



DIRECTORS' REPORT

Bismillahir Rahmanir Rahim

All praise is to be the Almighty Allah, Lord of the Universe and blessings of Allah be upon the Prophet Mohammad (SM) and his descendants & companions

Dear Shareholders,

Assalamu Alaikum Wa Rahmatullahi Wa Barakatuhu.

The Board of Directors of the Bank takes the privilege to welcome you all to the 26th Annual General Meeting and has the pleasure of placing before you the Annual Report and the financial statements comprising the Balance Sheet, Profit & Loss Account, Cash Flow Statement and Statement of Changes in Equity of the Bank along with the report of the Auditors and Shariah Supervisory Committee for the year ended 31 December 2020.

Economy Analyses

World Economy Outlook

The global economy is climbing out from the depths to which it had plummeted during the Great Lockdown in April. But with the COVID-19 pandemic continuing to spread, many countries have slowed reopening and some are reinstating partial lockdowns to protect susceptible populations. While recovery in China has been faster than expected, the global economy's long ascent back to pre-pandemic levels of activity remains prone to setbacks.

Global Growth Outlook and Risks

Near-term outlook.

Global growth is projected at -4.4 percent in 2020, a less severe contraction than forecast in the June 2020 World Economic Outlook (WEO) Update. The revision reflects better than anticipated second quarter GDP outturns, mostly in advanced economies, where activity began to improve sooner than expected after lockdowns were scaled back in May and June, as well as indicators of a stronger recovery in the third quarter. Global growth is projected at 5.2 percent in 2021, a little lower than in the June 2020 WEO Update, reflecting the more moderate downturn projected for 2020 and consistent with expectations of persistent social distancing. Following the contraction in 2020 and recovery in 2021, the level of global GDP in 2021 is expected to be a modest 0.6 percent above that of 2019. The growth projections imply wide negative output gaps and elevated unemployment rates this year and in 2021 across both advanced and emerging market economies.

Medium- term outlook.

After the rebound in 2021, global growth is expected to gradually slow to about 3.5 percent into the medium term. This implies only

limited progress toward catching up to the path of economic activity for 2020–25 projected before the pandemic for both advanced and emerging market and developing economies. It is also a severe setback to the projected improvement in average living standards across all country groups. The pandemic will reverse the progress made since the 1990s in reducing global poverty and will increase inequality. People who rely on daily wage labor and are outside the formal safety net faced sudden income losses when mobility restrictions were imposed. Among them, migrant workers who live far from home had even less recourse to traditional support networks. Close to 90 million people could fall below the \$1.90 a day income threshold of extreme deprivation this year. In addition, school closures during the pandemic pose a significant new challenge that could set back human capital accumulation severely. The subdued outlook for medium-term growth comes with a significant projected increase in the stock of sovereign debt. Downward revisions to potential output also imply a smaller tax base over the medium term than previously envisaged, compounding difficulties in servicing debt obligations. The baseline projection assumes that social distancing will continue into 2021 but will subsequently fade over time as vaccine coverage expands and therapies improve. Local transmission is assumed to be brought to low levels everywhere by the end of 2022. The medium-term projections also assume that economies will experience scarring from the depth of the recession and the need for structural change, entailing persistent effects on potential output. These effects include adjustment costs and productivity impacts for surviving firms as they upgrade workplace safety, the amplification of the shock via firm bankruptcies, costly resource reallocation across sectors, and discouraged workers' exit from the workforce. The scarring is expected to compound forces that dragged productivity growth lower across many economies in the years leading up to the pandemic—relatively slow investment growth weighing on physical capital accumulation, more modest improvements in human capital, and slower efficiency gains in combining technology with factors of production.

Risks

The uncertainty surrounding the baseline projection is unusually large. The forecast rests on public health and economic factors that are inherently difficult to predict. A first layer relates to the path of the pandemic, the needed public health response, and the associated domestic activity disruptions, most notably for contact-intensive sectors. Another source of uncertainty is the extent of global spillovers from soft demand, weaker tourism, and lower remittances. A third set of factors comprises financial market sentiment and its implications for global capital flows. Moreover, there is uncertainty surrounding the damage to supply potential—which will depend on the persistence of the pandemic shock, the size and effectiveness of the policy response, and the extent of sectoral resource mismatches. Progress with vaccines and treatments, as well as changes in the workplace and by consumers to reduce transmission, may allow activity to return more rapidly to pre-pandemic levels than currently projected, without triggering repeated waves of infection. And an extension of fiscal countermeasures into 2021 could also lift growth above the forecast, which factors in only the measures implemented and announced so far. However, the risk of worse growth outcomes than projected remains sizable. If the virus resurges, progress on treatments and vaccines is slower than anticipated, or countries' access to them remains unequal, economic activity could be lower than expected,

with renewed social distancing and tighter lockdowns. Considering the severity of the recession and the possible withdrawal of emergency support in some countries, rising bankruptcies could compound job and income losses. Deteriorating financial sentiment could trigger a sudden stop in new lending (or failure to roll over existing debt) to vulnerable economies. And cross-border spillovers from weaker external demand could amplify the impact of country-specific shocks.

Bangladesh Economic Outlook

GDP growth in Bangladesh is accelerating gradually. But the COVID-19 pandemic severely affected the economy. According to the provisional estimate of BBS, the GDP growth stood at 5.24 percent in FY2019-20, which was 8.15 percent in previous fiscal year. Among the 3 broad sectors, growth of agriculture sector increased to 3.11 percent, which was 3.92 percent in previous fiscal year. According to the provisional data, growth of broad industry sector increased to 6.48 percent in FY2019-20; which was 12.67 percent in preceding fiscal year. Growth of broad service sector moderated to 5.32 percent in FY2019-20 from 6.78 percent in FY2018-19. According to the provisional data sectoral share of broad agriculture, industry and service stood at 12.35 percent, 35.36 percent and 51.30 percent respectively; which were 13.65 percent, 35.00 percent and 51.35 percent respectively in previous fiscal year. In demand side, the consumption expenditure stood at 74.69 percent in FY2019-20. Gross domestic savings increased to 25.31 percent of GDP in FY2019-20, from 25.02 percent a year earlier. However, national savings as percent of GDP increased to 30.11 percent in FY2019-20 from 29.50 percent in FY2018-19. On the other hand, investment-GDP ratio increased to 31.75 percent in FY2019-20, from 31.57 percent in previous fiscal year.

Banking sector analysis

After the independence, banking industry in Bangladesh started its journey with 6 nationalized commercialized banks, 3 State owned specialized banks and 9 Foreign Banks. In the 1980's banking industry achieved significant expansion with the entrance of private banks. Now, banks in Bangladesh are primarily of two types:

Scheduled Banks:

The banks which get license to operate under Bank Company Act, 1991 (Amended up to 2013) are termed as Scheduled Banks.

Non-Scheduled Banks:

The banks which are established for special and definite objective and operate under the acts that are enacted for meeting up those objectives, are termed as Non-Scheduled Banks. These banks cannot perform all functions of scheduled banks.

There are 60 scheduled banks in Bangladesh who operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. Scheduled Banks are classified into following types:

State Owned Commercial Banks (SOCBs):

There are 6 SOCBs which are fully or majorly owned by the Government of Bangladesh. There are now 5 non-scheduled banks in Bangladesh which are:

- Ansar VDP Unnayan Bank,
- Karmashangosthan Bank,

- ProbashiKollyan Bank,
- Jubilee Bank,
- Palli Sanchay Bank

A. Private Commercial Banks (PCBS):

There are 43 private commercial banks which are majorly owned by the private entities. PCBs can be categorized into two groups:

B. Conventional PCBS:

33 conventional PCBs are now operating in the industry. They perform the banking functions in conventional fashion i.e interest based operations.

C. Islami Shariah Based PCBS:

Al-Arafah Islami Bank Limited

Exim Bank Limited

First Security Bank Limited

Islami Bank Bangladesh Limited

ICB Islami Bank Limited

Shahjalal Islami Bank Limited

Social Islami Bank Limited

Union Bank Limited

Standard Bank Limited

Global Islami Bank Limited

Overall Banking Scenario

Banks' Deposits:

Total Deposit (excluding interbank items) of the scheduled banks increased by Tk. 1,606,540 million representing 13.15% point to point growth from Tk. 12,219,630 million as on 31 December 2019 to Tk.13,826,170 million as on 31 December 2020.

Islamic Banks' Deposits:

All Islamic Banks' deposits stood at TK. 3,269,222.40 million during the year 2020 as against Tk. 2,802,278.00 million in the previous year 2019 and it increased by Tk. 466,944.40 million registering a growth of 16.66% in 2020. The share of Islamic Banks' deposits as of 31 December 2020 stood at 25.33% as compared to 24.65% on 31 December 2019.

Banks' Advances /Investment:

Total Advances/ Investments (excluding bills) of the scheduled banks increased by Tk. 1,336,010 million representing 13.33% point to point growth from Tk. 10,023,730.00 million as on 31 December 2019 to Tk. 11,359,740.00 million as on 31 December 2020.

Islamic Banks' Investments

All Islamic Banks' Investments stood at TK 2,627,519.90 million during the year 2020 as against Tk. 2,627,519.90 million in the previous year 2019 and the Investment increased by Tk. 3,13,416.20 million registering a growth of 11.93% in 2020. The share of Islamic Banks' Investments as of 31 December 2020 stood at 25.69% as compared to 24.82 % on 31 December 2019.

Operating Profit:

Despite a tough start of the year 2020 Banks in Bangladesh managed to earn a reasonable amount of operating profit for the year. But The growth of profit was slim owing to low credit/investment demand, cautious lending/investment policy, lowering lending/ investment profit rates and the sluggish business environment.

In terms of operating profit earned, Islami Bank Bangladesh Limited (IBBL) is the highest and thus topping the list of Banks. Al-Arafah Islami Bank Limited (AIBL) ended up being on 8th position in 2020. However in an apple to apple comparison (i.e. Islami to islami) AIBL is only second to IBBL, the oldest and biggest Islami Bank in Bangladesh.

Islami Banking Practices

Islami Banking System is becoming more and more attractive day by day to peoples irrespective of nations, religious, colors and species. More than 300 Banks & financial institutions are serving Islami banking throughout the world. At present in our country 11 full fledged Islamic Banks are working successfully. And other traditional banks have Islami Banking Wings conducting Shariah based banking activities. Recent Development of Bangladesh Government Islamic Investment Bond (BGIIIB) is the milestone for shariah based banking practices in Bangladesh.

Al-Arafah Islami Bank Limited

With the objective of achieving success in life here & here after following the way directed by the Holy Quran and the path shown by Rasul (SM) Al Arafah Islami Bank Ltd was established(registered) as a public limited company on 18 June 1995. The inaugural ceremony took place on 27 September 1995. The authorized capital of the Bank is Tk. 15,000.00 million and the paid up capital is Tk. 10,649.02 million as on 31.12.2020.

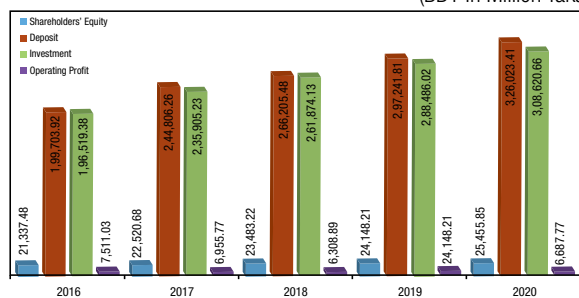
Renowned Islamic Scholars and pious businessmen of the country are the sponsors of the Bank. 100% of paid up capital is being owned by local shareholders.

The equity of the bank has stood at Tk. 25,163.43 million as on 31 December 2020, the manpower was 3,866 and the number of shareholders was 22,142. It has achieved a continuous profit and declared a good dividend over the years. High quality customer service through the integration of modern technology and new products is the tool of the bank to achieve success. The bank has a diverse array of carefully tailored products and services to satisfy customer needs. The Bank is committed to contribute significantly to the national economy. It has made a positive contribution towards the socio economic development of the country with 184 branches of which 26 is AD throughout the country.

We are pledge-bound to convert the Bank into an Islami Bank on global standard which will be dynamic in actions, progressive in ideas, honest in dealings, correct in judgment, futuristic in attitude, fair in approach, polite in behavior and devoted to high quality service to customers. Our aims are for boosting modern management, advanced technology, good profitability and steady growth transparency. We are also firmly committed to disclosure and compliance to shariah and regulatory authorities. Today the bank is an agile organization which promotes innovation, encourages improvement, values sense of urgency and develops people who accept challenges and turns them into opportunities.

Performance at a glance

(BDT In Million Taka)



Special Features of Al-Arafah Islami Bank Ltd.

- All activities of the bank are conducted according to Islamic Shariah where profit is the legal alternative to interest.
- The bank's investment policy follows different modes approved by Islamic shariah based on the Qur'an & Sunnah.
- The bank is committed towards establishing welfare oriented banking system, economic upliftment of the low income group of people, create employment opportunities.
- According to the need and demand of the society and the country as a whole the bank invests money to different 'Halal' business. The bank participates in different activities aiming at creating jobs, implementing development projects of the government and creating infrastructure.
- The bank is committed to establish an economic system resulting in social justice and equitable distribution of wealth. It is committed to bring about changes in the underdeveloped rural areas for ensuring balanced socioeconomic development of the country through microcredit program and financing of SME's as well.
- According to Mudaraba system, the depositors are the partners of the investment income of the bank. About 70% of the investment income is distributed among the Mudaraba depositors.
- To render improved services to the clients imbued with Islamic spirit of brotherhood, peace and fraternity and by developing an institutional cohesion.

The bank is contributing to economic and philanthropic activities. AIBL English Medium Madrasah, AIBL library and Al-Arafah Islami Bank Foundation Kidney Dialysis centre patronizes by the Bank are such examples.

Activities of Shariah Supervisory committee for the year 2020

Al-hamdulillah, Shariah Supervisory committee consists of 7 members specialized in Fiqhul Muamalat (Islamic Commercial Law) according to guidelines given by the Bangladesh Bank to ensure whether all banking operations are transacted in accordance with Islamic Shariah i.e. Qur'an, Sunnah, Ijma and Iztihad.

Shariah Supervisory committee has by the grace of Al-mighty Allah managed to contribute a lot to run all the business activities of the Bank according to Shariah guidelines. During the year 2020 with some unavoidable circumstances our Honorable Members of the Shariah Supervisory Committee sat in 5(Five) General Meetings and 1(one) Emergency Meeting to discuss the matters of the Bank to give opinions & directives and given solutions thereof from the view point of Shariah Principles.

Muraqib of the Supervisory committee have visited all branches of the Bank during the year to observe the Shariah compliance, give necessary instructions on the spot and submitted report to the Council. They have also submitted corrective measures to rectify the laws in implementing Shariah guidelines into the banking operations. They identified Tk 37.49 million as doubtful income of the branches of the Bank. Besides, after analyzing balance sheet, the Supervisory committee identified Tk. 317.29 million as compensation realized in different branches and Tk. 0.56 million, Tk. 13.51 million as interest income received from NOSTRO A/Cs of foreign correspondent bank and Bangladesh Bank FC Clearing Account respectively. As a result it is advised to finalize the Balance Sheet of 2020 keeping doubtful in-come amounting to Tk. 45.02 million apart from basic income and spend after tax the same on the basis of Shariah prescribed modes. At Last, as per Shariah Inspection Report of 2020, the Doubtful Income of the Bank has been reduced comparatively and we hope that this reducing figure will be continued and necessary steps would be taken time to time, Insha-Allah.

A library has been established in the Shariah Council Secretariat of Al-Arafah Islami Bank having about 500 books on Qur'an, Hadith, Fiqh, Islamic Economics and Islami Banking. Honorable members of the Council give Shariah guidelines to run the Bank's operations taking necessary consultations and data from those books after exhaustive research and study. May Allah give us tawfiq to do all activities at His pleasure, Ameen.

AIBL Capital Market Services Ltd.

AIBL Capital Market Services Limited is a subsidiary company of Al-Arafah Islami Bank Limited. The Company is incorporated under the company's Act, 1994 as a public limited company by shares with an authorized Capital of BDT 10 billion (10,000million) and paid up capital of BDT 4 billion (4,000.00 million) to provide stock brokerage services. The paid up capital of the company is subscribed by Al- Arafah Islami Bank Limited and other individuals at the ratio of 60.50:39.50. During the year 2020 the company earned Operating Profit (Before provision for investment & taxation) of Tk 20.65 million with Earning per Share (EPS) Tk. Tk.0.04

AIBL Capital Management Limited

AIBL Capital Management Limited (AIBLCML), a Subsidiary of Al-Arafah Islami Bank Limited, was incorporated under the companies Act, 1994 on October 25, 2011 with a view to run and manage the operations of Merchant Banking Services with an authorized Capital of BDT 2 billion (2,000 million) and paid up capital of BDT 500 million (500 million). It aims to be one of the leading Merchant Banks of the country by rendering quality Merchant Banking Services with a high level of professional expertise and integrity. During the year 2020 the company earned Operating Profit (Before provision for investment & taxation) of Tk. 6.02 Million with Earning per Share (EPS) Tk.0.09.

AIBL Assets Management Limited

AIBL Assets Management Limited (AIBLAML), a Subsidiary of Al-Arafah Islami Bank Limited, was incorporated under the companies Act, 1994 on January 01, 2014 with a view to run and manage the operations of Assets Management services with an authorized Capital of BDT 500 billion (500 million) and paid up capital of BDT 100 million (100 million). It aims to be one of the leading Assets Management Services of the country by rendering quality Management Services with a high level of professional expertise and integrity.

Off-shore Banking Unit (OBU)

The Bank obtained the Off-shore Banking Unit ("the Unit") License on 17 February'14 vide letter # BRPD (P- 3)744(121)/2014-934 from Bangladesh Bank. The Bank commenced operation of this unit from 22 May 2014. The Off-shore Banking Unit is governed under the rules and guidelines of the Bangladesh Bank. Its office is located at AIBL Motijheel Branch, 161, Motijheel Commercial Area, Dhaka 1000.

The principal activities of OBU are to provide Mudaraba Investment against payment of import bills under UPAS (Usance Payment at Sight) and Musharaka Documentary Bills in foreign currency (MDB F.C) to its customers. Total finance under UPAS in 2020 was USD 145.06 million and under MDB FC was USD 0.88 million. Our Plan and Strategies for Foreign Exchange Business-

- to diversify our import and Export portfolio for minimizing potential risks
- to ensure routing of all import and export business of our clients through us
- to induct best import and export clients from the market
- to boost cash import business
- to give special attention for remittance service at branch level
- to maintain a progressive growth we have to enhance our capacity by acquiring professional and technical knowledge & skill.

Position in the Stock Market

Bank's share sustained a steady strong position since its induction at Dhaka Stock Exchange & Chittagong Stock Exchange in 1998. In Dhaka Stock Exchange the face value of taka 10 of our share was traded at taka 24.00 highest in 2020. The market trend of our bank's share in Dhaka Stock Exchange from January 2020 to December 2020 is stated in the list:

Position in the Stock Market in the list:

Month	Opening	High	Low	Closing
January	17.20	17.30	15.10	15.10
February	15.10	16.50	15.00	16.00
March	16.00	16.00	13.80	14.70
April	Covid-19	Covid-19	Covid-19	Covid-19
May	14.70	14.70	14.70	14.70
June	14.70	15.40	14.70	14.70
July	14.70	16.30	14.70	16.10
August	16.10	18.30	14.70	16.80
September	16.80	17.90	16.70	17.00
October	17.00	18.20	16.80	18.10
November	18.10	23.20	17.80	22.60
December	22.60	24.00	21.50	22.20

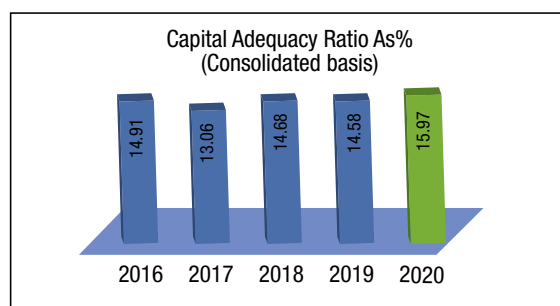
Progress Analysis

At the end of 2020, the number of depositors stood at 2,046,325 and the accumulated deposit was Tk. 326,023.41 million. The total number of investors stood at 163,706 and total investment extended to them

was Tk 30,620.66 million. During the year 2020 the total income was Tk.29,986 million and total expenditure was Tk.23,298.97 million. At the end of the year the profit before tax and provision stood Tk. 6687.77 million.

Capital Adequacy & Reserve Fund

According to BRPD Circular the Bank will have to maintain Tk.4,000.00 million Capitals from 1st July 2011. In compliance with the new provision, the bank has raised its Capital from Tk. 32,553.18 million to Tk. 39,258.09 million (Consolidated Basis) and Tk.30,802.44 million to Tk. 37,486.33 million (Solo Basis). Outstanding balance of AIBL Mudaraba Subordinated Bond Tk. 11,200 million as at 31st December 2020. In the year 2015 AIBL issue Mudaraba Subordinated Bond Tk. 3,000.00 million, in the year 2018 for Tk. 5,000.00 million and in the year 2020 for Tk. 5,000.00 million that meet the qualifying criteria for Tier 2 Capital as per annex 4 of Basel III Guidelines. The paid up capital of the bank was at Tk.10,649.02 million at 31st December 2020. The total reserve fund has stood at Tk.11,418.96 million in the current year against Tk. 10,318.61 million at 31st December 2019. In this account, the bank experienced a growth of 10.66%. The Bangladesh Bank has fixed the ratio of minimum capital adequacy (MCR) against Risk-Weighted Assets at 12.50% or Tk. 4,000 million whichever is higher.



The Consolidated and Solo Basis capital adequacy ratio of the Bank as on 31.12.2020 are appended below:

Consolidated Basis

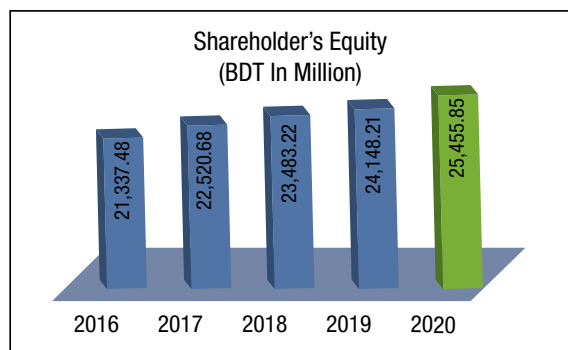
Tk. in million

a) Core Capital (Tier-I)	2020	2019
Paid up Capital	10,649.02	10,649.02
Statutory Reserve	10,334.63	9,379.99
Retained Earnings	1,732.14	1,531.42
Non Controlling Interest	1,655.73	1,649.16
Total	24,371.52	23,209.59
Less Good will and other Intangible assets	440.63	392.18
Total Core Capital	23,930.89	22,817.41
b) Supplementary Capital (Tier-II)		
Provision for Unclassified Investment	4,127.20	2,935.77
Assets Revaluation Reserve	542.17	469.31
AIBL Sub Ordinate Bond	11,200	6,800.00
Less: Revaluation Reserves for Fixed Assets, Securities & Equity Securities.	(542.17)	(469.31)
Total Supplementary Capital	15,327.20	9,735.77
Total Capital (a+b)	39,258.09	32,553.18
c) Capital Adequacy Ratio	15.97%	14.58%

Solo Basis

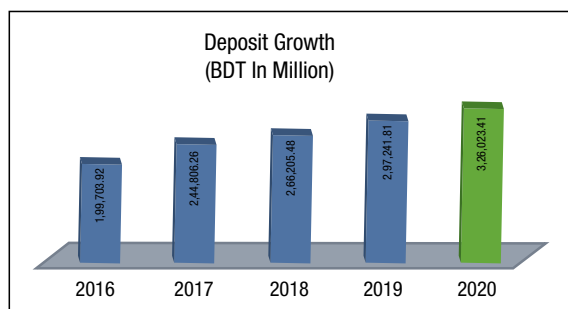
Tk. in million

a) Core Capital (Tier-I)	2020	2019
Paid up Capital	10,649.02	10,649.02
Statutory Reserve	10,334.63	9,379.99
Retained Earnings	1,616.11	1,429.84
Total	22,599.76	21,458.85
Less Good will and other Intangible assets	440.63	392.18
Total Core Capital	22,159.13	21,066.67
b) Supplementary Capital (Tier-II)		
Provision for Unclassified Investment	4,127.20	2,935.77
Assets Revaluation Reserve	542.17	469.31
AIBL Sub Ordinate Bond	11,200.00	6,800.00
Less: Revaluation Reserves for Fixed Assets, Securities & Equity Securities.	(542.17)	(469.31)
Total Supplementary Capital	15,327.20	9,735.77
Total Capital (a+b)	37,486.33	30,802.44
c) Capital Adequacy Ratio	15.48%	13.88%



Deposits

The total deposit of the bank was Tk. 326,023.41 million at 31st December 2020 as against Tk. 297,241.81 million at 31st December 2019 a growth of 9.68 % of which Tk. 4,726.57 million was bank deposit and Tk. 321,296.84 million was general deposit. The present strategy is to increase the deposit base through maintaining competitive profit rates and having low cost of funds to ensure a better spread with an average return on investment.



The mix deposit of the bank on December 31, 2020 was as follows:

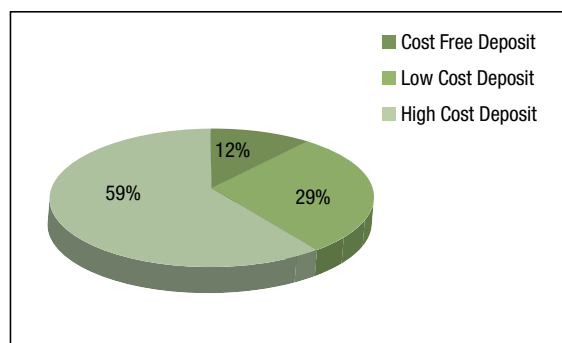
Deposit Mix

Products	Taka in Million
a) Al Wadia Current Account	37,331.44
b) Mudaraba Savings Deposit	54,879.13
c) Other Mudaraba Deposit	164,011.43
d) Mudaraba Term Deposit	66,743.97
e) Bills Payable	3,059.37
Total	326,025.34

Deposit Mix (%)

Products	Taka in Million	% of Total
a) Cost Free deposit	38,698.98	11.87%
b) Low Cost Deposit	93,177.49	28.58%
c) High Cost Deposit	194,146.94	59.55%
Total	326,023.41	100.00%

Deposit Mix as %



Various deposit product of the Bank in 2020:

Sl.No	Types of Deposit
1.	Mudaraba Term Deposit
	a. 36 Months
	b. 24 Months
	c. 12 Months
	d. 06 Months
	e. 03 Months
	f. 01 Month
2.	Mudaraba Savings Deposit
3.	Short Notice Deposit (SND)
4.	Monthly Hajj Deposit
5.	Monthly Installment Term Deposit (ITD)
6.	Monthly Profit Based Term Deposit (PTD)
7.	Monthly Savings Investment (SID)
8.	One Time Hajj Deposit

9.	(a) Al-Arafah Savings Bond (3 Years)
10	(b) Al-Arafah Savings Bond (5 Years)
11.	(c) Al-Arafah Savings Bond (8 Years)
12.	Marriage Saving Investment Scheme (MSIS)
13.	Pensioners deposit scheme
14.	Special Saving (Pension) Scheme
15.	Cash WAQF
16.	Lakhopati Deposit Scheme
17.	Kotipati Deposit Scheme
18.	Millionaire Deposit Scheme
19.	Double Benefit Scheme
20.	Triple Benefit Deposit Scheme
21.	ProbashiKallyan Deposit Pension Scheme
22.	Mudaraba Savings Deposit-Student,
23.	Farmers, Freedom fighters.

AIBL Mudaraba Subordinated Bond:

AIBL Mudaraba Subordinated Bond' of Tk. 3,000.00 million:

AIBL Mudaraba Subordinated Bond' of Tk. 3,000.00 million issued in 2015. The total profit/ return on the bond (for bond holders) will be calculated by Benchmark Mudaraba Term Deposit Profit rate of the issuer plus a predetermined additional profit rate. The Benchmark Mudaraba profit rate will be issuer's prevailing highest Mudaraba term deposit profit rate in 6-12 months tenor; to be applied semiannually. The highest prevailing published Mudaraba Term Deposit profit rate in 6-12 months tenor of the issuer will be applicable in semi annual profit rate fixation. Investors are getting an additional profit rate of 2.50% per annum to be paid semi annually along with the benchmark profit by the issuer. The Mudaraba Bond will be redeemed at the end of 3rd, 4th, 5th, 6th and 7th year of maturity at 20% of the bond value respectively. In the mean time 60% of the Bond amount was redeemed at the end of 31st December 2020. The issue has been proposed to be transferable but will not be listed with any bourses. The Standard Chartered Bank is the lead arranger of this issue and Green Delta Insurance Company Limited is the trustee.

AIBL 2nd Mudaraba Subordinated Bond' of Tk. 5,000.00 million:

AIBL 2nd Mudaraba Subordinated Bond' of Tk. 5,000.00 million issued in 2018. The total profit/ return on the bond will be calculated 1.25 times of highest 6 (six) month term Mudaraba Term Deposit profit rate for the preceding 180 days. After each financial year-end, the Issuer will give adjustment to the Bondholders if there is any additional profit reported in the respective financial year for Mudaraba Term Deposit Profit Rate for 6 months tenor. The Benchmark Mudaraba profit rate will be issuer's prevailing highest Mudaraba term deposit profit rate in 6-12 months tenor; to be applied semiannually. The highest prevailing published Mudaraba Term Deposit profit rate in 6-12 months tenor of the issuer will be applicable in semi annual profit rate fixation. The Mudaraba Bond will be redeemed at the end of 3rd, 4th, 5th, 6th and 7th year of maturity at 20% of the bond value respectively. The issue has been proposed to be transferable but will not be listed with any bourses. The Prime Bank Investment Limited is the lead arranger of this issue and Green Delta Insurance Company Limited is the trustee.

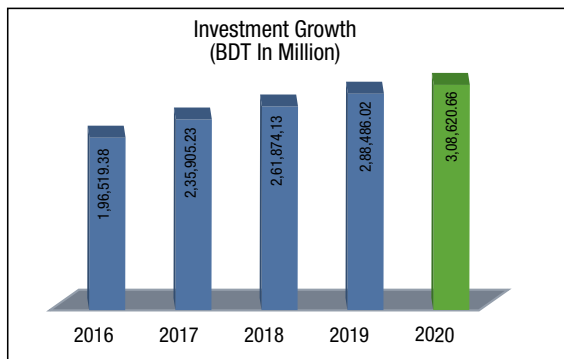
AIBL 3rd Mudaraba Subordinated Bond' of Tk. 5,000.00 million:

AIBL 3rd Mudaraba Subordinated Bond' of Tk. 5,000.00 million issued in 2020. The total profit/ return on the bond will be calculated as the average Rates of 6 months of Full-fledged Shariah based banks collected from latest available "Announced Profit Rate Chart of those Banks (Deposit Rate)" published by Bangladesh Bank in its website at the beginning of any Profit Payment Period with an additional profit rate of 2.00% per annum. After each financial year-end, the Issuer will give adjustment to the Bondholders if there is any additional profit reported in the respective financial year for Mudaraba Term Deposit Profit Rate for 6 months tenor. Payment of profit will be Semi-annually not later than 60 days from expiry of 6 (six) months and 12 (twelve) months of each year from the issuance of Bond. The Mudaraba Bond will be redeemed at the end of 3rd, 4th, 5th, 6th and 7th year of maturity at 20% of the bond value respectively. The issue has been proposed to be transferable but will not be listed with any bourses. The Prime Bank Investment Limited is the lead arranger of this issue and Green Delta Insurance Company Limited is the trustee. The details of Implementation Schedule of Mudaraba Subordinated Bond are stated as under:

Instrument Name	Particulars	BDT in Million
AIBL Mudaraba Subordinated Bond	Term Deposit with other Banks (from Bond money received).	1,500/-
	Disbursement to the Investment Clients of AIBL against Bond money received	1,500/-
AIBL 2nd Mudaraba Subordinated Bond	Term Deposit with other Banks (from Bond money received).	2,500/-
	Disbursement to the Investment Clients of AIBL against Bond money received	2,500/-
AIBL 3rd Mudaraba Subordinated Bond	Term Deposit with other Banks (from Bond money received).	2,500/-
	Disbursement to the Investment Clients of AIBL against Bond money received	2,500/-

Investment

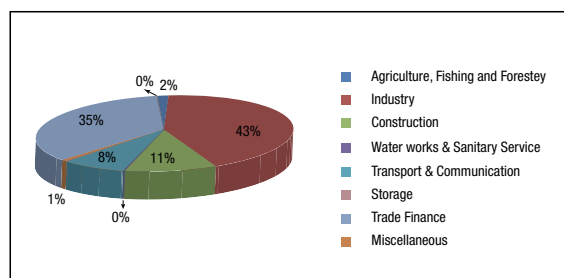
The investment of the bank has stood at Tk. 308,620.66 million as on 31st December 2020 as against Tk. 288,486.02 (Net off PR) million in the previous year showing an increased by 6.98%. The investment portfolio of the bank is well diversified and covers a broad spectrum of businesses and industries including readymade garments, textile, edible oil, ship scraping, steel & engineering, chemicals, pharmaceuticals, cement, telecommunication, construction, health care, real estate, education, transport and investment under consumer schemes. We have geared up efforts to improve the recovery rate of disbursed investment and also taken adequate measures for converting the classified investment into performing assets. As a result, classified investment of the bank could be kept at a low level far below the national average. It is 3.80% in our bank as on 31 December 2020.



The bank gives top-most priority to the creation of quality assets and does appropriate risk grading while approving commercial, trade and project investment to different clients.

Sector wise Investment 2020

Sectors	BDT in million
Agriculture, Fishing and Forestry	5,295.10
Industry	135,956.50
Construction	33,552.50
Water works & Sanitary Service	509.00
Transport & communication	25,252.50
Storage	2,575.10
Trade Finance	111,793.14
Miscellaneous	238.52
Total (Including Profit Receivable)	315,172.36
Less Unearned Profit on Investment	6,551.70
Total	308,620.66



Income

Investment income:

The investment income was Tk. 26,331.28 million during the year 2020 which was growth of -8.61% over the previous year. Investment income is 87.81% of the total income of Tk.29,986.74 million.

Income from other than investment: The bank has earned Tk. 3,655.46 commission income, exchange income, locker rent etc. in the current year which is 12.19% of the total income. It indicates -9.46% growth over the year 2019.

Expenditure

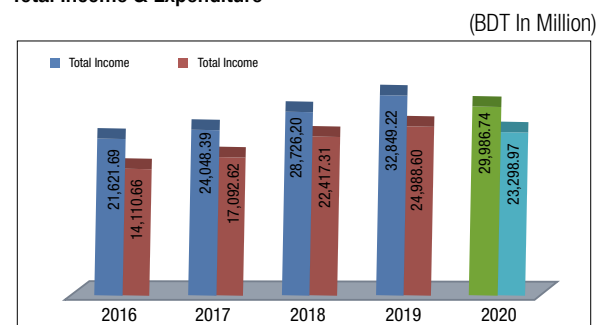
Profit paid to depositors:

The Bank has paid the depositors Tk. 16,556.64 million which is 62.88% of the investment income and 71.06% of the total expenditure for the year 2020. It was -11.01% growth over the year 2019.

Administrative and Other Expenses:

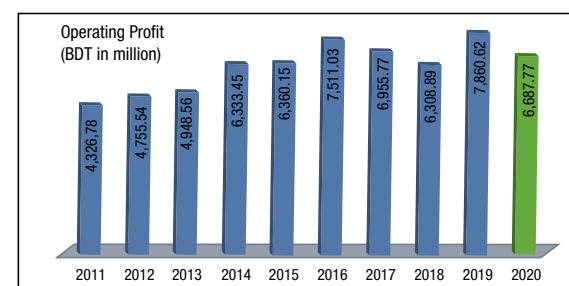
The administrative and other expenses were Tk. 6,742.33 million during the year showing 5.61% growth over the year 2019. It is 28.94% of the total expenditure.

Total Income & Expenditure



Operating Profit

The bank earned operating profit of Tk. 6,687.77 million during the year 2020. The operating profit of the Bank during the year 2019 was Tk.7,860.62 million and thus the Bank attained growth of -14.92.00% in respect of operating profit. The provision for income tax for the year amounted to Tk. 2,228.06 million and divisible profit available for appropriation amounted to Tk. 1,585.09 million.



International Banking Wing (IBW)

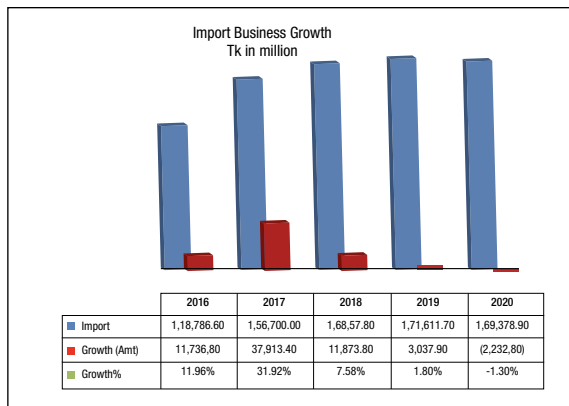
International Trade

We are now more capable and confident of handling Foreign Exchange Business. Presently, we have 26 AD Branches through which we have handled total foreign exchange business of Tk. 318,125.30 million during the year 2020 as against the Target of Tk. 370,000.00 million. Our Foreign Exchange business has decreased by Tk.166.90 million recording a growth of -0.05%. Target of International Trade for the year 2021 has been fixed at Tk. 419,000.00 million with 37.71% growth.

Import Business

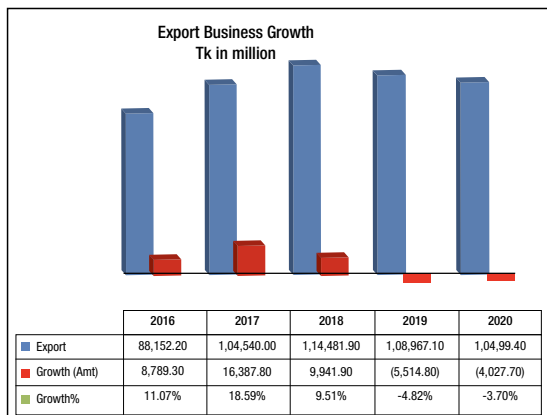
Total import business of the bank stood at Tk. 169,378.90 million during the year 2020 as against Tk. 171,611.70 million, Tk.

168,573.80 million and Tk. 156,700 million in the previous year 2019, 2018 and 2017 respectively. Our import business decreased by Tk. 2232.80 million i.e. -1.30% growth in 2020 as compared to increase of Tk. 3037.90 million i.e. 1.80% growth in 2019 and increase of Tk 9,531.40 million i.e. 5.99% in 2018 respectively. Target for Import business for the year 2021 has been fixed at Tk. 220,000.00 million with an expected growth of 29.89%.



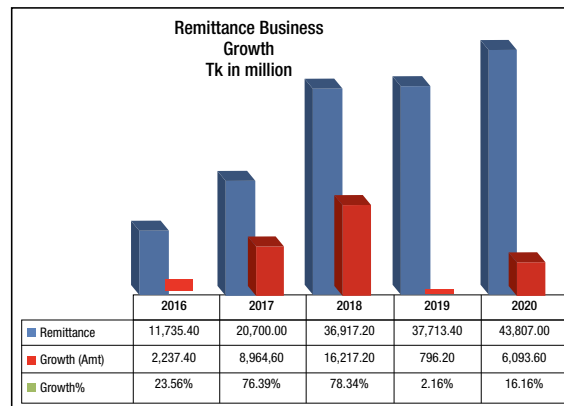
Export Business

Total Export business of the bank stood at Tk. 104,939.40 million during the year 2020 as against Tk. 108,967.10 million, Tk. 114,481.90 million, Tk. 104,540.00 million in the previous year 2019, 2018 and 2017 respectively. Our export business decreased by Tk. 9542.50 million i.e. -3.70% growth in 2019 as compared to decreases of Tk. 5,514.80 million i.e. -4.82% growth in 2019, increases Tk. 9,941.90 million i.e. 9.51% growth in 2018. Our target for Export business for the year 2021 has been fixed at Tk 145,000.00 million with an expected growth of 38.17%.



Remittance

Total remittance of the bank stood at Tk. 43,807.00 million during the year 2020 as against Tk. 37,713.40 million, Tk. 36,917.20 million and Tk. 20,700.00 million in the previous year 2019, 2018 and 2017 respectively. Our remittance increased by Tk. 6093.60 million i.e. 16.16% in 2019 as compared to increases of Tk. 796.20 million i.e. 2.16% in 2019, Tk. 16,217.20 million i.e. 78.34% in 2018 respectively. Target for Remittance business for the year 2021 has been fixed at Tk. 54,000.00 million and thus expecting a growth of 23.27%.



Treasury Operations:

The COVID-19 pandemic is damaging economies across the world, including financial markets and institutions in all possible dimensions. For banks in particular, the pandemic generates multifaceted crises, mostly through potentiality increases in default rates, liquidity and profit rate equilibrium and low credit/deposit growth.

In our banking business, movements of the components of balance sheet are an ongoing process which has significant role on the profitability and overall financial strength of the bank. In line with the ever changing regulations and ideas, AIBL Treasury has played a pivotal role in overall fund management of the bank. Each and every day Treasury team has been monitoring all inflows and outflows of the balance sheet components and managed liquidity and deficit situations ensuring banks profitability within the laid down policies and regulations of Bangladesh Bank. AIBL Treasury team is always focused to cater the needs of different treasury solutions in different environments. As an Islamic Bank, AIBL has many limitations and cannot deal with conventional Treasury products like Govt. Treasury Bond, Treasury bill, Call Money, SWAP & Forward Contracts. In spite of all the limitations, Treasury team was committed to offer competitive price, excellent services and time befitting advices to the clients to best fit the changing environment. AIBL Treasury has separate designated desks to provide optimum Treasury solutions.

Desks are as follows:

- Foreign Exchange Desk
- Money Market Desk
- Asset Liability Management Desk and
- Corporate Service Desk

Foreign Exchange Desk

Throughout the Year our Foreign Exchange Desk officials thoroughly monitored exchange rate movements, volatility & liquidity scenario of USD and other active currencies. Treasury set exchange rates for merchant transactions, successfully managed Net Open Position (NOP), ensured optimum liquidity, provided market based exchange rates to the exchange houses and managed FC liquidity for our Offshore Banking Unit(OBU). The Foreign Exchange desk has maintained close liaison with a set of local and foreign counterparts for ensuring of FC liquidity around the calendar even during pandemic. AIBL Treasury

successfully managed FC dealing of cross currencies through its trading platforms like FX Trader of Mashreqbank, FX Markets of ICICI Bank, Straight2Bank of SCB & Deri-X Trader of Landesbank Baden-Wuerttemberg. The Desk has also provided FC dealing solutions to the counterparty banks in our local market. Whole of the year they have performed 2,162 no. of USD/BDT & cross currency deals. FX Desk has contributed operating income of BDT 1,468.50 million from cross currency deals, exchange gains & FC funding. In 2020, Treasury Back Office (TBO) team has handled 82,342 nos FX transactions with turnover of USD 3.75 bio. FX transactions were being routed through 34 Nostro accounts in USD, EUR, GBP, CNY,CHF, JPY, AED & SAR currencies. TBO had relentlessly driven it's all out effort for timely reconciliation of all of the nostro transactions aligned with Bangladesh Bank regulations.

Money Market Desk

Ensuring optimum liquidity of local currency to meet asset book requirement as well as earning optimum profitability from the mismatches between maturity buckets of deposits of the bank within regulatory requirements are prime responsibility of the Money Market Desk. AIBL Treasury Money Market Desk also maintained Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) of the bank efficiently. Our team has successfully managed liquidity as well as deployed surplus funds to the Islamic banks, Islamic windows & Islamic branches of conventional banks and leasing companies operated under shariah principles. In 2020, Government introduced Bangladesh Government Investment Sukuk (BGIS) first time & AIBL also participated in its first auction of BGIS for SLR maintenance.

Asset Liability Management (ALM) Desk

Managing the risks that arises from maturity mismatches of Asset Liability of the bank is the prime responsibility of ALM Desk. Bank faces several risks like Liquidity Risk, Profit Rate Risk, Credit Risk and Operational Risk etc. ALM Desk mainly manages Liquidity Risk and Profit Rate Risk of the bank through day to day monitoring of market information & future outlooks. It prepares ALCO paper & conducts ALCO meetings each month where all issues related with ALM are discussed and instructions are given accordingly.

2020 was a challenging year from Asset Liability point of view as Bangladesh Bank issued circular regarding fixation of new Investment Deposit Ratio (IDR), Cash Reserve Requirement (CRR). Due to volatile movements of profit/interest rates of Asset and Liabilities in the market, it was a real challenge to maintain a reasonable spread. The ALM Desk was proactive to revise the profit rates of deposits aligning with market rates as well as ensuring liquidity. Facing all challenges ALM Desk has succeeded to maintain a steady and reasonable spread throughout the year. ALM Desk has properly maintained BASEL III ratios like Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Corporate Service Desk

We are providing customized treasury solutions to our corporate client's matching with market practices from the Corporate Service Desk. Mainly our foreign trades clients seek market oriented timely solutions and appropriate advices for their FX portfolios. The main objective of the desk is to ensure maximum utilization of funds of corporate clients ensuring profitability of the bank as well as strengthening their trust on us.

Besides all of its regular activities, Treasury has prepared and updated following guidelines which had been duly approved by our

Board of Directors:

- Foreign Exchange Risk Management Guidelines
- Guidelines on Asset Liability Management
- Wholesale Borrowing and Lending Guidelines
- Management Action Trigger
- Contingency Funding Plan
- Profit Rate Risk Management Guidelines
- Fund Transfer Pricing Policy

Treasury Outlook of 2020

In 2020 BDT vs USD has moved Tk.84.95 to Tk.84.80 resulting appreciation of almost 0.18% but experts opinions are that, BDT is overvalued comparing our peer currencies. Our competitive countries has devalued their currencies significantly which has posed serious threat to our export destinations and country has faced negative growth of exports last year. Due to prevailing COVID-19 pandemic, US-China trade war, Iran Crisis & BREXIT issues, to retain export earnings, BDT may be under pressure for devalue. In 2020 Government has introduced 2% incentive for inward remittances which has contributed in 16.94% growth.

Fixation of Deposit rates @ 6% and Investment rates @ 9% from 1st April, 2020, moratorium in investment repayment, injecting money by B. Bank from buying dollar from banks dampen money market round the year. Money market situation may not change overall liquidity position of the market and may lead to deepen the liquidity crisis further. To cope up with the changing scenario banks have to introduce tech based banking, spread Agent and Sub-Branch outlets countrywide and rush to retail depositors/investment clients.

Foreign Remittance Division:

Foreign Remittance Division is one of the most potential business segments of the bank which contributes overall growth of the Bank, increases the inflow of foreign currency, assists to build up low cost deposit and strengthen customer base of the Bank as well as upholds Bank's image in home & abroad and also makes significant impact towards the sustainable development of the Bank. Foreign Remittance Division is procuring remittance from all the remittance hubs across the globe consisting more than 100 countries through 19 (nineteen) Remittance Arrangements with different exchange houses in abroad and local banks.

1. Remittance Achievement:

Total remittance of the bank stood at Tk. 4,380.70 crore during the year 2020 as against Tk. 3,771.34 crore, Tk. 3,691.72 crore, Tk. 2,070.28 crore and Tk. 1,173.54crore in the previous year 2019, 2018, 2017 and 2016 respectively. Our remittance increased by Tk. 609.36 crore i.e. 16.16% in 2020 as compared to increases of Tk. 79.62 crore i.e. 2.16% in 2019, Tk. 1,621.44 core i.e. 78.32% in 2018, Tk. 896.74 crore i.e. 76.41% in 2017 and Tk. 223.77 crore i.e. 23.56% in 2016 respectively. Target for Remittance business for the year 2020 has been fixed at Tk. 5,000.00 crore expecting growth 14.14%.

Performance of Foreign Inward Remittance -From 2016 to 2020:

The Branches & Agent Banking Outlets of AIBL have procured foreign remittance BDT 2,941.43 crore in 2020 which is more than 20.42% of the previous year 2019 and procurement of foreign remittance through BEFTN (A/c Credit with other bank) was BDT 1439.27 crore in 2019 which is more than 8.32% of the previous year 2019.

2. Remittance Drawing Arrangement:

We have signed 03 (three) new remittance drawing arrangement agreements with different exchange houses in Qatar, Canada & UK in 2020 and another 10 (ten) more exchange houses from different hubs of the world are under process. In order to boost-up remittance business the division is deploying all-out effort to establish new drawing arrangement with exchange houses in UAE, Oman, Bahrain, Kuwait, Qatar, Malaysia & across the globe.

3. Foreign Remittance Operation at Agent Banking Outlets:

Our all Agent banking outlets have been disbursing foreign remittance under the support of Foreign Remittance Division. Remittance achieved through Agent Banking Outlets during 2019 was BDT 849.47 crore which was 19.39% of total remittance.

4. Marketing & Promotional Activities:

With a view to enable Bangladeshi Expatriates residing and working abroad to remit their hard earn money through our Bank and to boost up our Bank's remittance business and deposit ratio, to elevate the standard of foreign remittance customer services as well as maintaining continuous touch with the existing & prospective remittance clients, clients of other banks, wage earners' beneficiaries and all strata of people at large in the society, we have celebrated "Remittance Service Month -2020" from 1st November to 31st December, 2020. In the "Remittance Service Month -2020" we have provided additional 1% cash incentive against account credit remittance with our bank which will be procured by AIBL through the exchange houses with whom we have drawing arrangement. We have provided BDT 72.89 lac as additional 1% cash incentive against account credit remittance with our bank and 19,842 new remittance beneficiary accounts has been opened during this service month.

Sl no.	Region	No.RMA established
1.	Asia	6
2.	Middle East	4
3.	Europe	6
4.	North America	1

5. Cash Incentive:

As per the declaration of the Government of Bangladesh and instruction of Bangladesh Bank through FE circular-31 dated 06.08.2019, we have been providing 2% cash incentive against foreign remittance payment from 23.10.2019. In 2020, we have received BDT 95.59 crore from Bangladesh Bank as Imprest fund for the payment of Cash Incentive against foreign remittance and disbursed BDT 89.21 crore as government cash incentive.

6. RMS (Remittance Management System) Software:

In order to avoid manual intervention in processing & distribution of remittance, minimize risk, maintain compliance, generate reporting in time, ensure better service and to make the whole remittance management operation smoothen, we have successfully launched the RMS software from 24/08/2020. With the collaboration of our ICTD, we are still working for the up gradation of the said Software with Millennium Information Solution Ltd. API integration with the exchange houses, reconciliation of the accounts, reporting, operation of the Agent Outlets & Sub Branches etc. are under process in our RMS software.

Overseas Banking Division:

Overseas Banking Division of International Banking Wing is working continuously to enhance the business arena of the Bank at home and abroad by establishing Correspondent Banking Relationships with different renowned foreign and domestic Banks subject to compliance with AML-CFT regulations of Bangladesh Bank and other competent authorities. Performance of 2020 in this respect is as under:

New relationship management application (RMA):

Established new 17 RMA (Relationship Management Application) with global banks in 2020 in following regions:

New Nostro Accounts: In 2020, we have opened new 02 (Two) Nostro Accounts in the following currency as below:

Name of the bank	Currency	City	Country
UBI Banca	Euro	Bergamo	Italy
Riyad Bank	SAR (Saudi Riyal)	Riyadh	Saudi Arabia

New Credit line in 2020:

Sl no.	Name of the bank
1.	Abu Dhabi Islamic Bank, UAE
2.	Banque Cantonale Vaudoise (BCV), Switzerland
3.	Banco Sabadel, France
4.	PBL Finance (Hongkong) Limited

Vessel Tracking Service in AIBL:

Since 2019, we have been implementing web based vessel tracking services from Lloyd's List Intelligence (LLI), United Kingdom to prevent our import & export business from involving money laundering and terrorist financing risk as well as to comply with the requirement of Maritime Sanctions screening.

Basic Tracker:

Basic Tracker enables us to track all our swift payment messages from end-to-end in real time (some banks in between the transaction may be hidden/undisclosed), confirms if the beneficiary has been paid or not etc.

Internal Control & Compliance Wing

Internal control in bank is a broad term with wide coverage. Internal Control implies the whole system of control implemented by the management in order to carry on the business of the organization in an efficient way by having an automatic check and balance of overall activities and transactions.

An ideal internal control system of an organization ensures best possible utilization of the resources and helps to mitigate the risks involved in utilization of organization's fund and other resources.

Framework of Internal Control System:

Committee of Sponsoring Organizations (COSO) of the Treadway Commission has developed an internal control framework that has been accepted as the standard all over the world. The key concepts of COSO framework include:

a. Internal control is a process (or, more accurately, a series of processes)

- b. It is effected by people
- c. It provides reasonable assurance, not absolute assurance
- d. It is objectives-focused

Objectives of Internal Control

The main objectives of Internal Control are to achieve its goal by proper use of its resources (e.g. manpower, assets-liabilities, equipment's etc.), identifying its weakness & taking appropriate measures to overcome the weakness. There are 3 (three) types of objectives:

Internal Control is established and developed for safeguarding the assets from unauthorized use and mishap, preparation of financial statement from free from misstatement, whether due to fraud or error and keeping business performance in line with ultimate objectives of the organization.

Components & Principles of Internal Control

Internal control consists of five integrated components such as (a) Control Environment, (b) Risk Assessment, (c) Control Activities, (d) Information & Communication and (e) Monitoring. There are 17 principles under these 5 interrelated components, which are very important for control process. Those are as follows-

Internal Control Components	Principles
Control Environment	<ol style="list-style-type: none"> 1. Demonstrate commitment to integrity and ethical values 2. Ensure that board exercises oversight responsibility 3. Establish structures, reporting lines, authorities and responsibilities 4. Demonstrate commitment to a competent workforce 5. Hold people accountable
Risk Assessment	<ol style="list-style-type: none"> 1. Specify appropriate objectives 2. Identify and analyze risks 3. Evaluate fraud risks 4. Identify and analyze changes that could significantly affect internal controls
Control Activities	<ol style="list-style-type: none"> 1. Select and develop control activities that mitigate risks 2. Select and develop technology controls 3. Deploy control activities through policies and procedures
Information & Communication	<ol style="list-style-type: none"> 1. Use relevant, quality information to support the internal control function 2. Communicate internal control information internally 3. Communicate internal control information externally
Monitoring	<ol style="list-style-type: none"> 1. Perform ongoing or periodic evaluations of internal controls (or a combination of the two) 2. Communicate internal control deficiencies

Three Lines of Defense Model:

Three International organizations and their publications; (1) Basel Committee on Banking Supervision in their publication "Principles for the Sound Management of Operational Risk", (2) Institute of Internal Auditors (IIA) in their global

positioning paper "The Three Lines of Defense in Effective Risk Management and Control" and (3) COSO in their publication, "Leveraging COSO in Three Lines of Defense" have propagated and supported the Three Lines of Defense Model for Risk Management which has been internationally accepted for managing risk.

Mentionable here that, Bangladesh Bank in its Guidelines on Internal Control & Compliance in Banks has also address this model for effective Internal Control & risk management.

The Three Lines of Defense model distinguishes among three groups (or lines) involved in effective risk management:

- Functions that own and manage risks.
- Functions that oversee risks.
- Functions that provide independent assurance.

Relationship among the objectives, components, principles and model:

Successful and effective Control System is a result of a team work. Internal Auditors are no doubt an active player of the team. In fact, the SMT, the BOD-all like internal auditors play their respective roles toward achieving the desire goals of risk management. Relationship among the objectives, the framework and the model are shown below in a nutshell.

Sustainable Finance Unit

Green Banking

This unit aims at achieving stable economic growth along with social development and preserving natural environment. For sustainability we have to utilize all our resources optimally. From this perspective, different policies on environmental protection and social welfare are implied in its business operation.

Among those some initiatives are as follows:

In-house Activities:

Under implementation of Green Office Guide, we organized

- (i) all our meeting among branches, higher authority, Board of Directors and even Annual General meeting through online platform.
- (ii) All our workshop and training session under the program of awareness and capacity building were also successfully done through online platform.
- (iii) At present we newly introduced our Islamic Wallet Mobile App under Mobile Financial Services for facilitating easy money transfer, payment of bill, mobile top-up, merchant payment and inclusion of rural area under banking service.
- (iv) Recently we also introduced Internet Banking facilitating all transactions and for availing other banking services to our valued clients through internet staying at home.
- (v) Under Business Process Automation (BPA), we now circulate all our letters, instructions, Investment proposal and Sanction through shared digital platform, email and IP message.

ESRM (Environmental and Social Risk Management):

Considering all the social and environmental aspects as per ESRM Guidelines we have done Environment and Social Risk Rating (ESRR) at the time of processing all the investment proposals properly. Scheduled monitoring and inspections have also been done time to time.

Green Finance:

Green finance as a part of Green Banking makes great contribution to the transition to resource-efficient and low carbon industries i.e. green industry and green economy in general.

Already we are working on 52 green product, Bangladesh Bank Islamic Refinance Scheme and Green Transformation Fund. Ever since the inception of Green Banking, AIBL has financed in diversified Green areas like LED Bulb/Tube Assembly Plant, ETP Construction, Recycling Waste and Green Brick Manufacturing etc. In 2020 total Green Finance disbursement was BDT 1428.05 million.

Islamic Refinance under Green Banking Activities: For financing in green product we further signed participation agreement on "Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives" on September 06, 2019 with Bangladesh Bank. Under this scheme Bangladesh Bank provides fund for refinance in 52 green products which we can disburse at single digit profit rate to the clients. We availed refinance of BDT 40.00 million in ensuring work environment and security of workers in the factory which is one the green products where present outstanding is 30.00 million.

Corporate Social Responsibility (CSR)

Under CSR activities the bank always focuses social development and fulfilling its needs on priority basis. Our Bank is always responsible for social development in addition to business activities. During the year 2020 our total expenditure in CSR is BDT 284.14 million which is shown sector wise in the table below:

(BDT in Million)

Sl No.	Particulars	2020	2019
1	Health Sector	16.81	18.71
2	Education Sector	10.07	2.13
3	Disaster Management	8.51	0.98
4	Cultural Activities	6.68	0.53
5	Environment	15.26	13.86
6	Others	226.81	23.42
	Total	284.14	78.62

Special Education Scholarship Program:

AIBL is a trusted partner of the government in its journey to achieve Sustainable Development Goal. In this context, the bank has taken step to spread quality education which is the 4th most prioritized goal of SDG. So from 2018 the bank has successfully begun one most deserving event titled "Al-Arafah Islami Bank Education Scholarship-2018" for underprivileged meritorious students who completed HSC. In 2020 this program scenario is as follows:

Number of Students	Present institute of study	Total Scholarship (BDT in Million)
199	Students are covered from different educational institutions such as Public Universities, Medical Colleges, Engineering Universities, Agricultural Universities, Science and Technology Universities, Open University, National University, Private University etc.	2.57

Cottage, Micro, Small and Medium Enterprises Investment (CMSME)

Cottage, Micro, Small and Medium Enterprises (CMSME), works as the platform for job creation, income generation, and development of forward and backward industrial linkages and fulfillment of local social needs. MSMEs occupied a unique position in the economy of Bangladesh. Here, the MSMEs account for about 45% of manufacturing value addition. They account for about 80% of industrial employment, about 90% of total industrial units and about 25% of total labour force.

In the light of the definition given by Bangladesh Bank, Al-Arafah Islami bank Ltd. has put utmost priority over CMSME financing in three categories of enterprises viz. Industry, Trade & Services.

CMSME Investment at a glance

BDT in Million

Description	2020	2019
Total CMSME Portfolio	100196.89	101,467.20
% of CMSME Portfolio to Total Portfolio	34.41%	34.67%
Target of CMSME Investment	60000.00	85,000.00
Total CMSME Disbursement	61005.39	85,761.15
% of Achievement	101.67%	100.89%

Investment on Women Entrepreneurs

About 50% of the populations of Bangladesh are women. Women participation in the mainstream of economic activities especially in the productive sectors is crucial for attaining sustainable economic growth, poverty reduction and women's empowerment. But women participation in economic sector is inadequate and the number of women entrepreneurs is very low compared to that of their male counterparts.

Al-Arafah Islami Bank Ltd. is working with women entrepreneurs to make them capable of earning by connecting with country's economic activities. We give priority to women entrepreneurs to invest on various productive sectors. By the side of collateral secured investment, collateral security free investment is also considered in the question of women development.

Description	Figure in Million
Total SME Portfolio in Women Entrepreneurs	4264.33
Amount of Disbursement to Women Entrepreneurs	3513.18

Agricultural Investment

To promote agricultural sectors properly, our collateral free agricultural schemes are: Rural Agricultural Investment Scheme (RAIS) & Khamarbari Investment Scheme. Those schemes are running in all rural Branches. Skilled and experienced staffs are recruited in the concerned branches to ensure proper development of marginal farmers.

Rural Agricultural Investment Scheme (RAIS)

On the basis of socio-economic development of marginal and lessee

farmers, this agricultural based programme named 'Rural Agricultural Investment Scheme (RAIS)' is running in this Bank. Development of country's internal food production as well as socio-economic sectors of farmers is the main focus here. We have already listed 2,450 farmers under this scheme and total investment is Tk. 30.05 million of which outstanding is Tk. 29.00 million.

Al-Arafah Khamerbari Investment Scheme

To make a priority to invest in the crop sector of Bangladesh, we have launched the product named: "Al-Arafah Khamerbari Investment Scheme (Khamerbari)". With this product, we work for farmer's community surrounding the Branch. Our field officials motivate farmers to grow the potential crops based on their previous farming experience. This scheme is an innovative action to develop the crop sector of Bangladesh. We have disbursed 75.00 million investments among 1150 farmers under this scheme so far.

Growing spices at a lowest profit rate (4%)

As per instruction of Bangladesh Bank, and to increase the production of different types of spices like Pulse, Oil-seed, Spice and Maize, we started investment at a lowest rate of profit (only 4%) to the marginal farmers. We have disbursed 29.72 million investments among 557 farmers under this sector so far.

Mudaraba Animal Husbandry Scheme

In the concept of Islamic Finance, Mudaraba is a special kind of partnership business, where one partner gives money to another and at the end of business cycle, the profit will be distributed between both the parties as per previously signed agreement. The investment comes from the first partner who is called "Saheb-ul-maal", while the management and work is an exclusive responsibility of the other, who is called "Mudarib". All the losses will be contributed by the fund provider.

In this scheme, Bank shall purchase cows, goats etc. on behalf of client under the limit of sanction amount. Clients shall responsible for daily maintenance of that animal as per terms and conditions. After a certain time, that animal will be sold in current market rate and then the profit shall be distributed as on previous agreement.

In this scheme, we have already disbursed Tk. 23.99 million for fattening of 484 Cows and 13 Buffalos among 187 farmers so far. This was a great achievement we think. This is a special scheme in the banking sector of Bangladesh.

Agent Banking

Agent Banking services is one of the new dimensions of banking services in Bangladesh which are provided through engaged agents under valid agency agreement. Agent is the owner of one or more than one outlet(s) who conducts banking transactions on behalf of the bank. This type of banking is comparatively a new idea that can help the formal banking sector reach out to the marginalized segment of population of the society through agents. It is playing a pragmatic role in paving the way for financial inclusion.

We have launched 400 Agent Banking outlets through 264 Agents as on December 2020 with a view to bringing the un-banked population under banking services. As on December 2020, total accounts of Agent Banking are 3,25,582 which is 14.42% of total Bank's account. We have already covered 185 Upazillas under 48 Districts. With some restrictions and limitations, most of the banking services are available in agent banking operation.

In Agent Banking, most of the beneficiaries are living in rural areas

and were totally un-banked at the earlier. But now, their total deposit is Tk. 23524.42 Million and the figure is increasing rapidly. Clients are opening accounts, depositing and withdrawing their expected money, getting foreign remittance from their relatives, paying their utility bills and getting other banking services spontaneously. This is one of the appropriate examples of financial inclusion in Bangladesh.

Agent Banking Performance At a Glance (As on 31-12-2020)

Particular	BDT in Million	
	Year 2020	Year 2019
Total Number of Agents	264	170
Total Number of Outlets	400	265
Number of Accounts	3,25,582	2,24,687
Total Deposit (Tk.) of Agent Bank	23,524.42	15,436.80
Number of Foreign Remittance disburse through Agent Bank	1,64,392	1,39,373
Amount of Foreign Remittance (Tk.) disburse through Agent Bank	8,875.51	6,122.54
Number of Electricity Bills	39,50,120	16,19,183
Amount of Electricity Bills (Tk.)	2,387.80	1,134.10
Number of Covered District	48	44
Number of Covered Upa-zilla	185	241

Branding & Public Relations

Improvements in branding and media relations were priorities during the year 2020. In response to the overwhelming expansion in Bank's business, we extended our publicity to fulfill the market demand. We brought new dimension in our branding and publicity for establishing a positive image of the Bank. We acquired encouraging national attention towards AIBL throughout the year with our all-around activities. More than 62 news items of the Bank were broadcasted in 520 news coverage through 20 different TV Channels during the year 2020. We continued news branding on 6 major satellites TV channels such as Channel-i, Bangla Vision, ATN Bangla, ATN News, Desh TV and DBC TV.

Promotion in the television media got a major hike during the Ramadan in this year. In 11 major TV channels which included NTV, ETV, Bangla Vision, Bangla TV, Independent TV Jamuna TV, Channel-9, Boishakhi TV, SA TV, News 24, Gazi TV and many more. The Bank sponsored 14 different programs to encourage true Islamic values. The initiative was praised by the stakeholders and positively put an effect on business.

Positive branding was one of the vital supports that led the Bank to hold a firm position in the market. The Bank proved its engagements with people by sponsoring several occasions. Banking Fair, SME Fair, School Banking Conference, Anti-Money Laundering Conference, Fair of Chittagong Metropolitan Chamber of Commerce & Industry and many more people-related gatherings were sponsored by the Bank. These activities tightened the relationship with clients and uplifted Bank's faithful image.

Our presence in the print media also was bold as we had 1150 Press Release items published in more than 60 different leading Newspapers and Media throughout the year. Besides, more than 560 advertisements took place in 115 different publications during that year.

As the Bank touched the milestone of 25th Anniversary in 2020, the Board of Directors approved a rebranding campaign for the year. Therefore in 2020, our advertisement plan focused to achieve the most outcome from the Rebranding Campaign. This year the Bank went into Electronic Media vastly. Besides, promotion in social media and put utmost focus on Digital Media via Online Portals, Facebook, YouTube etc. With a new rebranded outfit, AIBL started serving more smartly and dedicatedly at every point of service throughout the country. Unexpectedly, this year the Promotional planning was struck by the negative effect of global pandemic caused by COVID-19. But the Bank had to modify its plan according to the situation.

Moreover, during the adverse circumstances, Bank made its' promotion through client service more effective and efficient in 2020. We must remember that, a satisfied client is the best advertiser of the Bank. So, all our promotional steps will be focused to make our customers feel that they are banking with their own bank with all the modern facilities, when they are with Al-Arafah Islami Bank Limited.

Branding Summary of AIBL in 2020

SL	Branding Details	Frequency During 2020
1	TV News Items	62 events 520 coverage
2	TV Channel Coverage	20 channels
3	TV Branding (throughout the year)	6 channels
4	TV Branding during Ramadan	14 programs 11 channels
5	PR Published	1150 times
6	Print media covered	60 media
7	Promotional Advertising	560 advertisements
8	Publications used	115 publications

Information Technology

The technology is of great use in banking sector, it has changed the banking industry from paper and branch based banks to digitized and network services. Means it has played a very big role in reducing fraud in banks which protects its' clients. Banks are investing heavily in digital banking technology, in which customers use mobile, web or digital platforms to use banking services. Artificial intelligence solutions, such as chatbots, often assist customers in simple tasks such as making payments. As such bank can enhance business processes, make managerial decision, and workgroup collaborations which strengthen their competitive positions in rapidly changing and emerging economies.

Every bank is providing their financial services, DATA analysis & classifications, making the ultimate decision with a truly automation system accomplished by the ICT division. AIBL started its Automation journey from 2006 and lived their Online Operation in the 2008 that has been going on successfully since inception.

Beside Core Banking System (CBS) we are also using the below tech based services to automate, secure and faster our internal activity as well as to offer the better services to our valued customers:

i. RTGS; ii. BEFTN; iii. BACH, iv. ISS Report, v. BPA, vi. CIB, vii. goAML-CTR, viii. RIT Reporting, ix. i-Banking, x. Sylvia (HRMS), xi. Agent Banking, xii. Utility Bill Collection, xiii. Sanction Screening, xiv. FATCA

Compliance, xv. SWIFT, xvi. Asset Management, xvii. Centralized Anti Virus Management, xviii. Mail Server, xix. OBU, xx. Treasury, xxi. ATM Service, xxii. Mobile ATM Service, xxiii. Debit Card, xxiv. Credit Card, xxv. SMS Alert etc.

Recently AIBL has launched Islamic Wallet which a Shariah based Mobile Financial Services of Al-Arafah Islami Bank Limited. Islamic Wallet comply with the most rigorous security, compliance standards and all regulatory requirements.

Islamic Wallet promises to provide the most innovative services that can be provided in Mobile Financial Services industry of Bangladesh. It is fast, secure and affordable way to send & receive money from anywhere at any time. In addition to 'send and receive money', it provides a total eco-system where people can derive the best use of money. This wallet will be considered as new and innovative payment system to cater all kinds of banking needs for ensuring the maximum convenience of customers specially those who do not have access to banking services.

Services offered by Islamic Wallet

- Cash In, Cash Out, Person to Person (P2P)
- Fund Transfer from Card and Bank Account.
- Person-to-Business payments (P2B) such as utility bill payment, airtime top-up, insurance premiums, loan instalments, merchant payments etc.
- Business-to-Person payments (B2P) such as payroll, commission disbursement, etc.
- Government-to-Person (G2P) payments such as subsidies, freedom fighter allowances, social welfare payments, endowments, etc.
- Person-to-Government (P2G) payments such as government duties, taxes, fees, etc.
- Ticketing Service
- Tuition Fees Payment

There are some Technology based initiatives taken by the bank management to improve the customers' services with a view to become the best bank in Bangladesh:

1. To become one of the best three Technologically advanced banks in the country within next 3 years
2. Ensure 100% Regulatory Compliance by taking highest possible ICT security measures within a year.
3. Considering a huge unbanked population across the country, AIBL has been working very closely with different government and non-government entity to ensure the availability of Mobile Financial Services (MFS) all over the country.
4. Full-phased Internet Banking along with E-Commerce and Payment Gate way will be started very soon.
5. Introduce Booth Banking Services as per Bangladesh Bank guideline.

Card Division

FinTech is no longer a jargon of the banking industry. Instead, it has become a familiar term in technology in general. The Global investments in FinTech ventures have doubled to a whopping \$112 billion as compared to \$51 billion last year. This is more than an evidence to prove that the digital revolution is at the doorsteps of

financial services sector. The term FinTech is derived by joining two words which are financial services and digital technology. In a nutshell, FinTech simply prompts the use of digital technology by startups to come up with innovative products and services such as mobile payments, alternative finance, online banking, and overall financial management. Modern day Banking is unimaginable without digital and alternative payment platform. In busy day to day life, businesses and consumers are interested in faster, safer and more convenient payment methods.

At present we are providing wide range of Card product like Debit Card, Credit Card, Instant Card, Pre-Paid Card and Hajj Card. More than 1.85 lac AIBL card holders can use AIBL own ATMs as well as any Banks ATM through NPSB network & MasterCard enable ATMs. The growth of debit card was 48% and for credit card that was 55%. We already introduced most secure EMV certified chip based card. Chip ATM cards have significantly helped in minimizing the financial loss that occur in the case of mishaps. We are planning to start issuing contactless card for make everyday purchases quickly and safely with just a tap. We will launch "Master INSTANT Card" to facilities our honorable customers, they can collect the pre-embossed Master debit card from Branch at the time of opening account. Like the new slogan of our Bank "Shariah based always", we are strictly maintaining the Shariah principals while issuing La-Riba Credit Card, so we operate on 'Quard' concept. We are offering Credit card to our customer with wide range of modern & digitalized service. We are providing Lounge facility to our honorable La-Riba Platinum Credit Card holders. The Lounge is quiet spaces where our honorable customers can relax and escape the stress of the terminal. We have already signed EMI agreement with almost all renowned Furniture manufacturers, Branded Electronics chain shop, & Lifestyle retailers, Travel Agents, local Airlines and leading Hospitals, Restaurants, Hotels, On-line shops. Addition to that, we already signed discount agreement with almost all renowned Lifestyle retailers and leading Hospitals, Restaurants, Hotels. We are planning to adopt MasterCard 3D Secure Code version 2.0 technology in our Card Management System (CMS) for making secured online transactions and be protected from any unauthorized card usage when customer shop online. MasterCard literally put customers security on the tip of their fingers with two-factor biometric authentication like fingerprint sensors, palm, face recognition and eye recognition. The usage of biometric technology brings a huge sigh of relief for all the customers who get panic even at the thought of losing their card.

Card Division of AIBL working round the clock to provide efficient & satisfactory service to our valued customers by adapting new advanced technology of card industry.

Asset Quality

Overdue investment stood at Tk. 5,959.36million as on 31st December 2020 as against Tk. 7,234 million as of December, 31 last year. Total overdue decreased by Tk. 1274.64 million during the year 2020 bringing the same to 1.92% of our total investment as against 2.47% in the previous year. Corporate Branch Manager, Zonal Head and Branch manager are advised for adopting strategies to arrest the situations.

Rescheduled investment increased by Tk. 2,191.03 million from Tk. 19,768.87 million to Tk. 21,959.90 million (Term Tk. 7,859.30 million + Continuous & Demand Tk. 14,100.60 million) which was 7.09% of total Investment. Recovery against rescheduled investment during the year 2020 was Tk. 1134.36 million.

Classified investment decreased by Tk. 2,330.84 million from Tk.

14,100.42 million to Tk. 11769.58 million representing 3.80% of total investment as against 4.82% in the previous year.

During the year 2020, recovery against classified investment stood at Tk. 2,113.45 million while recovery against Written off Tk. 61.01 million building a total recovery of Tk. 3,308.82 million including recovery Tk. 1134.36 million from rescheduled investment. Plan and Strategies to Improve the Asset Quality-

- to ensure constant supervision and follow-up for timely recovery of investment and prevent it from becoming overdue afresh.
- to fix individual target from very beginning of the year for recovery of non-performing investment.
- to give special attention on top classified investment clients for early settlement/ adjustment/regularization.
- to keep constant follow up & monitoring to ensure timely recovery of installment against rescheduled investment.
- to address chronic NPI clients by taking effective steps and applying prudence.
- to initiate necessary steps to settle the court cases quickly and even the cases can be settled outside the court through persuasion and mutual understanding.
- to be more vigilant to keep NPI at the lowest possible level.
- to deploy level best efforts for recovery of Written off investment.
- to keep a close eye on the SMA bucket so that SMAs, do not graduate to classified accounts.

Risk Management

Risk is generally defined by the adverse impact on the profitability of several distinct sources of uncertainty. It looks at financial exposures and its inherent risks to the business, and deeply believes profits are in part for successful risk taking in business. A bank must run its operations with two goals- to generate profits and to stay in business. Greater risk and poorly managed risk increase the danger that the bank may incur huge losses and be forced out of business. Risk Management is a tool used by banking institution in the name of good governance, risk mitigation and prudent practice. It focuses a lot on control processes, performance monitoring, collateral value, and decision making policies for credit, market and systemic risks. Risk Management's main objectives are to identify and measuring the risks and advise mitigation there against. Banking operations are mainly exposed to:

- Investment or default Risk (including concentration risk, country risk, and settlement risk)
- Market risk (Including interest rate risk in the banking book, Forex risk, and equity price risk)
- Liquidity risk
- Operational risk
- Other risks (residual risk, compliance risk, strategic risk, reputation risk etc.)

It should not be understood that risk management is only limited to the individuals, who are responsible for overall risk management function. Business lines are equally responsible for the risks they are taking. Because, the line personnel can understand the risks of their activities, any lack of accountability on their part may hinder sound and effective risk management .AIBL risk governance follows three-lines-of-defense-model which is represented as under:

1st line of defense: Business owners

This includes the business units and operation lines of the Bank.

1. To ensure effective processes to identify, assess/measure, monitor, mitigate, and report on their risks.
2. To operate in accordance with the risk policies and delegated mandates.

2nd line of defense: Standard Setters

This includes Internal Control (IC) framework including RMD and RMC.

3. To ensure effective and efficient operations;
4. To ensure adequate control of risks;
5. To ensure prudent conduct of business;
6. To ensure reliability of financial and non-financial information reported or disclosed (both Internally and externally); and,
7. To ensure compliance with laws, regulations, supervisory Requirements and the institution's internal policies and procedures.

3rd line of defense: Assurance Providers

It consists of the bank's internal audit and regulators which

8. Performs independent periodic reviews of the first two lines of defense,
9. Provides assurance
10. Informs strengths and potential weaknesses of the first two lines.

In accordance with the direction of Bangladesh Bank, AIBL has established 'Risk Management Division' and possesses board's approved risk management guidelines designed to ensure that risks are identified, monitored and reported. Risk Management Division exclusively manages 6 (six) core risks in line with core risk Management guidelines of Bangladesh Bank. AIBL formed All Risk Committee at Management level in addition to six separate Core Risk Management Committees to address basic risk management activities like identification, assessment, and mitigation of risks. Besides, Board Risk Management Committee oversees the bank's overall risk management activities, risk appetite and performs their duties with utmost care to minimize the risk level.

Regular meeting of all the committees are held on monthly/quarterly basis. The major concerns of the 6 (six) Core Risks Management Committees are as under:

1. Investment Risk Management Committee :

Investment risk arises from the potential that a bank's borrower may fail to meet its obligations in accordance with agreed terms. IRMC deals with the activities of supervises and monitors Investment concentration, Internal investment risk grading, Corporate clients rating, Non performing investment, Residual risk against investment, Provision against classified investment, Investment mix, Asset quality etc.

2. Asset Liability Risk Management Committee (ALCO):

Asset Liability Management ensures balanced fund mobilization and their deployment with respect to their maturity profile, cost, and yield as well as risk exposure. ALCO looks after the Asset-liability risk, Liquidity risk, Investment Deposit Ratio (IDR), Deposit mix, Investment mix, Gap analysis etc. under direct guidance of the Managing Director & CEO.

3. Foreign Exchange Risk Management Committee:

Foreign Exchange Risk Management in Banks has become inevitable. It oversees Foreign exchange risk, Treasury, Net open position, Import & Export business, Dealing room operations, Anti-money laundering aspects in foreign exchange transactions and remittance etc.

4. Internal Control & Compliance Risk Management Committee:

The primary objective of internal control system in a bank is to help the bank perform better through the use of its resources. Through internal control system, bank identifies its weaknesses and takes appropriate measures to overcome the same. ICC Risk Management Committee assesses and mitigates the risks related to compliance with regulatory requirements, set rules of the Bank, internal checking system, lapses, fraud, forgeries, misappropriation, defalcation, violations of the set rules etc.

5. Central Compliance Committee:

Money laundering risk is the risk of loss of reputation of the Bank. CCC looks after the money laundering and terrorist financing activities, STR (Suspicious Transaction Report), CTR (Cash Transaction Report), KYC (Know Your Customer) and TP (Transaction Profile) related compliances. The committee also supervises and monitors the entire transactional activities of the Bank including money laundering aspects involved with foreign exchange transactions.

6. Information & Communication Technology Risk Management Committee:

ICT risks include hardware and software failure, human error, spam, viruses and malicious attacks, as well as natural disasters such as fires, cyclones or floods. This committee monitors and supervises the risks related to Data security, Physical security, Network security, Disaster recovery, Fraud, Forgery, System failure and Business continuity etc.

Banks always run the risk of insufficient liquidity and investment/ credit defaults. While conducting day to day operation AIBL usually faces the following major risk:

1. Credit/Investment Risk:

This risk occurs whenever a borrower considers paying current debt with future cash flows. In AIBL investment risk are evaluated in 2 ways:

I. Individual client wise: Investment Wing considers the risk on a case-to-case basis. Their sole purpose is to measure the weighted risk of individual clients and disburse loan/investment accordingly. IIRS is approved & verified by CRO of the Bank.

II. Portfolio wise: IAD considers the risk on a sector-to-sector basis or on industry-to- industry basis and is reviewed in ARC/MC meeting. This is what is referred to as portfolio wise investment risk management.

1.1 Credit Concentration Risk:

Credit concentration risk may arise from exposure to a single entity/ group and/or exposures in the same economic or geographic sector and/or credit concentration in dependent industries. AIBL is now exposed to some of specific sectors and regions that are highly inviting concentration risks. Although these regions are economically important, AIBL has the scope to come out from such concentration gradually having a structural strategic perspective investment plan and diversify its investment portfolio in more potential sectors and areas and thus distribution of the risk factors.

2. Market Risk:

The possibility of experiencing of loss due to the factors that affect the overall performance of the financial market is called Market Risk. Market risk can be divided into 3 types- Interest rate risk, Forex risk, Capital market investment risk.

Market risk also called 'Systematic Risk', cannot be eliminated through diversification, nevertheless it can be evaded. Systematic risk refers to the risk inherent to the entire market. The risk that a major natural disaster will cause a decline in the market as a whole is an example of market/systematic risk. This sort of risk is evaluated by the Risk Management Division. As a part to address systematic risk, RMD is analyzing Top-20 investment clients' position and incorporating its review report with risk mitigation road map in 'Credit Risk Assessment and Resolution Report' for placing before the Board of Director's meeting for onward submission to Bangladesh Bank as well quarterly.

2.1 Interest/Profit Rate Risk:

The risk that any investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates or in any other interest rate relationship is called Interest/Profit Rate risk. Such changes usually affect securities inversely and can be reduced by diversifying.

3. Operational risk:

Operational risk is the risk that is not inherent in financial, systematic or market wide risk. It is the risk of loss or harm resulting from inadequate or failure of internal processes, people and systems or from external events. The policy for measuring and managing operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. As a part of continue surveillance, the Management Committee (MANCOM), All Risk Committee (ARC), Board Risk Management Committee regularly review different aspects of operational risks and suggest formulating policies, tools and techniques for mitigation of operational risks. This risk is dealt by the operational desk of the RMD.

Managing other specific risks:

Bangladesh Bank has issued six core risk guidelines and Risk Based Capital Adequacy (RBCA) Guidelines that provides concepts, methods and processes with regards to the respective risk areas. AIBL follows those guidelines and also reviews/updates them on regular basis and gets approval from the Board. Apart from these, there are some other specific risks that are covered by SRP Guidelines and RBCA Guidelines of Bangladesh Bank.

Residual Risk:

Residual risk is the amount of risk that remains in the process after all the risks have been calculated, accounted and hedged. Residual risk arises mainly from error in documentation and error in valuation. As institutions mitigate risks by way of collateral, the collaterals can pose additional risks (legal and documentation risks), which may deteriorate the impact of risk mitigation. AIBL have appropriate governing and control system, valuations procedures, internal regulations and responsible indivxls assigned for the prudent handling of risks.

Liquidity Risk:

The risk arising from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss is called liquidity risk. This type of risk is maintained by FAD, TD and RMD.

Strategic Risk:

Strategic risk means the current and prospective risk to earnings and capital arising from imperfection and unsuccessful in business strategy/plan formulation, inefficiencies in implementing plan targets, or from the overlooking of changes in business environment. Strategic risk induces operational loss that consequently hampers the capital base. The key aim of strategic Risk Management is to strengthen the bank's earnings resilience and protect it against undue earnings volatility to support overall risk appetite targets (especially CET-1 ratio and Leverage Ratio). This is a part of the risk governance incorporated with top level management. AIBL involves all levels of management in formulating and establishing robust strategy planning process, and regularly reviews on incorporating changes to strategic environment.

Reputation Risk:

A thought or danger to the good name or negative media report against the entity is called reputation risk. This risk is managed by operational risk section of RMD.

Environmental Risk:

Actual or potential threat of adverse effects on environment by effluent, emissions, wastes etc. arising out of organization's activities is called environmental risk. This risk is managed by Investment Risk Management and Sustainable Financial Unit (SFU).

Basel Accord Implementation:

AIBL has been following various Basel pact viz. Basel-I, Basel-II, Basel-III, Stress Testing and others core risk guidelines implemented by Bangladesh Bank. To implement Basel III guidelines, AIBL formed units as under:

Basel Implementation Unit (BIU) at Operational Layer and Supervisory Review Process (SRP) team at Managerial Layer.

The Risk Management Division (RMD), a division headed by Chief Risk Officer (CRO) acts as the center of all risk management function of AIBL and continuously supports BIU/SRP team to be in place to establish supervisory review process under the Basel-III guidelines and to be compliant of Bangladesh Bank's instruction under the supervision of the Chief Risk Officer (CRO).

All Risk Committee (ARC) at Management level:

The All Risk Committee at the Management level sits at least once in a month or more when necessary. In the meeting all the existing/identified and foreseeable/potential risks issues are discussed. Afterwards, recommendations/decisions taken in the meeting are minute and forwarded to the concerned risk taking departments to address, measure and taking necessary steps to mitigate the risk factors. Discussion on non-complied issues are taken place in the next meeting. All the meeting minutes along with Risk Management Papers are reported to the Department of Off-site Supervision (DOS) of Bangladesh Bank duly.

Risk Management and Other regulatory reports:

Risk Management Division prepares Monthly/Quarterly Risk Management Report, Half-Yearly Comprehensive Risk Management Report (CRMR), and Stress Testing reports incorporating all risk areas as per directions of the prescribed format of Bangladesh Bank. These risk reports are discussed in depth in All Risk Committee at Management level as well as Board Risk Management Committee and necessary instructions with guidance are given there against.

Besides, AIBL sends Risk Appetite Statement (RAS), Effectiveness of Risk Management functions etc. to Bangladesh Bank annually duly reviewed and approved by the meeting of Board Risk Management Committee and Board of Directors' of the Bank as well.

Money Laundering and Terrorist Financing Prevention:

Combating Money Laundering activities have been an integral part of the duties of every banker these days. We are constantly updating ourselves with the rules and regulations of AML/CFT. Nevertheless, it becomes hard to keep up with the culprits. They have always been finding out newer ways to bypass the rules and thus the vigilant eyes of the bankers and other Law Enforcing Agencies.

Of late, the COVID-19 pandemic has changed the way of our lives exhaustively. Keeping in line with the new normal, criminals have also adopted newer ways of laundering money. Criminals are exploiting vulnerabilities opened up by the COVID-19 pandemic, increasing the risks of Cyber attacks, money laundering, and terrorist financing activities.

This pandemic has forced us to leverage technology to our best. At the same time also exposed us to newer AML/CFT risks. Our Management has been principally watchful concerning our IT network, non-public data, third party risk, and Cyber security incident response plans and to focus additional efforts on staff training and awareness.

Prominent activities we have done in the year 2020:

- Revised and circulated the "Policy & Guidelines issued by BFIU on AML/CFT Risk Management" to all
- Circulated a number of guidelines on beneficial ownership, PEPs, STR, e-KYC, etc.
- Circulated Master Circular 26 dated 16/06/2020 highlighting with the focal points
- Circulated the new methods of records keeping (22 comprehensive data files) for sound AML/CFT compliance
- Circulated the common lapses in regard to AML/CFT Risk Management for awareness on branch level compliance
- Conducted 04 Central Compliance Committee meetings and adopted multi-level resolutions for strengthening compliance campaign of the Bank
- STR/SAR 19 in number submitted to BFIU and 286 STR settled by branches
- Arranged first BAMLCO Conference with the resource person BFIU
- Conducted AML/CFT related in-house and out-reach virtual training programs for the employees of the Bank and Agent Outlets
- Delivered information on AML/CFT regarding correspondent Banking and vice versa
- Submitted total 158742 CTR successfully in 2020 (report submitted Monthly) through the GoAML web portal
- Corresponded about 80784 letters in number with BFIU and Branches
- 184 Branches were inspected by the Audit and Inspection Division on AML/CFT compliance
- Total 13 branches on AML/CFT compliance conducted virtual evaluations under the pandemic (COVID-19) situation through MLTFP Division

Additionally, we have been and will remain vigilant and aware of AML & CFT compliance issues and perform the following functions, among

others, in a more meticulous way:

- Obtain correct and complete information in all Account Opening Forms, KYC, Transaction Profile (TP), etc. both for regular and walk-in customers
- Due Diligence and Enhanced Due Diligence (EDD) for all customers, as the case may be.
- Follow the rules for Customer Acceptance Policy of the Bank.
- Review abnormal, meaningless and suspicious transactions/activities and timely report the same as STR/SAR to the competent authority.
- Review accurately Online Cash Transaction.
- Ensure auto screening of both UN and Local Sanction List.
- Monitor inward and outward foreign remittances.
- Ensure Confirming documentation regarding 'Source of Fund'.
- Ensure proper preventive measures and safeguards against Trade-Based Money Laundering.
- Strictly follow BFIU instruction in case of dealing with Politically Exposed Persons (PEPs), Influential Persons (IPs), High Officials, and Topmost of International Organizations.
- Officials to be more cautious in maintaining secrecy regarding correspondence with BFIU.
- To mitigate the risk of Money Laundering & Terrorist Financing, follow the Risk Register attached to ML & TF Risk Management Guidelines of the Bank.
- Conduct Quarterly Meeting at Branch level as per instructions of BFIU's Master Circular No. 26 dated 16/06/2020.
- Central Compliance Committee (CCC) being engaged in developing bank's Policy, Procedure, and Strategies in preventing ML & TF.
- Branch Anti Money Laundering Compliance Officer (BAMLCO) to ensure all AML & CFT issues at the branch level as he is the responsible and key person in the Branch.
- Proper and timely submission of CTR through "GoAML Software" with assistance from Information Communication and Technology Wing (ICTW).
- Internal Control and Compliance Wing (ICCW) to oversee proper implementation the rules and regulations issued for bank's AML & CFT compliance program including Agent Banking, Agent outlets, and MFS.
- Ensure correct and timely submission of STR/SAR report to BFIU.
- Human Resources Division (HRD) to ensure Employee Screening Mechanism as per BFIU's instruction.
- Agent Banking Division to be watchful on AML & CFT compliance regarding Agent Banking and Agent outlets.
- Overall compliance of AML & CFT issues of the Bank though will be supervised by Money Laundering and Terrorist Financing Prevention Division but it is a duty of every employee of the Bank.
- Knowledge of AML & CFT compliance issues are essential for all employees. As such AIBL, Training & Research Institute (AIBTRI) ensure knowledge enhancement through In-house and Outreach training, BAMLCO training, TBML, and Lead Bank Training, workshops, seminars (both physical & virtually), etc. for capacity building.

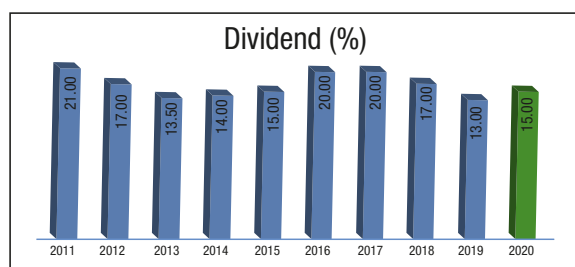
- Ensure that all AML/CFT awareness related poster, leaflet, festoon, etc. are distributed to branches properly;
- Ensure awareness regarding adverse media news on AML/CFT;
- Half Yearly Reports of actions taken by the Bank on AML/CFT compliance generated for BoD & BFIU;
- Moreover, the Management of the Bank announced Zero tolerance against the AML/CFT offenses.

Dividend

The bank has been paying dividend every year since 1998 just after conversion of a public limited company. The Board of Directors of the Bank is pleased to recommend dividend 15% Cash in the year 2020.

Table of Historical Dividend Payment Percentage are as follows:

Year	Dividend
2011	21% Bonus
2012	17% Bonus
2013	13.50% Bonus
2014	14% Cash
2015	10% Cash & 5% Bonus
2016	20% Cash
2017	15% Cash & 5% Bonus
2018	15% Cash & 2% Bonus
2019	13% Cash
2020	15% Cash



Credit Rating

Credit Rating Information and Services Limited (CRISL) has adjudged the following rating for Al-Arafah Islami Bank Limited:

Long Term	: AA (pronounced Double A Two)
Short Term	: ST-2
Based on	: Audited Financial Statement 2019
Date of Rating	: 22 July 2020
Validity	: 21 July 2021
Outlook	: Stable

Year-wise Comparative Rating Position:

Date of Rating	Long Term	Short Term	Outlook
22 July 2020	AA	ST-2	Stable
30 June 2019	AA	ST-2	Stable
30 June 2018	AA	ST-2	Stable
30 June 2017	AA	ST-2	Stable
30 June 2016	AA	ST-2	Stable

Interpretation:

AA+, AA, AA-(Double A) (High Safety): Securities rated in this category are adjudged to be of high credit quality and offer higher safety. The level of rating indicates a security with sound credit profile and without significant problems. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

ST-2 (High Grade): High certainty of timely payment. Liquidity factors are strong and supported good fundamental protection factors. Risk factors are very small.

Human Resources

Well educated and skilled manpower is the best capital of an organization particularly in banking institution. We put utmost importance on recruitment and development of human resources. In recruiting process, we put emphasis on attracting talented young stars. Total 120 employees in different categories/ranks joined and exit 52 during the year 2020 raising our total employees to 3,866 as on 31.12.2020.

We have 3,795 staff in the Bank of whom 300 are executives, 2,852 are officers and 643 other staff as on December 31st 2018.

SI No	Designation	Category
1	Executives	294
2	Officers	2,907
3	Others	665
	Total	3,866

We nominated 326 employees in outside training course viz. BIBM, BBTA, BAB etc. in 2020 and they have completed the course successfully.

We motivate and facilitate our deserving employees to complete international standard professional degrees like CDCS, CSDG and ACAMS. Presently, we have 64 CDCS, 2 CSDG and 6 ACAMS officials of which 4 officials completed CDCS and 1 officials ACAMS during the year 2020.

Activities of AIBTRI

AIBTRI: Centre of Excellence for Human Capital Development

After inception in 1996, Al-Arafah Islami Bank Training & Research Institute (AIBTRI) has come a long way to its destination of being an organization of excellence in training and education. Skilled human resources are the cutting-edge assets of any organization. Needless to say, for effective growth of an institution and enhance both soft & hard skills of its employees, there is no alternative to training. AIBTRI's prime objectives, among others, are to impart training to Bank employees to aware them about the functional procedures, policies,

rules, directives and regulation of the financial system. As the banking sector is experiencing various reform measures with a view to coping up with the modern financial complexities like fintech, regtech, crypto currencies etc, need-focused training is imperative to turn the human resources of the Bank into human capital.

Training programs at AIBTRI are scheduled and singled out on need-based assessments by a set of committed faculty members of the institute. AIBTRI has given utmost importance to training for human capital development with cutting-edge skills, knowledge and wisdom. Despite many limitations and shortcomings, AIBTRI is however, moving forward for attaining its desired level of competency through arranging various training courses, seminars, workshops etc. on topical banking and financial issues.

The financial sector of Bangladesh underwent a number of reform measures under new normal scenario in the country. In line with these changed circumstances, the AIBTRI has been adopting new strategies and methods for improving their manpower development services. AIBTRI is also keeping pace by putting its best efforts to respond to the need for capacity building of AIBL officials with new thoughts and innovative ideas to achieve the objectives of the reform measures.

Overall Training Scenario in 2020:

Amidst of the Covid-19 pandemic, AIBTRI conducted a wide range of activities to attain objectives of imparting quality training to the officers of the Bank. AIBTRI conducted a total number of 63 (Sixty three) Training Courses, Workshops, Executive Development Programs and Outreach Programs where 5791 participants attended during the period January – December, 2020. It may be noted that both the online and on-site programs were arranged. Proper health safety measures were taken before arranging on-site programs.

Training Courses (TC):

To develop the professional skill and knowledge of the officials in the fields of shariah, banking, finance, rural and microfinance, customer service development etc. AIBTRI conducted a total of 04 (Four) classroom based as well as virtual courses during the year under report.

Training Workshops (TW):

A total of 49 (Forty Nine) workshops were conducted during the year for fulfilling the requirements of understanding the current issues and challenges relating to banking operations such as new imperatives on International Trade and Finance, impact of fintech applications, National Integrity Strategy, Documentation Errors & Investment Property Valuation, FATCA, Money Laundering & Terrorist financing issues etc. Moreover, with a view to enhancing skill of the employees, AIBTRI has arranged a number of in-house discussions on topical issues of Islamic shariah and banking.

Executive Development Programs (EDP):

To meet the requirements of awaring the bank's executives, managers, manager operations, BAMLCOs about the money laundering preventions and allied fields, AIBTRI conducted 1 (one) EDP in 2020 due to Covid -19 pandemic.

Outreach Training Programs (OTP):

AIBTRI conducted 09 (Nine) outreach training programs (OTP) during the

year 2020 in five different areas based on zonal offices. The programs had their remarkable impact to create awareness among young, brilliant and promising officers regarding Islamic economics and banking, time & stress management, recovery management, environmental Risk Rating as well as Islamic Financial Literacy Program etc.

Future Programs of AIBTRI:

Given the directions of the estimated Board of the Bank, following programs have been undertaken by AIBTRI for the year 2021 to initiate research on the practical operational areas with a view to assisting the Board for its policy making as well as to develop the bank as a knowledge-based Islamic bank in the country:

- a) The Research Division of AIBTRI is being organized to accomplish the research work on new innovative financial products and services for the Bank to cater the growing demands of the customers at large. AIBTRI is undertaken various measures to study different industries to understand their position, contribution etc. These studies will not only help the bank in taking prudent decisions while approving loans and enhancement thereof, but also will be able to prepare contemporary policies for future reference.
- b) To plan, develop and conduct an Executive Diploma program on Islamic Finance and banking for professional development of the employees of the Bank.
- c) To prepare policy papers and important notes analyzing the mechanism and modus operandi of Islamic financial products in vogue in comparison with the present Islamic financial products introduced by the Bank and suggest modifications thereto or develop new modalities of Islamic financial products.
- d) Creation and Management of AIBTRI website and Training Database.

Branches Control Division:-

Branches Control Division (BCD) has been executing following tasks:

1. Compliance of different circulars on Customer Service & General Banking issued by Bangladesh Bank, NBR & other Regulatory Authorities time to time.
2. Agency Arrangement i.e Agreement for bill collection of DESCO, DPDC, WASA, BTCL, REB etc.
3. Compliance of NBR, DUDAK, Anti-corruption Commission etc. authorities Income Tax related bank account information.
4. Compliance against General banking related irregularities of the branch raised by Audit & Inspection Division.
5. Issuance of duplicate instruments (MTDR, MPTD, PO etc.) in lieu of original ones.

Branches Control Division (BCD) issued total 33 very important Instruction Circular during the year-2019 some of them are listed below:

1. Up Keeping of Branch Premises and Maintenance of Important Affairs of the Branch.
2. Implementation Progress Report as per Guideline of Core Banking Solution (CBS)-Features & Controls
3. Duties and Responsibilities Branch Manager and Manager Operation.

4. Cash Management & Teller Operation.
5. Type of Deposit Accounts and General Instructions for Maintenance.
6. Banking Booth Policy and operational guideline.
7. Sending SMS to Account holders.

Business Promotion & Marketing Division (BPMD)

Business Promotion and Marketing Division (BPMD) started its journey in the year 2010 under the name and style 'Marketing & Business Development Division (MBDD)'. A full fledged Policy Guideline was introduced on 23.06.2016 with a vision to survive in the market of stiff competition as well as to improve business relentlessly of our Bank using different marketing tools. BPMD has the motto to offer new customized Financial Products and Services to cater the growing needs of common people keeping in mind the strict compliance of Shariah and complex regulatory norms.

BPMD consists of six (6) Departments as:

- i) Business Development & Marketing Department
- ii) Branch Expansion Department
- iii) Product Development & Evaluation Department
- iv) Protocol Department
- v) Financial Literacy & Financial Inclusion Department
- vi) Central Customer Service & Complaints Management Department.

Each department has its own targeted goal to achieve.

Function of BPMD:

The main marketing strategy of BPMD is to build and maintain a long-term relationship with its investment clients, assists Branches regarding prospective investment clients, assist Branches for deposit mobilization growth of the Bank.

However, Business Promotion & Marketing Division focuses the following marketing strategies:

1. Close follow-up, Monitoring, Supervision with the marketing desk of branches and zones regarding business development issues
2. To fix-up a reasonable annual business target considering market situation or all the branches and follow-up, monitor; supervise to achieve the target by the branches
3. To design and develop all marketing communication materials/ gift items and to provide promotional gift items, leaflet, brochure to the branches for maintaining marketing relationship with the existing and prospective investment clients
4. To identify customer need, designing and developing of new products and improvement of existing products
5. To provide assistance/advice/guideline to the branches regarding new investment client for business development of the Bank according to the collected potential client list by the Branch
6. To conduct Financial Literacy program among unbanked people through Branches for increasing "No Frills Accounts" and balance
7. To collect potential client list quarterly in each year from the Branches for maintaining sustainable business growth

8. To evaluate the Branch performance on monthly basis whether the branches are maintaining the point-to-point deposit, investment and operating profit growth
9. To arrange regular monthly business review meeting attended by all Zonal Heads, Corporate Branch Managers and concerned Head Office Officials
10. Provide assistance/advice/guideline to the Branch regarding deposit mobilization for business development of the Bank. List of corporate depositors to be kept at Branch level as well as Head Office
11. Generating several promotional items for specific events and business development/brand development as well such as Ramadan Gift Box, Pohela Boishakh Gift items, Happy New Year Gift items etc.
12. To arrange special service month, awareness program, customer gathering and other program on different development and promotional issues
13. To arrange School Banking Campaign and Conference
14. To set up Banking Booth, Collection Booth
15. To get Evening Banking License
16. To arrange or formulate program for customer awareness and monitor properly
17. Other functions related with Business Promotion.

Some other responsibility of BPMD is worth mentioning here such as it will maintain probable schedule of different National & International Trade Fair, National Book Fair, National Banking Fair, Hajj Fair, other important fair, Bishwaljtema.

The above expresses a whole gamut of functions of BPMD part of which is in practice. If total support and logistics are in place, BPMD will definitely play a pivotal role in the development of ever changing Islamic Banking arena.

Branch Network

At present we have 184 branches all over the country. In a bid to expand our network of Branches we got approval to open 2 (Two) new branches in 2020.

Appointment of Statutory Auditor

In the 25th Annual General Meeting of the Bank M/S Hossain Farhad & Co. Chartered Accountants and M/S Shafiq BASAK & Co. Chartered Accountants was appointed External Auditors of the Bank for a term till conclusion of the 26th Annual General Meeting.

The Board has approved M/S Hossain Farhad & Co. Chartered Accountants and M/S Shafiq BASAK & Co. Chartered Accountants for appointment as External Auditors by the shareholders till the 27th Annual General Meeting.

Board Meeting

During the year 2020, 12 regular Board Meeting had been held. Besides, 14 meetings of Executive Committee, 7 meetings of Audit Committee and 6 Risk management Committee of the Board had also been held during the year.

Appreciation

The Board of Directors expresses its gratitude to the Almighty Allah for enabling us to achieve remarkable progress in all respect during the year- 2020. Board of Directors takes this opportunity to thank the Shariah and Board Members of the Bank for their relentless whole hearted support. Their collective wisdom contributed extensively to acquiring of strength. The Board of Directors also thanks the management and the staff for their loyalty, support and untiring efforts which has resulted in improved performance. The Board of Directors expresses its thanks to respected shareholders, valued customers, patrons well-wishers, Government, of Bangladesh, Bangladesh Bank, Registrar of Joint Stock Companies & Firms, Securities and Exchange Commission, Auditors, Legal advisers and all others concerned for giving us the benefit of their support and co-operation. We quietly weigh their continued support and co-operation which are constant source of inspiration. We re-assurance

Our vow to remain most disciplined, Shariah compliant and result oriented.

While we look forward to their continuous support and co-operation with trust and confidence, we reassure that our respected shareholders can expect further satisfactory results in 2021. May the Almighty, Allah give us dedication, patience and fortitude to serve the cause of Islam and to go ahead with our mission to run the Bank as per the principles of Islamic Shariah.

May Allah the Almighty bestow his bountiful blessing upon us all.

Allah Hafiz

Ma- Assalam

Sincerely,



Alhajj Abdus Samad Labu

Chairman

Date: 09th August 2021