

**BRAC EPL Research** ([research@bracepl.com](mailto:research@bracepl.com))  
**November 21, 2021**
**Subscription Start: Nov 21, 2021**  
**Subscription End: Dec 02, 2021**

## IPO Details

**Shahjalal Islami Bank Limited (DSE: SHAHJABANK)** will raise BDT 5,000.0 Mn by issuing an unsecured, contingent-convertible, non-cumulative and floating rate perpetual bond titled “**SJIBL Mudaraba Perpetual Bond**”\*. Of the total issue, BDT 4,500.0 Mn will be raised from private placement, while the rest BDT 500.0 Mn will be raised from the public through Initial Public Offering (IPO). IPO subscription for the public will commence from November 21, 2021 and would continue till December 02, 2021.

Shahjalal Islami Bank Limited (SJIBL), the **Issuer & Originator**, is a third generation, Shariah compliant, private commercial bank that commenced operation in 2001. SJIBL offers all kinds of Islamic Shari’ah based commercial Banking services to its customers. SJIBL was listed in Dhaka Stock Exchange (DSE) and in Chittagong Stock Exchange (CSE) in 2007. The bank has one subsidiary company – Shahjalal Islami Bank Securities Ltd.

## Use of Proceeds

SJIBL plans to raise Additional Tier-1 Capital in order to strengthen its capital base in accordance with Bangladesh Bank’s guidelines on Risk Based Capital Adequacy. The proceeds from the issue would be utilized for the bank’s regular business activities i.e. strengthening investment (loan) portfolio and other securities.

## IPO Summary

Issue Code	SJIBLPBOND
Issue Size	BDT 5,000.0 Mn
Issue Size under Public Offer	BDT 500.0 Mn
Face Value	BDT 5,000
Minimum Subscription	BDT 5,000
Tenure	Perpetual
Listing	Dhaka Stock Exchange (DSE)
Profit Rate	6.0% - 10.0%
Issuer & Originator	Shahjalal Islami Bank Limited
Trustee	MTB Capital Ltd.
Issue Manager(s)	UCB Investment Limited Islami Bank Capital Management Ltd.
Underwriter	Islami Bank Capital Management Ltd.
Rating Agency	Emerging Credit Rating Limited
Issue Credit Rating	A+ B
Issuer Credit Rating	Long term: AA Short term: ST-2

## Key Features

- SJIBLPBOND is perpetual in nature, hence there is no maturity date.
- The rate of return of the bond will be determined based on the average annual deposit rate (1 year but <2 year) of the scheduled Islamic banks (1st, 2nd and 3rd generation banks only), excluding foreign Islamic and any Z-category Islamic banks. The latest deposit rate published in Bangladesh Bank website will be used for calculation.
- The minimum profit rate will be 6.0% with a maximum profit rate of 10.0%, all subject to the availability of distributable profit.
- Investors will receive annual payments from the share of distributable profit. The payment will be made at the end of calendar year. However, SJIBL will have full discretion at all times to cancel distribution/payments to the bondholders.
- In the case of late payments, SJIBL shall pay a penalty of 2.0% higher than the coupon rate and will be payable on the amount not paid on the due date till the date of actual payment.
- SJIBL can exercise the “**Call Option**” only after 10 years of issuance, with prior approval from Bangladesh Bank.
- Eligibility of exercising the call option: (1) Replacing the current instrument with capital of same or better quality that are sustainable for the income capacity of the bank; & (2) Capital position is above the minimum requirements after the call option is exercised.
- The conversion of the bonds to common shares would take place at pre-specified trigger point as needed to reach the minimum consolidated CET-1 ratio as per Bangladesh Bank requirement (currently at 4.5%). Unless the trigger point is activated, the conversion would never take place.
- The conversion strike price will be calculated as follows: Average of 180 business days market price prior to the trigger point or par value (BDT 10), amongst whichever is higher.
- The “**Dividend Stopper Clause**” would stop dividend payment to common equity holders in the event the holders of these bonds are not paid profit/coupon either due to exercise of issuer’s coupon discretion or otherwise.
- The claims of the investors of the bond will be superior to the claims of investors in equity shares and perpetual non-cumulative preference shares. The claims will be subordinated to those of depositors, general creditors, and subordinated debt of the bank other than those qualifying as Additional Tier-1 Capital.

\* Based on Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) definition, Mudaraba is a special arrangement of partnership business, where one party provides capital while the other party provides labour, and at the end of business cycle, the profits are distributed between both the parties as per previously signed agreement.

## IMPORTANT DISCLOSURES

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### BRAC EPL Stock Brokerage Limited

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