

Directors Report 2022

The Board of Directors welcomes you all to the 31st Annual General Meeting (AGM) and is pleased to present before you the Annual Report along with the Audited Financial Statements of the Bank for the year 2022. A review of business and financial performance and the underlying forces affecting those have been briefly pointed out.

Global economic outlook

Even before recovering from the fallout of unprecedented COVID-19 pandemic, global supply chain and the economy at large were severely affected in 2022 by the Russia-Ukraine war, record high inflationary pressure, and the slowdown in China due to frequent lock downs under its zero COVID policy. To curb the inflationary pressure, advanced economies elevated policy rates which triggered capital outflows and currency depreciations in developing countries, increasing balance-of-payment pressures. Major equity markets also ended up with a fall in price. These developments had spillover effects on emerging markets and developing economies (EMDEs). According to IMF, global economic growth slowed down to 3.40% in 2022 and is expected to fall further to 2.80% in 2023 before rising modestly to 3.00% in 2024. However, the major forces affecting the world economy in 2022 is somehow overlaid by new financial stability concerns in 2023.

Global inflation is projected to decrease slowly from 8.70% in 2022 to 7.00% in 2023. Recent stress in financial markets is complicating the tasks of central banks which in turn is hampering the process of recovery. As a result, many economies are likely to experience slower growth in 2023.

GDP growth (y-o-y) in percent

Particulars	2022	2023 p	2024 p
World	3.4	2.8	3.0
Advanced Economies	2.7	1.3	1.4
Other Advanced Economies	2.6	1.8	2.2
USA	2.1	1.6	1.1
Euro Area	3.5	0.8	1.4
Emerging Market and Developing Economies	4.0	3.9	4.2
China	3.0	5.2	4.5
India	6.8	5.9	6.3

Source: IMF World Economic Outlook Update (April 2023); p for projection.

A brief overview of Bangladesh economy

Bangladesh economy achieved impressive growth during previous two consecutive fiscal years: 6.94% and 7.10% real GDP growth in FY 2021 and FY 2022 respectively. Country's economy showed strong resilience against the COVID-19 shocks and rebounded sharply. The year 2022 was supposed to be a celebration of Bangladesh's economic progress with the opening of Padma Bridge and Dhaka metro rail. However, like other emerging markets and developing

economies, macroeconomic stability of Bangladesh considerably deteriorated in 2022 largely due to global macro-financial uncertainty. The growth momentum of Bangladesh was affected by a number of factors such as high inflation, trade deficit, exchange rate volatility, rising energy cost, and mounting pressure on foreign exchange reserve. To maintain macroeconomic stability, the government decided to take precautionary measures and applied for USD 4.50 billion loan to IMF in 2022.

Bangladesh's foreign exchange reserves began to deplete, after reaching a historic peak of USD 48 billion in August 2021, as export and remittance fell short due to the rise of import cost after reopening of economies from COVID-19 restrictions. This brought down the figure to below USD 33.75 billion by the end of 2022. To restrain foreign currency expenditure, BB and the government took several initiatives since April 2022 which resulted in the decrease of import by 2.02% (y-o-y) in H1 of FY 2023. On the other hand, total commodity export grew by 10.58% (y-o-y) during July-December in FY 2023.

Point-to-point CPI inflation started to decline by the end of December 2022 partly due to moderate global commodity prices. CPI based Headline inflation (point to point) came down to 8.71% at the end of 2022 after reaching a decade high 9.52% in August 2022 although it remained above the targeted level of 7.50% for FY 2023.

Workers' remittances increased during July-December FY 2023 by 2.48% (y-o-y) reaching to USD 10.49 billion. Various policy initiatives taken by BB and the government including 2.50% cash incentive, easing the rules on furnishing of documents and depreciation of exchange rate (BDT/USD) influenced this growth in inward remittances. BB has allowed Mobile financial Service (MFS) to bring more flexibility in repatriation of remittances, which is expected to have a positive impact on wage earners' remittance inflows.

The capital market exhibited a weak performance in H1 FY2023 reflected through the fall in price indices, turnover, market capitalization and price-earnings ratio mainly due to adverse impacts in the domestic and global economies. The DSEX index declined by 550 points or 8.14% at year-end 2022 compared to that of year-end 2021. BB and Bangladesh Securities and Exchange Commission (BSEC) took several steps to restore investors' confidence in the capital market. Moreover, to increase participation of foreign investors, a memorandum of understanding (MoU) was signed between the BSEC and the Securities and Commodities Authority (SCA) of the United Arab Emirates to explore opportunities for dual listing, bond issue, joint subscription, and commodities exchange in both countries. BB has also provided additional time for banks to bring down their investment exceeding the prescribed capital market exposure limit.

Banking industry in 2022

Bangladesh banking industry is fragmented into state-owned commercial banks (SCBs), local private commercial banks (PCBs) and foreign banks with a marked difference in mode of operations,

service quality, profitability and financial soundness indicators (governance, asset quality, capital adequacy etc.). Due to external shocks, banks in Bangladesh faced slower credit and deposit growth, challenges in import bill settlements, liquidity and exchange rate pressure in the last few months of 2022. The dent made in the repayment behavior of the borrowers during the period of COVID-19 havoc and the weakening governance issues in some banks have become a matter of concern for the financial stability of the country. To overcome these challenges, BB took series of policy initiatives including allowing Bangladesh Taka (BDT) to depreciate to an extent of around 11.28%, raising the policy interest rate amid quantitative tightening through selling of a significant amount of dollars (around USD 7.80 billion) to banks, continuing the repo and liquidity support facilities for banks, extending refinance facilities to neutralize the tight liquidity condition, discouraging imports of luxury and non-essential commodities by enhancing the requirements of LC margins, instructing the banks to reduce their operating expenses, reducing the export retention quota (ERQ) and banks' net open position (NOP), enhancing the facilities to improve the export receipts and inward remittances, and engaging with concerned commercial banks to deal with NPL and good governance issues.

The ratio of gross NPL to total loans stood at 8.16% at the end of 2022 compared to 7.93% at year-end 2021. This huge pileup of bad loans may choke the credit supply of the economy with due repercussions on the resilience of the private sector. Banking sector loans experienced a moderate growth of 14.1% (y-o-y) at the end of 2022 whereas deposit growth was only 5.6% (y-o-y) reflecting weaker savings due to high inflationary pressure. Consequently, the overall advance-deposit ratio (ADR) rose to 79.00% at year-end 2022 from 73.15% at year-end 2021.

After a healthy growth momentum during the post-pandemic rebound stage, private sector credit growth registered a moderate growth of 12.89% (y-o-y) at year-end 2022, lower than the growth target of 13.6%. Major factors attributable to this growth deceleration were tight liquidity conditions in the banking system, decelerated import growth amid sharp depreciation of BDT and several import limiting measures amidst looming global economic crisis. The spread between the weighted average interest rate on loans and deposits of banking industry was 2.99% at the year-end 2022. To ensure adequate liquidity in the banking system, BB took several supportive measures for both conventional and Islami banks. The weighted average call money rate in the inter-bank money market increased to 5.80% in December 2022 from 4.88% in June 2022 indicating higher demand for liquidity in the money market.

The overall solvency, reflected mainly through Capital to Risk Weighted Assets Ratio (CRAR), in the banking sector had been above the minimum regulatory requirement of 10% at the end of 2022, providing adequate capital buffers to absorb uncertainties and risks. The overall CRAR modestly increased to 11.83% at the end of 2022 from 11.01% at the end of September 2022. The banking sector as a whole maintained the required level of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) and other liquidity ratios i.e. Liquidity Coverage ratio (LCR), Net Stable Funding Ratio (NSFR) as on 31 December 2022.

Some important initiatives taken by Bangladesh Bank in 2022 are as follows:

- Master Circular on loan rescheduling and restructuring.
- Relaxation of term loan classification criteria: minimum 50% of the installments payable against the loan from October 2022 to December 2022 repaid by last working day of December 2022.
- Refinance Facility under 'Supporting Post COVID-19 Small Scale Employment Creation Project' to support cottage, micro and small enterprises (CMSEs).
- Refinance scheme of BDT 5,000 crore for agriculture sector to ensure food security of the country.
- Time extension up to 31 December 2023 to bring down excess investment in Capital Market made by banks.
- Instruction to decrease the consumption of electricity and fuel and curtail certain operating expenses by 50%.
- A detail policy on interest waiver of loans.
- Guideline regarding classification of other assets and maintenance of provision.
- A detail guideline regarding single borrower and large loan exposure limit.
- Instruction to avoid high expense for luxurious vehicles, decoration and other matters for decreasing operating expense.
- Policy on Green Bond Financing for banks and FIs.
- Instruction to consider cost price as market value while considering exposure limit of banks in capital market.

Economy and business outlook 2023

The global economy appears to be gradually recovering from the devastating blows of the pandemic and Russia-Ukraine war. However, the fragility and fall of certain global banks can undermine the pace of recovery. The overall growth momentum of Bangladesh economy is expected to continue depending on prompt policy initiatives by BB and the government. Looking ahead, inflationary pressure in Bangladesh is likely to soften as the inflation scenario of the major trading partner economies are improving. However, the economic outlook can still become unstable due to rising geo-political tensions over Russia-Ukraine war and the subdued global financial conditions. Exchange rate pressure is expected to ease having favorable impact on imported commodity prices and the domestic inflation. Under the circumstances, Bangladesh government has decided to reduce GDP growth target to 6.5% for FY 2023 due to multifaceted controls and contractionary initiatives to stabilize the situation.

In 2023, IMF has approved USD 4.70 billion loan to Bangladesh under its different credit programs with certain time-bound conditions, including some key structural reforms. This 42-month loan programs have 30 conditions that are classified under three categories: quantitative performance criteria (QPC), structural performance criteria (SPC) and general commitment.

Although the ratio of non-performing loans to total loans showed some improvements in the 4th quarter of 2022, the narrowing excess liquidity may remain a concern in coming days. However, continuing several refinance schemes for the agricultural sector along with funding opportunities for the CMSMEs would pump up adequate liquidity in the banking sector. Moreover, optimistic outlook on external developments with declining import payments coupled with falling world commodity prices might improve liquidity situation in coming months. Nevertheless, good governance in the banking sector, an enhanced loan recovery drive, and constant monitoring would play an important role in maintaining stability in the banking industry.

Financial performance highlights of EBL

Banking industry passed a challenging year in 2022 due to certain external shocks aggravated by governance issues in some banks. Despite intensified challenges, EBL managed its portfolio efficiently closing the year 2022 with an NPL of 2.78% (3.70% in 2021) which is lower than that of industry average (8.16% as of December 2022).

Our primary focus in 2022 was on efficient balance sheet management, digitalization for service excellence, recovery of classified and written off loans, mobilization of stable deposits, and rationalizing costs. A brief review of financial performances of the Bank (solo) is as follows:

- Net interest income (NII) which contributed 38% of total operating income decreased by 14% in 2022 compared to previous year mainly due to faster growth of interest expense (52%) than the growth of interest income (21%). Benchmarking certain term deposit rate with that of yearly average inflation rate (which saw a hefty rise in 2022) had a significant impact on the rise of interest expense while the lending rate was capped

at 9% except that of credit cards. However, non-interest income which contributed rest 62% increased by 18% mainly due to significant increase in fees and commission income (35%) and increase of income from investment (10%) in 2022 compared to those of previous year.

- Operating income increased by 4% while operating expense increased by 16% mainly due to channel expansion, increased cost of utilities, new headcount and routine increment and promotion of employees. Operating profit, therefore, decreased slightly by 4% and reached to BDT 10,046 million in 2022.
- Total provision against loans and other assets decreased by 14% in 2022 compared to that of 2021. General provision decreased due to lower growth of non-funded assets and availing rating benefit for some Letter of Guarantees during 2022. Due to decrease of NPL and higher amount of recovery from written off loans (BDT 793 million in 2022 compared to BDT 363 million in 2021), specific provision decreased by 23% in 2022. Special General Provision (GP) maintained in addition to the general provision routinely required had a provision relaxation on CMSME sector from 1.5% to 1% and some accounts that enjoyed payment by deferral (PBD) facilities in 2020 and 2021 were settled in 2022; combined effect of these two caused release of Special general provision for COVID-19 by BDT 225 million. In 2022, BDT 337 million provision was charged against listed securities due to fall in market prices and indices.
- Total tax provision decreased by 16% in 2022 compared to previous year mainly due to increase in revenue under concessional tax rate (dividend income) bucket and increase in amount of written off loans in 2022.
- Finally, Bank's profit after tax (PAT) increased by BDT 454 million or 10% to BDT 5,107 million in 2022 compared to that of 2021.

Following table summarizes comparative financial performance of EBL both as a Group and as the Bank

BDT in million

Particulars	Group			Bank		
	2022	2021	Change (%)	2022	2021	Change (%)
Net interest income (NII)	6,860	7,935	-14%	6,699	7,761	-14%
Non-interest income	11,593	9,908	17%	11,090	9,397	18%
Total operating income	18,453	17,842	3%	17,789	17,158	4%
Total operating expense	8,004	6,977	15%	7,744	6,690	16%
Operating profit (Profit before provision and tax)	10,448	10,866	-4%	10,046	10,468	-4%
Specific provision	1,281	1,734	-26%	1,278	1,655	-23%
General provision	464	843	-45%	464	843	-45%
Special general provision for COVID-19	(225)	153	-247%	(225)	153	-247%
Other provision charged/(released)	679	(396)	271%	432	(391)	210%
Total provisions	2,199	2,334	-6%	1,950	2,260	-14%
Profit before tax for the year	8,249	8,531	-3%	8,095	8,208	-1%
Tax provision for the year	3,128	3,731	-16%	2,988	3,554	-16%
Profit after tax (PAT)	5,121	4,800	7%	5,107	4,654	10%
Earnings per share (EPS) in BDT (2021 restated)	4.77	4.47	7%	4.76	4.34	10%

ROA and ROE have slightly decreased in 2022 due to lower growth of PAT compared to growth of equity/asset. Cost to income ratio has increased to 43.53% mainly due to higher growth of operating expense (16%) than that of operating income (4%). The Capital to risk weighted assets ratio (CRAR) has increased to 14.61% in 2022 from 14.08% in 2021. Following table presents some of the key financial ratios:

Particulars	Bank	
	2022	2021
Return on average equity (PAT/Average Equity)	15.46%	15.51%
Return on average assets (PAT/Average Assets)	1.21%	1.28%
Cost to income ratio (operating expense/operating income)	43.53%	38.99%
Capital to risk weighted assets ratio (CRAR)	14.61%	14.08%
NPL ratio	2.78%	3.70%
EPS in BDT (2021 restated)	4.76	4.34
Price to book value ratio (times) (restated)	0.97	1.33

Capital adequacy status under Basel III

Bank's Capital to Risk Weighted Assets Ratio (CRAR) remains consistently within the comfort zone against the requirement of 12.5% (Minimum total capital ratio plus capital conservation buffer) and ended at 14.61% on 31 December 2022. For details please see "Disclosure on Risk Based Capital (Basel III)" section of this annual report.

Status of asset quality

As on 31 December 2022, NPL ratio of the banking industry stood at 8.16% which was 7.93% in December 2021. In contrast, the NPL ratio of EBL was 2.78% at year-end 2022 which was 3.70% at the end of 2021. The status of unclassified and classified loans of the Bank is as follows:

Dividend History

Year	No. of AGM	Held on	Cash Dividend (%)	Stock Dividend (%)	Total (%)
1992	1 st AGM	09 December 1993	-	-	Nil
1993	2 nd AGM	24 December 1994	-	-	Nil
1994	3 rd AGM	14 December 1995	-	-	Nil
1995	4 th AGM	28 November 1996	-	-	Nil
1996	5 th AGM	20 November 1997	-	-	Nil
1997	6 th AGM	12 November 1998	10.00	-	10.00
1998	7 th AGM	30 August 2000	10.00	-	10.00
1999	8 th AGM	05 August 2001	-	20.00	20.00
2000	9 th AGM	14 December 2002	30.00	-	30.00
2001	10 th AGM		30.00	-	30.00
2002	11 th AGM	08 December 2003	20.00	15.00	35.00
2003	12 th AGM	30 June 2004	20.00	-	20.00
2004	13 th AGM	19 July 2005	43.00	-	43.00
2005	14 th AGM	21 May 2006	40.00	-	40.00
2006	15 th AGM	12 June 2007	20.00	25.00	45.00

BDT in million

Particulars	2022	2021	% Change
Unclassified loans	300,337	259,415	15.77%
Standard (Including staff loan)	296,136	257,387	15.05%
Special Mention Accounts (SMA)	4,200	2,028	107.11%
Classified loans	8,579	9,979	-14.03%
Sub-standard (SS)	1,352	925	46.10%
Doubtful (DF)	594	604	-1.57%
Bad/loss (BL)	6,633	8,450	-21.50%
Total loans	308,916	269,394	14.67%
NPL %	2.78%	3.70%	

Appropriation of profit

Profit after tax (PAT) of the Bank stands at BDT 5,107 million during the year including deferred tax income out of which BDT 118 million arises on specific provision made against Bad/Loss loans and cannot be distributed as dividend as per BRPD Circular No.11 dated 12 December 2011 of BB. BDT 1,192 million needs to be transferred to statutory reserve in 2022 to equalize statutory reserve with paid-up capital of the Bank. Thus, current year's profit available for distribution stands at BDT 3,797 million out of which the Board of Directors recommended 12.50% cash dividend and 12.50% stock dividend amounting to BDT 2,683 million for the year 2022.

Utilization of proposed stock dividend

Stock dividend has been recommended to strengthen the capital base of the Bank in order to support projected business growth and also to improve certain regulatory ratios.

Year	No. of AGM	Held on	Cash Dividend (%)	Stock Dividend (%)	Total (%)
2007	16 th AGM	25 May 2008	-	34.00	34.00
2008	17 th AGM	28 April 2009	-	20.00	20.00
2009	18 th AGM	30 March 2010	20.00	17.00	37.00
2010	19 th AGM	30 March 2011	-	55.00	55.00
2011	20 th AGM	28 March 2012	-	35.00	35.00
2012	21 st AGM	31 March 2013	20.00	-	20.00
2013	22 nd AGM	31 March 2014	20.00	-	20.00
2014	23 rd AGM	31 March 2015	20.00	-	20.00
2015	24 th AGM	19 May 2016	20.00	15.00	35.00
2016	25 th AGM	27 April 2017	20.00	5.00	25.00
2017	26 th AGM	05 June 2018	20.00	-	20.00
2018	27 th AGM	23 May 2019	20.00	10.00	30.00
2019	28 th AGM	05 August 2020	15.00	-	15.00
2020	29 th AGM	30 May 2021	17.50	17.50	35.00
2021	30 th AGM	19 May 2022	12.50	12.50	25.00
2022	31 st AGM	31 May 2023	12.50 (proposed)	12.50 (proposed)	25.00 (proposed)

Management discussion and analysis

A separate section titled "Management Discussion and Analysis" has been presented in page no. 173-212. Under this section, a comparative analysis of financial performance (2018-2022) of the Bank has been presented with analytics. A brief highlight of EBL business units namely Corporate Banking, Retail & SME Banking and Treasury, FIs & Offshore Banking has been presented along with strategic outlook. In pursuance of an inorganic growth route and to open up diversified earnings stream, EBL established or acquired four subsidiaries, all of them fully owned, till the reporting date i.e. 31 December 2022. A brief review of subsidiaries business during 2022 also has been presented under this section.

Internal control system

Robust internal control system helps EBL achieve goals and aspirations consistently. This control system also ensures that the Bank complies with local laws and regulations as well as policies, plans, internal and external rules, guidelines and procedures, and subsequently decrease the risk of unexpected loss or damage to the Bank. The Board has delegated the responsibility of overall supervision of internal control system to Audit Committee of the Board. The key functionalities that have been established in reviewing adequacy and integrity of the system of internal control are as follows:

- Different committees have been formed consisting of relative stakeholders with expertise on the subject matter to assist the Board in guiding the Bank's operation in line with its mission, vision and strategies.
- The internal audit department of the Bank checks for compliance with policies and procedures and the effectiveness of the internal control system on regular basis and highlights significant findings in respect of any non-compliance.
- The Audit Committee of the Board reviews the internal control findings identified by the Internal Audit of the Bank,

Inspection Team of Bangladesh Bank, External Auditors and Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems.

- The Board of Directors holds meetings at suitable intervals with senior management, internal auditors, external auditors and the Audit Committee for evaluating the effectiveness of internal control system and provides necessary guidance.
- The internal audit department has direct access to the Audit Committee as and when required to ensure submission of internal audit findings to the Audit Committee without any management intervention.
- Self-Assessment of Anti-Fraud Internal Controls is carried out on half-yearly basis and is sent to Bangladesh Bank as per requirement of DOS Circular Letter No. 10 dated 09 May 2017 issued by BB after receiving compliance confirmation from respective stakeholders.

Risk management

The Risk Management Committee (RMC) of the Board reviews and monitors the overall risk management system of the Bank and updates the Board from time to time. Risk management functions are subject to continuous scrutiny of Internal Control & Compliance Division (ICCD) and supervision of Risk Management Division (RMD) to ensure appropriateness and integrity of the risk management practices and mechanism.

The risk management system of EBL has been described in "Risk Management Report" section and the major areas focused by RMC in 2022 have been presented in "Report of the Risk Management Committee of the Board" section of this annual report. Also the major areas focused by ERMC in 2022 have been described in "Report of the Executive Risk Management Committee (ERMC)" section of this annual report.

Financial reporting

- Proper books of account as required by law have been maintained by EBL.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements.
- Accounting estimates and underlying assumptions are made on reasonable ground applying prudent judgment, and are reviewed on an ongoing basis.
- The Financial Statements (FS) of the Bank are prepared in accordance with applicable International Financial Reporting Standards (IFRSs) and relevant circulars/instructions issued by Bangladesh Bank (BB) and any departure from IFRS due to BB regulation has been adequately disclosed in the notes to the FS.
- A discussion on related party transactions has been stated in the 'Corporate Governance Report' and a statement with amount of related party transactions has been presented in the Annexure C1 of the FS 2022.
- Being responsible for preparation and fair presentation of the FS, the management of the Bank asserts that the FS prepared by the management as at and for the year ended 31 December 2022 present fairly, in all material respects, its state of affairs, the results of its operations, cash flows and changes in equity.
- There is no significant doubt on the Bank's ability to continue as a going concern. EBL has neither intention nor the need to liquidate or curtail materially the scale of its operations. Hence, the financial statements of the Bank have been prepared on going concern basis and the Bank will continue to operate for a foreseeable future.

Compliance with corporate governance guidelines

As a responsible corporate citizen, EBL duly complied with the provisions of corporate governance guidelines issued by Bangladesh Securities and Exchange Commission (BSEC). The compliance status of EBL on the said guidelines has been presented in the section 'Corporate Governance Report'. A. Qasem & Co., Chartered Accountants, has certified the compliance status of EBL on the BSEC's corporate governance guidelines during 2022 which is mentioned in page 112 of this annual report.

CSR activities

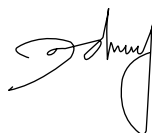
Being a socially responsible corporate citizen, EBL engaged in a number of CSR activities throughout the year, including a number of donations towards charitable causes.

- As a part of our emergency response to the flood-affected people in the country, we contributed BDT 100 million to the Prime Minister's Relief and Welfare Fund.
- To support the government efforts of providing financial assistance to underprivileged students in the country, we donated BDT 3.00 million to the Prime Minister's Education Assistance Trust.
- We donated 75,000 pieces (costing BDT 24.05 million) of blankets to Prime Minister's Relief & Welfare Fund through BAB for distribution among cold-hit people.
- We provided BDT 0.50 million to the Special Branch Kallyan Tohobil, Bangladesh Police to provide scholarships to the meritorious children of their employees.
- To support underprivileged students from low-income families, we donated 470 school bags along with computers, UPS, and monitors for Dhirasrom Government Primary School, Gazipur.

Contribution to national exchequer

EBL regularly pays corporate tax on time, sometime even before it falls due if demanded by the tax authority. We also deposit excise duty, withholding tax and VAT to govt. exchequer on time deducted from customers, employees' salary as well as on bills from third parties including vendors. During the calendar year 2022, we contributed BDT 9,566 million to national exchequer as tax, VAT and excise duty. We paid advance corporate tax of BDT 4,177 million while deposited withheld tax of BDT 4,020 million, VAT of BDT 866 million and Excise Duty of BDT 503 million in 2022.

On behalf of the Board of Directors,



Md. Showkat Ali Chowdhury

Chairman of the Board of Directors
Dhaka, 26 April 2023