আল-আরাফাহ্
ইসলামী ব্যাংক লিমিটেড
العرفة اسلامى بنك لميتيد
Al-Arafah Islami Bank Limited

# 1st Quarter (Q1) Financial Statement 2015 (un-audited)

## Consolidated Balance Sheet

As at March 31, 2015

| PROPERTY AND ASSETS | 31-03-15 Taka | 31-12-14 Taka |
|---|---|---|
| **Cash in hand** | | |
| Cash in hand (including foreign currencies) | 1,441,597,620 | 1,301,483,575 |
| Balance With Bangladesh Bank and its Agents Banks (including foreign currencies) | 12,278,606,342 | 19,372,830,797 |
| | **13,720,203,962** | **20,674,314,372** |
| **Balance with other Banks and Financial Institutions** | | |
| In Bangladesh | 5,869,369,927 | 2,512,579,627 |
| Outside Bangladesh | 2,140,501,188 | 1,703,815,308 |
| | **8,009,871,115** | **4,216,394,935** |
| **Placement with Banks & Other Financial institutions** | **7,950,000,000** | **9,750,000,000** |
| **Investment in Share & Securities** | **9,638,289,770** | **9,120,897,395** |
| Government | 7,500,000,000 | 7,000,000,000 |
| Others | 2,138,289,770 | 2,120,897,395 |
| **Investments** | | |
| General Investments etc. | 139,421,919,757 | 143,636,454,877 |
| Bills purchased and discounted | 12,177,381,965 | 3,103,911,442 |
| | **151,599,301,722** | **146,740,366,319** |
| **Fixed assets less Accumuladated Depreciation** | **2,939,700,427** | **2,661,107,398** |
| **Other Assets** | **13,539,283,449** | **17,275,925,785** |
| **Non-Banking Assets** | - | - |
| **Total Assets** | **207,396,650,445** | **210,439,006,204** |
| **LIABILITIES AND CAPITAL** | | |
| **Liabilities** | | |
| **Placement from Banks & Other Financial institutions** | **4,300,000,000** | **8,900,000,000** |
| Deposits and other Accounts | | |
| Mudaraba Savings Deposits | 19,095,690,503 | 17,501,279,699 |
| Mudaraba Term Deposits | 97,797,158,981 | 99,149,208,227 |
| Other Mudaraba Deposits | 32,662,730,224 | 33,500,490,137 |
| Al-Wadia Current Accounts and Others Accounts etc. | 16,054,713,218 | 15,304,022,367 |
| Bills Payable | 1,117,788,946 | 1,396,165,765 |
| | **166,728,081,872** | **166,851,166,195** |
| **Other Liabilities** | **19,197,362,548** | **16,449,935,314** |
| **Deferred tax Liabilities/ (Assets)** | **74,890,795** | **74,890,795** |
| **Total Liabilities** | **190,300,335,215** | **192,275,992,304** |
| **Capital/Share holders Equity** | | |
| Paid up Capital | 9,469,585,030 | 9,469,585,030 |
| Statutory Reserve | 4,746,241,089 | 4,643,316,650 |
| Revaluation Reserve | 977,548,248 | 977,548,248 |
| Retained Earnings | 248,441,447 | 1,490,190,743 |
| **Total Equity attributable to equity holders of the bank** | **15,441,815,814** | **16,580,640,671** |
| Non-Controlling Interest | 1,654,499,417 | 1,582,373,229 |
| **Total Equity** | **17,096,315,230** | **18,163,013,900** |
| **Total Liability and Share holders equity** | **207,396,650,445** | **210,439,006,204** |
| **OFF BALANCE SHEET ITEMS** | | |
| **Contingent Liabilities** | | |
| Acceptance and endorsement | 7,909,762,095 | 8,494,167,588 |
| Letters of Guarantee | 3,492,373,421 | 3,365,270,354 |
| Letters of Credit | 17,149,329,556 | 15,734,520,242 |
| Bills for Collection | 2,748,699,513 | 2,906,954,594 |
| Other Contingent Liabilities | - | - |
| **Total** | **31,300,164,585** | **30,500,912,778** |
| **Other Commitments :** | | |
| Documentary Credits and other short term trade related transactions | - | - |
| Forward Assets Purchased and forward Deposit placed | - | - |
| Undraw note issuance and Revolving underwriting Facilities | - | - |
| Undraw Formal standing Facilities, Credit lines and others commitments | - | - |
| **Total off Balance sheet items including Contingent liabilities** | **31,300,164,585** | **30,500,912,778** |

**Chief Financial Officer** **Managing Director**

## Consolidated Profit & Loss Accounts

For the period ended March 31,2015

| | 01-01-15 to 31-03-15 Taka | 01-01-14 to 31-03-14 Taka |
|---|---|---|
| Investment Income | 5,005,674,041 | 4,650,854,570 |
| Profit paid on deposits & Borrowing | (3,203,958,009) | (3,240,712,576) |
| **Net Investment Income** | **1,801,716,032** | **1,410,141,994** |
| Income from Investment in Shares /Securities | 19,023,407 | 54,049,113 |
| Commission, Exchange and Brokerage | 468,529,930 | 481,158,204 |
| Other Operating Income | 20,625,279 | 24,281,367 |
| | **508,178,616** | **559,488,684** |
| **Total operating income** | **2,309,894,648** | **1,969,630,678** |
| Salaries and allowances & contribution to P.F | 545,441,249 | 435,650,184 |
| Directors fees & expenses | 2,029,315 | 2,433,739 |
| Shariah Supervisory Committee's fees & expenses | 78,510 | 139,427 |
| Rent, taxes, insurance and lighting etc. | 112,326,573 | 49,659,100 |
| Postage, telegram, telephone and stamp etc. | 14,168,355 | 20,248,454 |
| Legal charges | 986,412 | 981,891 |
| Auditors' fee | 107,250 | 113,250 |
| Salary & Allowances to the Managing Director | 2,250,000 | 2,750,000 |
| Depreciation and repairs to the bank's properties | 62,043,081 | 51,938,426 |
| Stationery, printing & advertisement etc. | 27,937,109 | 21,560,610 |
| Other expenses | 84,243,836 | 66,657,177 |
| **Total operating expenses** | **851,611,690** | **652,132,258** |
| **Profit/(Loss) before Tax & provision** | **1,458,282,958** | **1,317,498,420** |
| Provision against Investments & Contingent Liabilities | 578,232,000 | 198,500,650 |
| Provision for diminution in value of investment | 54,547,706 | 11,014,279 |
| Other Provision | - | - |
| **Total provision** | **632,779,706** | **209,514,929** |
| **Profit/(Loss) before Tax** | **825,503,252** | **1,107,983,491** |
| Current tax | 566,460,016 | 551,104,125 |
| Deferred tax | - | - |
| **Provision for Taxation** | **566,460,016** | **551,104,125** |
| **Net Profit/(Loss) after tax** | **259,043,236** | **556,879,366** |
| **Net Profit attributable to:** | | |
| Equity holders of the bank | 186,917,048 | 488,317,595 |
| Non-controlling Interest | 72,126,188 | 68,561,771 |
| **Profit for the year** | **259,043,236** | **556,879,366** |
| **Appropriation** | | |
| Statutory Reserve | 102,924,439 | 168,062,189 |
| Non-Controlling Interest | 72,126,188 | 68,561,771 |
| | **175,050,627** | **236,623,960** |
| **Transfer to Retained Earnings** | **83,992,609** | **320,255,406** |
| **Earning per Ordinary Share** | **0.20** | **0.52** |

**Chief Financial Officer** **Managing Director**

## Consolidated Cash Flow Statement

For the period ended March 31,2015

| | 31-03-15 Taka | 31-03-2014 Taka |
|---|---|---|
| **Cash flows from operating activities** | | |
| Investment income receipt in Cash | 5,018,650,114 | 4,703,292,674 |
| Profit paid on deposits and borrowing | (3,203,958,009) | (3,240,712,576) |
| Dividend received | 4,245,467 | 1,198,011 |
| Fees & Commission received in cash | 468,529,930 | 481,158,204 |
| Recoveries from written off investments | 1,801,869 | 413,000 |
| Cash payments to employees | (547,691,249) | (438,400,184) |
| Cash payments to suppliers | (27,937,109) | (21,560,610) |
| Received from other operating activities (item-wise) | 20,625,279 | 24,281,367 |
| Paid for other operating activities (item-wise) | (217,410,665) | (147,693,641) |
| Advance income tax paid | (1,783,357,485) | (296,107,051) |
| **Operating profit before changes in operating assets and liabilities** | **(266,501,858)** | **1,065,869,194** |
| ***Changing in Operating assets & liabilities*** | | |
| Increase/Decrease of trading securities | (17,392,375) | 64,484,714 |
| Increase/Decrease of placement to other banks | 1,800,000,000 | 400,000,000 |
| Increase/Decrease of Investment and advances to customers (other than Banks) | (3,484,692,175) | (8,289,205,603) |
| Increase/Decrease of other assets (item-wise) | 5,519,999,821 | (1,842,851,338) |
| Increase/Decrease of placement from other banks and financial institution | (4,600,000,000) | (2,000,000,000) |
| Increase/Decrease of Deposits from customers (other than Banks) | (123,084,323) | 12,082,016,111 |
| Increase/Decrease of Other liabilities account of customers | - | - |
| Increase/Decrease of Trading liabilities (item-wise) | 1,489,614,845 | 1,273,453,905 |
| **Cash receipt from operating activities** | **584,445,793** | **1,687,897,789** |
| **A. Net Cash from operating activities** | **317,943,935** | **2,753,766,983** |
| **Cash flows from investing activities:** | - | - |
| Proceeds from sale of securities | - | - |
| Payments for purchases of securities | - | - |
| Purchase of property, plant and equipment | (278,593,024) | 5,717,141 |
| Sales proceeds of Fixed assets | - | - |
| Purchase-sale of subsidiary | - | - |
| **B. Net cash flows from investing activities** | **(278,593,024)** | **5,717,141** |
| **Cash flows from financing activities** | - | - |
| Increase in Exchange Equalization Account | - | - |
| Increase in Share Capital | - | - |
| Dividend paid | (1,325,741,904) | - |
| **C. Net cash flows from financing activities** | **(1,325,741,904)** | **-** |
| **D. Net increase in cash and cash equivalent (A+B+C)** | **(1,286,390,993)** | **2,759,484,124** |
| **E.Effects of exchange rate changes on cash and cash-equivalents** | - | - |
| **F.Net increase in cash and cash equivalent D+E** | **(1,286,390,993)** | **2,759,484,124** |
| **G.Cash & Cash Equivalents at the beginning of the year** | **30,516,466,070** | **27,756,981,946** |
| **H.Cash & Cash Equivalents at the end of the year** | **29,230,075,077** | **30,516,466,070** |

**Chief Financial Officer** **Managing Director**

## Consolidated Statement of Changes in Equity For the period ended March 31, 2015

| Particular | Paid up Capital | Statutory Reserve | Retained Earnings | Asset Revaluation Reserve | Total | Non-Controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|
| Balance at 1st January 2015 | 9,469,585,030 | 4,643,316,650 | 1,490,190,743 | 977,548,248 | 16,580,640,671 | 1,582,373,229 | 18,159,523,690 |
| Changes in accounting policy | - | - | - | - | - | | - |
| Buy back share | | | | | | | - |
| Issue of the share capital | - | - | - | - | - | | - |
| **Restated balance** | **9,469,585,030** | **4,643,316,650** | **1,490,190,743** | **977,548,248** | **16,580,640,671** | **1,582,373,229** | **18,159,523,690** |
| Surplus/deficit on account of revaluation of properties | - | - | | - | - | | - |
| Surplus/deficit on account of revaluation of investments | - | - | - | - | - | | - |
| Currency translation differences recognized in the income | - | - | - | - | - | | - |
| Net gain and losses not recognized in Income Statement | - | - | - | - | - | - | - |
| Net profit for the year | - | - | 186,917,048 | - | 186,917,048 | 72,126,188 | 259,043,236 |
| Cash Dividend paid | - | - | (1,325,741,904) | - | (1,325,741,904) | - | (1,325,741,904) |
| Bonus Share | - | - | - | - | - | - | - |
| Issue of share capital | - | - | - | - | - | - | - |
| Transferred to retained earning | - | - | - | - | - | - | - |
| Appropriations during the year | - | 102,924,439 | (102,924,439) | - | - | - | - |
| **Balance as at March 31,2015** | **9,469,585,030** | **4,746,241,089** | **248,441,447** | **977,548,248** | **15,441,815,814** | **1,654,499,417** | **17,096,315,230** |
| **Balance as at March 31,2014** | **9,469,585,030** | **4,017,710,358** | **522,122,438** | **977,548,248** | **14,986,966,074** | **1,661,083,293** | **16,648,049,367** |

**Chief Financial Officer** **Managing Director**

## Notes to the Financial Statements For the period ended March 31, 2015

**1. The Bank and its activities**

Al-Arafah Islami Bank Limited was established in 1995 under the Companies Act, 1994 as a Banking Company with Limited Liability by shares. It is an interest free Shariah Bank of Bangladesh rendering all types of commercial banking services under the regulation of Bank Companies Act, 1991. The Bank conducts its business on the principles of Musharaka, Bai-Murabaha, Bai-Muazzal and Hire Purchase transactions approved by Bangladesh Bank. Naturally, its modes and operations are substantially different from those of other conventional commercial banks. There is a Shariah Supervisory Committee in the bank who maintains constant vigilance to ensure that the activities of the bank are being conducted on the percepts of Islam. The Shariah Supervisory Committee consists of prominent Ulema, reputed Bankers.The Bank went for public issue of share in the year 1998 and its share are listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE).Presently the bank has 118 Branches and 2 (two) Subsidiary Companies.

The principal activities of the Bank are to provide a comprehensive range of financial services including commercial banking, consumer banking, trade finance and other related custody and clearing services to the customers following the provisions of Bank Companies Act, 1991, Bangladesh Bank's directives and the principles of Islamic Shariah.

**2. Subsidiaries of the Bank**

Al-Arafah Islami Bank Ltd has two subsidiary companies. The financial statements of these subsidiary companies are included in the consolidated financial statements according to BFRS-10.

**2.1 AIBL Capital Market Services Limited**

Al-Arafah Islami Bank Ltd. owned 60.50% shares of AIBL Capital Market Services Ltd. a subsidiary company of Al-Arafah Islami Bank Limited. AIBL Capital Market Services Ltd. incorporated in Bangladesh on 20 September 2010 as a Public Limited Company. The principal activities of subsidiary company is to provide quality services to the prospective institutional and individual investors in the capital market The main activities and functions of the company include;

I. Share trading in Dhaka Stock Market and Chittagong Stock Market.
II. Provide Margin facilities to the client.
III. Full service depository participant of Central Depository of Bangladesh Ltd.

**2.2 AIBL Capital Management Limited**

Al-Arafah Islami Bank Ltd. owned 98% shares of AIBL Capital Management Limited a subsidiary company of Al-Arafah Islami Bank Limited AIBL Capital Management Limited has been incorporated under the companies act (Act XVIII) of 1994 as a Private limited Company by share on 25th October 2011. The company was entitled to commence the business also from 25th October 2011 with a view to run and manage the operations of Merchant Banking Services with an authorized Capital of BDT 2 billion and paid up capital of BDT 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.

**3. Basis of preparation and significant accounting policies**

**3.1 Preparation of financial statements**

The consolidated financial statements of the group and the financial statements of the bank have been prepared on a going concern basis under the historical cost convention and on Generally Accepted Accounting Principles consistently with those of previous years. Although the operation of the Bank are in strict compliance with the rules of Islamic Shariah, the financial statements have been prepared in accordance with the Bank Companies Act 1991, in particular Banking Regulation and Policy Department (BRPD) circular no.15 (09 November 2009) other Bangladesh Bank circulars, the Companies Act 1994, the Securities and Exchange Rules 1987, Dhaka and Chittagong Stock Exchanges Listing Regulations, other laws and rules applicable in Bangladesh and International Accounting Standard (IAS) and International Financial Reporting Standard (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) into Bangladesh Accounting Standard (BAS) and Bangladesh Financial Reporting Standard (BFRS) where relevant to the Bank to the extent that these do not contradict with the applicable statutory provisions and standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

**3.2 Basis of Consolidation**

A separate set of records for consolidating the Statements of Affairs and Income & Expenditure Statements of the branches are maintained at the Head Office of the Bank in Dhaka from which the financial statement are dawn up. Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operational policies of an entity, so as to obtain economic benefits from its activities. The consolidated financial statements incorporate the financial statements of Al-Arafah Islami Bank Limited and the financial statements of subsidiary companies from the date that control commences until the date that control ceases. The financial statements of such subsidiary companies are incorporated on a line by line basis and the investments held by the bank is eliminated against the corresponding share capital of subsidiaries in the consolidated financial statements. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there are no evidence of impairment.

**3.3 Cash flow Statement**

**BFRS:** The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.
**Bangladesh Bank:** As per BRPD 14, cash flow is the mixture of direct and indirect methods.

**3.4 Investments:**

Investments are stated in the Balance Sheet net of profit receivable/mark-up profit.

**a) Investment write-off**

Investments are normally written off, when there is no realistic prospect of recovery of these amounts in accordance with BRPD Circular No.2 (13 January 2003). A separate Investment Administration and Recovery Department (IARD) has been set up at the Head Office, which monitors investment written off and legal action through the Money Court. These write-offs do not undermine or affect the amount Claimed against the borrower by the bank.

The Investment Administration and Recovery Department (IARD) maintains a separate ledger for all individual cases written off by each branch. The IARD follow-up on the recovery efforts of these written off investment and reports to management on a periodic basis. Written off investment are reported to the Credit Information Bureau (CIB) of Bangladesh Bank.

**b) Investment in shares and securities**

**BFRS:** As per requirements of BAS 39 investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value (as measured in accordance with BFRS 13) at the year-end is taken to profit and loss account or revaluation reserve respectively.

**Bangladesh Bank:** As per BRPD circular no. 14 dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; otherwise investments are recognized at cost.

**c) Revaluation gains/losses on Government securities**

**BFRS:** As per requirement of BAS 39 where securities will fall under the category of Held for Trading (HFT), any change in the fair value of held for trading assets is recognized through profit and loss account. Securities designated as Held to Maturity (HTM) are measured at amortized cost method and interest income is recognized through the profit and loss account.

**Bangladesh Bank:** HFT securities are revalued on the basis of mark to market and at year end any gains on revaluation of securities which have not matured as at the balance sheet date are recognized in other reserves as a part of equity and any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortization of discount are recognized in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortized at the year end and gains or losses on amortization are recognized in other reserve as a part of equity.

**d) Provision on loans and advances/investments**

**BFRS:** As per BAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

**Bangladesh Bank:** As per BRPD circular No.14 (23 September 2012), BRPD circular No. 19 (27 December 2012) and BRPD circular No. 05 (29 May 2013) a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 10 dated 18 September 2007 and BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

**e) Investment in subsidiaries**

The bank has made investment in subsidiary company AIBL Capital Market Service Ltd Tk. 2,420.00 million holding 60.50% shares. The rest of 39.50% shares are hold by others and another subsidiary Company named AIBL Capital Management Limited Tk 49.00 crore holding 98% shares.

**3.5 Depreciation of Fixed Assets**

The depreciable amount of an item of Fixed Assets has been allocated on a systematic basis over its useful life. The depreciation method is reflected the pattern in which the asset's economic benefits are consumed by the enterprise. The depreciation charge for each period should be recognized as an expense unless it is included in the carrying amount of another asset.

a) Depreciation is charged on monthly basis on straight-line method on all fixed assets at the following rates per annum:

| Name of Assets | Rate of Depreciation | Useful Life |
|---|---|---|
| Furniture Fixture (Wood) | 10.00% | 10 Years |
| Furniture Fixture (Steel) | 10.00% | 10 Years |
| Computer | 20.00% | 5 Years |
| Computer Accessories | 20.00% | 5 Years |
| Motor Car | 20.00% | 5 Years |
| Machine Equipment & Appliances | 20.00% | 5 Years |
| Books & Library | 10.00% | 10 Years |
| Online Hardware | 20.00% | 5 Years |
| Land | nil | N/A |
| Buildings | 2.50% | 40 Years |
| Interior Decoration | 10.00% | 10 Years |

b) On addition of fixed assets depreciation is to be charged from the month of acquisition. Whole month depreciation is to be charged if such assets are acquired in the first half of the month and no depreciation is to be charged if such assets are acquired in the second half of the month.

c) On the month of disposal of fixed assets, no depreciation is to be charged. The cost and accumulated depreciation of disposed assets are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement.

**3.6 Amortization of Intangible Assets**

The depreciable amount of an item of Intangible Assets has been allocated on a systematic basis over the best estimated of its useful life. The amortization should commence when the assets is available for use.

a) Amortization is charged on monthly basis on straight-line method on all Intangible assets at the following rates per annum:

| Name of Intangible Assets | Rate of Depreciation | Useful life |
|---|---|---|
| Online Software | 20.00% | 5 Years |

b) On addition of Intangible assets Amortization is charged from the month of acquisition. Whole month Amortization is charged if such assets are acquired in the first half of the month and no Amortization is charged if such assets are acquired in the second half of the month.

c) On the month of disposal of Intangible assets, no Amortization is charged. The cost and accumulated Amortization of disposed assets are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement.

**4. Reporting period:**

The financial statements cover from 1 January to 31 March 2015.

**5. Consolidated Earnings Per Share (EPS)**

Earnings per share have been calculated in accordance with BAS - 33: "Earnings Per Share (EPS)".

| Particulars | 01-01-15 to 31-03-15 | 01-01-14 to 30-03-14 |
|---|---|---|
| Net profit after tax (Numerator | 260,845,105 | 556,879,366 |
| Less : Non-Controlling Interest | 73,928,057 | 68,561,771 |
| Net profit after tax Less : Non-Controlling Interest | 186,917,048 | 488,317,595 |
| Weighted average number of ordinary shares outstanding | 946,958,503 | 946,958,503 |
| Consolidated earnings per share (CEPS) | 0.20 | 0.52 |

**6. General**

1. The financial statements have been prepared in accordance with the formats prescribed under the Banking Companies Act, 1991 and in compliance with the rules of Islamic Law (Shariah) related to the banking business activities.

2. The figures appearing in these accounts have been rounded off to the nearest taka.

3. Wherever necessary previous years' figures have been rearranged to conform to the current years' presentation.

**Note: The published 1st quarter Financial Statements 2015 can be available in the Web-site of the bank. The address of the Web-site www.al-arafahbank.com**