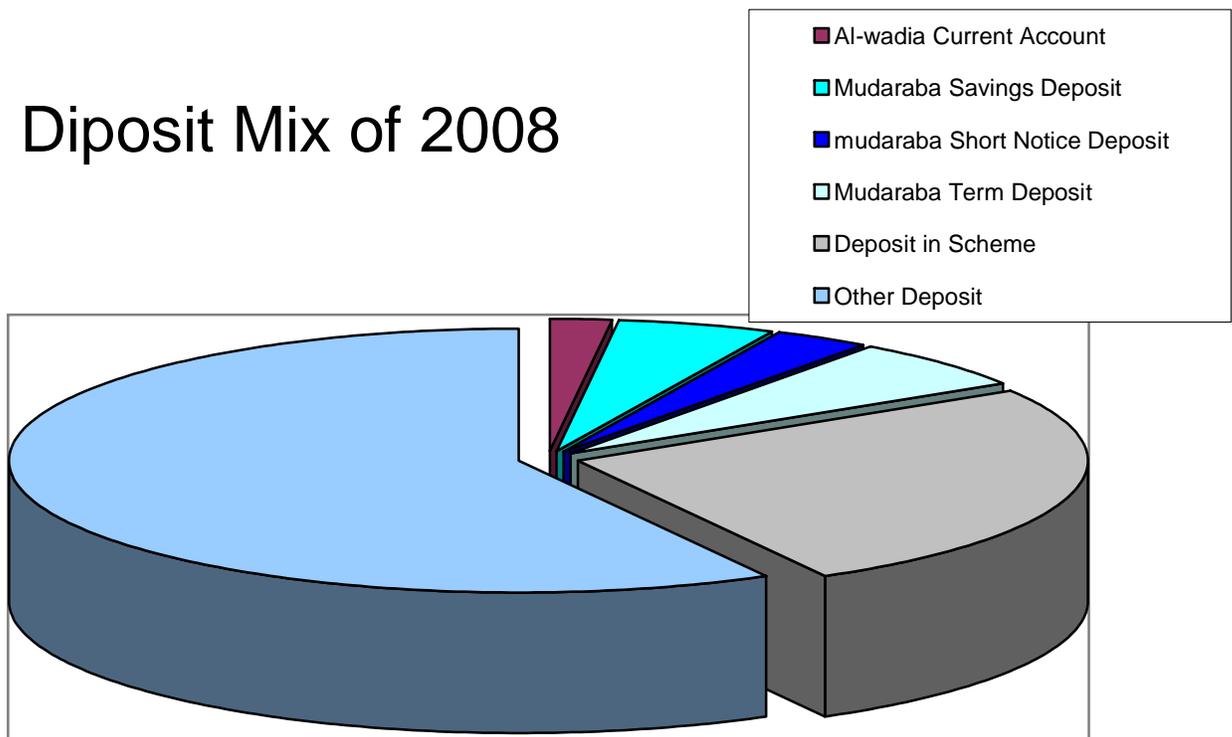


Figure 4.2: Deposit Mix of 2008 of SJIBL.

4.13 Profit and Operating Results

4.13.1 Income:

A. Investment income:

Total investment of the bank as at 31st December 2008 was Tk. 32919 million as against Tk. 20617 million of the preceding years registering 59% growth over last year that was 84% of the total income as also equal to 84% of 2007.

B. Non-investment income:

Total non-investment income of the bank as at 31st December 2008 was Tk. 405 million as against Tk. 263 million of preceding year registering 54% growth over last year which was 16% of the total income compared to 16% of 2007.

4.13.2 Expenditure:

A. Profit Paid on Deposits:

Bank distributed profit of Tk. 1491 million the Mudaraba Depositors in the year 2008 against Tk. 944 million in the year 2007 which being 70% of the investment income earned from deployment of Mudaraba fund and 87% of the total expenditure of 2008 against 84% of 2007.

B. Operating Expenses:

Total operating expenses as on 31.12.2008 was Tk. 227 million as against Tk. 174 million of 2007, which was 13% of the total expenditure of the year 2008 against 16% of 2007.

C. Operating Profit:

During the year 2008, the Bank earned an amount of Tk. 2563 million and spent an amount of Tk. 1718 million, resulting a total Operating Profit of Tk. 845 million which increased by Tk. 343 million over last year i.e. 2007. After deduction investment provision and income taxes net profit stood at Tk. 463 million as against Tk. 256 million of 2007. As appropriation of net profit, Tk. 158 million transfers to statutory reserve as per Bank Company Act 1991 and emailing Tk. 306 million transfers to retained earning to adjust previous negative balance.

A summary of operating result of the bank as on December 2008 vis-à-vis the position of December 2007 is shown below

(Amount in million Taka)

Particulars	2008	2007
Total Income	5285.39	3588.84
Less: Total Expenditure	3475.59	2273.83
Net Profit before Provision & Taxation	1809.80	1315.01
Less: Provision for Investment	244.00	98.70
Net Profit before Taxation	1565.80	1216.31
Less: Provision for Taxation	748.09	569.31
Net Profit	817.71	646.99
Appropriation		
Statutory reserve	313.16	243.26
Retained Earnings	504.55	403.73

Table 4.2: Operating Result of SJIBL on December 2008-2007.

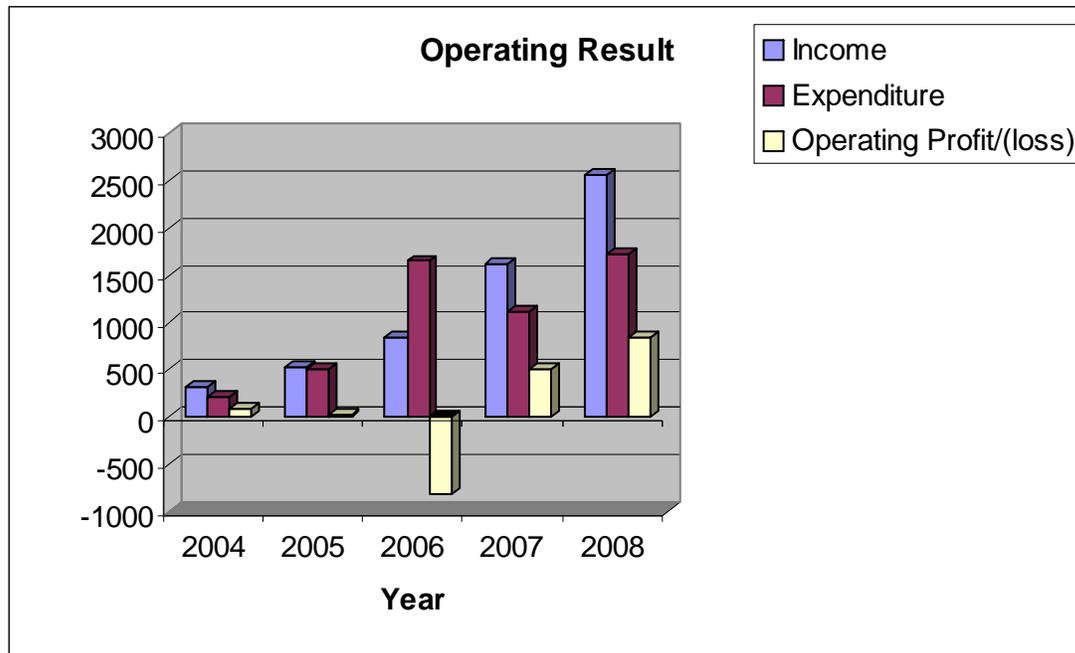


Figure 4.3: Operating Result of SJIBL 2004 – 2008.

4.14 Equity of the Bank:

The authorized capital of the bank is Taka 4000 million, and paid-up capital of the bank is Tk. 2246 million as on 31.12.2008. Total equity was Tk. 4069 million as on 31.12.2008. The bank has already raised its paid up capital of Tk. 1872 million through Initial Public Offering (IPO) in January-February 2008. After IPO Bank's paid up Capital stands at Tk. 1872 million in February 2008. Comparative position of Equity for the year 2008 & 2007 is given below: -

(Amount in million Taka)

SL No.	Particular	2008	2007
Core Capital			
01.	Paid-up capital	2245.98	1871.65
02.	Statutory Reserve	823.55	510.39
03.	Retained Earnings	535.91	405.69
Sub Total		3605.44	2787.73
Supplementary Capital			
01.	General Provision	463.48	252.98
02.	Exchange Equalization	0.17	0.17
Sub Total		463.65	253.15
Total Equity		4069.09	3040.88

Table 4.3: Comparative position of Equity for the year 2008 & 2007

4.15 Capital Adequacy

Total equity of the bank as on 31.12.2007 was Tk. 3040.88 million and the total equity stood to Tk. 4069.09 million on 31.12.2008, which was 13.81% of the Risk Weighted Assets as against the requirement of 10.00%. The core capital was 12.24% of Risk Weighted Assets as on 31st December 2008 as against requirement of 5.00%.

4.16 Investments

Total investment of the bank stood at Tk.15515.79 million as on 31.12.2008 as against Tk. 10590.27 million of 31.12.2007 registering as increase of Tk. 4925.52 million, i.e. 46.51% growth. The bank is careful in deployment of the fund. Mode wise investment portfolio as on 31.12.2008 is given below:

SL No	Mode of investments	Taka in Million	Percentage of Total investment
1	Murabaha	7353.61	22.34 %
2	Bi-Muajjal	13224.94	40.17 %
3	Hire-purchase & Ijara	5463.44	16.60 %
4	Investment against L/C	106.13	0.32 %
5	Bill purchased/discounted	3721.76	11.31 %
6	Investment against Deposits	557.61	1.69 %
7	Quard	168.33	0.51 %
8	Other	2322.95	7.06 %
	Total	32918.77	100.00 %

Table 4.4: Mode wise investment portfolio as on December 2008

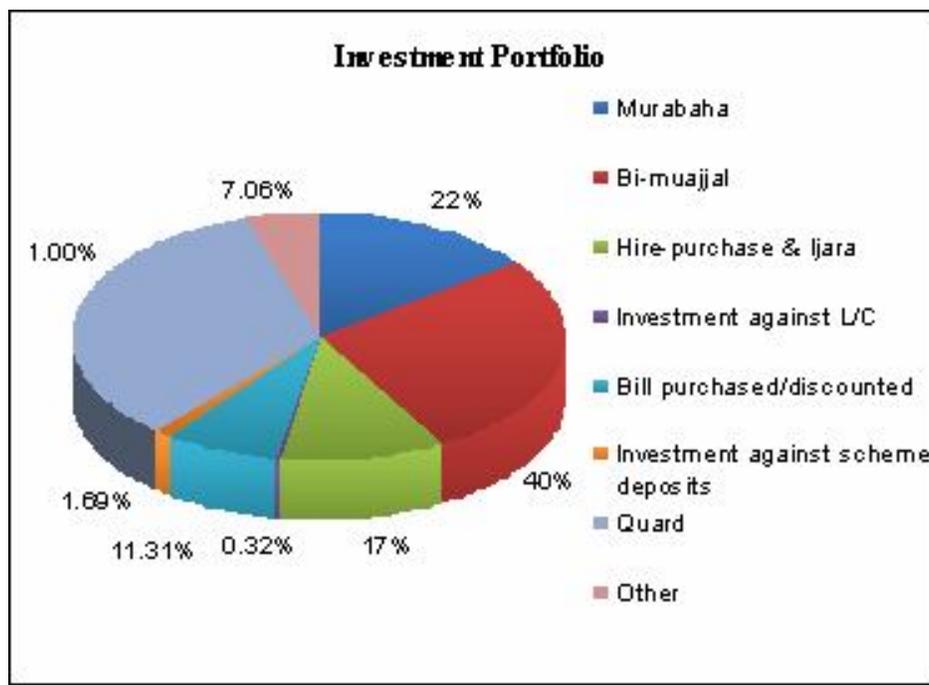


Figure 4.4: Investment Portfolio of SJIBL

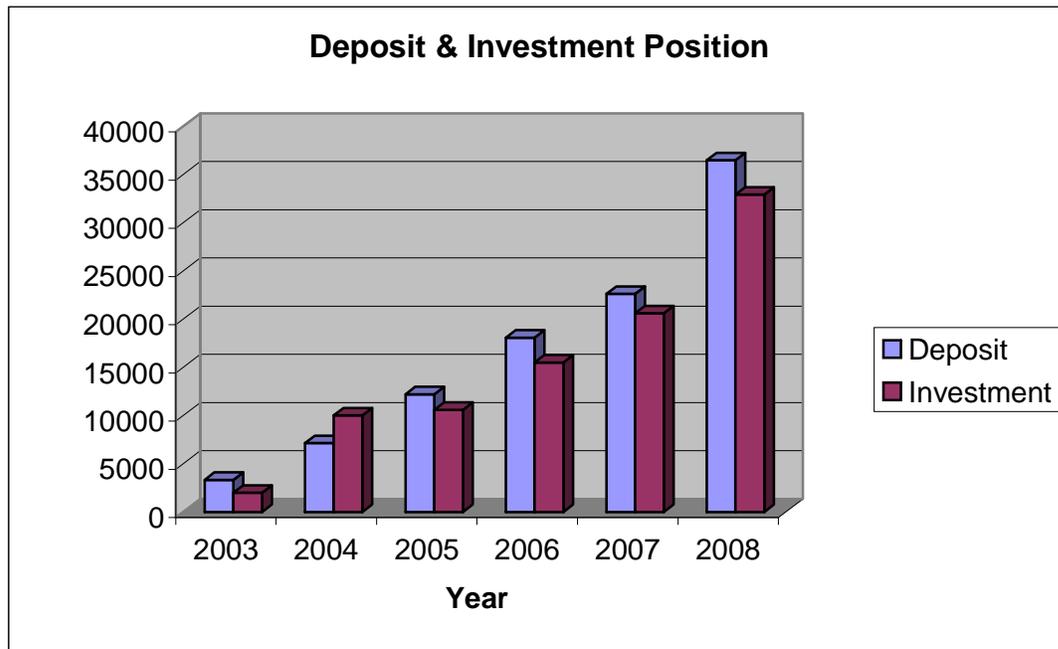


Figure 4.5: Deposit & investment position of SJIBL

The bank entertains good investment clients having credit-worthiness and good record. The bank has got a few investment schemes to provide financial assistance to comparatively less advantaged group of people which are.

- Household Durable Scheme.
- Small Business Investment Program
- Small Entrepreneur Investment Program
- Medium Entrepreneur Investment Program
- Housing Investment program

The following two investment schemes are going to be introduced shortly.

- Car Investment scheme.
- Women Entrepreneur Investment Scheme.

4.17 Liquidity of SJIBL

Liquidity in the form of balance with Bangladesh Bank, Sonali Bank (as the agent of Bangladesh Bank) and in hand including foreign currency stood at Tk. 1670.12 as at 31st December 2007 as against Tk. 1702.27 million in last year to maintain cash & statutory liquidity. The Bank is committed to maintain the cash and statutory liquidity requirement to effectively manage the asset & liability portfolios of the bank in order to maximize the profit. As per guideline of the Bangladesh Bank ALCO (assets liability committee) was formed in 2005, which is highly concerned with proper liability management under the close supervision of senior management. The bank has a policy guideline on liquidity management as approved by its board of directors. We have able to maintain required CRR and SLR throughout the year without fail as per Bangladesh Bank's norm.

4.18 SWIFT

The Bank has already become a member of Society for Worldwide Inter Bank Financial Tele-Communication (SWIFT) to provide Secured and accurate communication network for financial transactions, i.e. Import, Export, Remittance, etc

4.19 REUTERS

The Bank has also established liaison with the facility of REUTERS, through which the bank received regular, latest information about the exchange rate, etc and other price sensitive information to take prompt and correct decision.

4.20 Foreign Correspondents

Foreign correspondent relationship facilities foreign trade operation of the bank, mainly in respect of export, import and foreign remittance. The number of foreign correspondents and agents of the bank in the year 2008 stood at 244, which covers important business and trade centers of the world. The bank maintains excellent relationship with the leading international banks, for handling all foreign correspondent and maintaining all foreign business there is an International Division, which is called ID.

4.21 Information Technology (IT) & Automation

All the branches of the SJIBL are fully computerized. New software is now in use to provide faster, accurate and efficient service to the clients. The bank is continuously striving for better services through extensive automation of its branches. We are soon going to launch “One Branch Banking” through on-line connectivity. The bank has set up a full-fledged IT division to keep abreast of the latest development of IT for better service in the days to come. For automation and up gradation of the services in the Bank, Local Area Network (LAN) and Wide Area Network (WAN) system have already been developed.

4.22 On-Line Banking Services

Shahjalal Islami Bank Limited has the vision to automate its all operations and functionalities. The Bank is committed to achieve the goal to be a leading Bank in the country both in service and in technical aspects and to fulfill the requirements of mass people. Shahjalal Islami Bank Limited is patterned of Islamic norms & ethics with modern technology to achieve the goal in the new century. It has started its operation with full automation with on-line facilities. Most online banking institutions have several other advantages, allowing clients to keep track of their check book, transfer money between accounts, and even pay bills online. In other context, Electronic Fund Transfer (EFT), Centralized Banking etc are considered as a 4 part of On-line Banking An Electronic Fund Transfer or EFT is an automated withdrawal, or debit, from client account. Transferring funds automatically saves the client the time and effort of writing and mailing checks to pay bills or make purchases. To meet the growing need for rendering prompt services to the customers, Bank has been trying best to automate all sorts of transaction in the branches. All the branches are well equipped with computers and related peripherals to meet the demand of the customers. Now all our branches have been availing “Online Banking facility” for the convenience of the customers.

4.23 Investment (Credit) Rating Report

Particulars	Long Term	Short Term
Surveillance Rating - 2008	AA-	ST-2
Surveillance Rating - 2007	A+	ST-2
Outlook	Stable	
Date of Rating Declaration	25 April, 2009	

Table 4.5: Credit Rating Report

Credit rating information and service limited (CRISL) has assigned “AA-” (pronounced as double A minus) rating in the Long Term and ST-2 rating in the Short Term to the Shahjalal Islami Bang Limited.

The above rating has been done in consideration of its significant improvement in asset quality, capital adequacy, and financial performance. Financial institution rated “A” in the long term are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories. Bank rated ST-2 in the short term is characterized by high certainty of timely payment, liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

4.24 Social Welfare Activities

Shahjalal Islami Bank Limited strongly believes in banking ethics and social responsibilities. Although it is a profit making organization by Mudaraba way, it tries not to harm the society in any of its activities. It is fully devoted to fulfilling the satisfaction of the customer as well as its employees. It performs its social responsibilities through involving in different type of social development activities to develop the socio-economy of the country.

With a view to providing financial assistance to the poor and needy people of the society and also for the welfare of the community, to this perspective, bank has established “Shahjalal Islami bank Foundation” with the objective to provide health care, relief and rehabilitation, education, humanitarian of winter clothes during the winter etc.

Shahjalal Islami Bank Foundation has a planning to establish the following projects and programs:

- Shahjalal Islami Bank International School and College
- Shahjalal Islami Bank Hospital

The foundation have also drawn up programs to look after the education, health and medical requirements of all the people of rural areas where the bank has launched Rural Investment Programs with vision 2020.

The foundation already introduced a program to reward poor student who passes SSC and HSC exam. A student who is not financially sound, the foundation gives financial assistance to them. The bank has started it from 2006 under these project 111 poor and meritorious students awarded by monthly scholarship and lump sum money at yearly basis. This will motivate students to do better in future. The bank appreciates the good things in the society.