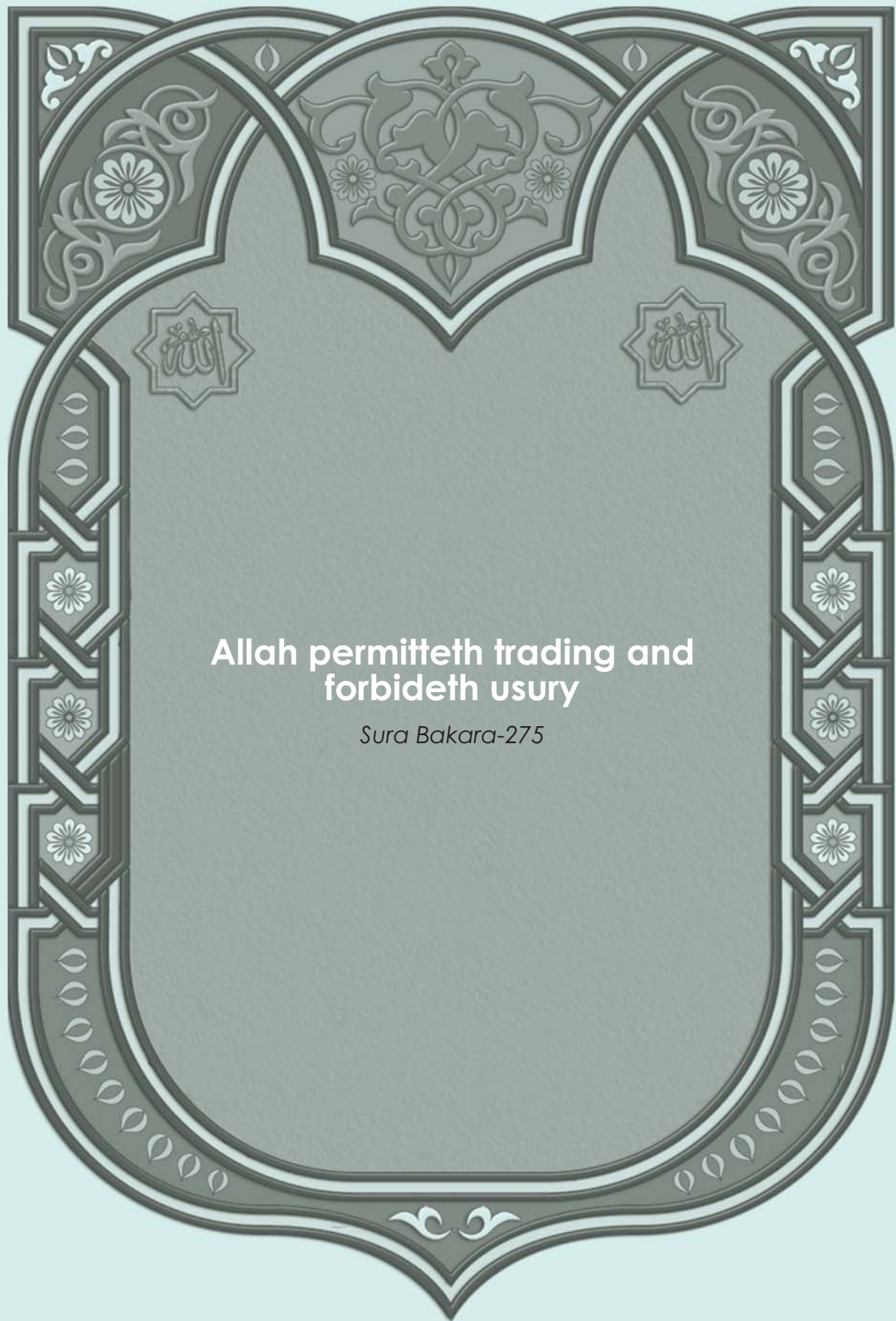




Annual Report 2010





**Allah permitteth trading and
forbideth usury**

Sura Bakara-275



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Qur'anic Verses on Interest

"Those who swallow Riba (usury) cannot rise up save as he ariseth whom the devil hath prostrated by (his) touch. That is because they say: Trade is just like usury: whereas, Allah permitteth trading and forbideth usury: He unto whom and admonition from his Lord cometh and (he) refraineth (in obedience thereto). He shall keep (the profits of) that which is past. And his affair hence-forth is with Allah. As for him who returneth (to Riba) such are rightful owners of fire. They will abide therein. (2:275)

"O, Ye who believe, fear Allah, and give up what remaineth (due to you) from usury, if ye are (in truth) believers. If you do it not, take notice of war from Allah and His messenger." (2:278-279)



Hadith on Interest

- Jabir bin Abdullah (R) said that Rasul (Allah's Messenger) (S) cursed the acceptor of interest and its payer, and the one who records it, and the witness; and he said They are all equal. (Muslim)
- Abdullah Ibn Masud (R) has quoted a Hadith of Rasul (Allah's Messenger) (S) as saying: Whenever adultery and usury become rampant in a community, it is inevitable that wrath of Allah will befall upon them. (Abu Yala)
- Abu Huraira (R) has narrated that Rasul (Allah's Messenger) (S) said: Allah as his unique right will not allow four categories of people to enter the heaven and also refrain them from taking taste of his bounties 1) Drunkard 2) Usury 3) Devourers of orphan's wealth and 4) Disobedience of parents. (Mustadarake Hakim)
- Abu Huraira (R) has narrated that Rasul (Allah's Messenger) (S) said: you should protect yourself from 7(seven) destructive issues 'what are those'? -asked his companions. He said those are 1) Join in worship others with Allah 2) Mesmerizing 3) Killing someone unlawfully 4) Usury 5) Devourers of orphan's wealth 6) Flight from the battle field and 7) To charge against chaste women. (Bukhari, Muslim and Abu Daud)
- Samura Ibn Zundub (R) has narrated that Rasul (Allah's Messenger) (S) said: I saw in a dream that two persons came to me and took me to a sacred place. Thereafter three of us proceeded to a river full to blood and saw that a man was swimming in the river and another was standing on the bank with huge rocks in front of him. When the swimmer approached the bank, the man standing on it hit the swimmer with the rocks so heavily that he receded to his original place. Whenever the swimmer tried to approach the bank of the river again, the standing person did the same as before. Rasul (Allah's Messenger) (S) asked 'who is this man in the river' One of the angels said 'He is a usurer'. (Bukhari)



Opinion of other Religions and Great Men on Interest

- Interest has been banned in the two books of Hazrat Musa (A.), which are considered as the scriptures of Jews. The 22nd line of Exodus goes as saying, 'If you lend money to a poor man, don't become money lenders and don't realize interest from him.'
- Similarly in 23rd line of ancient scripture of the Jews entitled "Deuteronomy" states, 'You don't lend money to your brother for interest -i.e interest on money, interest on foodstuff and interest on anything lent.'
- Hebrewism is known as Musaic or Jewism. Musaic laws or commands of Musa are the basis of Hebrewism. Interest was totally prohibited in Musaic law. This rule was exclusively practiced by the Jews. In this ideology, there are clear directions on interest as other aspects of economics. In Hinduism, usury business was restricted within the 'Baithayas'.
- One Jew couldn't take interest by lending money from another. But, taking interest was in practice by lending money to the people of other religions.
- Some writers quoted from the book, 'Talmud' that the Hebrew prophets forbade interest not only from Jews but from all. (Eric Roll, A history of Economic Thought: page 48)
- Interest was prohibited from the beginning of the Christianity to the advent of the Reform Movement and from the Church under pope in Rome to the division of other Churches, Christ said, 'Lend hopping for nothing again.' (Luke VI 35, Hanley: History of Economic Thought 1964, Page 101)



Board of Directors

Directors

Badiur Rahman

Chairman

Sarker Mohammad Shameem Iqbal

Vice Chairman

Member:

Alhaji Md. Harun-ar-Rashid Khan

Alhaji Nazmul Ahsan Khaled

Alhaji Abdul Malek Mollah

Alhaji Hafez Md. Enayetullah

Alhaji Abdul Moktadir

Alhaji Ahamedul Haque

Alhaji Abdus Samad

Alhaji Abu Naser Mohammad Yeachea

Alhaji Abdus Salam

AlHaji Niaz Ahmed

Md. Ashik Hossain

Md. Rafiqul Islam

Mohammed Emadur Rahman

Mrs. Sabrina Farah Ahmed

Anwar Hossain

Dr. Momtaz Uddin Ahmed

Ex Officio Director

Ekramul Hoque

Managing Director

Company Secretary

Md. Mofazzal Hossain

Executive Committee

Alhaji Abdus Samad
Chairman

Alhaji Abdul Malek Mollah
Vice-Chairman

Member:

Alhaji Md. Harun-ar-Rashid Khan

Alhaji Md. Nazmul Ahsan Khaled

Alhaji Hafez Md. Enayetullah

Alhaji Ahmedul Haque

Alhaji Abu Naser Mohammad Yeahea

Audit Committee

Sarker Mohammad Shameem Iqbal
Chairman

Member

Al-Haji Niaz Ahmed

Dr. Momtaz Uddin Ahmed

Shariah Supervisory Committee

Mufti Abdur Rahman
Chairman

Member

Mufti Ruhul Amin

Moulana Abdul Basit Barkatpuri

Mufti Muinul Islam

Alhaji A. Z. M. Shamsul Alam

Badiur Rahman

Secretary

Md. Abdur Rahim Khan



Management Team

Managing Director

Ekramul Hoque

Deputy Managing Director

Ihsanul Aziz

Md. Rafiqul Islam

Md. Rezaul Rahman

Senior Executive Vice President

Khondoker Nayeemul Kabir

Executive Vice President

Md. Mofazzal Hossain

Md. Mominul Haque Bhuiyan

Yakub Muhammad Faruque

Senior Vice President

Md. Fazlul Karim

Syed Masodul Bari

Muhammed Nadim, ACA

Md. Nazmus Saadat

Muhammad Mahmoodul Haque

Borhanuddin Ahmed Chowdhury

Management Team



Vice President

Md. Atiqur Rahman
 Manir Ahmad
 A. N. M. Mofidul Islam
 Md. Abdur Rahim Duary
 Hadi Ferdous Ahmed
 Md. Abul Hossain
 Md. Manjur Hasan
 Md. Badruzzaman Bhuiyan
 Md. Abul Quasem
 Md. Fazlur Rahman
 Md. Aminul Islam Bhuiyan
 Engr. Md. Habib Ullah
 Md. Showkat Islam
 Md. Abdullah Al-Mamun
 A.K.M. Amzad Hossain
 Abed Ahmed Khan
 Md. Husain Ahmad Faruqi
 Md. Zakir Hossain
 Md. Zakir Anam
 A.T.M. Mostafizur Rahman
 Md. Abdus Zaher
 Md. Jafar Ullah

Assistant Vice President

Mohd. Yahya
 Iqbal Hossain Ahmed, FCMA
 Harun-Ur-Rashid
 Kazi Md. Selim
 Md. Majibur Rahman
 Md. Shamsul Huda
 M. Anisur Rahman

Md. Asaduzzaman Bhuiyan
 Md. Mizanur Rahmn
 Munshi Amanul Haque
 Majibur Rahman
 Md. Nizamul Haque Chowdhury
 Md. Sultan Mahmud
 Md. Golam Sarwar
 S.M. Kowsar
 Md. Abul Basher
 Md. Idris Ali
 Mohammad Golam Kibria
 Aktar Kamal
 Md. Mazharul Islam
 Md. Obaydul Islam
 Md. Abdur Rahim Sarder
 Mohammed Hossain
 Md. Mujahid Khalid
 Md. Azharul Islam
 Md. Mosharof Hossain
 C.G.M Asaduzzaman
 Mohd. Javed Tarek Khan
 Mr. Tariqul Amin
 Md. Emarat Hossain Khan
 Monir Ahammad
 Md. Hedayeatul Islam
 A.K.M. Sazzad Hossain
 Md. Zahidul Islam
 S.M. Abu Jafar
 Md. Mostafizur Rahman
 Md. Zakir Hossain Bhuiya



Vision, Mission & Commitments

Vision

- To be a pioneer in Islami Banking in Bangladesh and contribute significantly to the growth of the national economy.

Mission

- Achieving the satisfaction of Almighty Allah both here & hereafter.
- Proliferation of Shariah Based Banking Practices.
- Quality financial services adopting the latest technology.
- Fast and efficient customer service.
- Maintaining high standard of business ethics.
- Balanced growth.
- Steady & competitive return on shareholders' equity.
- Innovative banking at a competitive price.
- Attract and retain quality human resources.
- Extending competitive compensation packages to the employees.
- Firm commitment to the growth of national economy.
- Involving more in Micro and SME financing.

Commitments

- Ours is a customer focused modern Islamic Banking making sound and steady growth in both mobilizing deposit and making quality Investment to keep our position as a leading Islami Bank in Bangladesh.
- To deliver financial services with the touch of our heart to retail, small and medium scale enterprises, as well as corporate clients through our branches across the country.
- Our business initiatives are designed to match the changing trade & industrial needs of the clients.

Corporate Information

Date of Registration	18 June 1995
1st Branch	Motijheel Branch, Dhaka
Opening Ceremony	27 September, 1995
Authorized Capital	5,000.00 Million
Paid-up Capital	4,677.28 Million
Local Partnership of Capital	100%
Equity	9,647.45 Million
Number of Branches	78
Deposit	52,973.97 Million
Investment	53,582.96 Million
Number of Employees	1,711
Number of Shareholders	49,386



Directors & Sponsors attending 15th Annual General Meeting

Corporate Information

Auditors

Hoda Vasi Chowdhury & Co.
Chartered Accountants
BTMC Bhaban, Level 8,
7-9 Karwan Bazar, Dhaka-1215

ACNABIN

Chartered Accountants
BSRS Bhaban (13th Floor)
12 Karwan Bazar C/A
Dhaka- 1215, Bangladesh

Company Secretary

Md. Mofazzal Hossain

Registered Office

Peoples Insurance Building
36, Dilkusha Commercial Area
(6th - 9th Floor), Dhaka-1000

Tel: PABX : 9567885, 9567819
9569353, 9568007
9560198, 7123255-7

Fax : 880-2-9569351

SWIFT : ALARBDDH

E-mail : aibl@al-arafahbank.com

Web : www.al-arafahbank.com



Shareholders attending 15th Annual General Meeting



AL-ARAFAH ISLAMI BANK LIMITED
HEAD OFFICE : 36, Dilkusha C/A, Dhaka-1000

Notice of the 16th Annual General Meeting (AGM)

Notice is hereby given that the 16th Annual General Meeting of the shareholders of Al-Arafah Islami Bank Limited will be held on Monday, the 6th June 2011, at 10.00 a.m. at '**Officers Club**', **26-Baily Road, Dhaka** to transact the following business:

Agenda :

1. To receive, consider and adopt the Directors' Report, Audited Statements of Accounts with Auditors' Report thereon for the year ended on 31st December 2010;
2. To declare Dividend for the year 2010;
3. To appoint auditors of the company for the term until the next Annual General Meeting and to fix their remuneration;
4. To elect /re-elect Directors;
5. To transact any other business with the permission of the chair.

All the honorable shareholders of the company are requested to make it convenient to attend the meeting on time.

By order of the Board,

(Md. Mofazzal Hossain)
 EVP & Company Secretary
 10 May 2011
 Phone : 7113694

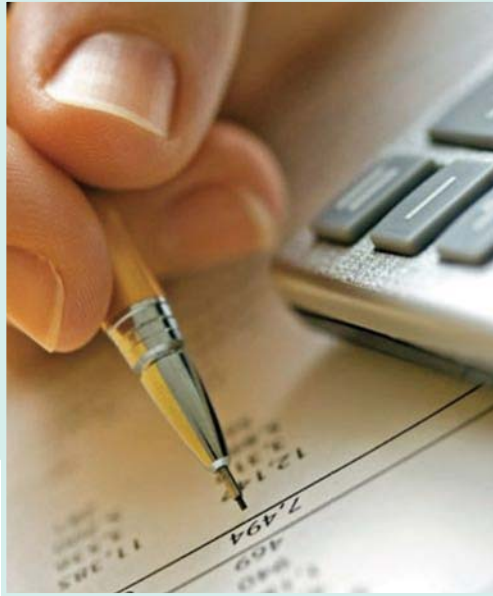
Notes :

1. Shareholders whose names appear in the Register of members as at the close of business on the Record Date i.e.10-04-2011 will be eligible to attend the Annual General Meeting (AGM) and vote there at;
2. A member eligible to attend and vote at the Annual General Meeting (AGM) may appoint a proxy to attend and vote on his/her behalf. Proxy Form duly stamped must be submitted to the share department, Rahman Mansion (1st Floor), 161 Motijheel C/A, Dhaka-1000 not later than 48 hours before the time of holding the meeting;
3. The Shareholders, who are interested to put questions, are requested to send the same to Share Department, Rahman Mansion (1st Floor), 161 Motijheel C/A, Dhaka-1000, before 7 (Seven) days of the AGM;
4. Attendance of the Members/ Shareholders/ Attorney/ Proxy's will be recorded up to 10.30 a.m. at the Registration Counter on the day of the meeting.
5. Election Rules and schedule thereto will be available at the share department of the Bank, Rahman Mansion (1st Floor), 161 Motijheel C/A, Dhaka-1000.

5 Year Financial Highlights

(Figure in Million)

Particulars	2006	2007	2008	2009	2010	Growth%
Income Statement						
Investment Income	1,701.40	2,243.15	3,456.34	4,004.54	4,143.30	3.47
Profit paid on Deposit	819.71	1,628.63	2,220.47	2,667.34	3,133.69	17.48
Net Investment Income	881.69	614.52	1,235.87	1,337.20	1,009.61	(24.50)
Non Investment Income	471.09	712.46	936.81	1,301.10	3,378.95	159.70
Non Investment Expenses	383.00	570.80	644.59	908.47	1,328.61	46.25
Net Non Investment Income	88.09	141.66	292.22	392.63	2,050.34	422.21
Profit Before Tax & Provision	969.78	756.18	1,528.09	1,729.83	3,059.95	76.89
Provision For Investment	114.30	173.34	269.20	140.59	370.80	163.75
Profit Before Tax	855.48	582.84	1,258.89	1,589.24	2,689.15	69.21
Provision For Tax (including Deferred Tax)	385.45	235.53	590.66	730.25	873.01	19.55
Profit After Tax	470.03	347.31	668.23	858.99	1,816.14	111.43
Balance Sheet						
Authorized Capital	2,500.00	2,500.00	2,500.00	5,000.00	5,000.00	0.00
Paid up Capital	854.20	1,153.18	1,383.81	1,798.95	4,677.28	160.00
Reserve Funds & Other Reserve	536.00	653.00	905.33	1,223.18	1,746.42	42.78
Shareholders' Equity (Capital & Reserve)	1,690.18	2,037.50	2,705.74	3,564.73	9,647.45	170.64
Deposits	16,775.34	23,009.13	29,690.12	38,355.50	52,973.97	38.11
Investment	17,423.19	22,906.37	27,742.57	36,134.08	53,582.96	48.29
Investment in Shares & Securities	2.00	868.58	1,090.23	1,502.00	2,178.83	45.06
Fixed Assets	215.10	334.48	396.76	466.30	655.39	40.55
Total Assets (Excluding off-balance sheet items)	21,368.16	30,182.32	37,177.22	48,515.79	74,005.01	52.54
Foreign Exchange Business						
Import Business	18,821.40	27,042.72	32,685.13	34,074.80	55,934.10	64.15
Export Business	9,142.70	12,714.91	20,176.64	23,546.10	32,042.40	36.08
Guarantee Business	520.15	601.88	784.49	2,841.32	3,081.15	8.44
Inward Foreign Remittance	1,346.54	1,843.94	2,672.04	2,832.28	4,431.90	56.48
Capital Measures						
Core Capital (Tier-I)	1,623.52	1,970.84	2,639.08	3,498.07	9,582.85	173.95
Supplementary Capital (Tier-II)	207.13	274.29	410.26	567.89	929.96	63.76
Tier-I Capital Ratio	9.50	9.59	9.70	9.68	13.21	36.47
Tier-II Capital Ratio	1.21	1.33	1.51	1.57	1.28	(18.47)
Total Capital	1,830.65	2,245.13	3,049.34	4,065.96	10,512.81	158.56
Total Capital Ratio	10.71	10.92	11.21	11.25	14.49	28.80
Investment Quality						
Volume of Non-Performing investment	569.03	854.41	817.90	608.14	610.48	0.38
% of NPIs to Total investment	3.68	3.72	2.75	1.68	1.14	(32.14)
Provision for Unclassified investment	172.78	220.48	298.09	409.19	666.95	62.99
Provision for Classified investment	122.75	246.48	329.78	173.13	137.58	(20.53)
Provision for Off Balance sheet Exposures	-	19.45	77.80	124.35	230.71	85.53
Share Information						
Number of Shares Outstanding	8,542,040	11,531,754	13,838,104	17,989,536	467,727,936	2,500.00
Earning per Share (Taka)	5.50	2.51	3.72	2.00	4.14	107.00
Book Value per Share (Taka)	23.26	19.67	19.55	19.82	16.47	(16.89)
Market Price per Share (Taka)	24.20	44.00	44.40	53.63	66.88	24.72
Price Earning Ratio (Times)	4.89	14.62	9.53	11.23	13.24	17.90
Price Equity Ratio (Times)	1.04	2.24	2.27	2.71	4.06	50.06
Dividend per Share						
Cash Dividend (%)	-	-	-	-	-	-
Bonus Share	35	20	30	30	26	(13.33)
Operating Performance Ratio						
Net Profit Margin%	6.81	3.69	4.87	4.11	1.82	(99.56)
Credit /Deposit Ratio (CDR)	103.86	99.55	93.44	94.2	93.43	(0.83)
Return on Equity (ROE)%	27.81	17.05	24.70	24.10	18.83	(21.88)
Return on Assets (ROA)%	2.20	1.15	1.80	1.77	2.45	38.61
Cost of fund %	9.11	10.99	10.46	11.08	9.72	(12.27)
Cost /Income ratio in operating business (%)	55.36	74.52	65.17	67.40	59.32	(11.99)
Other Information						
Number of Branches	46	46	50	60	78	30
Number of Employees	912	1,033	1,080	1,296	1,711	32.02
Number of Shareholders	4,487	12,013	10,664	11,382	49,386	333.90



Economic Impact Report

Economic impact can be defined as any increase or decrease in productive potential of an economy. By analyzing the economic impact we can understand how a bank adds value to the society. Economic impacts can be broadly categorized as:

- i) Direct Impact
- ii) Indirect Impact

Direct Impact

Direct impacts are the immediate economic effects resulting from the banks financial transactions. Bank's direct contribution to the economy resulted in the creation of employment opportunities, payment of tax to the government and maximization of shareholders wealth.

Indirect Impact

Indirect impacts are the spill over economic effects that occur through Bank's normal course of operations. Banks generate indirect impact by addressing the deficiency of capital in the economy by mobilising deposit and channelling the same to prospective investors.

Through catering financial services, the Bank helped distribute the wealth among all the stakeholders for example shareholders received dividend, depositors and investors got profit, employees received compensation and other benefits, the under privileged reaped benefits out of CSR while the government earned tax revenue.

In 2010, total value added by AIBL was BDT 3,470.98 million as against BDT 2,194.27 million in 2009. Bank's direct contribution to the economy was BDT 873.01 million in the form of corporate income tax. The Bank distributed BDT 714.80 million for its total 1,711 officials in 2010 as against that of BDT 553.02 million in 2009.

At the end of 2010, the Bank mobilized total deposits of BDT 52,973.97 million and aided the economy in meeting its growth target by deploying BDT 53,582.96 million as investment to different sectors of the economy. Apart from these, the Bank performed significant import and export business.

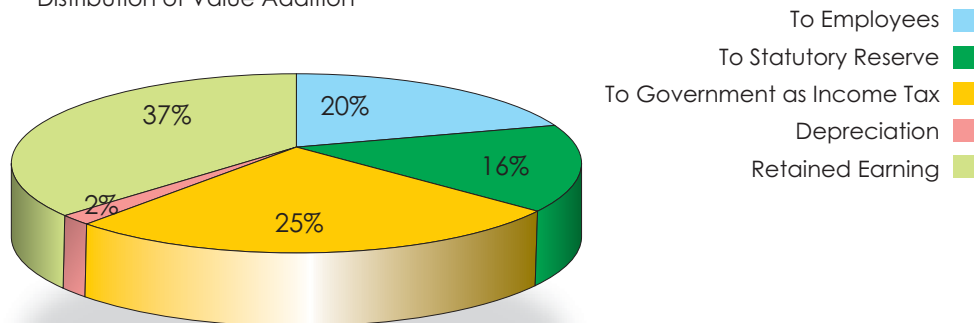
Value Added Statement

Value added is a measure of wealth created by the Bank through various business activities. The statement of value added shows the total wealth created and how it was distributed among stakeholders, including the Government, employees and shareholders.

(BDT in million)

Particulars	2010	2009
Income from Banking Service	7,522.25	5,305.63
Cost of Services & Supplies	(3,680.47)	(2,970.77)
Value added by Banking Services	3,841.78	2,334.86
Provisions for Investment & Off-Balance Sheet Items	(370.80)	(140.59)
Total Value Addition	3,470.98	2,194.27
Value Distributed		
To Employees	714.80	553.02
To Statutory Reserve	544.19	317.85
To Government as Income Tax	873.01	730.25
Depreciation	64.12	50.55
Retained Earning	1,274.86	542.60
Total	3,470.98	2,194.27

Distribution of Value Addition

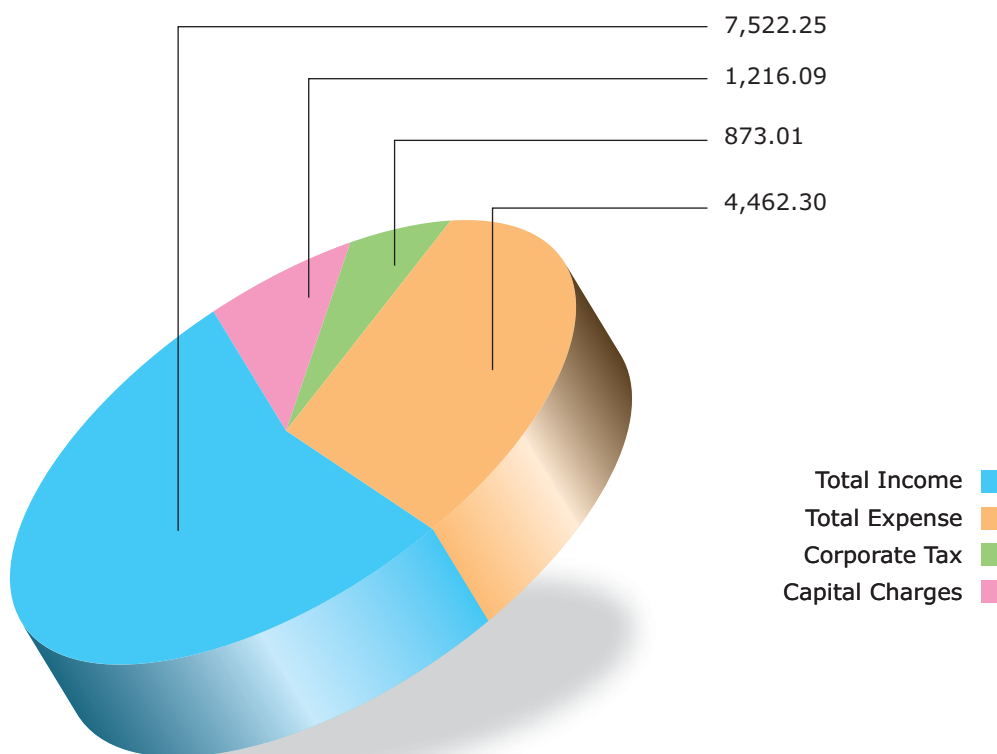


Economic Value Added Statement

Economic Value Added (EVA) indicates the true economic profit of the company. EVA is an estimate of the amount by which earnings exceed or fall short of the required minimum return for shareholders at comparable risk. EVA of the Bank stood at BDT 970.85 million as on 31 December 2010 as against that of BDT 459.89 million in 2009.

(BDT in million)

Particulars	2010	2009
Shareholders Equity	9,647.45	3,564.73
Total Income	7,522.25	5,305.63
Total Expense	(4,462.30)	(3,575.80)
Corporate Tax	(873.01)	(730.25)
Capital Charges*	(1,216.09)	(539.69)
Economic Value Addition	970.85	459.89



* Capital Charges = Paid up capital X percentage of Dividend

Market Value Added Statement

Market Value Added (MVA) is the difference between the equity market value of the company and the book value of equity invested in that company. Market Value Added Statement indicates how much wealth has been created for the capital providers in a particular period of time. A high market value addition indicates that the company has created substantial wealth for the equity holders.

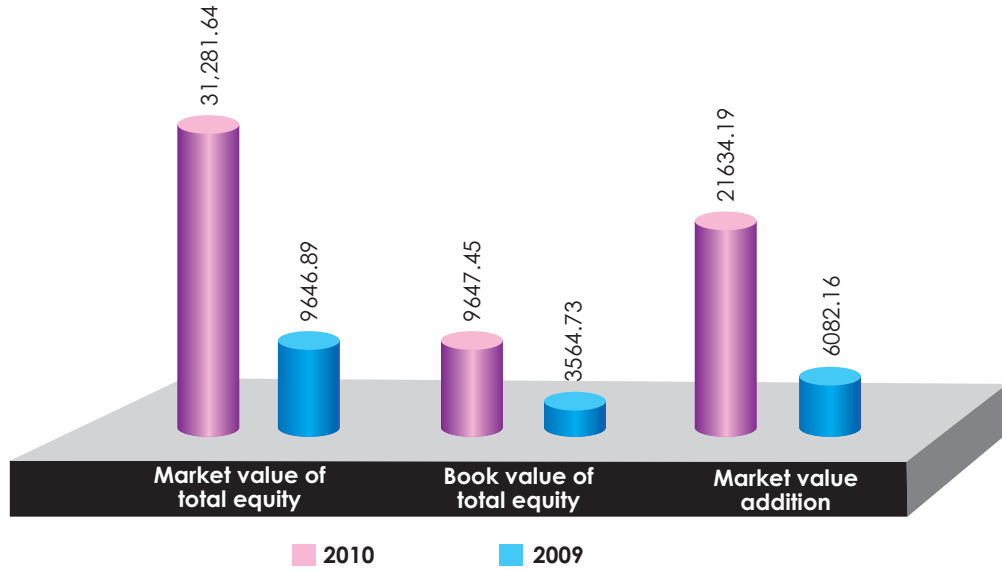
(BDT in million)

Particulars	2010	2009
Market value of total equity	31,281.64	9,646.89
Book value of total equity	9,647.45	3,564.73
Market value addition	21,634.19	6,082.16



Chairman Jb. Badiur Rahman handed over the cheque of Tk. 50 (Fifty) Lac to the Honorable Prime Minister as a donation to the Liberation War Museum Fund for the purpose of construction of Liberation War Museum Building

Market Value Addition



Total number of share outstanding : 467,727,936 (179,895,360)*

Market value per share : BDT 66.88 (53.63)*

* Previous Year's figures in brackets.

* Total number of share outstanding and Market Value per share for the previous year are restated in consideration with the changes of denomination of face value of share.



Construction of 16 storied AIBL Head Office Building has been started in 2010.



Bismillahir Rahmanir Rahim,

All praise be to the Almighty Allah, Lord of the Universe and peace and blessing of Allah be upon the Prophet Muhammad (SM) and his descendants and companions.

Dear Shareholders
Assalamu Alaikum,

It is my great pleasure to welcome you all to the 16th Annual General Meeting of the Shareholders of the Bank. On behalf of the board of directors and myself, I would like to express my heartfelt thanks and profound gratitude to all of you for your continuous support and guidance in achieving excellence in the performance of the company. We have successfully completed the operation for the year 2010. Though in the late 2010 there was a liquidity crisis in the banking sectors as well as volatility in the capital market your company has attained significant growth in the deposit, investment, foreign exchange business, remittance and profitability as well as ensures assets quality, commitment towards excellence in service, adherence to business ethics and regulation, shariah compliance, Compliance to the norm of good governance and continuous improvement in stakeholder value.

As on 31 December 2010 the Bank has mobilized a deposit of Tk. 52,973.97 million registering a growth of 38.11% over the previous year.

On the other hand the total investment of the Bank to the valued customers amounting to Tk. 53,582.96 million registering a growth of 48.29% over the previous year.

The total import of the Bank in the year 2010 has

stood Tk. 55,934.10 million registering a growth of 64.15% over the previous year and the total export has stood Tk. 32,042.40 million registering a growth of 36.08% over the previous year. Besides during the year 2010 the bank received foreign Remittance 4,431.90 million, which is 56.48% higher than the previous year.

The total assets of the Bank increased to Tk. 74,005.01 million as on 31 December 2010 which was Tk. 48,515.79 in 2009.

In 2010 the Bank earned a net profit before tax & provision of Tk. 3,059.95 million which is 76.89% higher than the previous year.

Total branches increased to 78 at the end of the year 2010.

The authorized capital of the Bank is Tk. 5,000.00 million and paid up capital and reserve is Tk. 6,423.70 million as on 31 December 2010.

The non-performing assets of the Bank remained at a low and tolerable level because of strict analysis of investment proposals for approval, post disbursement strong monitoring and adequate securitizations. As on 31 December 2010 ratio of classified investment to total investment is 1.14%.

At present there is a regressive trend in profit rate in the Banking industry of Bangladesh due to the Monetary Policy of the Government and moral suasion of Regulatory Bodies. As the regressive profit rate will give a boost to the growth of the economy, the Bank's strategy is being shifted to manage profit spread. Today the Bank ranks better position amongst the 7 Istami Banks of the country. With its sound solvency position, quality assets and

the expertise of the people, the Bank continues its strong presence in the market to provide optimum

Supports to its customers, shareholders and other related groups.

Corporate governance is an issue of vital importance to the Shariah Supervisory Committee, the Board and the Management of the Bank.

The Bank is blessed with a well-designed management structure with clearly defined responsibilities.

There is a Shariah Supervisory Committee comprising leading Islamic Scholars of the country well versed in Shariah in the Bank which is entrusted with the responsibility to ensure that the activities are conducted on the precepts of Islam. The Bank adheres to Shariah based best business practices at all times within a complex legal and regulatory environment.

The pace of change in financial services of Bangladesh produces new challenges daily. As the demand of time our management and staff members embrace change to remain competitive.

Customer is the focal point of all activities. We are committed to our customer for excellent, innovative and speedy solutions across all customer segments. We provide a full range of banking service to small, medium and large sized companies as well as agricultural and microfinance and also private individuals and entrepreneurs.

Human resource is the most important asset of the Bank. Comprehensive service rules and regulation exists in the Bank which governs their professional relationship with the Bank.

As the carrier and reservoir of knowledge the Bank has established a rich library.

Banking activities are exposed to various types of risks although risks are inherent in the very nature of our business. It is important that they are measured accurately and monitored timely. With that end in view the Bank employees a consistent methodology, which is applied to minimize risks.

The program and strategy we have undertaken are designed to create a base from which growing and sustainable profit can be generated.

Our main focus in 2011 will be on :

- Introduced debit and credit card.
- To become more shariah compliant.

- Increase Authorized Capital from 5,000 Million to 10,000 Million
- To reduce the non-performing assets below 1%.
- Thrust in SME investment.
- Sound financial management.
- Business & product diversification (both deposit and investment).
- Expand and diversify customer base.
- Strengthening the AIBL capital market services limited which is the subsidiary company of Al-Arafah islami bank Limited.
- Up-gradation of Online Banking.
- Increase foreign inward remittance.
- Opening of 20 new branches.
- Opening of 10 SME Branches.
- Stable dividend.
- Development skill manpower through imparting training as part of CSR activities.

We have Al-Arafah Islami Bank Foundation to render social service as a part of corporate social responsibility. During the year 2010 the bank participated in CSR activities by financial assistance in different areas like education, training, healthcare, sports, natural disaster, city beautification, etc.

I express my gratitude to the Almighty Allah for enabling us to achieve remarkable progress in all aspect during the year-2010. I take this opportunity to thank the members of the Shariah Supervisory Committee, the Board of the Directors of the Bank, Management and the staff of the Bank. I also, thank our respected shareholders, valued customers, patrons, well-wishers, Govt. of Bangladesh, Bangladesh Bank, Registrar of Joint Stock Companies & Firms, Securities and Exchange Commission, Dhaka & Chittagong Stock Exchanges, Auditors, Legal Advisers and all others concerned for their continued support and co-operation.

May Allah the Almighty bestow His bountiful blessings upon us all.

Allah Hafiz
Ma-assalam
Sincerely,



Badiur Rahman
Chairman

Date : 6 June, 2011.

Managing Director's Address



Bismillahir Rahmanir Rahim

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

Dear Shareholders

Assalamu Alaikum,

It is my great pleasure to present a brief account of our performances during the year 2010. Al-Arafah Islami Bank Ltd. is a Shariah compliant bank in terms of its operational pattern, unique customer focus, risk management, organizational advancement in terms of state of art, IT implementation, expansion of branch network, diversification of products and services, new business development, building of an efficient and a dedicated work force and ensuring the highest level of transparency in all spheres of operations and performance presentation.

The year 2010 is the 16th year of operation since Bank's inception in 1995: It proved to be another eventful and successful year and recorded continued progress for the Bank..

The year- 2010 is infact a year of, rebuilding and reconstruction of the foundation of the Bank on a sound footing.

Our business flourished in all areas of banking operations despite world wide economic recession, volatile national economic situation, rising cost of fund, price hiking of essentials commodities and energy. The Bank' did well as compared to the market in terms of profit and turnover. Exceptional performance in each operational area was achieved.

In this year comparing to the previous year deposit and Investment portfolio registered a growth of 38.11% and 48.29% respectively.

On the other hand Import, export, remittance registered a growth of 64.15%, 36.08% and 56.48% respectively.

Classified investment declined to 1.14% as on 31st December 2010 compared to 1.68% as on 31 December 2009.

Total branches increased to 78 as on 31 December 2010 compared to 60 branches as on 31 December 2009.

In 2010 the Bank earned a net profit before tax & provision of Tk. 3,059.95 million which is 76.89% higher than the previous year.

We attach highest importance to render prompt and personalized services to our client.

On-line banking operations have already been started in all branches of the Bank.

We have opened 18 branches in 2010. We are going to open 25 new branches in 2011 to offer our financial services to a wider community and strengthen our rural focus. We are soon going to establish a network of ATM and POS in important locations of the country as well as introduced debit and credit card for ensuring better support and customer care.

As a prudent measure of balanced growth and achieving a meaningful diversification, the Bank has stressed its focus on SME and Micro Credit financing as well as capital market services which we hope to extend in wider areas in the near future.

Banking is constantly changing and becoming equally challenging especially in respect of Shariah based banking. To face the challenges of the time we focus our human resource development by putting professional HR policy and practices in place.

Our achievements thus far would not have been possible without the dedication and sincere effort of our employees, trust and confidence reposed upon us by our valued customers and shareholders. I therefore, express my sincere gratitude to our enthusiastic shareholders for their support.

Looking forward, ensuring highest customer care, Shariah compliance and maintaining competitive price will be the thrust of future. I believe the gains made over the past years will be instrumental for superior positioning of the Bank in the future. Our strategy will add to our strengths by focusing on areas where we have an advantage today and where we can grow faster than our competitors in the days ahead.

We believe we will continue to impress upon you by achieving our goals for the year 2011.

May Allah help us.

Ma-assalam,

Sincerely,

Ekramul Hoque
Managing Director
Date: 6 June 2011.



Bismillahir Rahmanir Rahim,

All praise be to 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 16th 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 2010.

Global Economy

During FY10, global economic recovery proceeded broadly as expected on two-track pace, with generally high robust output growth in emerging and developing economies and lower, rather jittery growth in many of the mature developed western economies beset by lingering financial sector weaknesses impeding lending (particularly to small businesses) and job creation, slow demand recovery in households deleveraging debt burdens. This was compounded further by concerns of markets about high public debt levels of some of the western developed economies. The projections forecast somewhat lower output growth rate for 2011 than that of 2010, global inflation is projected to remain moderate in 2011.

The IMF recommendations for restoration of global economic balance include

Continued easy monetary conditions with low interest rates in flagging developed economies

constrained in fiscal stimulus by their heavy public debt burdens; and stimulation of domestic consumption in the fast growing emerging and developing economies, including interalia by allowing their domestic currencies to appreciate.

The advanced economies as a group increased by 2.70% while the other and emerging and developing economies as a group achieved 7.10% in 2010.

The growth of world trade volume in 2010 increased by 11.40% compared with 11.00% declined in 2009. The growth of exports from both the advanced economies and other emerging and developing countries are increased by 11.00% and 11.90% in 2010 respectively. The growth of import for both the advanced economies and other emerging and developing countries are also increased in 2010.

The latest global finance stability report (GFRS) released by IMF indicates that in 2011 the global economic growth is projected to grow 4.20%, which was 4.80% in 2010.

The IMF projected the advanced economics to grow by 2.30% in United States, 1.50% in Japan, 2.70% in Canada, 1.00% in Italy, 2.00% in UK, 2.00% in Germany and 4.50% in newly industrialized Asian economies.

Among other emerging markets and developing countries growth in china is expected 9.60% in 2011 maintaining a strong performance given the global context.

South Asian countries growth rates are also expected to be moderate, reflecting substantial macroeconomic stimulus and pickup in global demand.

National Economy

After a deceleration in 2008-09, associated with the global financial crises, Bangladesh's economic

growth stabilized at 6.0 percent in 2009-10, led by growth in the services sector, moderate expansion in industry and a positive performance of agriculture. The main contribution to GDP came from the strong growth of domestic consumption, which increased faster than investment and net export. In fact, the growth of consumption exceeded GDP growth, broadly in line with the increase in the growth of real disposable income. Despite the strength and momentum of domestic demand, however, inflation remained relatively stable at 6.5 percent owing to various government measures. In the financial sector, monetary stability improved. Interest rates, however, remained high despite the presence of excess liquidity in the economy.

Structural change in the Economy

In terms of US dollar, the value of GDP in current prices increased by 11.69 percent to US\$99800 million in 2009-10 from US\$89358 million in the previous year. Per capita GDP stood at US\$684 compared to US\$620 in 2008-09, showing an increase of 10.3 percent compared to 10.9 percent increase in the preceding year. Measured by developments in the CPI, inflation was 6.51 percent in 2009-10 (up to April) compared to 6.66 percent in 2008-09. The increase in prices as measured by GDP deflator was 6.0 percent in 2009-10 compared to 6.5 percent in 2008-09. The annual average depreciation of Bangladesh Taka was 0.6 percent in 2009-10 compared to 0.3 percent appreciation in 2008-09.

Industry

Within the broad industry sector, the performance of different sub-sectors was mixed. While large and medium scale industries were yet to regain the historically high growth rate witnessed in the middle of the present decade, their recovery was well under way. In particular, manufacturing industries oriented to the domestic market did better. The performance of construction, mining and electricity sub-sectors improved while gas and water sub-sectors lagged behind.

Agriculture

In agriculture, food grains production is expected to be marginally higher in 2009-10 (32.57 million metric tons) than last year's production (32.16 mmt), although it may fall short of the 2009-10 target (35.05 mmt). The estimated 32.57 mmt of food grains production in 2009-10 consists of 1.71 mmt of aus, 12.20 mmt of aman, 17.81 mmt of boro, and 0.85 mmt of wheat. An analysis of food grains import situation shows that during the July-May period of 2009-10, total import stood higher at 3.16 mmt compared to 2.95 mmt during the corresponding period in 2008-09. However, the stock of food grains (including transit stock) with the government stood

lower at 0.72 mmt at the end of May 2010 compared to 0.98 mmt at the end of May 2009. The stock is, however, expected to increase after the end of public procurement of boro. The FY10 budget proposed a comprehensive approach to developing the rural economy covering both farm and non-farm sectors. A number of important and complementary measures were implemented by government in FY10 for improving the delivery of subsidy and fertilizer to the farmers. Besides, the Ministry of Agriculture has introduced 'Agriculture Inputs Assistance Card' (Krishi Upakaran Sahayata Card) for the farmers. These measures are believed to have had a favourable impact on the agriculture sector, in particular the crop sub-sector, and contributed to its growth in the fiscal.

Fisheries and livestock sub-sectors, too, depicted good growth during 2009-10.

Services

The services sector, in general, performed well, led by positive growth in hotel & restaurants, real-estate, public administration, education and public health. Overall, the services sector registered a 6.6 percent growth in 2009-10 compared to 6.3 percent in the previous year. Within the services sector, individual segments saw mixed development. Wholesale and retail trade services, dependent mainly on effective household demand, declined to 5.3 percent in 2009-10 from 6.2 percent in 2008-09. Weak economic activity led to a decrease in growth in transport, storage & communication to 7.2 percent from 8.0 percent, and financial intermediation to 8.3 percent from 9.0 percent. The value addition in education, and health & social works improved in 2009-10, compared to 2008-09. This improvement was associated with the implementation of measures to support social welfare activities in 2009-10.

Investment and saving

Investment has traditionally been low in Bangladesh. It is in fact far below the level of 35-40 percent of GDP, which is necessary to achieve a GDP growth of 8-10 percent. Ironically, our savings are not totally invested, and there is a gap of around 8 percent between savings and investment rates. Additionally, public investment as proportion of GDP has been on a decline in the country although increased public investment is necessary to encourage private investment and make significant impact on the economy. Though the share of private investment stands at about 80 percent of total investment in Bangladesh, it constitutes only 19 percent of GDP. The low level of private investment, which has been mainly due to lack of infrastructure and power, and an enabling environment, discourages foreign investment as well. Increased investment in power

and infrastructure is a critical requisite for enhancing industrial growth, which is why it features prominently in government's policy priorities.

Monetary Development

Monetary developments in 2009-10 were characterized by stable monetary conditions, a significant improvement in the net foreign assets position of the banking system, expansion of credit to the private sector, and reduction of government debts to the banking system. At the same time, there was a significant increase of liquidity in the banking system caused mainly by a rigid interest rate structure and inefficient financial intermediation. In response, Bangladesh Bank took steps to increase the flexibility of financial institutions in setting their interest rates and to promote competition in the financial sector. But, despite these efforts the real lending rates remained high. The volume of Broad Money (M2) increased by Tk.665 billion or 22.4 percent in 2009-10, compared to 19.2 percent in 2008-09. The time deposit component of M2 increased by 20.7 percent. M1 (which represents highly liquid money), on the other hand, increased by 32.5 percent in 2009-10, compared to 12 percent in 2008-09. The trend reflected the higher demand for money related to economic expansion and price pressure. Domestic credit increased by 17.9 percent in FY10 as against 16 percent in FY09. Credit to the private sector increased by 24.2 percent in FY10, compared to 14.6 percent in FY09. In 2009-10, private sector loans were primarily channeled into industry and trade, accounting for 73 percent of the total private sector loan stock at end 2009-10. Net credit to government depicted a negative growth of 6.5 percent compared to a positive growth of 24 percent in the previous year. While, credit to other public sector increased by 21.2 percent in 2009-10 compared to a 6.6 percent increase in the previous year. In 2009-10, the Taka depreciated by 0.3 percent compared to a 0.6 percent appreciation in the previous year. Deposit rate band remained between 4-10 percent while lending rate band remained between 5-19 percent.

Balance of payment

The positive trend seen in the current account balance since 2005-06 continued into 2009-10. In comparison with 2008-09, external influences played a greater role. In FY10, the current account surplus stood at US\$3734 million compared to US\$2416 million in the previous year. The increase in the current account surplus by US\$1318 million was largely due to an increase in the current transfer (about 95 percent of which came from workers' remittances). The current transfer increased by US\$1384 million reaching US\$11610 million in FY10 compared with FY09

(US\$10226 million) whereas the income deficit increased to US\$1487 million in FY10 from US\$1484 million in the previous fiscal year. And the services deficit decreased by US\$379 million to US\$1237 million in FY10 from US\$1616 million in FY09. The capital account recorded a lower amount of surplus of US\$442 million in FY10 compared to US\$451 million in FY09. The deficit in the financial account in FY10 (US\$755 million) was lower than in FY09 (US\$825 million). Within the financial account, net foreign direct investment inflow decreased by US\$325 million to US\$636 million in FY10 from US\$961 million in the previous fiscal. Net repayment of trade credit, however, was smaller in FY10 (US\$1045 million) compared to US\$1277 million in FY09. These developments contributed to an increase in the overall balance of payments US\$2865 million in FY10 from US\$2058 million in FY09

Export

Total export earnings during 2009-10 amounted to US\$16205 million (16.2% of GDP) compared to US\$15565 million (17.4% of GDP) in 2008-09, an increase of 4.11 percent in 2009-10 compared to 10.31 percent in 2008-09.

According to the EPB data, merchandise export shipment in June 2010 stood at US\$1723.5 million, which is higher than in May 2010 (US\$1543.8 million) and April 2010 (US\$1390.4 million). In 2009-10, several commodities such as petroleum bi products, jute & jute manufactured, home textile, and engineering products recorded higher export growth than last year and also exceeded their targets. Exports of leather, terry towel, knitwear, woven garments, and footwear recorded higher growth over last year but failed to meet the projected targets. Exports of agriculture products recorded lower export growth than last year but exceeded their targets. On the other hand, exports of frozen food, chemical products, handicrafts, textile fabrics, ceramic products, and computer services have recorded decline over last year's exports as well as targets. Some products such as: cement, salt, stone, ores, slag & ash, plastic products, rubber, leather products, wood & wood products, pulp, paper & paper products, wool & woolen products, cotton & cotton fabrics, knitted fabrics, building materials, vessels, and medical & technical apparatus did not have any export target but recorded higher growth over last year, whereas cosmetics, PVC bags, printed materials, silk, cap, wigs & human hair, glass & glass ware and other manufactured products like golf shaft etc. recorded decline over last year's exports.

Import

Import payments of 2009-10 amounted to US\$23738 million (23.8% of GDP) compared to US\$22507 million

(25.2% of GDP) in 2008-09 showing an increase of 5.5 percent in 2009-10 compared to 4.1 percent in 2008-09. Import payments in June 2010 (US\$2200 million) stood higher by US\$80 million than in May 2010 (US\$2120 million) but slightly lower by US\$20 million than the April 2010 (US\$2220 million). However, imports in June 2010 were higher by US\$641 million or 41.1 percent over imports in June 2009 (US\$1559 million). The declining trend in import of RMG raw materials such as raw cotton (-3.38%), yarn (-17.03%), and textile & articles thereof (-10.88%) during the first three quarters reflected the depressed RMG export scenario in FY10. Fall in import of capital machineries for textile (-7.85%) and export oriented garment industries (-6.48%) also coincided with this trend. However, import of all capital machineries posted a 6 percent growth during the first three quarters of FY10. A disaggregated analysis shows that capital machineries for which import growth was high included those of leather and tanning industries (56.1%), plastic industries (159.5%), printing industries (40.7%), and packing industries (67.2%). Import of heavy machineries including those used for power generation also registered positive growth (3.1%). L/C opening figures corroborate the hypothesis of investment gradually picking up towards the end of FY10.

Wage Earners' Remittances

Among the financial assets, remittances of Bangladesh nationals working abroad amounted to US\$10973.20 million (11 percent of GDP) in 2009-10 as against US\$9689.26 million (10.8 percent of GDP) in the preceding year, indicating an increase of 13.25 percent in 2009-10 and 22.42 percent in 2008-09. The largest source of remittances was Saudi Arabia, followed by UAE, USA, Kuwait, and UK.

Foreign Assistance

In 2009-10, total foreign assistance amounted to US\$2635 million compared to US\$1362 million in 2008-09, indicating a switch from the decrease of 33.3 percent in 2008-09 to an increase of 93.5 percent in 2009-10. The assistance included US\$541 million as grants and US\$2094 million as loans. This indicates a 75.3 percent increase in grants and 98.9 percent increase in loans in contrast to declines of both grants by 56.1 percent and loans by 21.3 percent. Total net external assistance increased by 173.4 percent in 2009-10 in contrast to a 50.4 percent decline in 2008-09 after the repayment of foreign loan, which increased by 173.4 percent in 2009-10 in contrast to a 50.4 percent decline in 2008-09 after the repayment of foreign loan, which increased by 2.6 percent in 2009-10 and 9.7 percent in 2008-09.

Foreign exchange reserve

At the end of June 2010, Bangladesh Bank's foreign exchange reserves increased by 43.9 percent or US\$3278.8 million to US\$10749.7 million (equivalent to 5.0 months of imports) from US\$7471 million (equivalent to 4.7 months of imports) at the end of June, 2009.

Price situation

Consumer Price Index (CPI) increased by 6.5 percent in 2009-10 (April 2010) compared to 6.7 percent in 2008-09. Food items accounted for 64.8 percent of inflation in 2009-10 compared with 63.5 percent in 2008-09. The annual point-to-point inflation rate was 8.5 percent, 6.29 percentage points higher than 2.25 percent in 2008-09. During 2009-10 inflation was influenced by the magnitude of the increase in international commodity prices, most of which were reflected in energy and food prices. These increased prices were aggravated by the delayed recovery of agriculture, as well as adjustments in administered prices.

Public finance

Budget deficit in 2009-10 rose to 4.3 percent of GDP from 4.0 percent in 2008-09. The increased deficit reflected mostly an increase of higher development expenditure (0.97 percentage point) directed to some extent towards tackling problems like poverty, unemployment and inequality and partly the increase in recurrent expenditure (0.5 percentage point) for implementation of new pay scale. Accordingly, total public expenditure rose to 16.0 percent of GDP in 2009-10 from 14.5 percent in 2008-09. Total revenue increased to 11.7 percent of GDP in 2009-10 from 10.5 percent in 2008-09 reflecting higher tax revenue collection that exceeded the target by 1.65 percent. The budget deficit of 4.3 percent in 2009-10 was met from external sources (1.99 percent of GDP), from domestic banking sources (1.1 percent of GDP), and public account transaction (1.25 percent of GDP).

Budget for 2010-2011

The budget for 2010-11 envisages revenue receipts of US\$13264 million and revenue expenditures of US\$12255 million. In the revised budget for 2009-10, revenue receipts amounted to US\$11632 million as against the revenue expenditures of US\$11147 million. The gross revenue surplus projected in the 2010-11 budgets is US\$1009 million. The projected ADP for 2010-11 is US\$5500 million, a 33.5 percent increase over the revised development budget of US\$4119 million in 2009-10. The overall budget deficit in the 2010-11 is, US\$5617 million, which is 4.3 percent of

GDP. The major sources of revenue in 2010-11 are: VAT US\$3924 million, taxes on income and profit US\$3042 million, supplementary duty US\$1863 million, and import duty US\$1577 million, showing increases by 12.5 percent, 22.5 percent, 20 percent and 14 percent, respectively, over the preceding fiscal year. The main heads of current expenditure are public services US\$2323 million, interest US\$2130 million, education and technology US\$1928 million, defense services US\$1296 million, agriculture US\$1191 million, social security & welfare US\$1097 million, public order & safety US\$942 million, health US\$674 million, and transport & communication US\$480 million, showing changes of 25.7 percent, 0.1 percent, 12.5 percent, 4.7 percent, 1 percent, 16.8 percent, 4.7 percent, 15.9 percent and (-)16.9 percent, respectively, over the past fiscal year. In the development budget, the major allocations are for local government & rural development US\$1304 million, fuel & energy US\$880 million, transport & communication US\$801 million, education & technology US\$733 million, health US\$503 million, agriculture US\$462 million, and social security & welfare US\$305 million, showing changes of 19.5 percent, 61.4 percent, 42 percent, 15.3 percent, 22.3 percent, 19.8 percent, and 30.3 percent respectively.

Economy of Bangladesh: Prospect in near future

The financial crisis driven global growth slowdown impacted Bangladesh with some lags, noticeably slowing down exports, imports and new investment from around the close of FY09. With limited, regulated external exposure keeping the financial sector free of toxic assets and contagion, the impact of global slowdown on Bangladesh economy turned out to be relatively moderate and short lived. Despite weakened exports, the economy retained firm footing in growth path, and indications of robust bounce back in external trade came out clearer by close of FY10. Growth outlook in agriculture remain good for FY11, with generally benign climatic conditions and proactive attention of the agriculture ministry and BB in ensuring access to necessary inputs and financing. Internal demand led manufacturing activities have maintained pace, supported inter alia by social safety net expenditures and BB's financial inclusion thrust for adequate financing of micro, small and medium scale enterprises. On positive growth trend from H2 FY10, exports have rebounded with 30 percent y-o-y increase in Q1 FY11, including significant uptrend in exports to newer markets. Incremental export prospects from waivers of tariffs and import bans on many export items of Bangladesh promised recently by China and India may more than make up for the demand slack in North America and Europe. In view of these internal and external sector developments, the 6.7 percent

real GDP growth targeted in FY11 national budget looks well within reach, positioning the economy well for launch to growth trajectory of eight percent or higher over the medium term, as envisaged in the government's proposed sixth five year plan.

The main near term risk to this upbeat outlook is in the persistent shortages of power and gas supplies, disrupting production in installed capacities and slowing down investments for new capacities. Near and medium term growth prospects for the economy now hinge crucially on the implementation of the Government's plan for eliminating energy shortages, adding as fast as possible new generation capacities with private and public sector outlays.

Significant external sector risk factors to medium term growth outlook include the recent declining trends in FDI and manpower exports. Foreign direct investment inflows are likely to pick up in step with global growth recovery, but can be hastened by forging closer trade and investment ties with fast growing economies in East and South Asia, bilaterally as well as regionally. Recovery from decline in manpower exports may prove more challenging. Major host countries of Bangladeshi workers, including even those not in growth slowdown, are reportedly shedding foreign workers to protect employment for their own nationals. Fewer of the employment contracts of Bangladeshi workers in these countries are being renewed; and the returning jobless migrants will pose significant employment challenge in the domestic job market. They will need to be assisted effectively in finding new employment in new host markets abroad; as also in self employment initiatives in setting up SMEs locally.

Banking Sector Development

Banking sector is a key factor for the development of the national economy. It plays a very important role in attaining a high GNP growth rate by creating job opportunity, inviting & encouraging investment. Recently Converted 4 government Bank into Ltd. company, 4 specialized Banks, 30 private Banks and with 9 foreign Banks total of 47 Banks is operating in the country. In total banking sector there were deposit Tk. 3,725.22 billion and loans & advances Tk. 3,166.43 billion, 42 million depositors & 9.7 million investment clients. Various reform steps have been taken to ensure transparency, dynamism & a stronger role of banks in the national development.

Significant progress has been made in the financial sector especially in the banking sector by de-emphasizing the role of the NCBs, strengthening competitive pressures, loosening government control, tightening prudential regulations and regulatory oversight, and upgrading provisioning

standards. Some of those are mentioned below:

- (1) A guideline titled 'Risk Factors Relating to Islamic Mode of Investment' to identify the risks involved in investment of Islamic Shariah based banking under Guidelines on " Risk Based Capital Adequacy (RBCA) for Banks" has been issued. According to this guideline Risk Weighted Assets (RWA) has to be defined after imposing risk weight according to RBCA for banks. Concerned scheduled banks have been advised to submit RBCA statement to the Department of Off-Site Supervision (DOS) from 30 June 2009 on quarterly basis as per specified pro-format.
- (2) Referring to partial modification of the BRPD Circular No. 10 dated 25 November 2002 regarding 'Capital Adequacy of Banks' and BRPD Circular No. 09 dated 31 December 2008 regarding Guidelines on 'Risk Based Capital Adequacy for Banks' (Revised regulatory capital framework in line with Basel II), it is advised that henceforth 'Subordinated Debt' will replace 'Perpetual Subordinated Debt' as a component of Regulatory Capital (Tier 2 or Tier 3). To ensure transparency and uniformity in raising subordinated debt as well as for inclusion in Regulatory Capital, the guidelines have been issued for the compliance of the banks.
- (3) All the scheduled banks may provide following facilities to their e-commerce related customers:-
 - 1) Payment of utility bills from personal account to the bank account of the recipient through online,
 - 2) Transfer of money from one account of any bank to his account of another bank through online,
 - 3) Payment and collection of purchase and sale price from buyer's bank account to seller's bank account through online, and
 - 4) Transaction in local currency through credit card in the Internet.

The above stated online payments will be considered same as cash transaction and the anti money laundering act and earlier issued different circulars / circular letters/ directions in this purpose will have to be followed. CTR and STR in case of online payment have to be submitted in the Financial Intelligence Unit of Anti Money Laundering Department of Bangladesh Bank like the approved procedures in case of cash transaction.
- (4) Islamic Banking has become a part of

mainstream banking in Bangladesh. In view of some basic differences in Shariah based Islamic banking and interest based banking it has become necessary to introduce guidelines which would bring greater transparency and accountability and therefore governance to the Islamic banking. To this end, in presence of section 45 of Banking Company Act, 1991 Bangladesh Bank has taken the step of introducing the guidelines for Shariah based Islamic banking. This guidelines should be treated as supplementary, not substitute, to the existing banking laws, rules and regulations. Any point not covered under these guidelines and in case of any contradiction, the rules under the Banking Companies Act, 1991 and Companies Act, 1994 will prevail. The concerned banks are, therefore, advised to comply with the guidelines by 31 December 2009 and submit a compliance report to the effect that the guidelines have been put in practice, to the Banking Regulation and Policy Department of Bangladesh Bank by 31 January 2010.

- (5) According to the guidelines, on subordinated debt for inclusion in Regulatory Capital, all scheduled banks operating in Bangladesh can issue subordinated debt as an element of the Tier-II Regulatory Capital if the bank meet up the rating requirements i.e. each of composite CAMELS rating, issuer rating and instrument/issue rating will be at least 2 (two). The situation has since been reviewed and it has been decided that a bank will be eligible to issue subordinated debt which has composite CAMELS rating at least 2(two), issuer rating at least 3 (three) instead of 2 (two) and instrument/issue rating at least 3(three) instead of 2 (two). Concerned sections of the guidelines i.e. 'Criteria to Qualify as Regulatory Capital' and 'Other Eligibility Criteria' will be rephrased by the above decision. According to the circular, all other instructions of the said guidelines issued earlier will remain unchanged.
- (6) In order to strengthen the country's financial system, Bangladesh Bank (BB) has designed a stress testing framework for banks and FIs to proactively manage risks. For this purpose, and to ensure consistency, BB has prepared a guideline for banks and FIs. This model guideline initially focuses on "Simple Sensitivity and Scenario Analysis". But with the increasing know-how and availability of more data this model will undergo further refinement over time. All banks and FIs have been advised to carry out the stress test, as per the guideline, from the half year ending June 2010. They shall also submit a

report within 45 days at the end of 30 June 2010, along with a soft copy. Banks shall submit their reports to the DOS and the FIs shall submit their reports to the Department of Financial Institutions' and Markets (DFI&M). Subsequently, the stress test shall be carried out on half yearly basis i.e. on June 30 and December 31 each year and results shall be submitted to the DOS and DFI&M within 45 days after the respective half year.

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 7 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 (BGIB) is the milestone for shariah based banking practices in Bangladesh.

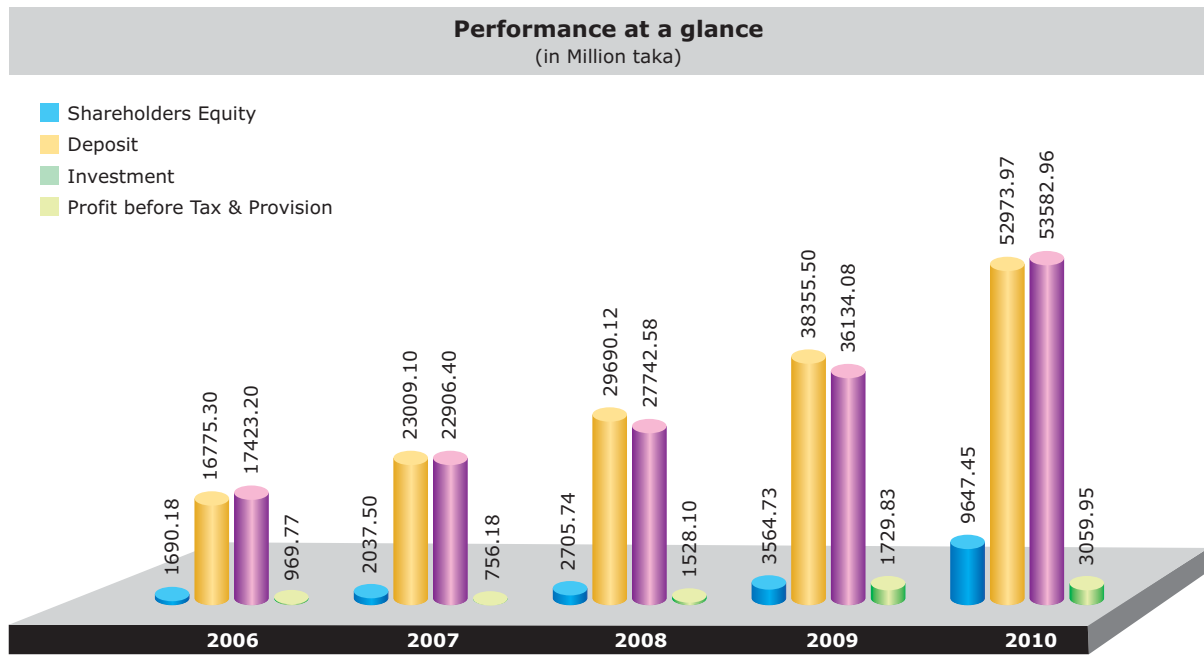
Al-Arafah Islami Bank Limited

With the objective of achieving success in life here & hereafter 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 authorised capital of the Bank is Tk. 5,000.00 million and the paid up capital is Tk. 4,677.28 million as on 31.12.2010.

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. 9,647.49 million as on 31 December 2010, the manpower was 1,711 and the number of shareholders was 49,386. 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 78 branches of which 21 is AD throughout the country.

We are pledge-bound to convert the Bank into a 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.



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 socio economic development of the country through micro credit 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 and AIBL library patronize by the Bank are two such examples.

Activities of Shariah Supervisory committee for the year 2010

Al-hamdulillah, Shariah Supervisory committee consists of 6 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 Islami Shariah i.e. Qur'an, Sunnah, Ijma and Iztihad.

Shariah Supervisory committee has by the grace of Almighty Allah managed to contribute a lot to run all the business activities of the Bank according to Shariah guidelines. Honorable members of the Shariah Council sat in 3 General Meetings and 2 emergency meeting and 2 sub-committee meeting in the year 2010 to discuss the matters placed before them by the Board and management of the Bank to give directives and suggestions in the field of Shariah principles.

Muraqibs of the Supervisory committee have visited

all branches (78) 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.

The Shariah Supervisory Committee audited the Financial Statement for the year 2010 from Shariah point of view. After analyzing the Financial Statement the Shariah Supervisory Committee identified Tk.12.83 million as doubtful income, Tk. 54.04 million as compensation realized in different branches and Tk.0.25 million and Tk.0.82 million as interest income received from NOSTRO accounts of foreign correspondent Banks and Bangladesh Bank F.C clearing accounts respectively. Due to limitation in computer software of AIBL Capital Market Department the committee could not separate brokerage commission and margin profit income earned from shariah approved securities and interest based bank and financial institution. As a result the entire amount of Tk.313.32 million earned from brokerage was identified for the time being as doubtful income and the Shariah Supervisory Committee in its 15th Board Meeting held in 22nd March 2011 has decided to finalize the Financial Statement for the year 2010 keeping doubtful income amounting Tk. 313.32 million apart from basic income which will be settled later on.

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.

Capital Market Services

Al-Arafah Islami Bank Ltd. (AIBL) is a corporate member of Dhaka Stock Exchange Ltd. & Chittagong Stock Exchange Ltd. Membership Number of Dhaka Stock Exchange is 234 and Membership Number of Chittagong Stock Exchange is 139. After obtaining stock broker and stock dealer registration certificates from Securities and Exchange Commission it started share trading from 15th January 2009. Its functions includes:

- (a) Share trading services in DSE,
- (b) Margin facility through bai-muazzal system,
- (c) Full services Depository participant services and
- (d) Discretionary account services.

From the very beginning it succeeded to achieve clients' satisfaction. As a result, it has been included

in the DSE Most Active 20 Members list from the first month of its trading activities and during the year 2010 it secured 3rd position in the list. Considering on going clients demand, we have extended branches in Khulna, Sylhet, Chittagong, Barisal, Brahmanbaria, Uttara, Dhanmondi, Gulshan during the year 2010.

As per direction of Bangladesh Bank and SEC a subsidiary company named "AIBL Capital Market Services Ltd." has been formed to conduct our brokerage business separately from the bank. In the meantime DSE and CSE membership has been transferred to the subsidiary company. We have applied to SEC for issuing Stock broker and Stock dealer registration certificate which is now under process.

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 110.00 highest in 2010. The market trend of our bank's share in Dhaka Stock Exchange between January 2010 to December 2010 is stated in the list :

SHARE PRICE LIST

Month	Opening	High	Low	Closing
January	52.23	59.30	50.20	58.88
February	58.50	61.40	52.00	52.60
March	51.88	54.50	48.10	54.15
April	54.73	75.40	53.33	72.85
May	73.00	100.00	56.30	87.00
June	86.70	96.00	81.00	93.80
July	94.10	104.90	91.60	98.20
August	99.20	102.90	92.60	98.70
September	101.90	110.00	100.10	109.70
October	66.40	72.60	63.00	64.40
November	69.00	77.90	64.00	71.50
December	72.30	73.50	54.00	66.88

Progress Analysis

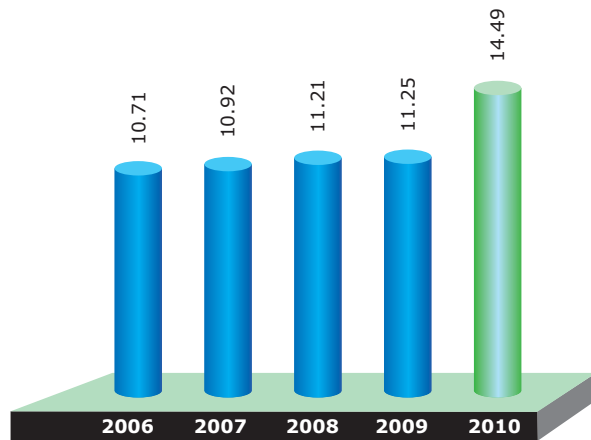
At the end of 2010, the number of depositors stood at 498,330 and the accumulated deposit was Tk. 52,973.97 million. The total number of investors stood at 40,672 and total investment extended to them was Tk. 53,582.96 million. During the year 2010 the total income was Tk. 7,522.25 million and total expenditure was Tk. 4,462.30 million. At the end of the year the profit before tax and provision stood Tk. 3,059.95 million.

Capital Adequacy & Reserve Fund

According to BRPD Circular the Bank will have to maintain Tk. 4,000.00 million Capital & Statutory Reserve by August 2011. In compliance with the new provision, the bank has raised its Capital & Reserve from Tk. 4,065.96 million in the year 2010 to Tk. 10,512.81 million in 2010 by declaring 30% stock dividend out of the profit of the year 2009 and issuing right share worth tk. 2,338.64. The paid up capital of the bank has stood at Tk. 4,677.28 million at 31st December 2010.

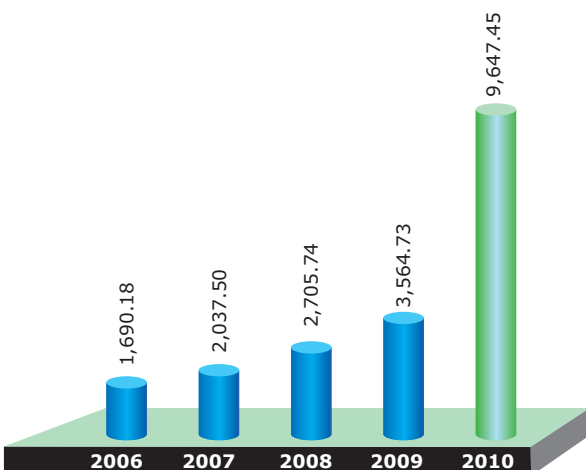
The total reserve fund has stood at Tk. 1,746.42 million in the current year against Tk. 1,223.18 million at 31st December 2009. In this account, the bank experienced a growth of 42.78%. The Bangladesh Bank has fixed the ratio of capital adequacy against Risk-Weighted Assets at 9% or Tk. 2000 million whichever is higher. The capital adequacy ratio of the Bank as on 31.12.2010 is appended below:

Capital Adequacy Ratio



a) Core Capital (Tier-I)	Tk. in million.
Paid up Capital	4,677.28
Statutory Reserve	1,681.82
Retained Earnings	1,274.86
Minority Interest in Subsidiaries	1,948.89
Total Core Capital	9,582.85
b) Supplementary Capital (Tier-II)	
Provision for Unclassified Investment	897.66
Exchange Equalization Fund	-
Assets Revaluation Reserve	32.30
Total Supplementary Capital	929.96
Total Capital (a+b)	10,512.81
c) Capital Adequacy Ratio	14.49%

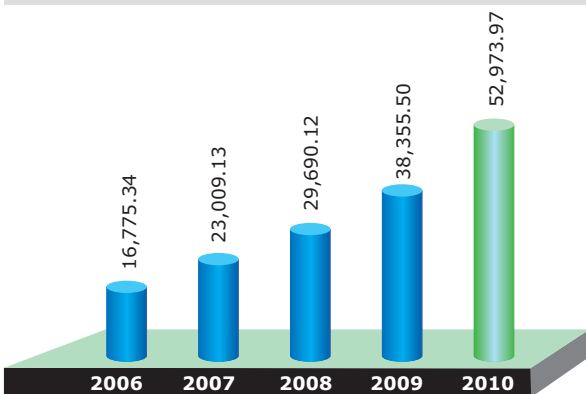
Shareholders Equity (In million Taka)



Deposits

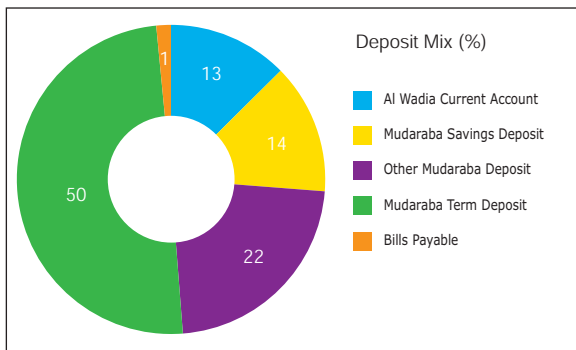
The total deposit of the bank was Tk. 52,973.97 million at 31st December 2010 as against Tk. 38,355.50 million at 31st December 2009 recording a growth of 38.11% of which Tk. 115.05 million was bank deposit and Tk. 52,858.92 million was general deposit. The present strategy is to increase the deposit 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, 2010 was as follows:

Deposit Growth (In million Taka)



Deposit Mix 2010

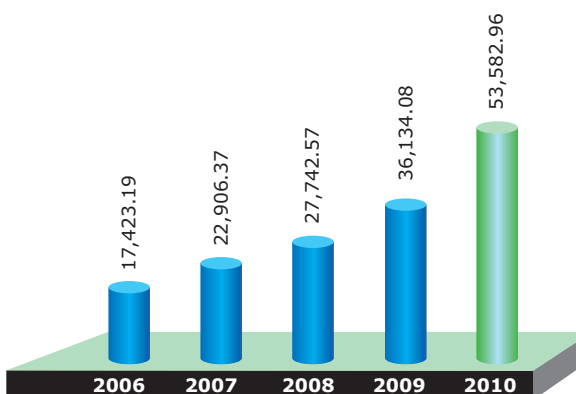
Products	Taka in Million
a) Al Wadia Current Account	6,667.08
b) Mudaraba Savings Deposit	7,227.52
c) Other Mudaraba Deposit	11,941.82
d) Mudaraba Term Deposit	26,325.03
e) Bills Payable	812.52
Total	52,973.97



Investment

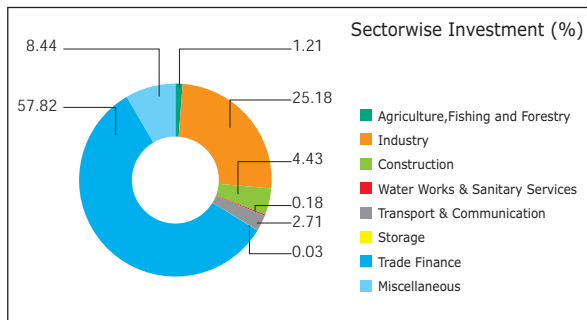
The investment of the bank has stood at Tk. 53,582.96 million as on 31st December 2010 as against Tk. 36,134.08 (Net off PR) million in the previous year showing an increase by 48.29%. The investment portfolio of the bank is well diversified and covers a broad spectrum of businesses and industries including 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 1.14% in our bank as on 31 December 2010. 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.

Investment Growth (In million Taka)



Sectorwise Investment 2010

Sectors	Taka in million
a) Agriculture,Fishing and Forestry	685.40
b) Industry	14,277.03
c) Construction	2,512.86
d) Water Works & Sanitary Services	102.27
e) Transport & Communication	1,535.76
f) Storage	17.99
g) Trade Finance	32,786.47
h) Miscellaneous	4,786.02
Total (Including Profit Receivable)	56,703.80
Less Unearned Profit on Investment	3,120.84
Total	53,582.96



Small & Medium Enterprise Investment

To ensure proper manifestation and rapid advancement of Small & Medium Enterprises, a

number of SME related schemes are running in this Bank. In the light of a unique definition by Bangladesh Bank, bank is giving priority over financing to three categories of enterprises viz. Industry, Trade & Services. Investment up to December 2010 of SME Sector is Tk. 14,499.30 million on which outstanding is 12,754.30 million, which is 24.62% of total investment portfolio. Besides, to speed up SME investment flow and to include in people who are beyond the range of banking facilities, a scheme named 'Small Enterprise Investment Scheme (SEIS)' is launched. With this scheme, operation of collateral security free SME investment is running. 71 branches of total 78 branches are under the operation. At the end of December 2010, number of security free SME clients is One Thousand One Hundred Twenty Eight (1,128) and investment is Tk. 341.60 million which outstanding is Tk. 274.02 million. Skilled and experienced staff are recruited in different branches to ensure proper expansion of collateral security free SME investment. We prior Area Approach Method when SME financing. The statistics as on 31 December, 2010 is shown in the table:-

Particulars	Status
Total SME Investment	Tk. 14,499.30 Million
Terms & Conditions	Stipulated by the Bank
SEIS Investment (Collateral Security Free)	Tk. 341.60 Million
Minimum Investment	Tk. 50,000.00
Maximum Investment	Tk. 700,000.00
Number of Clients	1,128 Persons
Number of Branches under the scheme	71



As committed to implement the Green Banking concept, the Bank has successfully launched Renewable Solar Energy scheme

Rate of Profit	09 %
Supervision Fee	0.50 %
Maximum Duration	3 years
Repayment system	Monthly Installment
Recovery Rate	99.84%
Terms & Conditions	Soft

Grameen Small Investment Scheme

On the focus of socio-economic development of rural poor, a scheme named 'Grameen Small Investment Scheme (GSIS)' is running in the bank from the year 2001. At present, Forty Four (44) rural branches are included in this scheme and this number is increasing gradually. At the end of December 2010, Tk. 200.70 million is disbursed to Eleven Thousand Nine Hundred Sixty Four (11,964) clients in different income generated programs which outstanding is Tk. 83.00 million. Functioning on the basis of Group and Samity, this scheme helps on socio-economic development of farmers, labours, fishermen, micro-businessmen and small entrepreneurs. Another important objective of this scheme is to give priority to make economically self-dependent of rural women entrepreneur. To get investment under this scheme, no collateral security is required. Repayment system is weekly installment basis. Basically, this scheme is one kind of supervised credit system and skilled personnel are working in different branches to ensure proper as well as continuous supervision. The statistics as on 31 December, 2010 is shown in the table:-

Particulars	Status
Total Investment	Tk. 200.70 Million
Minimum Investment	Tk. 5000.00
Maximum Investment	Tk. 30,000.00
Number of Clients	11,964 Persons
Savings by the Clients	Tk. 11.60 Million
Number of Branches under the scheme	44
Number of Samity	762
Number of Group	2497
Rate of Return	10%
Repayment system	Weekly Installment
Recovery Rate	99.97%
Number of Villages Covered	695
Terms & Conditions	Soft

Investment on Agricultural Sectors

To face the increasing food shortage of the country, bank is paying massive attention to invest on agricultural sectors. The main items of agricultural sectors are- crops, fisheries, warehouse, poverty alleviation, irrigation, livestock development etc. At the end of December 2010, total agricultural investment is Tk. 175.80 million of this fiscal year. At the end of Fiscal Year, Outstanding is 211.35 million. With collateral and without collateral both are practiced in agricultural investment. The statistics as on 31 December, 2010 is shown in the table:-



Women entrepreneurship investment under SME and Microfinance is a top priority of the Bank

Particulars	Status
Agricultural Investment	
Investment Portfolio	Tk. 211.35 Million
Fisheries	Tk. 71.16 Million
Poverty alleviation	Tk. 63.99 Million
Development of Livestock	Tk. 32.41 Million
Warehouse of corps	Tk. 22.62 Million
Crops	Tk. 20.28 Million
Agricultural Machineries	Tk. 0.37 Million
Irrigation	Tk. 0.32 Million
Others	Tk. 0.20 Million
Number of Clients	7577 Persons
Rate of Profit	10% -13%
Recovery Rate	98.74%
Terms & Conditions	Stipulated by the Bank

Rural Agricultural Investment Scheme

On the basis of socio-economic development of marginal and lessee farmers, an agricultural based programme named 'Rural Agricultural Investment Scheme (RAIS)' is launched. Development in country's internal food production as well as socio-economic sector of farmers are the main focus of this programme. We have already listed One Thousand Five Hundred Fifty Five (1555) farmers under this scheme and total investment is Tk. 27.10 million on which outstanding is Tk. 17.60 million. The statistics as on 31 December, 2010 is shown in the table:-

Particulars	Status
Total Investment	Tk. 27.10 Million
Minimum Investment	Tk. 5000.00
Maximum Investment	Tk. 100,000.00
Number of Clients	1555 Persons
Number of Branches under the scheme	24
Number of Samity	124
Number of Group	315
Rate of Profit	10%
Repayment system	Monthly/Weekly Installment
Recovery Rate	100%
Number of Villages Covered	128
Terms & Conditions	Stipulated by the Bank

Investment on Women Entrepreneurs

Al-Arafah Islami Bank Ltd. is working with women entrepreneurs to make them capable of earning by connecting with country's economic activities. We prior 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. The statistics as on 31 December, 2010 is shown in the table:-

Particulars	Status
Women Entrepreneur Investment	
Investment Portfolio	Tk. 685.80 Million
Terms & Conditions	Stipulated by the Bank



Eco-friendly vehicles have been financed by the Bank under its SME and Rural Investment Scheme

SEIS (Women Entrepreneur)	
Investment Portfolio	Tk. 3.75 Million
Number of Clients	09 Persons
Rate of Profit	9%
Maximum Duration	3 years
Repayment system	Monthly Installment
Recovery Rate	100%
Terms & Conditions	Soft
Microfinance (Women Entrepreneur)	
Investment Portfolio	Tk. 196.05 Million
Number of Clients	9398 Persons
Rate of Return	10%
Recovery Rate	100%

Al-Arafah Solar Electricity Investment Scheme

A different type of investment scheme named 'Al-Arafah Solar Electricity Investment Scheme' is launched in order to face the present electricity crisis and to spread the benefits of renewable energy among the rural people. This program treats as a innovative step on the history of Private Banking Sector in Bangladesh. It also has unveiled the wide field of Green Banking concept, the burning issue.

'Solar Electricity Investment Scheme' is running under the control of SME Department with the support of newly created Power & Technology Unit. Skilled Engineers & Solar Technicians are recruited in order to ensure the perfect technical support.

We have already established Twenty Five Thousand Five Hundred Ninety Five (25,595) Watt Power of electricity among Four Hundred Seventy Four (474) families through Eleven (11) Rural Branches so far. Besides, we have established One Thousand Twenty (1020) Watt Powered solar panel for our newly inaugurated South Jatrabari Branch to produce solar electricity for the branch use. We are running this program with own funding as well as skilled personnel.

The statistics as on 31 December, 2010 is shown in the table:-

Particulars	Status
Total Investment	Tk. 12.13 Million
Electricity Provided	25,595 Watt. Power
Number of privileged Family	474
Number of Branches under the scheme	11
Rate of Return	10%
Repayment system	Down payment & Monthly Installment Basis
Recovery Rate	100%
Terms & Conditions	Soft

Treasury Operations

AIBL Treasury included Local & Foreign Exchange

money market operated under the norms of Islami shariah principles and guideline of Bangladesh Bank which is the Core-banking and one of the best earning units of the Bank.

Local treasury

The Local treasury department operates its functions to maintain CRR & SLR matching with total deposit flow & Investment requirements of the Bank. But it does not participate in the call money market for complying of Islamic shariah principles.

Foreign Exchange Treasury

The treasury environment is ever changing due to new market dynamics, products developments as such new risks are evolving on a continuous basis. As per instructions & guidance of highly skilled Management & Board of Directors, the Bank's Treasury activities have been expanding gradually in local and Global Market through its active Dealing room on those products permissible under Islamic shariah to cope with the changing & challenging market situation.

The Bank has separated Treasury front Office (Dealing Room), Mid Office & Back office with reporting lines each of the offices as per international best practices of Treasury Management. At present, The Bank's Treasury engages in providing competitive/live exchange rates, dealing with Merchant & Corporate transactions, contribution to stabilize the Inter-Bank Market, exploring new avenues/opportunity to utilize funds at home and abroad, managing local currency liquidity, day to day management of risk associated with Treasury activities and thereby ensure profitability of the Bank.

The Management of the Bank has developed different strategies to check & controls key issues like Counterparty limit, Stop-Loss limit, daylight Limit, Management action triggers (MAT), Open Position/Overnight limit, time & amount limit for reconciliation of Nostro Accounts and ensure adherence/compliance of these limits.

In order to globalize the Treasury activities, AIBL has in the meantime signed up agreement with ICICI Bank, Mumbai & Mashreq Bank, UAE for direct dealing through Online. Treasury is now trying to build up capacity to cope with all possible exigencies to maximize returns on investment & minimizing risks hence the Treasury has emerged as the main source of non funded income. The treasury has introduced Total Quality Management (TQM) system to each field of its activities.

The International Trade

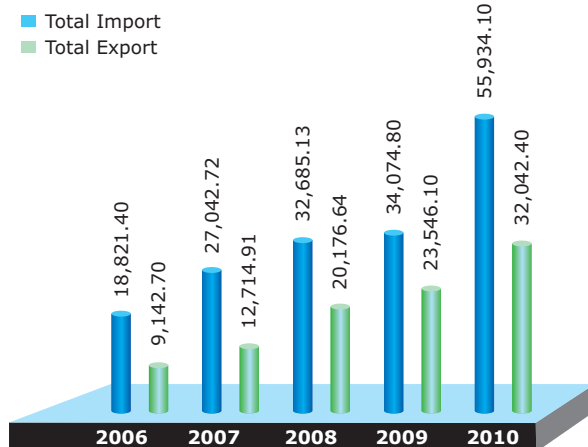
AIBL is quite active in conducting International trade

activities through financing of Import, Export and foreign Remittances business. It has at present a network of 78 Branches throughout the country out of which 21 branches are authorized to deal in Foreign Exchange business. AIBL has 24 Nostro Accounts 229 Relationship Management Application (RMA) with different renowned Foreign Banks /Foreign Correspondents in 71 countries across the world.

At the end of 2010, the total Foreign Exchange portfolio (Import, Export & Remittances) was Tk.92,408.40 Million showing a growth of 52.86% of this Bank in compare with the corresponding year. The total export of the Bank was Tk. 23,546.10 million in 2009, which was increased by 36.08 % to Tk. 32,042.40 in 2010. Similarly, the amount of import has increased from Tk. 34,074.80 million in 2009 to Tk. 55,934.10 million in 2010 experiencing a growth of 64.15%.

The Inward foreign remittances business of the Bank recorded a tremendous growth rate of 56.48% from Tk. 2,832.28 million to Tk.4,431.90 million in comparison with last year due to starting live dealing by Treasury & delivery of quality services to the clients.

Total Import & Export (In million Taka)



Income

Investment income : The investment income was Tk. 4,143.30 million during the year 2010 which registered a growth of 3.47% over the previous year. Investment income is 55.08% of the total income of Tk. 7,522.25 million.

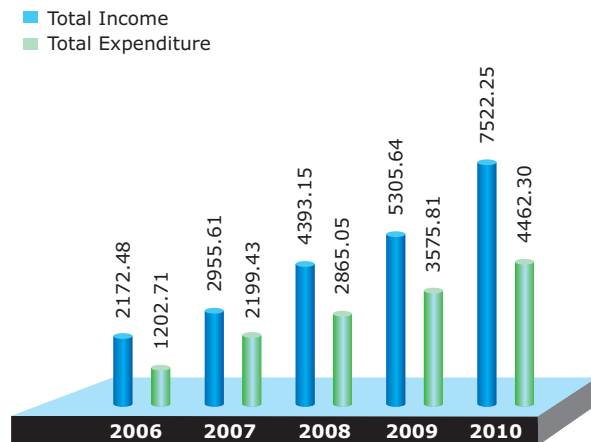
Income from other than investment : The bank has earned Tk. 3,378.95 million from sources other than investment like commission income, exchange income, locker rent etc. in the current year which is 44.92% of the total income. It indicates 159.70% growth over the year 2009.

Expenditure

Profit paid to depositors : The Bank has paid the

depositors Tk. 3,133.69 million which is 75.63% of the investment income and 70.23% of the total expenditure for the year 2010. It indicates 17.48% growth over the year 2009.

Total Income & Expenditure (In million Taka)



Various deposit product of the Bank in 2010 :

Sl.No	Types of Deposit
1.	Mudaraba Term Deposit (a) 36 Months (b) 24 Months (c) 12 Months (d) 06 Months (e) 03 Months
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) (b) Al-Arafah Savings Bond (5 Years) (c) Al-Arafah Savings Bond (8 Years)
10.	Marriage Saving Investment Scheme (MSIS)
11.	Pensioners deposit scheme
12.	Special Saving (Pension) Scheme
13.	Cash WAQF
14.	Lakhopati Deposit Scheme
15.	Kotipati Deposit Scheme

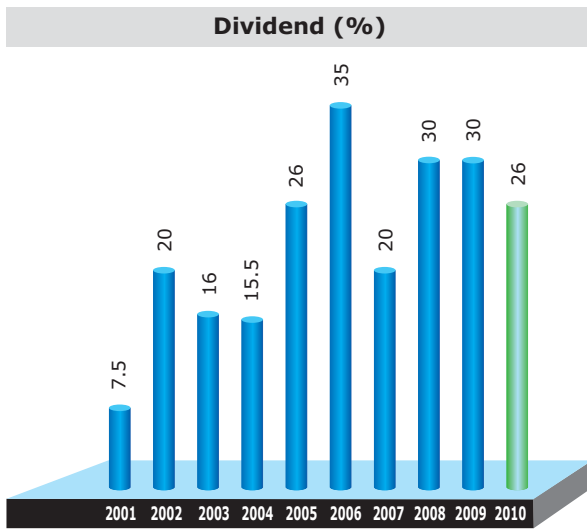
16.	Millionaire Deposit Scheme
17.	Double Benefit Scheme
18.	Triple Benefit Deposit Scheme
19.	Probashi Kallyan Deposit Pension Scheme

2007	20% Bonus
2008	30% Bonus
2009	30% Bonus
2010	26% Bonus

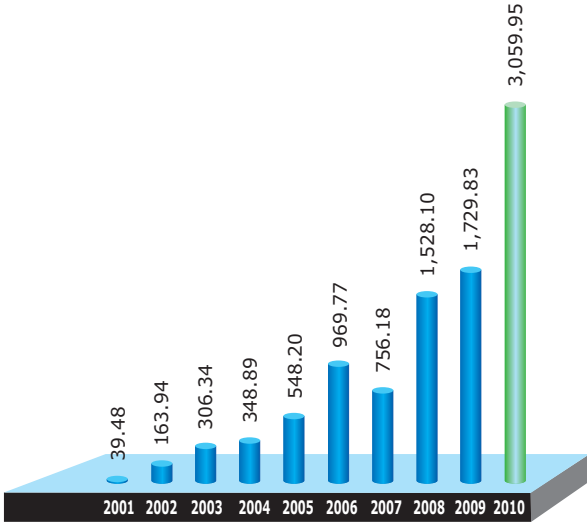
Administrative and Other Expenses : The administrative and other expenses were Tk. 1,328.61 million during the year showing 46.25% growth over the year 2009. It is 29.77% of the total expenditure.

Operating Profit

The bank earned operating profit of Tk. 3,059.95 million during the year 2010. The pre-tax profit of the Bank during the year 2009 was Tk 1,729.83 million and thus the Bank attained Positive growth of 76.89% in respect of operating profit. The provision for income tax for the year amounted to Tk. 873.01 million and divisible profit available for appropriation amounted to Tk. 1,819.05 million.



Operating Profit
(In million Taka)



Information Technology

Al-Arafah Islami Bank Ltd. with the vision of becoming the leading Bank in the country both in service and technical aspects have taken bold steps to full fill the requirements of the mass. Banking sector is going through massive change with the advent of new technologies as well as new ways and norms of banking. With information technology becoming the tool of almost every trade, IT Division at Al-Arafah Islami Bank took the challenge of giving the best possible service to its users and customers alike. AIBL's pledge to adhere with the principles of Islamic Norms and ethics and combine them with today's technology threw a great challenge to the IT division. It has been a while now that AIBL is providing True Centralized online payment services to its customers in all it's branches.

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 26% stock dividend in the year 2010. Table of Historical Dividend Payment Percentage are as follows:

Year	% Dividend
2001	7.5% Cash
2002	20% Bonus
2003	16% Bonus
2004	15.50% Bonus
2005	26% Bonus
2006	35% Bonus

With 78 online branches AIBL is committed to provide online facilities at any new branch that is added to the banks existing network. To keep pace with the growing customer needs as well as new technologies AIBL has taken a number of steps to facilitate clients while improving the existing services and adding on new services. The bank is striving hard towards the goal of changing from brick to click bank while taking banking services to the people who are not yet under the banking umbrella.

To begin with AIBL takes pride using successfully a locally developed Core Banking System which it feels is major step in promoting our local talent. IT Division of the bank works day and night with its partners finding ways to reduce costs without compromising with customer experience.

By this time Bank can proudly announce that it is the part of Bangladesh Bank's recently launched Automated Clearing House (BACH) and its Electronic Fund Transfer Network (BEFTN). AIBL's IT division has worked in tandem with Bangladesh Bank's personnel to make the project successful and were among the first banks to successfully implement and comply to requirements provided by the Central Bank. With Allah Almighty's grace AIBL's IT Division has rose to the occasion and extended it's all out co-operation to the central Bank in implementing the new projects under the DIGITAL Bangladesh theme. Clearing is now completely automated along with Electronic Fund Transfer

Under the guidance of the Central Bank AIBL has provided CIB information as data with minimum error to the Central Bank. The project is under way and IT Division is extending full support to CIB Cell of Bangladesh Bank.

Banks hand shake with the El-dorado project has facilitated the far flung customers with means to get access to their funds virtually in minutes which used to take not long hours but days to reach them.

In line with the banks strategy of taking the bank to the customers AIBL will be launching its ATM / POS services by April 2011. Internet Banking (e-Commerce), Mobile banking (m-Commerce) and other delivery channels will be available to customers in recent future.

Bangladesh Bank coming up with guidelines for

Internet and mobile fund transfer the Bank is ready to take the challenge and provide its customers the best possible experience of technology combined with safe and secure Banking.

Al-Arafah renews its pledge to combine the latest technology available with cream of bankers to provide customers with an experience of hassle free banking where a customer can pay his /her utility bill even at dead of the night. Though AIBL have attained a lot in terms of respect from the banking industry and customers alike in terms of its ventures with technology its management is pledge bound to mix the latest trends in technologies with banking to provide the ultimate experience to it customers.

Marketing & business development

Competition has become severe, to ensure our market share and for business development of the bank, this division has been formed at the end of the year headed by a senior executive. This division will identify business opportunities, develop strategic business plan, Brand development and management, Market research - development and management of new product, event management and existing customer care.

Audit and Inspection

Experienced officials of Internal Audit and Inspection Division of AIBL conduct regular audit and inspection of the branches and Departments of Head Office for review of operational effectiveness and



Inside view of a state of art fully automatic spinning mill financed by Al-Arafah Islami Bank Ltd.

internal/external compliance requirements. In order to minimize risk and to detect the deficiencies/lapses, irregularities and reducing the risk, the Bank Branches and Head office divisions are subject to the following audit and inspections every year:

- Risk based comprehensive Audit & inspection - all the branches once in a year.
- Auditing of handling Foreign Exchange & Foreign Trade - quarterly basis.
- Surprise inspection at regular intervals.
- Auditing of each Division / Department of Head Office once in a year.

During the year 2010, Bank's Audit Team undertook the following audit and inspections:

Nature of Inspection	Nos. of branches/division
Comprehensive & Risk Based	
Internal Audit & Inspection	60 (Branches)
Surprise Inspection	04 (Branches)
Internal Audit & Inspection (HO)	05 (Division/Deptt.)

To preclude incidence of errors and their recurrences, more emphasis was given on spot rectification of irregularities while auditing/inspecting a specific branches. In addition, Concurrent Audit and Self Audit are also introduced in the branches. Concurrent audit is a systematic and timely examination of financial transaction on a regular basis to ensure accuracy, authenticity and compliance with procedures and guidelines. Such audits are conducted by the Incumbent In-charges and assigned officers of the branches to bring down the irregularities at a minimum level instantly.

In 2010, Bangladesh Bank inspection teams inspected different Branches & division and Department of Head office and also conducted Special Inspections on 06 Core Risk areas in Banking.

Muraqibs of Shariah Supervisory committee conducted inspection in all branches of the bank during the year to observe the Shariah compliance.

Rating Report

Credit Rating Agency of Bangladesh (CRAB) Limited has adjudged A_2 (pronounced Single A Two) rating in the Long Term and ST-2 rating in the Short Term for Al-Arafah Islami Bank Limited.

Date of Rating	: 22 June, 2010
Validity	: 1(One) Year

Definitions of A_2 & ST-2 are given below:

A_2 (Strong Capacity & High Quality) : Commercial Banks rated in this category have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than commercial Banks in high-rated categories. This level of rating is adjudged to be of high quality and is subject to low credit risk.

ST-2 (High Grade): Commercial Banks rated in this category are considered to have strong capacity for timely repayment. Commercial Banks rated in this category are characterized with commendable position in terms of liquidity, internal fund generation and access to alternative sources of funds is outstanding.



Expansion of branches continued throughout the year. At the end of 2010 the Bank had 78 branches all over the country

Human Resource

Human resource is our prime asset. It is neither the machine nor the technology alone, but the invaluable mix of man-machine interface that makes technology work. We strongly believe while the capacity of machine is limited, the potential of human being is unlimited. The qualities of loyalty to the company and to the customers, tenacity to learn more and the commitment to perform characterize our human resource. Our employees with outstanding quality are rewarded in the Bank. As a result, our staff morale is very high. They show good performance in the Bank. The management frequently communicates with the employees and listens to their new ideas and suggestions. A major factor behind our success in 2010 and in the preceding years is our employees.

The Human Resource Division of Head Office is responsible for fixing principles and policies concerning personnel and certain areas of administration. The division is responsible for employee relation, staffing succession, planning, training, employee benefits, compensation and their social security. The salary and compensation package for all levels of our employees was reviewed and revised last year to be competitive with all local private sector Banks and financial institutions in the country. It is targeted to attract and retain good performers in the Bank.

We recruited 480 fresh entrants and 15 experienced Bankers during the year 2010 through a transparent recruitment process to fulfill the manpower requirement in the Bank. The Bank also sent 9 employees to BIBM, 07 employees abroad, 25 employees to Bangladesh Bank for training in different fields to upgrade themselves with the latest techniques of modern banking. We have 1,711 staff in the Bank of whom 73 are executives, 1,339 are officers and 299 other staffs as on December 31st 2010.

Sl. No.	Designation Category	Number
1	Executives	73
2	Officers	1,339
3	Others	299
	Total	1,711

The Bank Plans to rationalize per-Branch employee by equitable Manpower distribution of human resource amongst the existing and future branches. As a part of social commitments Bank accommodated 279 students from different renowned universities for doing internship program in our Bank during the year 2010. The Bank has recruited experienced new manpower to strengthen its large scale operations. Total manpower employed in the Bank including Managing Director is 1,711 at 31 December 2010; which was 1,296 at the end of the last year.

Training & Motivation

Training is one of the most effective and well-recognized weapon in developing human resources. Training programs are being carried out for the Probationary Officers, Assistant Officers, Junior Officers, Branch Managers and Officers of different grades and Executives by Al-Arafah Islami Bank Training & Research Academy from its very inception. AIBTRA sets training-plans from the early hours of the year and every year a training calendar is prepared and approved by the Management. Training Academy conducts training Courses / Workshops simultaneously at Dhaka as well as outside Dhaka. Training courses, workshops, In-house training etc., are tabled and conducted on current day updated banking aspects concerning new ideas, procedures and techniques of banking. In the training sessions lecture methods as well as discussions, group discussions, case study, exercise, practical works, simulation method etc. are followed. Training materials e.g., course folders, CD etc comprising hand-out are delivered to the participants. For enhancing effectiveness, modern training aids e.g. multimedia projector, power point presentation, flip chart etc. are used. For the purpose of assessing trainees' knowledge and skill pre-course and post course evaluations are done. Evaluation of the trainers is also conducted secretly by the participants for making training more effective.

In 2010 total number of 1808 trainees were trained at training Academy through 44 training courses / workshop consisting of 223 working days. A total 7091 executives/officers have trained on different subject through 8 outreach and 615 "In-house training at Branches". The numbers of officials trained in 2010 is 5 times of the total manpower of the Bank; That is, in this year each official has attended in an average of 5 (five) training programs. In these programs training sessions were conducted by resources persons from Bangladesh Bank, BIBM and many other government and private Bank and financial institutions besides Bank's own speakers. As a general member of Bangladesh Institute of Bank Management (BIBM) 9 officers and executives have got training form that institution on different courses in this year. At the same time, some other 25 officers and executives of the Bank have been trained in several training institutes including Bangladesh Bank Training Academy and others.

Moreover, 7 executives of the Bank participated in training courses in India, Nepal, Singapore and Malaysia in the year of 2010.

A list of training courses, seminar & workshop conducted during the year 2010 is given below:

SI No	Subjects	Number of Participants	Number of Participants
A. Training Course:			
1.	Orientation Course on Banking.	1	49
2.	Induction Course on Banking	1	30
4.	Foundation Course on Banking (Batch-I)	1	49
5.	Foundation Course on Banking (Batch-II)	1	50
6.	SME, Micro & Agri Investment (Batch-I)	1	36
7.	SME, Micro & Agri Investment (Batch-II)	1	35
8.	SME, Micro & Agri Investment (Batch-III)	1	39
9.	SME, Micro & Agri Investment (Batch-IV)	1	36
10.	Foundation Course on Banking (Batch-III)	1	50
11.	ICC & Internal Audit	1	25
B. Workshop:			
1.	Micro Finance & Agri-Investment	1	47
2.	Procedure of Suit Filing & Settlement under Artho Rin Adalat Ain-2003	1	41
3.	Securities Against Bank Investment: Legal & Practical Issues	1	64
4.	Application of N.I. Act-1881 for Recovery of Bank's Money	1	43
5.	BAMLCO's Duties & Responsibilities	1	63
6.	ICC Publication	1	34
7.	Consumer Financing	1	53
8.	MIS for Basel-II Implementation	1	35
9.	MIS for Basel-II Implementation	1	33
10.	Laws & Regulations Related to Foreign Exchange Business	1	32
11.	Outward Foreign Remittance & Foreign Currency Accounts	1	30
12.	Automated Clearing House	1	45
13.	Laws & Regulations Related to General Banking	1	54
14.	Inward Foreign Remittance & Customer Service	1	53
15.	Trade, SWIFT & MIFT Issues Organized by City Bank NA Bangladesh	1	39
16.	Internal Control & Compliance	1	48
17.	General Insurance: Bankers Issues	1	37
18.	Islami Banking & Shariah Compliance	1	39
19.	Investment Risk Management & Investment Risk Grading	1	41
20.	Submission of Foreign Exchange Returns	1	47
21.	ACU Mechanism	1	34
22.	Bangladesh Bank Guidelines for Foreign Exchange Transaction	1	35
23.	Shariah Implementation in AIBL (Batch-I/2010)	1	34
24.	Investment Classification & Provisioning (Batch-I/2010)	1	34
25.	Investment Classification & Provisioning (Batch-II/2010)	1	36
26.	Shariah Implementation in AIBL (Batch-II/2010)	1	28
27.	Preparation of SBS-1, 2, 3 & Investment Related Statement (Batch-I/2010)	1	47
28.	CIB on-line Operation (Batch-I/2010)	1	39
29.	Bankers duties and responsibilities in Preventing Money Laundering and Combating Terrorism	1	47
30.	CIB on-line Operation (Batch-II/2010)	1	40
31.	Preparation of SBS-1, 2, 3 & Investment Related Statement (Batch-II/2010)	1	37
32.	Submission of Foreign Exchange Return Launching of Swift Alliance Access	1	42
33.	Messenger (SAAM) and Operation	1	41
C. Seminars:			
1.	Executive Seminar on Islamic Banking Guidelines	1	40
2.	Executive Seminar on Core Risk Management	1	42
D. Outreach Workshop:			
1.	Capacity Development in Banking Operation (Barisal)	1	22
2.	Capacity Development in Banking Operation & Celebration of International Workers' day (Sylhet)	1	29
3.	Prevention of Money Laundering & Combating Terrorist financing (Rajshahi)	1	55
4.	Capacity Development in Banking Operation (Rajshahi)	1	34
5.	Shariah Implementation in AIBL (Khulna)	1	20
6.	Shariah Implementation in AIBL (Chittagong)	1	22
7.	Shariah Implementation in AIBL (Rajshahi)	1	11
8.	Shariah Implementation in AIBL (Sylhet)	1	12
E.	In-house training at Branches.	615	6886
Total= (A+B+C+D+E)		669	8981
Staff Welfare Project			
The Bank always keep a careful eye on the economic security and benefit of its staffs & officers. The Bank operates a contributory provident fund, a social security & benevolent fund and a gratuity fund for its employees.			
Al-Arafah Islami Bank Foundation			
The Bank has a foundation performing philanthropic activities. Al-Arafah English Medium Madrasah, Al-Arafah Islami Bank Library and Al-Arafah Islami Bank Foundation Kidney Dialysis Center are major three are of its philanthropic activities.			
Al-Arafah English Medium Madrasah & School			
Al-Arafah English Medium Madrasah & School, a promotional welfare project envisaged to transform our future generation Akhirat-oriented and at the same time provide them with faith based and modern education which would keep them in the mainstream of socio-economic life professionally established in 1998 by Al-Arafah Islami Bank Foundation. This is the first English Medium Madrasah & School in Bangladesh intended to foster the cause of Islamic education providing O' and 'A1 level education under Edexcel, UK curriculum. Al-Arafah English Medium Madrasah & School is running a Hifz section along with its English medium curriculum. 10 Hifz students successfully completed the Hifzul Quran course from this section in 2010. At present total 225 students are studying in this institute.			

Since 1999 the institute is providing English medium education under Edexcel, UK curriculum. Edexcel, UK in Bangladesh agreed to train our teachers for O' level course. Our institute became the member of English Speaking Union launched by the British Ambassador in 2010 which is patronised by Her Majesty the Queen of UK.

Al-Arafah English Medium Madrasah & School is a corporate member of British Council. Our students are enrolled as members of Young Learner Center (YLC). We are allowed at a time to borrow 25 books and educational DVDs for 7 weeks. Our students are taking part in all sorts of competition program in British Council. In 2007 one of our girl students took part in art competition on "Air Pollution" arranged by commonwealth through British Council. In 2008 our two students got 'B' & 'C' grade in essay competition arranged by British Council. A group of our students regularly goes to British council to join 'Young Learner Center' to read books and watch educational movies.

Our students have also been participating in many Hand Writing competitions in National level since its inception. Our students won 3rd prize in 2008 at Dhanmondi local area Hand Writing competitions. 45 students took part in Hand Writing competition in 2008 arranged by Ekushey TV channel. Later it was telecast for viewers. Every participant got consolation prize.

Some of our students joined International Scout moot on 28th December, 2002 in Thailand.

Students of Al-Arafah English Medium Madrasah established English Language Club in 2006 to promote English Language in the Madrasah Campus. Club's main motto is to increase Language proficiency with correct pronunciation. Language Club Members are assigned to promote the habit of speaking English language among students. The Language Club is publishing a Language Magazine regularly. The Magazine contains 30 pages which encourage all level of students to write some articles for the magazine.

Al-Arafah Islami Bank Library

Library is the carrier & reservoir of knowledge. Al-Arafah Islami Bank has shown that is not only generates profit, but also contributes significantly in the field of providing good source of knowledge by establishing a public library at 32, Topkhana Road, Chittagong Bhaban (1st floor), Dhaka, thus strengthening social development. It harbours 22,000 books of reference for the researchers, students, professionals, bankers, physicians, engineers, politicians, writers or journalists, even for the kids. It is open to all through out the year and well located &

accessible to everybody. It has procured some exceptional collection of books on religion, economics, banking, computer science, business administration, sociology, English & Arabic language and juvenile literature in Bangla, English, Urdu & Arabic, which are very rare.

Al-Arafah Islami Bank Foundation Kidney Dialysis Center

Al-Arafah Islami Bank Foundation established an International Standard Kidney Dialysis Center to deliver the dialysis therapy to increasing kidney patient in Bangladesh at reduced price. Al-Arafah Islami Bank Foundation Kidney Dialysis Center is situated at Chattagram Bhaban (1st Floor), 32 Topkhana Road, Dhaka- 1000. National Professor Dr. M. R. Khan inaugurates this philanthropic Dialysis Center on December 04, 2010. This center is capable to deliver the dialysis therapy to eight kidney patients daily in two shifts. Al-Arafah Islami Bank Foundation authority is committed to deliver the health care service to the underprivileged people of Bangladesh in near future.

Risk Management

During their operations, Banks are invariably faced with different types of risks that may have a potentially negative effect on their business. Risk Management in Bank operations includes risk identification, measurement and assessment, and its objective is to minimize negative effects on Bank's financial results. Considering the above, Banks are required to form a special organizational unit in charge of risk management. They have also required prescribing procedures for risk identification, measurement and assessment, as well as procedures for risk management.

Like Other Bank, to minimize potential risks, Al-Arafah Islami Bank has also taken different steps as per direction of Bangladesh Bank. As a part of those initiatives our Bank has established a division named Risk Management Division whose main objective is to identify, measure and control of various risks prevailing over various operation of our Bank. Risk Management Division (RMD) generally cover six core risk areas of Banking, viz; Investment (Credit) Risk, Foreign Exchange Risk, Money Laundering Risk, Asset Liability Management Risk, Internal Control & Compliance Risk and IT Risk. These divisions are functioning independently according to guideline of Bangladesh Bank and required to report directly to the Managing Director of our Bank.

Implementation of Basel-II

Basel-II a new framework for calculating minimum capital requirement is structured around three pillars: minimum capital requirement (on credit risk,

operation risk and market risk), supervisory review process and market discipline. Implementation of Basel-II framework in Bangladesh will integrate the risk management process of the bank and its capital adequacy requirement. As per decision of the Basel II committee of Bangladesh Bank, all banks will start implementing revised regulatory capital framework "Risk Based Capital Adequacy for Banks" from January 2009. Following methodology of Basel II would be followed in Bangladesh:

- a) Standardized Approach against Credit Risk for calculating Risk Weighted Amount (RWA) supported by External Credit Assessment Institution (ECAIs)
- b) Standardized Rule Based Approach against Market Risk and
- c) Basic Indicator Approach for Operational Risk

To create awareness among the credit officers, the bank has arranged training programs on Basel-II and its impact on selection of credit proposal. Moreover to comply with the instruction of Bangladesh Bank, the Bank has taken initiatives for quarterly reporting under Basel-II to Bangladesh Bank along with the existing capital adequacy rules and reporting.

Branch Network

At present we have 78 branches all over the country. In a bid to expand our network of Branches we got approval to open 10 (Ten) new branches and 8 SME/Krishi Branches in 2010.

Cards & Retail Banking

By the Grace of Almighty Allah, Bank is going to Launch & Commerce ATM / Debit card product within 1st quarter in the year of 2011 which will add new channel among our prospective clients for making round the clock cash transaction facility. We have also plan to add new products considering Islamic Shariah say VISA Islamic Card , VISA Debit Card, Mobile Banking, SMS banking etc to facilitate electronic banking services to all categories of customers and also to create new sector for earning profit which will buildup Bank's image in new dimension. Hopefully we will be able to provide these services within next year under the dynamic guidance/leadership of the Board of Directors of the Bank and Management.

Appointment of Statutory Auditor

In the 15th Annual General Meeting of the Bank M/S Hoda Vasi Chowdhury & Co. and M/S ACNABIN Chartered Accountants were appointed External Auditors of the Bank for a term till conclusion of the 16th Annual General Meeting. As per Bangladesh Bank Rule M/s Hoda Vasi Chowdhury & Co.

Chartered Accountants will be retired and M/S ACNABIN Chartered Accountants are eligible for another terms. The Board has approved M/S Masih Muhith Haque & Co. and M/S ACNABIN Chartered Accountants for re-appointment as External Auditors by the shareholders till the 17th Annual General Meeting.

Conceptualization of CSR

The modern era of CSR concept was evolved in 1950s when it was more commonly known as social responsibility. CSR has been defined as "the integration of business operations and values whereby the interests of all stakeholders, including customers, employees, investors, and the environment are reflected in the organizations policies and actions. By CSR practices an organization can improve communication with the community and other stakeholders, ensure accountability and transparency in its operation, improve internal decision making and cost saving, enhance corporate image, improve reputation and ability to enlarge market share and Enhancement of customer true worthiness, profitability and sustainable development.

CSR activities of Al-Arafah Islami Bank Ltd.

CSR is an integral part of our corporate culture and ethics. We respond positively in every sphere of social activities we are delivering innovative solution to our valued customer and in the same manner we are also helping different areas of social activity through our CSR activities. During the year 2010 we accomplished different humanitarian and social activities which include allocation of fund Tk. 24.00 million for AIBL foundation to establish kidney dialysis center, donation to liberation war Museum Tk. 5 million, Bangladesh Olympic Association Tk. 5 million, FBCCI Social Activity Tk. 1 million, Nimtali tragedy Tk. 0.42 million, Pilkhana tragedy Tk. 0.48 million and different hospitals and universities. Besides, we have taken a program to develop manpower and make them self employed as well as assisting them for employment in abroad.

Board Meeting

During the year 2010, 16 regular and emergency Board Meeting had been held. Besides, 41 meetings of Executive Committee and 11 meetings of Audit Committee of the Board had also been held during the year.



Al-Arafah Islami Bank Foundation opened its modern Kidney Dialysis Center which was inaugurated by National Professor Doctor M. R. Khan



As per the responsibility to the society, the Bank donated specialized beds, air-condition machines and emergency medicine to the Burn Unit of Dhaka Medical Collage Hospital



Due to the responsibility to the society, the Bank distributed blankets among the poor inhabitants of Dinajpur, Rangpur and Nilphamari districts



The Bank has been awarded as the 'Best Rated Banks Award' by the leading financial weekly 'The Industry'



As the official sponsor of mountaineer Sajal Khaled, The Vice Chairman of the Bank Jb. S M Shameem Iqbal handed over the national flag to him for his Mount Everest expedition

As per Company Act 1994 U/S 184(3) _information and explanation on the auditor's qualified opinion for the year ended on 31 December 2010 as follows:

a.(i) Audit of the financial statements of the Bank's subsidiary AIBL Capital Market Services Limited for the period from 8 November 2010 to 31 December 2010 was conducted by another firm of Chartered Accountants, and the auditor's report thereon includes inter alia the following observations:

a. (i) 1. The paid up capital of the company was subscribed by Al-Arafah Islami Bank Ltd. (AIBL) and other individuals at the ratio of 51.75:48.25. On verification we observed that the Securities and Exchange Commission vide their letter # SEC REG-79/DSE-234/2011/599 date 3 March 2011 ordered the company to be fully owned by AIBL and transfer the shares held by the individual shareholders to AIBL by 31 March 2011.

Securities and Exchange Commission vide their letter no. SEC REG-79/DSE-234/2011/664 dated 28 April 2011 has withdrawn their letter # SEC REG-79/DSE-234/2011/599 dated 3 March 2011 regarding transfer the shares held by individual shareholders to AIBL by 31st March' 2011 and issued certificate to AIBL Capital Market Services Ltd to operate stock broker and stock dealer activities vide their stock broker registration no.3.1/DSE -234/2011/471 dated 28-04-2011 and stock dealer registration no.3.1/DSE -234 /2011/472 dated 28-04-2011.

2. Contrary to the provisions of Section 103 of the Companies Act 1994, AIBL Capital Market Services Limited a subsidiary of Al-Arafah Islami Bank Ltd. (AIBL) has extended investment aggregating to Tk.309.54 crore to AIBL and charged profit @13% per annum and shown under investments with AIBL.

The bank has adjusted whole liability with AIBL Capital Market Services Limited on 23.03.2011 to comply Company Act 1994.

3. AIBL Capital Market Services Ltd., incorporated on 21 September 2010, acquired memberships of Dhaka Stock Exchange and Chittagong Stock Exchange from Al-Arafah Islami Bank Limited on 28 December 2010 and 30 December 2010 respectively in pursuant of Vendor's Agreement dated 24 October 2010. The memberships were valued as of 30 June 2010.

The board of directors of Al-Arafah Islami Bank limited in its 202nd meeting held on 29th September 2010 decided to transfer the membership of Dhaka and Chittagong stock exchange from Al-Arafah Islami Bank Limited to its subsidiary company named AIBL Capital market services ltd at the prevailing

market price which will be determined through appointment on an independent valuer. The gain to be generated from the above shall be accounted for in the books of accounts of Al- Arafah Islami Bank Limited for the year 2010. The board of directors also appointed independent valuer M/s Howlader Younus & Co. M/s Howlader Younus & Company submitted valuation report and the board of directors in its 203rd meeting held on 20th October 2010 approved valuation report. According to a contract was signed between the Al-Arafah Islami Bank limited and AIBL Capital Market Services Limited on 24th October 2010. Later on AIBL Capital Market Service Limited submitted relevant papers to DSE and CSE on 9.11.2010 .DSE and CSE transferred membership of Dhaka Stock Exchange and Chittagong Stock Exchange from Al-Arafah Islami Bank Limited to AIBL Capital Market Services Limited on 28 December 2010 and 30 December 2010 respectively

(ii) Subsequent to the auditor's report dated 04 March 2011 on the financial statements of AIBL Capital Market Services Limited, the investment of Tk.309.54 crore (Para a.(i).2 above) has been repaid by the Bank to the subsidiary company on 23 March 2011, and an amount of Tk.300 crore has been placed as MTD R with the Bank on the same day @13% p.a. profit.

The bank has adjusted whole liability with AIBL Capital Market Services Limited

(iii) The holding of 48.25% shares by individuals is also not in line with the spirit of transferring the 100% owned brokerage house unit of the Bank, though the original circular of SEC in late 2009 in this connection did not clearly require formation of wholly owned subsidiary companies by the banks having brokerage house units. However, SEC has now initiated action to remedy the situation, as referred in Para a.(i).1 above.

Securities and Exchange Commission vide their letter no. SEC REG-79/DSE-234/2011/664 dated 28 April 2011 has withdrawn their letter # SEC REG-79/DSE-234/2011/599 dated 3 March 2011 regarding transfer the shares held by individual shareholders to AIBL by 31st March' 2011 and issued certificate to AIBL Capital Market Services Ltd to operate stock broker and stock dealer activities vide their stock broker registration no.3.1/DSE -234/2011/471 dated 28-04-2011 and stock dealer registration no.3.1/DSE -234 /2011/472 dated 28-04-2011.

b. The profit on investment amounting to Tk.56,281,865 (arising due to profit @13% p.a.) included in the financial statements of AIBL Capital Market Services Ltd. is in contravention of the provisions of law, as stated by the auditor of the subsidiary company (Para a.(i).2 above). Consequently the amount of such profit deducted, as profit paid on deposits and borrowings, from the Investment Income in the profit and loss account of the Bank and 51.75% (Bank's shareholding in the subsidiary) of Tk.56,281,865 amounting to Tk.29,125,865 included in Investment income are also in contravention of law. Similarly, the related profit on investment concerning minority interest included in the consolidated financial statements is also in contravention of law.

The bank has adjusted whole liability with AIBL Capital Market Services Limited on 23.03.2011 to comply provisions of Section 103 of the Companies Act 1994.

c. As disclosed in note # 25 of the financial statements, the Bank included an amount of Tk.50.323 crore as Gain on sale of DSE & CSE memberships to its subsidiary AIBL Capital Market Services Limited. The date of Valuation of the memberships were taken as of 30 June 2010, and the valuation amount for the membership amounted to Tk.70 crore, though the subsidiary company was incorporated on 21 September 2010, the vendors Agreement was signed on 24 October 2010 and the memberships were transferred to AIBL Capital Market Services Limited on 28 December 2010 and 30 December 2010 respectively. However in this respect reference is drawn to items a.1 and d under the Basis for Qualified Opinion above.

The board of directors of Al-Arafah Islami Bank limited in its 202nd meeting held on 29th September 2010 decided to transfer the membership of Dhaka and Chittagong Stock Exchange from Al-Arafah Islami Bank Limited to its subsidiary company named AIBL Capital Market Services limited at the prevailing market price which will be determined through appointment on an independent valuer. The gain to be generated from the above shall be accounted for in the books of accounts of Al- Arafah Islami Bank limited for the year 2010. The board of directors also appointed independent valuer Howlader Younus & co. M/s Howlader Younus & Company submitted valuation report and board of directors in its 203rd meeting held on 20th October 2010 approved valuation report. According to a contract was signed between the Al-Arafah Islami Bank limited and AIBL Capital Market Services Limited on 24th October 2010. Later on AIBL Capital Market Service

Limited submitted relevant papers to DSE and CSE on 9.11.2010 .DSE and CSE transferred membership of Dhaka Stock Exchange and Chittagong Stock Exchange from Al-Arafah Islami Bank Limited to AIBL Capital Market Services Limited on 28 December 2010 and 30 December 2010 respectively.

d. As disclosed in note # 14.6 net profit from brokerage house amounting to Tk.313,325,348 for the period from 1 July to 31 December 2010 has been recorded in compensation account instead of income as per instruction of Shariah Board.

The Shariah Supervisory Committee audited the Financial Statement for the year 2010 from Shariah point of view. After analyzing the Financial Statement the Shariah Supervisory Committee identified Tk.12.83 million as doubtful income, Tk. 54.04 million as compensation realized in different branches and Tk.0.25 million and Tk.0.82 million as interest income received from NOSTRO accounts of foreign correspondent Banks and Bangladesh Bank F.C clearing accounts respectively. Due to limitation in computer software of AIBL Capital Market Department the committee could not separate brokerage commission and margin profit income earned from shariah approved securities and interest based bank and financial institution. As a result the entire amount of Tk.313.32 million earned from brokerage was identified for the time being as doubtful income and the Shariah Supervisory Committee in its 15th Board Meeting held in 22nd March 2011 has decided to finalize the Financial Statement for the year 2010 keeping doubtful income amounting Tk. 313.32 million apart from basic income which will be settled later on.

**Directors' Report to the Shareholders as per condition No. 1.4 of SEC Notification No
SEC/CMRRCD/2006-158/Admin/02-08 Dated 20 February 2006**

The Directors also report that:

- | | |
|---|---|
| <p>a) The financial statement prepared by the management of the company present fairly its stat of affairs, the result of its operation, cash flow and changes in equity</p> <p>b) Proper books of accounts of the company have been maintained</p> <p>c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.</p> <p>d) International Accounting standards as applicable in Bangladesh, have been followed in preparation of the financial statements.</p> <p>e) The system of internal control is sound in design and has been effectively implemented and monitored.</p> <p>f) There is no significant doubts upon the ability of AIBL to continue as a going concern.</p> <p>g) There is no significant deviation in the operating result from the result of the last year. A highlights along with reasons thereof are given below:</p> | <p>h) Key operating and financial data of 5 preceding years have been presented in summarized form page no. 15</p> <p>i) AIBL has declared dividend.</p> <p>j) The number of board meeting and attendance of director during the year 2010 is presented at page no. 51</p> <p>k) The pattern of Share holding along with the name wise details of:</p> <p>i) Parent /subsidiary /associated companies and other parties of: Nil</p> <p>ii) Directors Shareholding presented at page no. 51 and chief executiv officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children at page no 52</p> <p>iii) Top 5 salaried Executive except item no ii above is given at page no. 52</p> <p>iv) Shareholder holding ten percent (10%) or more voting interest in the company as at 31 December 2010: NIL</p> |
|---|---|

Particular	2010	2009	Growth %
Investment income	4,143.30	4,004.54	3.47
Profit paid to depositors	3,133.69	2,667.34	17.48
Net Investment Income	1,009.61	1,337.20	(24.50)
Commision, Exchange and other Income	3,378.95	1,301.10	159.70
Total Operating Income	4,388.56	2,638.29	66.34
Total Operating Expense	1,328.61	908.47	46.25
Profit before tax and provision	3,059.95	1,729.83	76.89
Provision on Investment and others	370.80	140.59	163.75
Profit Before tax	2,689.15	1,589.24	69.21
Provision for taxation	873.01	730.25	19.55
Net Profit after tax	1,816.13	858.99	114.43
EPS	4.21	47.75	110.50

Investment income increased by 3.47% compared to previous year due to increase investment Tk. 17,448.88 crore in 2010 and optimum utilization of surplus fund. On the other hand profit paid on deposits and borrowings increased by 17.48% compared to previous year.

Commission exchange and other income increased by 159.70% compared to previous year as our foreign exchange business increased by 52.22% compared to previous year.

Total operating expenses increased by 46.25% compared to previous year.

Directors' Attendance in the Board Meeting for the year 2010

Sl No.	Name of the Directors	Designation	Meeting held	Attended	Remarks
1.	Al-hajj Badiur Rahman	Chairman	16	16	
2.	Sarkar Mohammad Shamim Iqbal	Vice- Chairman	16	06	
3.	Al-hajj Md Haroon-ar-Rashid Khan	Director	16	16	
4.	Al-hajj Nazmul Ahsan khaled	Director	16	10	
5.	Al-hajj Abdul Malek Mollah	Director	16	14	
6.	Al-hajj Hafez Md. Enayetullah	Director	16	15	
7.	Al-hajj Abdul Muktadir	Director	16	09	
8.	Al-hajj Ahmedul Haque	Director	16	13	
9.	Al-hajj Abdus Samad	Director	16	12	
10.	Al-hajj Engr.Khandaker Mesbahuddin Ahmed	Director	16	08	Resigned on 10.06.2010
11.	Abu Naser Mohammad Yeahea	Director	16	12	
12.	Al-hajj Mohammad Abdus Salam	Director	16	12	
13.	Al-hajj Niaz Ahmed	Director	16	06	Appointed on 10.06.2010
14.	Md.Ashik Hossain	Director	16	06	Appointed on 10.06.2010
15.	Md.Rafiqul Islam	Director	16	04	Appointed on 10.06.2010
16.	Mohammed Emadur Rahman	Director	16	04	Appointed on 10.06.2010
17.	Sabrina Farah Ahmed	Director	16	09	Appointed on 10.06.2010
18.	Anwar Hossain	Director	16	04	Appointed on 10.06.2010
19.	Dr.Momtaz Uddin Ahmed	Director	16	08	Appointed on 14.07.2010

Statement of Shares held by Directors and their Spouses & Minor Children

(as on 31 December 2010)

Sl no	Name of the Directors	Status	No of Shares
1	Alhajj Badiur Rahman	Chairman	13,046,748
	Mrs. Syeda Rashida Yasmin	Wife of Alhajj Badiur Rahman	1,993,638
2	Jb. Sarker Mohammad Shamim Iqbal	Vice Chairman	130,000
3	Alhajj Md. Harun-ar-Rashid Khan	Director	5,000,422
4	Alhajj Nazmul Ahsan Khaled	Director	3,467,496
5	Alhajj Abdul Malek Mollah	Director	6,328,276
	Alhajj Mrs. Laila Begum	Wife of Alhajj Abdul Malek Mollah	148
6	Alhajj Hafez Md. Enayetullah	Director	5,686,486
7	Alhajj Abdul Muktadir	Director	4,021,396
8	Alhajj Abdus Samad	Director	10,525,996
	Mrs. Shahana Ferdous	Wife of Alhajj Abdus Samad	338,000
9	Alhajj Ahamedul Haque	Director	9,033,310
10	Alhajj Abu Naser Mohammad Yeahea	Director	11,551,878
11	Alhajj Abdus Salam	Director	6,572,930
12	Jb. Niaz Ahmed	Director	8,291,712
	Ms. Shabana Niaz	Wife of Jb. Niaz Ahmed	3,856,840
13	Jb. Ashik Hossain	Director	14,223,092
14	Ms. Sabrina Farah Ahmed	Director	5,942,040
15	Jb. Anwar Hossain	Director	1,831,388
16	Mohammad Emadur Rahman	Director	1,593,176
17	Md. Rafiqul Islam	Director	2,600,000

**Statement of Shares held by Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses & Minor Children
(as on 31 December 2010)**

Sl no	Name of the Executives	Status	No. of Shares
1	Ekrumul Hoque	Chief Executive Officer	Nil
2	Md. Mofazzal Hossain	Company Secretary	260
	Mahfuza Khatun	Wife of Md. Mofazzal Hossain	314
3	Muhammed Nadim ACA	Chief Financial Officer	Nil
4	Ihsanul Aziz	Head of Internal Audit	4460

**Statement of Shares held by top 5 (five) salaried employees other than the Director, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit
(as on 31 December 2010)**

Sl no	Name of the Executives	Status	No. of Shares
1	Md. Rafiqul Islam	Deputy Managing Director	Nil
2	MD. Rezaur Rahman, ACMA, ACS, CMA (Aus)	Deputy Managing Director	Nil
3	Khondoker Nayeemul Kabir	Senior Executive Vice President	Nil
4	Md. Mominul Hoque Bhuiyan	Executive Vice President	4000
5	Yakub Mohammad Faruque	Executive Vice President	Nil



Patients of Kidney Disease are receiving Dialysis from newly founded Al-Arafah Islami Bank Foundation Kidney Dialysis Center

Compliance Report on SEC Notification

Status of compliance of corporate Governance

Status of compliance with the condition imposed by the commission's notification no.sec/cmrrcd/2006 158/admin/ 02-08 dated 20th February 2006 issued under section 2cc of the securities and exchange ordinance, 1969.

Condition no.	Title	Compliance status (put in the appropriate column)		Explanation for non-compliance with the condition
		Yes	No	
1.1	Board's size	✓		
1.2 (i)	Number of independent director	✓		
1.2 (ii)	Appointment of independent director	✓		
1.3	Chairman of the Board and CEO	✓		
1.4 (a)	FS presents fairly its state of affairs, result of its operation, cash flows & changes in equity.	✓		
1.4 (b)	Proper books and accounts maintained	✓		
1.4 (c)	Appropriate accounting policies consistently applied in FS preparation and accounting estimates are based on reasonable & prudent judgment	✓		
1.4 (d)	International accounting standards as applicable in Bangladesh followed in financial statements preparation & any departure adequately disclosed.	✓		
1.4 (e)	The system of internal control is found in design and effectively implemented and monitored	✓		

Compliance Report on SEC Notification

Condition no.	Title	Compliance status (put in the appropriate column)		Explanation for non-compliance with the condition
		Yes	No	
1.4 (f)	No significant doubt upon its ability to continue as a going concern	✓		
1.4 (g)	Significant deviation from last year in operating result.	✓		
1.4 (h)	Key operating and financial data of at least preceding three years	✓		
1.4 (i)	If the company has not declared dividend	✓		
1.4 (j)	Number of Board meeting	✓		
1.4 (k)	Pattern of shareholding	✓		
2.1	Appointment of CFO, Head of Internal audit & company secretary.	✓		
2.2	Requirement to attend Board meeting	✓		
3.1	Constitution on Audit committee	✓		
3.1 (i)	Number of member of Audit committee	✓		
3.1 (ii)	Inclusion of independent director in the audit committee	✓		
3.1 (iii)	Fill in the casual vacancy in audit committee	✓		
3.2 (i)	Selection of the Chairman of audit committee	✓		
3.2 (ii)	Qualification of the chairman of audit committee	✓		
3.3.1 (i)	Report by the audit committee on its activities to the board of directors	✓		
3.3.1 (ii)	Report to the board by the audit committee on:	✓		
3.3.1 (ii)	(a) Conflicts on interests			
3.3.1 (ii)	(b) Suspected or presumed fraud or irregularities or material defect in the internal control system.	✓		
3.3.1 (ii)	(c) Suspected infringement of laws	✓		
3.3.1 (ii)	(d) Any other matter	✓		
3.3.2	Reporting to the regulators by the audit committee	✓		

Compliance Report on SEC Notification

Condition no.	Title	Compliance status (put in the appropriate column)		Explanation for non-compliance with the condition
		Yes	No	
3.4	Reporting to the shareholders and general investors	✓		
4.00	Statutory auditors not engaged in:	✓		
4.00(i)	Appraisal or valuation services or fairness opinions.	✓		
4.00(ii)	Financial information system design and implementation	✓		
4.00(iii)	Book-keeping or other services related to the accounting records or financial statement	✓		
4.00(iv)	Broker -dealer services	✓		
4.00(v)	Actuarial services	✓		
4.00(vi)	Internal audit services	✓		
4.00(vii)	Any other services that the audit committee determines.	✓		

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-2010. Board of Directors take 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 2011. 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,



Badiur Rahman
Chairman
Date: 6 June 2011
On behalf of the Board of Directors

Report of the Shariah Supervisory Committee

For the year ended 31 December 2010

Bismillahir Rahmanir Rahim

Honorable Shareholders of Al-Arafah Islami Bank Ltd.

Assalamu Alaikum Wa Rahmatullahi Wa Barakatuhu.

We have reviewed the functions executed by Al-Arafah Islami Bank Ltd. along with the principles and contracts related to their implementation. We sat together to examine and opinions whether the Bank has compiled with the Shariah laws and principles, guidelines, directions and specific Fatwas given by the Shariah Supervisory Committee.

The responsibility of banking business operation in accordance with islamic principles, rules and regulations is upon the Bank Management. We are responsible to analyze and prepare independent opinion based on Islami Shariah.

After observing the operating procedures followed by the Bank, related documents, records, examining each and every type of transactions, scrutinizing reports prepared by the Muraqibs upon visiting the branches and Annual Report presented by the Bank management, Shariah Supervisory Committee is offering the following opinions:

- a. The functions performed by the Bank in the last year along with the principles and policies related to their implementation, we have been reviewed and found to be conducted according to the Islami Shariah Principles and regulations.
- b. Distribution of profit among the various categories of Mudaraba depositors has been done according to Mudaraba principles and promise of the Bank.
- c. Due to ignorance to abide by the regulatory bindings of the Central Bank and international operations and lack of proper diligence in a few branches, Income earned from means not approved by the Shariah has been identified and the Bank has been asked to separate the same from its basic income and to spend it on the basis of Shariah prescribed modes.

At this point Shariah Supervisory Committee is furnishing the following suggestions:

1. Take comprehensive initiative to train adequately all levels of manpower of the Bank about Islamic Banking.
2. Take effective measures to operate investment in Musharaka and Mudaraba mode which are superior methods of investment in Islamic Banking.
3. Run various types of development projects and micro credit to the poor people to improve their Socio Economic conditions.
4. To follow the shariah principles at the time of all sorts of activities conducting by the capital market services limited properly.
5. Introduce welfare activities among the poor of the country through AIBL Foundation.

May Allah gives us tawfiq to do all activities at His pleasure, Ameen.

Wassalamu Alaikum Wa Rahmatullahi Wa Barakatuhu.



(Md. Abdur Rahim Khan)
Secretary



(Mufti Abdur Rahman)
Chairman

Auditors' Report and Financial Statements for The Year Ended 31 December 2010





Auditors' Report to the Shareholders of Al-Arafah Islami Bank Limited

We have audited the accompanying consolidated financial statements of Al-Arafah Islami Bank Limited and its subsidiary as well as financial statements of Al-Arafah Islami Bank Limited ("the Bank") for the year ended 31 December 2010 which comprise the balance sheet, profit and loss account, cash flow statement and statement of changes in equity and the related notes 1-39 thereto.

Management Responsibilities for the Consolidated Financial Statements

Management of Al-Arafah Islami Bank Limited is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards and Bangladesh Bank Guidelines and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

a.(i) Audit of the financial statements of the Bank's subsidiary AIBL Capital Market Services Limited for the period from 8 November 2010 to 31 December 2010 was conducted by another firm of Chartered Accountants, and the auditor's report thereon includes inter alia the following observations:

Quote

1. The paid up capital of the company was subscribed by Al-Arafah Islami Bank Ltd. (AIBL) and other individuals at the ratio of 51.75:48.25. On verification we observed that the Securities and Exchange Commission vide their letter # SEC REG-79/DSE-234/2011/599 date 3 March 2011 ordered the company to be fully owned by AIBL and transfer the shares held by the individual shareholders to AIBL by 31 March 2011.

2. Contrary to the provisions of Section 103 of the Companies Act 1994, AIBL Capital Market Services Limited a subsidiary of Al-Arafah Islami Bank Ltd. (AIBL) has extended investment aggregating to Tk.309.54 crore to AIBL and charged profit @13% per annum and shown under investments with AIBL.

3. AIBL Capital Market Services Ltd., incorporated on 21 September 2010, acquired memberships of Dhaka Stock Exchange and Chittagong Stock Exchange from Al-Arafah Islami Bank Limited on 28 December 2010 and 30 December 2010 respectively in pursuant of Vendor's Agreement dated 24 October 2010. The memberships were valued as of 30 June 2010.

Unquote

(ii) Subsequent to the auditor's report dated 04 March 2011 on the financial statements of AIBL Capital Market Services Limited, the investment of Tk.309.54 crore (Para a.(i).2 above) has been repaid by the Bank to the subsidiary company on 23 March 2011, and an amount of Tk.300 crore has been placed as MDR with the Bank on the same day @13% p.a. profit.

(iii) The holding of 48.25% shares by individuals is also not in line with the spirit of transferring the 100% owned brokerage house unit of the Bank, though the original circular of SEC in late 2009 in this connection did not clearly require formation of wholly owned subsidiary companies by the banks having brokerage house units. However, SEC has now initiated action to remedy the situation, as referred in Para a.(i).1 above.

b. The profit on investment amounting to Tk.56,281,865 (arising due to profit @13% p.a.) included in the financial statements of AIBL Capital Market Services Ltd. is in contravention of the provisions of law, as stated by the auditor of the subsidiary company (Para a.(i).2 above). Consequently the amount of such profit deducted, as profit paid on deposits and borrowings, from the Investment Income in the profit and loss account of the Bank and 51.75% (Bank's shareholding in the subsidiary) of Tk.56,281,865 amounting to Tk.29,125,865 included in Investment income are also in contravention of law. Similarly, the related profit on investment concerning minority interest included in the consolidated financial statements is also in contravention of law.

c. As disclosed in note # 25 of the financial statements, the Bank included an amount of Tk.50.323 crore as Gain on sale of DSE & CSE memberships to its subsidiary AIBL Capital Market Services Limited. The date of Valuation of the memberships were taken as of 30 June 2010, and the valuation amount for the membership amounted to Tk.70 crore, though the subsidiary company was incorporated on 21 September 2010, the vendors Agreement was signed on 24 October 2010 and the memberships were transferred to AIBL Capital Market Services Limited on 28 December 2010 and 30 December 2010 respectively. However in this respect reference is drawn to items a.1 and d under the Basis for Qualified Opinion above.

d. As disclosed in note # 14.6 net profit from brokerage house amounting to Tk.313,325,348 for the period from 1 July to 31 December 2010 has been recorded in compensation account instead of income as per instruction of Shahriah Board.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above which has been prepared in accordance with Bangladesh Financial Reporting Standards give a true and fair view of the state of affairs of the Bank and its subsidiary as at 31 December 2010, and of their financial performance and cash flows for the year then ended and comply with the Companies Act 1994, the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- (i) we have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit, and made due verification thereof and found them satisfactory;
- (ii) we have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof and found them satisfactory;
- (iii) in our opinion, proper books of account as required by law were kept by the Bank so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- (iv) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (v) the Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account and returns;
- (vi) the financial statements have been drawn up in conformity with the Bank Companies Act 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank, and the financial statements conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh as per BRPD circular 15 dated 09 November 2009;
- (vii) except for the items b, c and d under the Basis for Qualified Opinion above, the financial position of the Bank at 31 December 2010 and the profit for the year then ended have been properly reflected in the financial statements and the financial statements have been prepared in accordance with generally accepted accounting principles;
- (viii) adequate provisions have been made for advances, investments and other assets which are in our opinion doubtful of recovery;
- (ix) the expenditures incurred during the year were for the purposes of the business of the Bank;
- (x) the information and explanations required by us have been received and found satisfactory; and
- (xi) 80% of the risk-weighted assets have been reviewed spending over 4,500 man-hours.

Hoda Vasi Chowdhury & Co.
Chartered Accountants

Place : Dhaka

Date: 24 March 2011

ACNABIN
Chartered Accountants

Consolidated Balance Sheet as at 31 December 2010

PROPERTY AND ASSETS	Notes	2010 Taka	2009 Taka
Cash in hand	5		
Cash in hand (including foreign currencies)		573,365,966	392,891,238
Balance with Bangladesh Bank and its Agents Banks (including foreign currencies)		3,672,456,738	3,250,671,446
		4,245,822,704	3,643,562,684
Balance with other Banks and Financial Institutions	6.A		
In Bangladesh		287,134,641	387,636,488
Outside Bangladesh		516,947,517	600,768,090
		804,082,158	988,404,578
Placement with Banks & other Financial Institutions	7	8,200,000,000	2,800,000,000
Investment in Share & Securities	8	2,178,833,340	1,502,000,000
Government		2,000,000,000	1,500,000,000
Others		178,833,340	2,000,000
Investments	9		
General Investments etc.		47,153,317,226	32,854,774,321
Bills Purchased and Discounted		6,429,643,497	3,279,310,472
		53,582,960,723	36,134,084,793
Fixed Assets including Premises	10.A	655,388,261	466,297,269
Other Assets	11.A	4,337,919,002	2,981,438,060
Non-Banking Assets		-	-
Total Assets		74,005,006,188	48,515,787,384
LIABILITIES AND CAPITAL			
Liabilities			
Placement from Banks & other Financial Institutions	12	5,680,000,000	2,620,000,000
Deposit and other Accounts	13.A		
Mudaraba Savings Deposits		7,227,520,700	5,489,241,144
Mudaraba Term Deposits		26,325,030,985	19,205,134,180
Other Mudaraba Deposits	13.ii	11,941,816,975	8,454,911,262
Al-Wadia Current Accounts and Other Accounts etc.	13.iii	6,667,082,751	4,701,413,636
Bills Payable		812,514,055	504,796,598
		52,973,965,466	38,355,496,820
Other Liabilities	14.A	5,690,044,819	3,986,072,408
Deferred Tax Liabilities/ (Assets)	15	13,547,746	(10,510,310)
Total Liabilities (12+13+14+15)		64,357,558,031	44,951,058,918
Capital/Share holders Equity			
Paid up Capital	16	4,677,279,360	1,798,953,600
Minority Interest	16.A	1,948,887,277	-
Statutory Reserve	17	1,681,818,833	1,156,515,307
Other Reserve	18	64,603,248	66,660,446
Retained Earning	19.A	1,274,859,439	542,599,113
Total Share holders Equity		9,647,448,157	3,564,728,466
Total Liability and Share holders Equity		74,005,006,188	48,515,787,384

Consolidated Balance Sheet as at 31 December 2010

	Notes	2010 Taka	2009 Taka
OFF BALANCE SHEET ITEMS			
Contingent Liabilities			
Acceptance and Endorsement		5,016,360,356	3,144,718,420
Letters of Guarantee	20	3,081,523,783	2,841,321,534
Letters of Credit		14,254,079,129	5,981,510,500
Bills for Collection		1,084,910,587	495,635,244
Other Contingent Liabilities		-	-
Total		23,436,873,855	12,463,185,698
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 part of these financial statements		23,436,873,855	12,463,185,698

Accompanying notes form an integral part of these financial statements


Senior Vice President


Managing Director


Director


Director


Chairman

Signed as per our annexed report of even date.



HODA VASI CHOWDHURY & CO.
Chartered Accountants

Place : Dhaka
Date : 24 March 2011



ACNABIN
Chartered Accountants

Consolidated Profit & Loss Account for the Year Ended 31 December 2010

	Notes	2010 Taka	2009 Taka
Investment Income	21.A	4,143,301,328	4,004,536,370
Profit paid on Deposits & Borrowings	22	(3,133,686,856)	(2,667,338,759)
Net Investment Income		1,009,614,472	1,337,197,611
Income from Investment in Shares & Securities	23	33,138,660	14,433,083
Commission, Exchange and Brokerage	24	2,053,341,055	1,091,202,868
Other Operating Income	25	1,292,470,690	195,460,420
Total operating income		3,378,950,405	1,301,096,371
		4,388,564,877	2,638,293,982
Salaries and Allowances & Contribution to P.F	26	705,076,195	547,623,946
Directors Fees and Expenses	27	6,326,652	4,301,330
Shariah Supervisory Committee's Fees & Expenses	28	169,842	220,539
Rent, Taxes, Insurance, Lighting etc.	29	138,075,293	88,859,137
Postage, Telegram, Telephone and Stamp etc.	30	52,131,948	41,211,759
Legal charges		3,255,103	2,567,821
Auditors' Fees		1,273,840	500,000
Salary & Allowances to the Managing Director		9,720,967	5,400,000
Depreciation and Repairs to the Bank's Properties		77,613,224	64,383,662
Stationery, Printing, Advertisement etc.	31	42,319,448	23,219,025
Other Expenses	32.A	292,653,618	130,178,215
Total Operating Expenses		1,328,616,130	908,465,434
Profit/(Loss) before Tax & provision		3,059,948,747	1,729,828,548
Provision against Investments & Contingent Liabilities	33	370,799,742	140,588,317
Provision for diminution in value of investment		-	-
Other Provision		-	-
Total Provision		370,799,742	140,588,317
Profit/(Loss) before Tax		2,689,149,005	1,589,240,231
Current Tax	14.1.A	848,953,742	594,193,859
Deferred Tax	15	24,058,056	136,058,664
Provision for Taxation		873,011,798	730,252,523
Net Profit/(Loss) after Tax		1,816,137,207	858,987,708
Retained Earnings brought forward		2,913,033	1,459,451
		1,819,050,240	860,447,159
Appropriation			
Statutory Reserve		525,303,525	317,848,046
Minority Interest		18,887,276	-
		544,190,801	317,848,046
Retained Earnings		1,274,859,439	542,599,113
Earning per Ordinary Share (EPS)	38	4.14	2.00

Accompanying notes form an integral part of these financial statements


Senior Vice President


Managing Director


Director



Director


Chairman

Signed in terms of our report of even date.



HODA VASI CHOWDHURY & CO.
Chartered Accountants
Place : Dhaka
Date : 24 March 2011


ACNABIN
Chartered Accountants

Consolidated Cash Flow Statement for the Year Ended 31 December 2010

	Notes	2010 Taka	2009 Taka
Cash flows from Operating Activities			
Investment Income received in cash		5,092,389,669	4,066,098,448
Profit paid on Deposits		(2,825,213,639)	(2,494,722,816)
Dividend received		-	994,047
Fees & Commission received in cash		2,053,341,055	1,091,202,868
Recoveries from write off investments		23,282,877	14,073,527
Cash Payments to employees		(682,928,540)	(513,808,700)
Cash Payments to suppliers		(24,843,167)	(15,893,209)
Received from other operating activities (item-wise)		695,397,731	195,037,780
Paid for other operating activities (item-wise)	34.A	(523,814,855)	(288,701,375)
Advance income tax paid		(640,030,000)	(630,000,000)
		3,167,581,130	1,424,280,570
Operating profit before changes in operating assets & liabilities			
Changing in Operating assets & Liabilities			
Increase/ Decrease of trading securities		(176,833,340)	88,225,921
Increase/ Decrease of Investment and advances to other banks		(5,400,000,000)	(600,000,000)
Increase/ Decrease of Investment and advances to customers (other than Banks)		(19,154,049,359)	(8,795,518,817)
Increase/ Decrease of Other assets (item-wise)	35.A	293,638,441	(456,039,764)
Increase/ Decrease of Deposits from other banks		3,060,000,000	840,000,000
Increase/ Decrease of Deposits from customers (other than Banks)		14,632,855,430	8,665,375,663
Increase/ Decrease of Other liabilities account of customers		-	-
Increase/ Decrease of Trading liabilities (item-wise)	36.A	2,405,035,247	232,967,580
		(4,339,353,581)	(24,989,417)
A. Net Cash flows from operating activities		(1,171,772,450)	1,399,291,153
Cash flows from investing activities:			
Proceeds from sale of securities		-	-
Payments for purchases of securities		-	-
Purchase of property, plant and equipment		(248,929,630)	(121,255,431)
Sales proceeds of Fixed assets		-	1,672,555
Purchase-sale of subsidiary		-	-
		(248,929,630)	(119,582,876)
B. Net cash flows from investing activities		(248,929,630)	(119,582,876)
Cash flows from financing activities			
Increase in Exchange Equalization Account		-	-
Increase in Share Capital		2,338,639,680	-
Dividend paid		-	-
		2,338,639,680	-
C. Net cash flows from financing activities		2,338,639,680	-
D. Net increase in cash and cash equivalent (A+B+C)		917,937,600	1,279,708,277
E. Effects of exchange rate changes on cash & cash-equivalents		-	-
F. Net increase in cash and cash equivalent (D+E)		917,937,600	1,279,708,277
G. Cash and cash-equivalent at the beginning of the year		6,131,967,262	4,852,258,985
H. Cash and cash-equivalents at the end of the year	37.A	7,049,904,862	6,131,967,262


Senior Vice President


Managing Director


Director


Director


Chairman

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2010

Particular	Paid up Capital	Statutory Reserve	Minority Interest	Retained Earnings	General Other Reserves	Asset Revaluation Reserve	Total Taka
Balance at 1st January 2010	1,798,953,600	1,156,515,307	-	542,599,113	2,057,199	64,603,248	3,564,728,468
Changes in accounting policy	-	-	-	-	-	-	-
Issue of the share capital	539,686,080	-	-	-	-	-	539,686,080
Restated Balance	2,338,639,680	1,156,515,307	-	542,599,113	2,057,199	64,603,248	4,104,414,548
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 recognised in Income Statement	-	-	-	-	-	-	-
Net profit for the year	-	-	-	1,271,946,406	(2,057,199)	-	(2,057,199)
Cash Dividend	-	-	-	-	-	-	1,271,946,406
Bonus Share -2009(30.00 %)	-	-	-	(539,686,080)	-	-	(539,686,080)
Minority Interest	-	-	1,948,887,277	-	-	-	1,948,887,277
Issue of share capita	2,338,639,680	-	-	-	-	-	2,338,639,680
Transferred to retained earning	-	525,303,525	-	-	-	-	525,303,525
Appropriations during the year	-	-	-	-	-	-	-
Total shareholders' equity as on December 31,2010	4,677,279,360	1,681,818,833	1,948,887,277	1,274,859,439	-	64,603,248	9,647,448,157
Add: General provision for unclassified investments							897,663,000
Less: 50% of Assets Revaluation Reserve							(32,301,624)
Total equity as on December 31,2010							10,512,809,533

Accompanying notes form an integral part of these financial statements

General / Other Reserve	2010	2009
General Reserves	-	-
Investment Loss offsetting Reserve	-	-
Dividend Equalization Account	-	-
Exchange Equalization Account	-	2,057,198
Total	-	2,057,198


Senior Vice President


Managing Director


Director


Director


Chairman

Consolidated Statement of Liquidity for the Year Ended 31 December 2010

(Maturity Analysis of Assets and Liabilities)

SL No	Particulars	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
1	2	3	4	5	6	7	8
1	Assets :						
	Cash in hand	4,245,822,704	-	-	-	-	4,245,822,704
	Balance with other Bank and Financial Institution	5,248,295	798,833,862	-	-	-	804,082,158
	Placement with Banks & Other Financial institutions	900,000,000	2,300,000,000	5,000,000,000	-	-	8,200,000,000
	Investments (in Shares & Securities)	-	-	-	2,170,000,000	8,833,340	2,178,833,340
	Investments	3,501,937,219	4,508,563,042	18,743,637,437	16,826,300,636	10,002,522,389	53,582,960,723
	Fixed Assets including premises (Land & Building)	-	-	-	328,942,069	326,446,192	655,388,261
	Other Assets	217,832,540	310,278,339	328,910,320	1,256,618,573	2,224,279,230	4,337,919,002
	Non Banking Assets	-	-	-	-	-	-
	Total Assets	8,870,840,759	7,917,675,243	24,072,547,757	20,581,861,278	12,562,081,151	74,005,006,188
2	Liabilities :						
	Placement from Banks & Other Financial institutions	1,180,000,000	700,000,000	3,800,000,000	-	-	5,680,000,000
	Deposits	5,583,787,701	5,695,259,451	19,159,634,383	20,596,756,961	1,938,526,969	52,973,965,466
	Other Accounts	-	-	-	-	-	-
	Provision and Other Liabilities	748,021,039	470,137,734	951,124,793	1,252,296,588	2,268,464,665	5,690,044,819
	Deferred tax Liabilities/ (Assets)	-	-	13,547,746	-	-	13,547,746
	Total Liabilities	7,511,808,740	6,865,397,185	23,924,306,922	21,849,053,549	4,206,991,635	64,357,558,031
	Net Liquidity Gap	1,359,032,018	1,052,278,058	148,240,835	(1,267,192,271)	8,355,089,516	9,647,448,157

The Liquidity statement is prepared on contractual basis and which usually renewable. As a result it may not be actually alarming situation due to mismatch of assets & liability.

Accompanying notes form an integral part of these financial statements


Senior Vice President


Managing Director


Director


Director


Chairman

Balance Sheet as at 31 December 2010

PROPERTY AND ASSETS	Notes	2010 Taka	2009 Taka
Cash in hand	5		
Cash in hand (including foreign currencies)		573,365,966	392,891,238
Balance with Bangladesh Bank and its Agents Banks (including foreign currencies)		3,672,456,738	3,250,671,446
		4,245,822,704	3,643,562,684
Balance with other Banks and Financial Institutions	6		
In Bangladesh		287,134,641	387,636,488
Outside Bangladesh		516,947,517	600,768,090
		804,082,158	988,404,578
Placement with Banks & other Financial Institutions	7	8,200,000,000	2,800,000,000
Investment in Share & Securities	8	2,178,833,340	1,502,000,000
Government		2,000,000,000	1,500,000,000
Others		178,833,340	2,000,000
Investment	9		
General Investment etc.		47,153,317,226	32,854,774,321
Bills Purchased and Discounted		6,429,643,497	3,279,310,472
		53,582,960,723	36,134,084,793
Fixed Assets including Premises	10	617,770,103	466,297,269
Other Assets	11	5,744,896,372	2,981,438,060
Non-Banking Assets		-	-
Total Assets		75,374,365,400	48,515,787,384
LIABILITIES AND CAPITAL			
Liabilities			
Placement from Banks & other Financial Institutions	12	5,680,000,000	2,620,000,000
Deposit and other Accounts	13		
Mudaraba Savings Deposits		7,227,520,700	5,489,241,144
Mudaraba Term Deposits		26,535,425,683	19,205,134,180
Other Mudaraba Deposits	13.i	11,941,816,975	8,454,911,262
Al-Wadia Current Accounts and Other Accounts etc.	13.ii	6,667,082,751	4,701,413,636
Bills Payable		812,514,055	504,796,598
		53,184,360,164	38,355,496,820
Other Liabilities	14	8,818,153,947	3,986,072,408
Deferred Tax Liabilities/ (Assets)	15	13,547,746	(10,510,310)
Total Liabilities (12+13+14+15)		67,696,061,857	44,951,058,918
Capital/Share holders Equity			
Paid up Capital	16	4,677,279,360	1,798,953,600
Statutory Reserve	17	1,681,818,833	1,156,515,307
Other Reserve	18	64,603,248	66,660,446
Retained Earning	19	1,254,602,102	542,599,113
Total Share holders Equity		7,678,303,543	3,564,728,466
Total Liability and Share holders Equity		75,374,365,400	48,515,787,384

Balance Sheet as at 31 December 2010

	Notes	2010 Taka	2009 Taka
OFF BALANCE SHEET ITEMS			
Contingent Liabilities			
Acceptance and Endorsement		5,016,360,356	3,144,718,420
Letters of Guarantee	20	3,081,523,783	2,841,321,534
Letters of Credit		14,254,079,129	5,981,510,500
Bills for Collection		1,084,910,587	495,635,244
Other Contingent Liabilities		-	-
Total		23,436,873,855	12,463,185,698
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		23,436,873,855	12,463,185,698

Accompanying notes form an integral part of these financial statements


Senior Vice President


Managing Director


Director



Director


Chairman

Signed as per our annexed report of even date.


HODA VASI CHOWDHURY & CO.
Chartered Accountants

Place : Dhaka
Date : 24 March 2011


ACNABIN
Chartered Accountants

Profit & Loss Account for the Year Ended 31 December 2010

	Notes	2010 Taka	2009 Taka
Investment Income	21	4,080,609,373	4,004,536,370
Profit paid on Deposits & Borrowings	22	(3,133,686,856)	(2,667,338,759)
Net Investment Income		946,922,517	1,337,197,611
Income from Investment in Share & Securities	23	33,138,660	14,433,083
Commission, Exchange and Brokerage	24	2,053,341,055	1,091,202,868
Other Operating Income	25	1,292,470,690	195,460,420
Total operating income		3,378,950,404	1,301,096,371
		4,325,872,922	2,638,293,982
Salaries and Allowances & Contribution to P.F	26	705,076,195	547,623,946
Directors Fees and Expenses	27	6,326,652	4,301,330
Shariah Supervisory Committee's Fees & Expenses	28	169,842	220,539
Rent, Taxes, Insurance, Lighting etc.	29	138,075,293	88,859,137
Postage, Telegram, Telephone and Stamp etc.	30	52,131,948	41,211,759
Legal charges		3,255,103	2,567,821
Auditors' Fees		1,223,840	500,000
Salary & Allowances to the Managing Director		9,720,967	5,400,000
Depreciation and Repairs to the Bank's Properties		77,613,224	64,383,662
Stationery, Printing, Advertisement etc.	31	42,319,448	23,219,025
Other Expenses	32	292,643,043	130,178,215
Total Operating Expenses		1,328,555,555	908,465,434
Profit/(Loss) before Tax & provision		2,997,317,367	1,729,828,548
Provision against Investments & Contingent Liabilities	33	370,799,742	140,588,317
Provision for diminution in value of investment		-	-
Other Provision		-	-
Total Provision		370,799,742	140,588,317
Profit/(Loss) before Tax		2,626,517,625	1,589,240,231
Current Tax	14.1	825,466,974	594,193,859
Deferred Tax	15	24,058,056	136,058,664
Provision for Taxation		849,525,030	730,252,523
Net Profit/(Loss) after Tax		1,776,992,595	858,987,708
Retained Earnings brought forward		2,913,033	1,459,451
		1,779,905,627	860,447,159
Appropriation			
Statutory Reserve		525,303,525	317,848,046
		525,303,525	317,848,046
Retained Earnings		1,254,602,102	542,599,113
Earning per Ordinary Share (EPS)	38	4.05	2.00

Accompanying notes form an integral part of these financial statements


Senior Vice President


Managing Director


Director

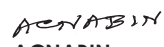

Director


Chairman

Signed as per our annexed report of even date.


HODA VASI CHOWDHURY & CO.

Chartered Accountants
Place : Dhaka
Date : 24 March 2011


ACNABIN
Chartered Accountants

Cash Flow Statement for the Year Ended 31 December 2010

	Notes	2010 <u>Taka</u>	2009 <u>Taka</u>
Cash flows from Operating Activities			
Investment Income received in cash		5,020,408,785	4,066,098,448
Profit paid on Deposits		(2,822,415,898)	(2,494,722,816)
Dividend received		-	994,047
Fees & Commission received in cash		2,053,341,055	1,091,202,868
Recoveries from write off investments		23,282,877	14,073,527
Cash Payments to employees		(682,928,540)	(513,808,700)
Cash Payments to suppliers		(24,843,167)	(15,893,209)
Received from other operating activities (item-wise)		695,356,699	195,037,780
Paid for other operating activities (item-wise)	34	(523,804,280)	(288,701,375)
Advance income tax paid		(640,030,000)	(630,000,000)
		3,098,367,530	1,424,280,570
Operating profit before changes in operating assets & liabilities			
Changing in Operating assets & Liabilities			
Increase/ Decrease of trading securities		(176,833,340)	88,225,921
Increase/ Decrease of Investment and advances to other banks		(5,400,000,000)	(600,000,000)
Increase/ Decrease of Investment and advances to customers (other than Banks)		(15,018,353,725)	(8,795,518,817)
Increase/ Decrease of Other assets (item-wise)	35	(1,823,956,318)	(456,039,764)
Increase/ Decrease of Deposits from other banks		3,060,000,000	840,000,000
Increase/ Decrease of Deposits from customers (other than Banks)		14,632,855,430	8,665,375,663
Increase/ Decrease of Other liabilities account of customers		-	-
Increase/ Decrease of Trading liabilities (item-wise)	36	456,147,971	232,967,580
		(4,270,139,981)	(24,989,417)
A. Net Cash flows from operating activities		(1,171,772,451)	1,399,291,153
Cash flows from investing activities:			
Proceeds from sale of securities		-	-
Payments for purchases of securities		-	-
Purchase of property, plant and equipment		(248,929,630)	(121,255,431)
Sales proceeds of Fixed assets		-	1,672,555
Purchase-sale of subsidiary		-	-
B. Net cash flows from investing activities		(248,929,630)	(119,582,876)
Cash flows from financing activities			
Increase in Exchange Equalization Account		-	-
Increase in Share Capital		2,338,639,680	-
Dividend paid		-	-
C. Net cash flows from financing activities		2,338,639,680	-
D. Net increase in cash and cash equivalent (A+B+C)		917,937,599	1,279,708,277
E. Effects of exchange rate changes on cash & cash-equivalents		-	-
F. Net increase in cash and cash equivalent (D+E)		917,937,599	1,279,708,277
G. Cash and cash-equivalent at the beginning of the year		6,131,967,262	4,852,258,985
H. Cash and cash-equivalents at the end of the year	37	7,049,904,862	6,131,967,262

Accompanying notes form an integral part of these financial statements


Senior Vice President


Managing Director


Director


Director


Chairman

Statement of Changes in Equity for the Year Ended 31 December 2010

Particular	Paid up Capital	Statutory Reserve	Retained Earnings	General Other Reserves	Asset Revaluation Reserve	Total Taka
Balance at 1st January 2010	1,798,953,600	1,156,515,307	542,599,113	2,057,199	64,603,248	3,564,728,467
Changes in accounting policy	-	-	-	-	-	-
Issue of share capital	539,686,080	-	-	-	-	539,686,080
Restated Balance	2,338,639,680	1,156,515,307	542,599,113	2,057,199	64,603,248	4,104,414,547
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 recognised in Income Statement	-	-	-	(2,057,199)	-	(2,057,199)
Net profit for the year	-	-	1,251,689,069	-	-	1,251,689,069
Cash Dividend	-	-	-	-	-	-
Bonus Share- 2009 (30.00%)	-	-	(539,686,080)	-	-	(539,686,080)
Issue of share capital	2,338,639,680	-	-	-	-	2,338,639,680
Transferred to retained earnings	-	-	-	-	-	-
Appropriations during the year	-	525,303,525	-	-	-	525,303,525
Total shareholders' equity as on December 31, 2010	4,677,279,360	1,681,818,832	1,254,602,102	-	64,603,248	7,678,303,543
Add: General provision for unclassified investments						897,663,000
Less: 50% of Assets Revaluations Reserve						(32,301,624)
Total equity as on 31 December 2010						8,543,664,919

General / Other Reserve	2010	2009
General Reserve	-	-
Investment Loss offsetting Reserve	-	-
Dividend Equalization Account	-	-
Exchange Equalization Account	-	2,057,198
Total	-	2,057,198


Senior Vice President


Managing Director


Director


Director


Chairman

Statement of Liquidity for the Year Ended 31 December 2010

(Maturity Analysis of Assets and Liabilities)

SL No	Particulars	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
1	2	3	4	5	6	7	8
1	Assets :						
	Cash in hand	4,245,822,704	-	-	-	-	4,245,822,704
	Balance with other Bank and Financial Institutions	5,248,295	798,833,862	-	-	-	804,082,158
	Placement with Banks & Other Financial institutions	900,000,000	2,300,000,000	5,000,000,000	-	-	8,200,000,000
	Investment (in shares & securities)	-	-	-	2,170,000,000	8,833,340	2,178,833,340
	Investment	3,501,937,219	4,508,563,042	18,743,637,437	11,924,741,851	14,904,081,174	53,582,960,723
	Fixed Assets including premises (Land & Building)	-	-	-	328,942,069	288,828,034	617,770,103
	Other Assets	217,832,540	310,278,339	328,910,320	3,865,283,952	1,022,591,221	5,744,896,372
	Non Banking Assets	-	-	-	-	-	-
	Total Assets	8,870,840,759	7,917,675,243	24,072,547,757	18,288,967,872	16,224,333,769	75,374,365,400
2	Liabilities :						
	Placement from Banks & Other Financial institutions	1,180,000,000	700,000,000	3,800,000,000	-	-	5,680,000,000
	Deposits	5,583,787,701	5,695,259,451	19,159,634,383	20,596,756,961	2,148,921,667	53,184,360,164
	Other Accounts	-	-	-	-	-	-
	Provision and Other Liabilities	748,021,039	470,137,734	951,124,793	1,252,296,588	5,396,573,793	8,818,153,947
	Deferred tax Liabilities/ (Assets)	-	-	13,547,746	-	-	13,547,746
	Total Liabilities	7,511,808,740	6,865,397,185	23,924,306,922	21,849,053,549	7,545,495,461	67,696,061,857
	Net Liquidity Gap	1,359,032,018	1,052,278,058	148,240,835	(3,560,085,677)	8,678,838,308	7,678,303,543

The Liquidity statement is prepared on contractual basis and which usually renewable. As a result it may not be actually alarming situation due to mismatch of assets & liability.



Senior Vice President



Managing Director



Director



Director



Chairman

Notes to the Financial Statements for the Year Ended 31 December 2010

1.0 STATUS OF THE BANK

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 precepts of Islam. The Shariah Supervisory Committee consists of prominent Ulema, reputed Bankers, renowned Lawyers and eminent Economists. Al-Arafah Islami Bank Ltd. owned 51.75% 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 21 September 2010 as a Public Limited Company.

1.01 PRINCIPAL ACTIVITIES

The Bank provides 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.

2.0 SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation

(i) Preparation of financial statements

The financial statements 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 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.

(ii) 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 drawn up.

(iii) Cash Flow Statement

Cash flow statement is prepared principally in accordance with BAS-7 "Statement of Cash flow " and the cash flow from the operating activities have been presented under direct method as prescribed by the Securities and Exchange Rules 1987 and considering the provision of paragraph is(b) of BAS-7 which provides that enterprise are encouraged to report cash flow from operating activities using the direct method.

(iv) Liquidity Statement:

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following basis:

- a) Balance with other banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term;
- b) Investments are on the basis of their respective maturity;
- c) Fixed assets are on the basis of their useful lives;
- d) Other assets are on the basis of their realization / amortization;
- e) Borrowing from other Banks, financial institutions and agents, etc are as per their maturity / repayment terms;
- f) Provisions and other liabilities are on the basis of their repayment / adjustments schedule.

Notes to the Financial Statements for the Year Ended 31 December 2010

B. Use of estimate and judgment:

The preparation of financial statement requires the bank to make certain estimates and to form judgment about the application of accounting policies which may affect the reported amount of assets, liabilities, income and expenses. The most significant areas of estimates and judgments have been made on provision for Investments and investments.

C. Reporting period:

The financial statements cover one calendar year from 1 January to 31 December 2010.

D. Offsetting:

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

E. Assets and basis of their valuation:

(i) Cash and cash equivalents:

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bangladesh Bank (including Bangladesh Government Islamic Investment Bond) and Sonali Bank and other highly liquid financial assets used by the Bank Management for its short-term commitments.

(ii) Investments

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

Investment write-off

Investment 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.

(iii)a. Investment in shares and securities:

All investment in shares are revalued at the year end. Unquoted shares are valued based on book value of the most recent audited financial statement. Provisions are made for any loss arising from diminution in value of investments.

(iii)b. Investment in subsidiaries:

The bank has made investment in subsidiary company AIBL Capital Market Service Ltd Tk. 207.00 crore holding 51.75% shares. The rest of 48.25% shares hold by others.

(iv) Fixed assets and depreciation

a) All fixed assets are stated at cost/revalued amount less accumulated depreciation and accumulated impairment loss.

Land was revalued by a professional valuer on the basis of market value on 31st December 2004. The valuer was independent of the company. The property is located within Dist : Dhaka, P. S Motijheel, Sub - registry office : Sutrapur, Dhaka collectorate Touzi # 141-B-1, Mouza : Sabek Shahar Dhaka, Sheet # 22, Ward # 03, Sabek Khatian # 6947, 6947 [KA], 6947[Jha], Sabek Dag # 97, 100,101,102 and 110, SA Mouza : Ramna, Sheet # 10, SA Khatian # 362, SA Dag # 1979,1980,1981,2025,1997,1998 and 1979/2039, RS Mouza : Motijheel, RS Khatian # 420, RS Dag # 1314 and 1322, D.P Khatian # 619, D.P Dag # 812 and 804. The area of land measuring about 27.10 decimal, Mutation Khatian # 362/3 and Dag # 1979 and 1980. The land was revalued at Tk. 5,000,000 per decimal. The cost of which was Tk. 2,116,116 per decimal. The Bank accounted for 90% of book value of revaluation. Total capital gains amounting Tk. 64,603,249.

Notes to the Financial Statements for the Year Ended 31 December 2010

b) Depreciation on fixed assets is charged using the rates and methods as mentioned below for the days of use. No depreciation has been charged in the year of addition.

<u>Assets</u>	<u>Method of depreciation</u>	<u>Percentage</u>
Furniture and Fixture	Reducing balance	10
Motor Car	Straight-line	20
Mechanical Appliances	Reducing balance	15
Books	Reducing balance	20
Computer	Straight-line	20
Computer Accessories	Straight-line	20
Online Hardware	Straight-line	20
Online Software	Straight-line	20
Building	Reducing balance	2.5

c) Maintenance and repair costs are charged to Profit and Loss Account as and when incurred.

(v) Other assets:

Other assets include all balance sheet accounts not covered specifically in other areas of the supervisory activity and such accounts may be quite insignificant in the overall financial condition of the Bank.

(vi) Non-banking assets:

There are no assets acquired in exchange for classified investments during the period of financial statements.

(vii) Reconciliation of inter bank/branch books of accounts

Books of accounts in regard to Inter-branches are reconciled and there are no material differences, which may affect the financial statements significantly. Unrecognized entries in case of inter-branch transactions as on the reporting date are not mentionable due to the time gap before finalizing the same. **(Note -14.7)**

F. Share Capital:

Ordinary shares are classified as equity, when there is no contractual obligation to transfer cash or other financial assets.

G. Statutory reserve:

Bank Companies Act, 1991 requires the Bank to transfer 20% of its current year's profit before tax to reserve until such reserve along with share premium equals to its paid up capital.

H. Revaluation reserve:

When an asset's carrying amount is increased as a result of revaluation, the surplus amount should be credited directly to equity under the heading of revaluation surplus / reserve as per BAS-16: Property, Plant and Equipment. The Bank revalued its land in December 2004 which is absolutely owned by the Bank and the surplus amount transferred to revaluation reserve. **(Annexure-A)**

I. Basis for valuation of liabilities and provisions:

(i) Provisions on Investment

a) Provision for Investment are made on the basis of year end review by the management and instructions contained in Bangladesh Bank BRPD Circular No. 05 dated 05 June 2006 & BRPD Circular No. 10, dated 18 September 2007 & Subsequent changes. The provision rates are given below:

<u>Particulars</u>	<u>Rate</u>
General provision on unclassified general loans and advances / investments	1%
General provision on unclassified small enterprise financing	1%
General provision on unclassified loans / investments for housing finance and on loans for professionals	2%
General provision on unclassified consumer financing other than housing finance and loans for professionals	5%
General provision on special mention account	5%
Specific provision on substandard loans and advances / investments	20%
Specific provision on doubtful loans and advances / investments	50%
Specific provision on bad / loss loans and advances / investments	100%

Notes to the Financial Statements for the Year Ended 31 December 2010

ii) Provision for off balance sheet exposures:

BRPD circular no.10 (18 September 2007) requires a general provision for off balance sheet exposure is to be calculated at 1% (2007:0.50%) on all off balance sheet exposures as defined in BRPD circular no.10 (24 November 2002). Accordingly we have recognized a provision of 1% on the following off balancesheet items:

1. Letter of Guarantee
2. Letter of Credit
3. Bills for Collection
4. Acceptance and endorsements
5. Other contingent Liabilities

(iii) Provision for other assets:

BRPD circular no.14 (25 June 2001) requires a provision of 100% on other assets which are outstanding for one year and above.

iv) Provision on balance with other banks and financial institutions (Nostro Accounts):

Provision for unsettled transaction on nostra accounts made are reviewed at each balance sheet date by management and certified by our external auditor in accordance with Bangladesh bank Foreign Exchange Policy Department (FEPD) Circular no.677 (13 September 2005)

v) Provision for taxation

Current tax

Provision for current income tax has been made @42.50% as prescribed in the Finance Act 2010 of the profit made by the bank considering taxable add-back of income and disallowance of expenditure in compliance with BAS-12 " Income Taxes". Tax return for the income year 2009 (Assessment year 2010 - 2011) has been filed but assessment is to be done by the tax authority.

Deferred Tax:

The bank recognized deferred tax in accordance with the provision of BAS-12. Deferred tax arises due to temporary difference deductible or taxable for the events or transaction recognized in the income statement. A temporary difference is the difference between the tax base of an assets or liability and its carrying amount/reported amount in the financial statement. Deferred tax assets or liability is the amount of income tax payable or recoverable in future period(s) recognized in the current period. The deferred tax assets/expenses does not create a legal Liability/recoverability to and from the income tax authority. The bank recognizes deferred tax on 100% specific provision on investment which will be write off as per B. B Circulars.

vi) Provision for Gratuity:

Gratuity Fund benefits are given to the staff of the bank in accordance with the approved Gratuity Fund rules. National Board of Revenue has approved the gratuity fund as a recognized gratuity fund on October 10, 2010. The fund is operated by a Board of Trustees consisting of 06(six) members of the bank. The employees who serve at least 7 (seven) years in AIBL are normally employees entitled to get gratuity equivalent to one month's basic salary of the employees for their completed year of services in the Bank. So that actuarial valuation is not considered essential.

vii) Retirement benefit and staff welfare schemes:

The Bank operates a Contributory Provident Fund, Social Security Fund and Benevolent Fund. These funds are managed by separate Board of Trustees.

J. Recognition of Revenues:

i) Income from investments has been accounted for on accrual basis except investment under Musharaka. Income in case of Musharaka is accounted for on realization basis. Besides, fees and commission income are recognized when earned. The Bank does not charge any rent during the gestation/interim period of investment under hire purchase, but it fixes the sale price of the assets at a higher price in such a way to cover its expected rate of return. Such income is recognized on realization basis.

ii) Profit/rent/compensation accrued on classified investment are suspended and accounted for as per Circulars issued by the Bangladesh Bank. Moreover, incomes which are irregular (doubtful) as per Shariah are also not included in the distributable income of the Bank. Bank charges compensation on unclassified overdue Bai-Murabaha and Bai-Muazzal investment. Such compensation is not permissible by Shariah to take into regular income of the Bank. Therefore, the amount of compensation treated as a component of provision against bad & doubtful investment. Interest received due to legal obligation is also not taken into regular income of the Bank.

iii) Profit on investment is calculated on daily product basis and charged on yearly basis.

Notes to the Financial Statements for the Year Ended 31 December 2010

K. Foreign currency transactions:

- i) The transactions in foreign currencies are converted into equivalent Taka currency using the ruling exchange rates prevailed on the dates of such transactions.
- ii) The assets and liabilities denominated in foreign currencies as on 31 December 2010 are translated into Taka currencies at the prevailing selling and buying rates of the concerned foreign currencies..
- iii) Gains and losses of translation are dealt with through exchange account.

L. Sharing of investment income:

The investment income (except exchange and commission income) is shared between depositors and the bank @ 70 : 30.

M. Revenues, gains, expenses & losses prohibited by Shariah:

N. Basic Earning per share:

This has been calculated by dividing the basic earning by the weighted average number of ordinary shares outstanding during the year as per BAS-33. Diluted earning per share is required to be calculated for the year, when there is scope for dilution during the year under review.

O. Risk Management

The risk of Al-Arafah Islami Bank limited is defined as the possibility of losses, financial or otherwise. The risk management of the Bank covers 6 (six) Core risk Areas of banking i.e Credit risk management, foreign exchange risk management, Assets Liability Management, prevention of money laundering and establishment of Internal Control and Compliance and information & Communication technology. The prime objective of the risk management is that the Bank takes well calculative business risks while safeguarding the Bank's capital, its financial resources and profitability from various risks. In this context, the Bank took steps to implement the guidelines of Bangladesh Bank as under :

i) Credit Risk Management

Credit risk is one of the major risks faced by the Bank. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Bank. The failure may result from unwillingness of the counter party of decline in his/her financial condition. Therefore, Bank's credit risk management activities have been designed to address all these issues. The bank has an Investment (Credit) Risk Management Committee at Head Office. The committee reviews the investment risk issues on monthly basis. The bank has segregated the Investment Approval, Investment Administration, Investment Recovery and Legal Authority. The Bank has segregated duties of the officers/executives involved in credit related activities. A separate Business Development (Marketing) Department has been established at Head Office, which is entrusted with the duties of maintaining effective relationship with the customer, marketing of credit products, exploring new business opportunities etc. In the branches of the bank separate officials are engaged as Relationship Manager, Documentation Officer, Verification Officer, Disbursement Officer and Recovery Officer. Their jobs have been allocated and responsibilities have been defined.

Investment (Credit) Risk Grading Manual

The bank has implemented the Investment (Credit) Risk Grading Manual (IRGM) since April 1,2006 which is made mandatory by Bangladesh Bank vide BRPD Circular No. 18 of December 11,2005. Investment Officials of the bank have been trained on IRGM. Investment Risk Grading is incorporated in the Investment Presentation Form for all the cases.

ii) Foreign exchange risk Management

Foreign exchange risk is defined as the potential change in earnings arising due to change in market prices. As per Foreign Exchange Risk Management Guideline, bank has physically establishment a separate Treasury Department at Head Office. Under the Treasury Department, Foreign exchange Front Office, Foreign exchange. Back Office and Local Money Market have been physically demarketed. Duties and responsibilities of them have also been defined. All foreign exchange transactions are revalued at Mark-to Market rate as determined by Bangladesh Bank at the month-end. All Nostro accounts are reconciled on monthly basis and outstanding entry beyond 30 days is reviewed by the Management for its settlement. Regulatory reports are submitted on time to Bangladesh Bank.

Notes to the Financial Statements for the Year Ended 31 December 2010

iii) Assets Liability Management

The Asset Liability Committee (ALCO) of the Bank monitors Balance sheet risk and liquidity risks of the Bank. The Balance Sheet risk is defined as potential change in earnings due to change in rate of profit, foreign exchange rates which are not of trading nature. The Bank has an Asset Liability Committee (ALCO) that reviews liquidity requirement of the bank, the maturity of assets and liabilities, deposit and lending pricing strategy and the liquidity contingency plan. The primary objective of the ALCO is to monitor and avert significant volatility in net profit income, investment value and exchange earnings.

iv) Internal control and compliance

Operational loss may arise from error and fraud due to lack of internal control and compliance. Management through Internal Control and Compliance Division (ICCD) controls operational activities of the Bank. Bank has established separate Internal Audit & Inspection Department, Audit Monitoring Department and Regulatory Compliance Department under ICCD. Audit Monitoring Department is ensuring the compliance of Audit & Inspection Reports while Regulatory Compliance Department is ensuring the compliance of Regulatory Rules and Regulations. The Audit Committee of the Board subsequently reviews the reports of the Internal Control and Compliance Division. ICCD independently reports the Internal Control System and Financial Health of the Board of Directors.

v) Prevention of money laundering

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risk the Bank has a Central Compliance Unit (CCU) at Head Office. The unit reviews the anti money laundering activities of the bank on regular basis. The bank has a designated chief Anti Money Laundering Compliance Officers (CAMLCO) at Head Office and Branch Anti Money Laundering Compliance Officers (BAMLCO) at branches. The compliance officers review the suspicious Transaction (STR) and records them properly.. Manuals for prevention of money laundering have been established and Transaction profile has been introduced. Training has been continuously given to all the category of officers and executives for developing awareness and skill for identifying suspicious activities. The bank submits the Suspicious Transactions Report (STR), Cash Transaction Reports (CTR) and other periodical reports to Bangladesh bank on time.

vi) Guideline on information & Communication Technology :

Technology is the process by which humans modify nature to meet their needs and wants. The term Information technology' means computers, auxiliary equipment, software and hardware and similar procedures, services and related resources. Information Technology (IT) developed in a rapidly changing global environment, and challenges us to courageous initiatives to address a host of vital skilled human resources. To overcome the challenges the bank has a IT policy. The IT policy of the bank includes the Purchase Policy, Hardware Policy, Software Development Policy, Banking Application usage Policy, Security Policy, Disaster Recovery Policy etc. The bank is now implementing its On Line Banking Project complying the IT Policy.

P. Risk Based Capital (Basel II)

To comply with the international best practices and to make the bank's capital more risk sensitive as well as to build the banking industry more shock absorbent and stable, Bangladesh Bank is aimed to implement Basel-II reporting from 2010. As per the directive of Bangladesh Bank, all scheduled banks in Bangladesh are now required to report risk based capital adequacy for banks under Basel-II along with the existing capital adequacy rules and reporting under Basel-I during the parallel run i.e. 2009. All scheduled banks are also required to disclose capital adequacy in both quantitative and qualitative terms. The first disclosure as per guidelines has been made as on the effective date viz. 31 March 2010.

Notes to the Financial Statements for the Year Ended 31 December 2010

Q. Compliance status on Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS)

The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). While preparing the financial statements, the bank applied most of IAS and IFRS as adopted by ICAB. Details are given below:

Name of the BFRS	BFRS SI#	Status
Presentation of Financial Statements	1	Applied
Inventories	2	Applied
Cash Flow Statements	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Balance Sheet Date	10	Applied
Construction Contracts	11	N/A
Income Taxes	12	Applied
Segment Reporting	14	Applied
Property, Plant and Equipment	16	Applied
Leases	17	Applied
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Accounting for Investments	25	Applied
Accounting and Reporting by Retirement Benefit Plan	26	N/A
Consolidated and Separate Financial Statements	27	Applied
Investments in Associates	28	N/A
Disclosures in the Financial Statements of Banks and similar Financial Institutions	30	Applied
Interests in Joint Ventures	31	N/A
Financial Instruments: Disclosure and Presentation	32	Applied
Earnings per share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	N/A
Investment Property	40	N/A
Agriculture	41	N/A

Name of the BFRS	BFRS SI#	Status
Share Based Payment	2	N/A
Business Combination	3	N/A
Non-current Assets Held for Sale and Discontinued Operations	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A

R. General:

i) 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.

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

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

Notes to the Financial Statements for the Year Ended 31 December 2010

S. Workers Participation Fund and Welfare Fund

SRO-336-AIN/2010 dated 5-10-2010 issued by Ministry of Labor and Employment and published in Bangladesh gazette on 7-10-2010 declaring the status of business of certain institutions and companies (like mobile operating companies, mobile network service providing company, all Govt. and Non-govt. money lending companies, all insurance companies etc.) as "Industrial Undertakings" for the purposes of Chapter-XV of the Bangladesh Labour Act, 2006 which deals with the workers participation in company's profit by way of Workers Participation Fund and Welfare Fund (WPFWF). The Bangladesh Labour Act, 2006 requires the "Industrial Undertakings" to maintain provision for workers profit participation fund @ 5% on net profit. However, we have obtained legal opinion from Legal advisor in this regard where it has been stated that Al-Arafah Islami Bank Limited does not fall under this category. Therefore, no provision in this regard has been made in the financial statements during the year under audit.

3 Related party disclosure:

SL	Name	Status with the bank	Name of the firms/companies in which interested as Proprietor, Partner, Director, Managing Director, Guarantor, Employees etc.	Percentage (%) of holding/interest in the concerned	Remarks
1	Badiur Rahman	Chairman	Proprietor: a. M/S Oceanlink Services Managing Director : b. Ocean Trade Ltd. Director: c. Central Hospital Ltd. d. AIBL Capital Market Services Ltd. e. Human Resources Dev. Co. Ltd.	100% 12.00% 2.45% 2.50% 2%	
2	Sarker Mohammad Shameem Iqbal	Vice-Chairman	Managing Director: a. KDS Packing Ltd. b. KDS Poly Ltd. c. KDS Information Tech Ltd. d. Dominox Realty (BD) Ltd. e. Vortex Multi Ind. Ltd. Director: f. KDS Textile Mills Ltd. CEO/Managing Director: g. Dominox Technologies h. Dominox IM Ltd.	25% 25% 20% 80.20% 25% 0.45% 5% 50%	
3	Al-hajj Md. Haroon-Ar-Rashid Khan	Director	Director: a. AIBL Capital Market Services Ltd Owner: b. Momtaz fisheries	1.25% 100%	
4	Al-hajj Nazmul Ahsan Khaled	Director	Managing Director : a. Moonlight Garments Ltd b. Ehsan Garments Ltd. c. Khalid Shipping Lines Ltd. d. Engineers Enterprise Ltd. e. Nourish Poultry Hatchery Ltd. f. Nourish Agro Ltd. g. Arfusun Enterprise Ltd. h. Telnet Communication Ltd. i. Nourish Grand Parents Ltd. j. Nourish Feeds Ltd. Director : k. Mohammadi Navigation l. Peoples insurance co. Ltd. m. popular Life Insurance Co.Ltd. n. AIBL Capital Market Services Ltd.	20% 10% 50% 67% 25% 20% 25% 20% 20% 20% 46.15% 0.83% 2% 0.50%	
5	Al-hajj Abdul Malek Mollah	Director	Managing Director : a. The Mollah Trading Ltd. Director : b. AIBL Capital Market Services Ltd.	60% 1%	
6	Al-hajj Hafez Md. Enayetullah	Director	Director : a. AIBL Capital Market Services Ltd. Active Owner b. M/S Hadyet & Brothers	1.50% 100%	
7	Al-hajj Abdul Muktadir	Director	Managing Director: a. M/S Al-Haramine Travel & Trade Company Ltd. Director : b. AIBL Capital Market Services Ltd.	49% 1%	

Notes to the Financial Statements for the Year Ended 31 December 2010

SL	Name	Status with the bank	Name of the firms/companies in which interested as Proprietor, Partner, Director, Managing Director, Guarantor, Employees etc.	Percentage (%) of holding/interest in the concerned	Remarks
8	Al-hajj Ahamedul Hoque	Director	Proprietor: a. M/S. A.H. Syndicate	100%	
9	Al-hajj Abdus Samad	Director	Director : a. AIBL Capital Market Services Ltd. Proprietor: b. Samad Trading Agency	0.50% 100%	
10	Al-hajj Abu Naser Mohammad Yeahea	Director	Managing Director: a. purbachal Steel Mills Ltd. b. Purbachal Exclusive Ltd. c. Beco Feed Ltd. d. Purbachal Drillers Ltd. Director : e. AIBL Capital Market Services Ltd. Proprietor: a. Purbachal Gas Filling b. Beco Electronics	71.43% 75% 42.50% 50% 4.50% 100% 100%	
11	Al-hajj Abdus Salam	Director	Managing Director: a. Mir Pulp & Paper industries Ltd. b. Mir Filling Station Ltd. Director: c. Karnafully Filling Stations Ltd. d. AIBL Capital Market Services Ltd. CEO: e. M/S Hajee Mir Ahmed Sowdagar Proprietor: f. M/S M.A Salam & Co.	25% 70% 15% 2% 30% 100%	
12	Al-Hajj Niaz Ahmed	Director	Managing Director: a. Golden Oil Mills Ltd. b. Golden Emporium Ltd. Director: c. AIBL Capital Market Services d. Diganta Media Corporation e. Islami commercial Insurance Co. Ltd. f. South East University Proprietor: g. Khaja corporation	70% 77% 1.25% 3% (Appro.) 5% N/A	
13	Md. Ashik Hossain	Director	Managing Director: a. Dubai Bangladesh Bag Factory Ltd. Director: b. Dubai Bangladesh Cement Mills Ltd. c. Islami Commercial Insurance Company Ltd. d. AIBL Capital Market Services Ltd. Proprietor: e. Vestire f. Stark Textile Mills	80% 44% 10% 0.50% 100% 100%	
14	Md. Rafiqul Islam	Director	CEO: a. Noor-UI-Islam Etc Est.		
15	Mohammad Emadur Rahman	Director	Managing Director a. Hamidia Tea Company Ltd. Director (Sales & Marketing): b. Al- Haramain Perfumes L.L.C	33.33% Nil	
16	Sabrina Farah Ahmed	Director	Director: Resource Management Resource Control Company(RCC) Ltd.	25%	
17	Anwar Hossain	Director	Managing Director a. Rising Star Trading Est b. Rising Sun Electricals Trading,	- 50%	
18	Dr. Momtaz Uddin Ahmed	Director	Nil	Nil	
19	Ekrumul Hoque	Ex-Officio Director	Nil	Nil	Employee

Notes to the Financial Statements for the Year Ended 31 December 2010

4. Audit Committee:

An Audit Committee was constituted by the Board of Directors of the Bank in its 95th meeting held on 24th March' 2003 as per BRPD Circular -12 Dated 23-12-2002 and subsequently reconstituted by the Board of Directors in its 198th meeting held on 14th July, 2010 as under:

SL No	Name	Status with the Committee	Educational Qualification
01	Sarker Mohammad Shameem Iqbal	Chairman	MBA
02	Al-hajj Niaz Ahmed	Member	M.com,LLB
03	Dr. Momtazuddin Ahmed	Member	M.A

During the year' 2010 the Audit Committee of the Board conducted 11 (Eleven) meetings in which among others, the following issues were discussed: -

- Reviewing the inspection report of different Branches of AIBL conducted by the Banks internal inspection team from time to time and status of compliance thereof.
- Reviewing the comprehensive inspection report of different branches of AIBL conducted by the Bangladesh Bank and status of compliance thereof.
- Reviewing the Financial Statement for the year -2010 of the Bank.



আল-আরাফাহ্ ইসলামী ব্যাংক লিঃ সঞ্চয়ই সমৃদ্ধি...

সঞ্চয় মানেই ভবিষ্যতের জন্য প্রস্তুতি
সঞ্চয়ের অভ্যাস গড়ুন
নিরাপদ সঞ্চয়ের বিশ্বস্ত নাম
আল-আরাফাহ্ ইসলামী ব্যাংক লিঃ

▶ আল-আরাফাহ্ ডিপোজিট ব্যাংকিং

উচ্চতর লাভ | নিম্নতর ঝুঁকি | মহত্বের স্বপ্ন

البنك الإسلامي بنك الميثيق
Al-Arafah Islami
Bank Limited



আল-আরাফাহ্ ইসলামী ব্যাংক লিঃ

শরীয়াহ্ ও আধুনিক ব্যাংকিং এর এক অনন্য সমন্বয়

Notes to the Financial Statements for the Year Ended 31 December 2010

5. Cash**a) Cash in hand**

In Local Currency

In Foreign Currency (Note 5.a.i)

b) Balance with Bangladesh Bank

In Local Currency

In Foreign Currency

c) Balance with Sonali Bank Ltd.

In Local Currency

In Foreign Currency

5.a.i

Foreign Currency	Amount in F.C.	Exchange Rate
US Dollar	53441	71.28
Great Britain Pound	-	-
Euro	-	-
Others	-	-
Total		

2010 Taka	2009 Taka
569,556,605	391,494,622
3,809,361	1,396,616
573,365,966	392,891,238
3,085,942,107	2,916,201,720
372,757,678	37,880,573
3,458,699,785	2,954,082,293
213,756,953	296,589,153
-	-
213,756,953	296,589,153
4,245,822,704	3,643,562,684
Amount in BDT	Amount in BDT
3,809,361	13,936,616
-	-
-	-
-	-
3,809,361	13,936,616

5.b Cash Reserve Requirments (CRR) and Statutory Liquidity Requirments (SLR)

Cash Reserve Requirments(CRR) and Statutory Liquidity Requirments (SLR) have been calculated and maintained in accordance with Section 33 of Bank Companies Act.1991 & as per Bangladesh bank Curcular No: MPD/05 Dated: 01.12.10.

5.c Cash Reserve Requirments (CRR)

Required Reserve(6 % of Average Demand and time Liabilities)

Actual reseve held with Bangladesh Bank

Surplus/(Deficit)

Statutory Liquidity Requirments (SLR)

Required Reserve(11.50 % of Average Demand and time Liabilities)

Actual reseve held with Bangladesh Bank

Surplus/(Deficit)

6. Balance with other Banks and financial institutions**a) In Bangladesh:****AI-Wadia Current Accounts**

Islami Bank Bangladesh Ltd.

Dutch Bangla Bank Ltd.

National Bank Ltd.

Agrani Bank Ltd.

Pubali Bank Ltd.

3,076,876,000	1,839,634,000
2,902,349,000	3,043,545,000
(174,527,000)	1,203,911,000
5,897,346,000	3,679,268,000
5,899,652,000	5,222,268,000
2,306,000	1,543,000,000
508,588	309,878
1,828,943	15,421,089
2,908,150	835,655
1,650	1,650
965	2,115
5,248,295	16,570,387

Notes to the Financial Statements for the Year Ended 31 December 2010

Mudaraba Saving Deposits

Dhaka Bank Ltd. SB
Prime Bank Ltd. SB
Social Islami Bank Ltd. SB
Shahjalal Islami Bank Ltd. SB
EXIM Bank Ltd. SB
ICB Islamic Bank Ltd. SB
Jamuna Bank Ltd.
The City Bank Ltd. SB
Southeast Bank Ltd. SB
AB Bank Ltd.

Short Term Deposits

Social Islami Bank Ltd.
Rupali Bank Ltd.

**2010
Taka**

4,422,484
20,692,007
30,483,404
4,743,693
1,538,734
167,579,478
8,514,016
4,219,261
5,339,902
16,080,787
263,613,767

238,267
18,034,311
18,272,578
287,134,641

**2009
Taka**

11,649,183
26,235,179
7,441,863
4,617,017
27,178
167,779,478
58,096,031
42,362,738
9,638,126
35,336,956
363,183,749

236,396
7,645,956
7,882,352
387,636,488

b) Outside Bangladesh (NOSTRO ACCOUNTS)

Name of the Bank	Currency Name	Amount in Foreign Currency	Conversion rate per unit F.C	Amount In BDT.	Amount In BDT.
American Express Bank New York USA	USD	-	-	-	-
Standard Chartered Bank New York USA	USD	2,338,835	70.75	165,471,894	295,290,119
Mashreq Bank New York USA	USD	54,292	70.75	3,841,153	25,714,824
Standard Chartered Bank Mumbai India	ACUD	171,450	70.75	12,130,068	13,603,900
Standard Chartered Bank Kolkata India	ACUD	754,985	70.75	53,414,951	14,052,220
Well Fergo, New York	USD	266,107	70.75	18,826,972	-
Standard Chartered Bank Kolkata India	ACUD	53,256	72.47	3,859,523	6,101,309
Standard Chartered Bank Karachi, Pakistan	ACUD	123,470	70.75	8,735,433	4,480,116
Sonali Bank , Kolkata , India	ACUD	258,961	70.75	18,321,432	1,453,383
Sonali Bank , London	USD	10,000	70.75	707,495	-
ICICI Bank, Mumbai, India	ACUD	127,667	70.73	41,789,639	10,188,156
ICICI Bank, Hong Kong	USD	590,669	70.75	9,030,377	-
Bank of Bhutan. Bhutan	ACUD	124,358	70.75	8,798,284	3,828,520
Hong kong Shangai Banking Corp. India	ACUD	127,636	70.76	9,031,621	1,335,982
Habib Bank, Karachi, Pakistan.	ACUD	50,000	70.75	3,537,485	-
Standard Chartered Bank, London, UK	EURO	-	-	-	1,187,547
United Bank of India	ACUD	120,700	70.75	8,539,495	-
Standard Chartered Bank, London, UK	GBP	63,387	109.66	6,951,135	067,755
Al- Rajhi Banking Corporation Riad, KSA	SRL	27,491	18.87	518,751	500,211
Wachovia Bank NA, New York, USA	USD	-	-	-	23,426,539
Standard Chartered Bank Tokyo. Japan	YEN	349,327	0.87	302,622	2,216,405
Standard Chartered Bank Frankfurt, Germany	EURO	152,075	93.55	14,226,995	1,303,637
Union DE Banques Arabes Et Francaises	USD	15,610	70.75	1,104,387	19,323,687
Citibank NA	USD	1,806,479	70.75	127,807,804	165,110,291
				516,947,517	600,768,090
				804,082,158	988,404,578
				Grand Total	

Notes to the Financial Statements for the Year Ended 31 December 2010

	2010 Taka	2009 Taka
6.i) Maturity - wise Groupings (Inside & Outside Bangladesh)		
Payable on Demand	5,248,295	16,570,387
Up to 1 (one) month	41,997,817	40,568,889
Over 1 (one) Month but not more than 3 (three) Months	756,836,045	931,265,302
Over 3 (three) Months but not more than 1 (one) year	-	-
Over 1 (one) year but not more than 5 (five) years	-	-
Over 5 (five) years	-	-
	804,082,158	988,404,578
6.A. Consolidated Balance with other Banks and financial institutions		
a) In Bangladesh:		
Al-Arafah Islami Bank Ltd. [Note-6.a]	287,134,641	387,636,488
AIBL Capital Market Services Ltd.	210,394,698	-
	497,529,339	387,636,488
Less: Inter-Company Transaction	(210,394,698)	-
	287,134,641	387,636,488
b. Outside Bangladesh	516,947,517	600,768,090
	804,082,158	988,404,578
7. Placement with other Banks & Financial Institutions		
Shahjalal Islami Bank Ltd.	200,000,000	-
Social Islami Bank Ltd.	1,800,000,000	900,000,000
Southeast Bank Ltd.	2,600,000,000	800,000,000
Dhaka Bank Ltd.	800,000,000	-
Jamuna Bank Ltd.	1,600,000,000	700,000,000
Prime Bank Ltd. (MTDR) CD	1,000,000,000	-
AB Bank Ltd.	200,000,000	400,000,000
	8,200,000,000	2,800,000,000
8. Investments in Share & Securities		
Bangladesh Govt. Islami Bond Fund (8.a)	2,000,000,000	1,500,000,000
Investment in Share (8.b)	170,000,000	-
Central Depository Bangladesh Limited (8.b)	8,833,340	2,000,000
	2,178,833,340	1,502,000,000
8.a Investments in Share & Securities		
Government Securities		
Bangladesh Govt. Islami Bond Fund	2,000,000,000	1,500,000,000
In shares (quoted and unquoted)		
Quoted	178,833,34	2,000,000
Private (6.b)	170,000,000	-
Unquoted		
Central Depository Bangladesh Limited	8,833,340	2,000,000
8.b Book value of share as on 31 December 2010 as follows:		
Quoted shares in	170,000,000	-
AIBL 1st Mutual Fund	170,000,000	-
unquoted shares in		
Central Depository Bangladesh Limited	8,833,340	2,000,000
Total	178,833,340	2,000,000

Notes to the Financial Statements for the Year Ended 31 December 2010

8.c Maturity grouping of investments

On demand
Within 1 (one) to 3 (three) months
Within 3 (three) to 12 (twelve) months
Within 1 (one) to 5 (five) years
More than 5 (five) years

2010 Taka	2009 Taka
-	-
-	-
-	-
2,170,000,000	1,500,000,000
8,833,340	2,000,000
2,178,833,340	1,502,000,000

9. Investments**a) General Investment :****i. in Bangladesh**

Murabaha Investment
Bai-Muazzal Investment
Hire Purchase Investment
Pre shipment Investment
Quard
Uzrat Bill Wakala

17,924,759,588	10,447,247,313
21,665,352,589	17,593,155,528
8,867,604,185	6,143,610,063
827,653,317	376,903,412
987,261,840	624,060,953
1,533,153	1,749,678
50,274,164,672	35,186,726,947

ii. Outside Bangladesh

-	-
50,274,164,672	35,186,726,947

Less: Unearned profit on Investment

3,120,847,446	2,331,952,626
47,153,317,226	32,854,774,321

b) Bill Purchased & discounted:

i. Payable in Bangladesh
ii. Payable out side Bangladesh

6,095,409,600	3,057,417,268
334,233,897	221,893,204
6,429,643,497	3279,310,472
53,582,960,723	36,134,084,793

c) Maturity grouping of Investment including bills purchased and discounted

Payable on Demand
Up to 1 (one) month
Over 1 (one) Month but not more than 3 (three) Months
Over 3 (three) Months but not more than 1 (one) year
Over 1 year but not more than 5 years
Over 5 years

-	-
3,501,937,219	2,509,173,291
4,508,563,042	3,899,650,324
18,743,637,437	12,763,447,373
16,826,300,637	9,456,601,822
10,002,522,388	7,505,211,983
53,582,960,723	36,134,084,793

d) An analysis to disclose following Significant concentration :

i. Investment to Directors and others
ii. Investment to Managing Director and Cheif Executive
iii. Investment to customer (No. of clients with amount of outstanding and classified investment to whom investment and Investment sanctioned more than 10% of total capital of the Bank)
iv. Investments to customers for more than 10% of Bank's Total Capital
Number of clients
Amount of outstanding Investment
Amount of Classified Investment

5,372,000	36,401,000
-	-
33,460,636,000	16,425,800,000
52	38
33,460,636,000	16,425,800,000
-	-

Notes to the Financial Statements for the Year Ended 31 December 2010

Sl No.	Name of Clients	Outstanding Balance(Taka in Crore)		2010 Taka	2009 Taka
		Funded	Non-Funded	Total Amount	Total Amount
1	M/s Shoma Enterprise	21.20	309.36	330.56	-
2	M/s Elhan Textiles Ltd.	109.80	83.81	193.61	74.84
3	M/S Zaber Spinnig Mills limited	114.54	20.47	135.01	71.73
4	M/s Mashihata Sweaters Ltd.	61.64	72.04	133.68	53.58
5	R I Enterprise	25.23	105.81	131.04	-
6	M/S Ibrahim Textiles Limited	70.81	46.78	117.59	84.20
7	M/S Yeasmin Spinning Mills Ltd.	92.19	18.54	110.73	72.03
8	M/S Chittagong Ispat and its Sister Concern	60.34	31.16	91.50	62.07
9	M/s Four Sister Concern of T.K Group	41.38	44.70	86.08	60.15
10	M/s Tilottama Fashion Ltd. & its sister concern	62.64	22.43	85.07	54.16
11	M/s Ehsan Steel Re-rolling Mills Ltd.	76.04	5.86	81.90	-
12	M/S Bangladesh Re-Rolling Mills Ltd	45.30	34.78	80.08	50.77
13	M/s Runner Motors Ltd & its sister concern	62.20	15.40	77.60	32.03
14	M/s Shovon Woven Bag Mfg. Co. Ltd.&its sister concern	44.49	26.02	70.51	52.03
15	Ms Tanveer Fashion	28.03	42.35	70.38	-
16	M/s Aman Knittings Ltd.	18.35	50.22	68.57	37.75
17	M/S Masud Trading	66.47	-	66.47	-
18	M/S Nam Corporation	66.47	-	66.47	-
19	M/S Navaran Printing and Packaging Ltd. & its sister concern	59.46	5.00	64.46	59.26
20	M/s Alif Layer Firms Ltd.	64.24	-	64.24	43.44
21	M/S Abu Bakar & Brothers	51.78	10.01	61.79	-
22	M/s Saad Musa Fabrics Ltd. Unit-2 & 3	43.67	15.40	59.07	35.33
23	Hasen Knit Composite	33.80	24.06	57.86	46.67
24	M/S Hasan Traders	41.79	15.22	57.01	-
25	M/s Saad Saan Textile Mills Ltd.	56.31	-	56.31	42.25
26	M/s Nitol Motors Ltd.	51.88	4.22	56.10	37.41
27	M/s Turag Garments & Hosiery Mills Ltd	47.97	8.04	56.01	53.01
28	M/S J.S.T Commodities	45.00	10.19	55.19	-
29	M/S Bird GarmentsLtd.Unit-2 & Its Sister concern M/s RNR Fashions Ltd.	8.30	45.12	53.42	29.13
30	M/S Nahar Trading Corp.	33.65	17.98	51.63	-
31	M/S Ifad Autos	51.54	-	51.54	32.43
32	Younus paper mills Ltd.	50.31	0.47	50.78	34.70
33	M/S Bengal Hurricane Dying and Printing Private Limited and its Sisters concern	40.45	9.22	49.67	47.96
34	M/S Libra Infusions Ltd.	38.99	8.41	47.40	25.46
35	M/S Abdul Gafur & its Sister Concern	44.24	0.27	44.51	58.22
36	M /s Shahriar Steel	42.34	0.44	42.78	41.65
37	M/S Mac Corportion	41.83	-	41.83	30.61
38	M/S Nasrin Garments	6.37	34.02	40.39	-
39	M/S Samannaz Condensed Milk Ltd. And its Sister Concern M/s Sammanaz Super Oil Ltd.	23.59	15.29	38.88	37.24
40	M/s Sufia Cotton Mills Ltd.	30.88	5.99	36.87	55.24
41	M/S Dinar Industies & its Sister Concern	32.08	1.79	33.87	-
42	M/s Wahab Jute Mills Ltd.	31.05	-	31.05	-
43	M/s Shahan Colour Ltd.	26.24	1.84	28.08	42.66
44	Mrs Ruma Parvin	26.74	-	26.74	-
45	M/s Sojoy Enterprise	5.32	13.02	18.34	0.84
46	M/S Techno Electricals and Its Sister concern	7.14	10.04	17.18	-
47	M/S PHP Continous Galvanizing Mills Ltd.& its Sister Concern	3.16	13.62	16.78	16.05
48	M/S HNS Automobiles Ltd.	6.45	9.76	16.21	-
49	M/s IBN Sina Pharmaceuticals Industries Ltd & Its sister concern	11.84	2.85	14.69	28.90
50	M/s Kazi Chicks Ltd, Kazi Foods Ltd.& Kazi Farms Ltd.	3.70	0.58	4.28	7.43
51	M/s Abul Khair Steel industries Ltd. & its sister concern	1.96	0.71	2.67	37.98
52	M/S Ifco Garments & Textiles Ltd.	-	1.58	1.58	-
53	M/S A. B Ship Breaking Industries	-	-	-	30.79
54	M/S Brothers Constructions Company	-	-	-	45.25
55	M/s Ziri Subader Re-Rolling Mills	-	-	-	17.33
	Total	2,131.19	1,214.87	3346.06	1,642.58

Notes to the Financial Statements for the Year Ended 31 December 2010

v) Industry/Sector wise Investments

Agriculture, Fishing and Forestry Industry
Construction
Water Works & Sanatary Services
Transport & Communication
Storage
Trade Finance
Miscellaneous

Less: Unearned Porfit on Investment

vi) Geographical Location -wise Investment

Urban:

Dhaka Region
Chittagong Region
Sylhet Region
Rajshahi Region
Khulna Region
Barisal Region

Rural:

Dhaka Region
Chittagong Region
Sylhet Region
Rajshahi Region
Khulna Region
Barisal Region

Less: Unearned Porfit on Investment

d) Classification of Investment including bills purchased and discounted

Unclassified

Standard (including Staff investment)
Special Mention Accounts (SMA)

Classified

Sub Standard
Doubtful
Bad / Loss

Less: Unearned Porfit on Investment

e) Required Provision on Investment & Off -balance sheet exposures

Unclassified

General provision on unclassified Investment	01%
General provision on small enterprise Investment	01%
General provision on Housing financing Investment	02%
General provision on consumer financing Investment	05%
General provision on Micro Investment	05%
General provision on special mention Investment	05%

Classified

Specific provision on substandard Investment	20%
Specific provision on doubtful Investment	50%
Specific provision on bad/loss Investment	100%

Unclassified

General provision on Off-balance sheet exposures	01%
--	-----

2010
Taka

685,402,591
14,277,033,743
2,512,864,818
102,266,000
1,535,762,345
17,990,000
32,786,023,198
4,786,465,473

56,703,808,168

3,120,847,446

53,582,960,723**53,561,648,309**

38,360,265,779
9,052,075,276
338,445,228
2,936,865,652
2,338,715,083
535,281,292

3,142,159,860

1,180,712,347

607,573,576

121,728,511

1,017,975,511

189,391,199

24,778,716

56,703,808,169

3,120,847,446

53,582,960,723**56,093,332,298**

55,442,599,657

650,732,641

610,475,871

63,776,956

42,885,870

503,813,045

56,703,808,169

3,120,847,446

53,582,960,723

555,626,000

2,735,000

17,795,000

3,904,000

4,592,000

32,298,000

616,950,000

4,911,000

3,974,000

128,693,000

137,578,000

230,713,000

985,241,0002009
Taka

568,402,591
10,277,033,743
1,812,864,818
9,266,000
1,235,762,345
13,990,000
23,884,464,414
664,253,509

38,466,037,420

2,331,952,626

36,134,084,794**36,806,129,045**

27,544,539,770
4,493,033,276
278,060,492
2,244,845,092
1,907,674,728
337,975,687

1,659,908,374

519,838,860

280,921,471

105,440,544

663,194,329

90,513,170

-

38,466,037,419

2,331,952,626

36,134,084,793**37,857,893,419**

37,652,753,419

205,140,000

608,144,000

33,551,000

23,702,000

550,891,000

38,466,037,419

2,331,952,626

36,134,084,793

347,212,000

1,009,000

6,124,000

158,000

1,208,000

10,155,000

365,866,000

793,000

4,317,000

168,018,000

173,128,000

124,345,000

663,339,000

Notes to the Financial Statements for the Year Ended 31 December 2010

		2010 Taka	2009 Taka
f) Provision made on Investment & Off-balance sheet exposures			
Unclassified			
General provision on unclassified Investment	01%	605,626,000	390,532,000
General provision on small enterprise Investment	01%	2,735,000	1,009,000
General provision on Housing financing Investment	02%	17,795,000	6,124,000
General provision on consumer financing Investment	05%	3,904,000	158,000
General provision on Micro Investment	05%	4,592,000	1,208,000
General provision on special mention Investment	05%	32,298,000	10,155,000
Classified		666,950,000	409,186,000
Specific provision on substandard Investment	20%	4,911,000	793,000
Specific provision on doubtful Investment	50%	3,974,000	4,317,000
Specific provision on bad/loss Investment	100%	128,693,000	168,018,000
Unclassified		137,578,000	173,128,000
General provision on Off-balance sheet exposures	01%	230,713,000	124,345,000
		1,035,241,000	706,659,000
Provision Excess/(shortfall)		50,000,000	43,320,000
g) Particulars of Investments			
i) Investment considered good in respect of which the bank company is fully secured;		5,089,021,988	38,239,119,384
ii) Investment considered good against which the banking company holds no security other than the debtors personal guarantee.		-	-
iii) Investment considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors;		973,227,396	336,918,035
iv) Investment adversely classified; provision not maintained thereagainst;		-	-
v) Investment due by directors or officers of the Banking company or any of these either separately or Jointly with any other persons;		-	-
vi) Investment due from companies or firms in which the directors of the banking company have interests as directors, partners or managing agents in the case of private companies as members;		5,372,000	36,401,000
vii) Maximum total amount of Investments including temporary Investments made at any time during the year to directors or managers or officers of the banking companies or any of them either agents severally or jointly with any other persons;		-	-
viii) Maximum total amount of Investment including temporary Investment granted during the year to the companies or firms in which the directors of the banking company have interests as directors, partners or managing agents or in the case of private companies as members;		-	-
ix) Due from banking companies;		-	-
x) Amount of Classified Investment on which profit has not been charge, are mentioned as follows;			
a) An amount of Bad Investment on which profit has not been charged		503,813,045	550,891,000
i) Decrease/Increase in provision (Specific)		(39,325,000)	(151,500,000)
ii) Amount of Investment written off;		65,500,619	165,762,297
iii) Amount realised against Investment previously written off;		23,282,877	14,073,527
b) Amount of provision kept against Investment classified as "bad/loss" on the date of preparing the balance sheet;		137,578,000	173,128,000
c) Profit creditable to the profit suspense/Compensation A/c;		8,565,286	3,723,926
d) Cumulative amount off the written off Investment;		621,163,946	578,946,204
e) Amount written off during the current year;		65,500,619	165,762,297
f) The amount of written off Investment for which lawsuit has been filed;		621,163,946	578,946,204

Notes to the Financial Statements for the Year Ended 31 December 2010

h) Bills Purchased and Discounted

As per classification into the following broad categories :

Payable in Bangladesh

Payable outside Bangladesh

As per the remaining maturity grouping in the following order :

Payable within 1 (one) month

Over 1 (one) month but less than 3 (three) months

Over 3 (three) months but less than 6 (six) months

6 (six) months or more

10. Fixed Assets

Land

Building

Furniture (Wood)

Furniture (Steel)

Computer

Computer (Accessories)

Motor Car

Machine equipment & appliances

Online Hardware

Online Software

Interior Decoration

Books & Library

Schedule of Fixed Assets are given in Annexure - A.**10.A. Fixed Assets**

Al-Arafah Islami Bank Ltd.

AIBL Capital Market Services Ltd.

Schedule of Fixed Assets are given in Annexure - A1**11. Other Assets**

Adjusting A/c Debit Balance

Suspense Account

DD Paid without Advice

Stock of Stationery

Stamp in hand

Advance Deposit

Advance Rent

Capital Work In Progress

DSE & CSE Membership Cost

AIBL CMSL Receivable

Advance Income Tax & TDS [Note 11.3]

Protested Bills

Prepaid Expenditure

Brac Bank Eldorado Settlement A/C

Accrued Income

AIB.General A/C.(Dr.Cr.) [Note:11.1.a.i]

	2010 Taka	2009 Taka
	6,095,409,600	3,057,417,268
	334,233,897	221,893,204
	6,429,643,497	3,279,310,472
	-	-
	334,233,897	221,893,204
	6,095,409,600	3,057,417,268
	-	-
	6,429,643,497	3,279,310,472
	192,488,432	122,075,000
	18,580,563	34,298,201
	29,685,589	24,280,088
	22,721,384	17,212,780
	45,219,524	40,376,904
	6,006,169	2,627,868
	34,582,129	31,360,415
	117,709,550	76,059,511
	64,365,982	62,226,413
	19,572,850	14,272,771
	65,894,684	40,565,378
	943,246	941,940
	617,770,103	466,297,269
	617,770,103	466,297,269
	37,618,158	-
	655,388,261	466,297,269
	43,222,902	7,018,705
	122,457,619	23,691,230
	8,772,77	20,080,348
	17,306,307	11,176,639
	871,594	472,698
	2,303,269	2,258,369
	147,431,073	103,297,763
	14,769,655	-
	-	196,761,999
	42,286,064	-
	3,018,789,367	2,227,544,215
	7,114,700	7,614,700
	1,432,770	606,071
	10,000,000	5,100,000
	238,138,274	111,117,332
	-	264,697,991
	5,744,896,372	2,981,438,060

Notes to the Financial Statements for the Year Ended 31 December 2010

11.1 Classification of other Assets under the following categories

i) Investment in shares of subsidiary companies		
ii) Stationery, Stamps, Printing materials etc.		
iii) Advance rent and advertisement;		
iv) Profit accrued on Investment but not collected, commission & brokerage receivable on shares and debenture and other income receivable		
v) Security deposit		
vi) Preliminary, formation and organization expenses, renovation development expenses and prepaid expenses		
vii) Adjustments A/C Debit Balance		
viii) Suspenses account		
ix) DD Paid without advice		
x) Protested Bills		
xi) Investment in Subsidiary Company		
xii) Capital Work In Progress		
xiii) Others (Break up -a)		

**2010
Taka****2009
Taka**

-	-
18,177,901	11,649,337
147,431,073	103,297,763
238,138,274	111,117,332
2,303,269	2,258,369
1,432,770	606,071
43,222,902	7,018,705
122,457,619	23,691,230
8,772,779	20,080,348
7,114,700	7,614,700
2,070,000,000	-
14,769,655	-
3,071,075,431	2,694,104,205
5,744,896,372	2,981,438,060

a) Break up of Others

Brac Bank Eldorado Settlement A/C	
DSE & CSE Membership Cost	
Advance Income Tax & TDS	
AIBL CMSL Receivable	
AIB.General A/C.(Dr.Cr.)	

10,000,000	5,100,000
-	196,761,999
3,018,789,367	2,227,544,215
42,286,064	-
-	264,697,991
3,071,075,431	2,694,104,205

11.3 Advance Income tax & TDS

i) Beginning of the year	
Advance tax paid during the year	
Tax deducted at Source during the year	
Settlement for previous year	

2,227,544,215	1,533,595,743
643,028,309	630,000,000
148,216,843	63,948,472
-	-
3,018,789,367	2,227,544,215

Advance income tax at the end of the year**11.A.Consolidated Other Assets**

Al-Arafah Islami Bank Ltd.	
AIBL Capital Market Services Ltd.	

5,744,896,372	2,981,438,060
3,856,954,588	-
9,601,850,960	2,981,438,060

Less: Investment in Subsidiary Company	
Less: Investment From Subsidiary Company	
Less: Due From Subsidiary Company	

(2,070,000,000)	-
(3,151,645,894)	-
(42,286,065)	-
4,337,919,001	2,981,438,060

Notes to the Financial Statements for the Year Ended 31 December 2010

	2010 Taka	2009 Taka
12. Placement from Banks & Other financial Institutions	5,680,000,000	2,620,000,000

The Bank has taken finance from Islami Investment Bond (Islami Bond) at banks' own mudaraba savings rate (i.e. as on 31st December 2010 provisional rate was 4%) for 60/90/120/150/180 days tenor which introduced by the Government for islami banks and financial institutes in september 2004 through Bangladesh Bank. The borrowing has been secured by MTDR, Accepted bills and Demand Promissory Note.

Name of the Bank	Maturity Date	Nature	Amount	Amount
------------------	---------------	--------	--------	--------

a. In Bangladesh

Jamuna Bank Ltd. (Islamic Banking Branch)	19.01.11	MTDR	100,000,000	600,000,000
Jamuna Bank Ltd. (Islamic Banking Branch)	21.01.11	MTDR	300,000,000	-
Jamuna Bank Ltd. (Islamic Banking Branch)	26.01.11	MTDR	100,000,000	
Jamuna Bank Ltd. (Islamic Banking Branch)	03.02.11	MTDR	200,000,000	
Jamuna Bank Ltd. (Islamic Banking Branch)	13.02.11	MTDR	100,000,000	
Bank Asia Ltd. (Islamic Banking Branch)	28.02.11	MTDR	200,000,000	-
Social Islami Bank Ltd.	13.02.11	MTDR	100,000,000	900,000,000
Social Islami Bank Ltd.	30.04.11	MTDR	200,000,000	-
Social Islami Bank Ltd.	05.05.11	MTDR	200,000,000	-
Social Islami Bank Ltd.	17.05.11	MTDR	500,000,000	-
Social Islami Bank Ltd.	25.02.11	MTDR	100,000,000	-
Southeast Bank Ltd. (Islamic Banking Branch)	10.05.11	MTDR	1,000,000,000	800,000,000
Southeast Bank Ltd. (Islamic Banking Branch)	23.05.11	MTDR	500,000,000	
Prime Bank Ltd. (Islamic Banking Branch)	23.04.11	MTDR	1,000,000,000	-
Inland Bills Purchase (IBP)	07.01.11	BILLS	680,000,000	120,000,000
Shahjalal Islami Bank Ltd.	27.04.11	MTDR	400,000,000	-
AB Bank Ltd. (Islamic Banking Branch)	-	MTDR	-	200,000,000
		Total =	5,680,000,000	2,620,000,000

b. Outside Bangladesh

-	-
5,680,000,000	2,620,000,000

13. Deposit and other Accounts

Al-Wadia Current Accounts and Others Accounts etc. [Note: 13.iii]
Mudaraba Savings Deposits
Mudaraba Term Deposits
Other Mudaraba Deposits [Note :13.ii]
Bills Payable

	2010 Taka	2009 Taka
	6,667,082,751	4,701,413,636
	7,227,520,700	5,489,241,144
	26,535,425,683	19,205,134,180
	11,941,816,975	8,454,911,262
	812,514,055	504,796,598
	53,184,360,163	38,355,496,820

Notes to the Financial Statements for the Year Ended 31 December 2010

13.i. Maturity-wise Classification of Deposits**Maturity-wise Classification of Deposits**

i) Repayable on Demand

With a residual maturity of

ii) Repayable within 1 (one) month

iii) Over 1 (one) month but within 6 (six) months

iv) Over 6 (six) months within 1 (one) year

v) Over 1 (one) year within 5 (five) years

vi) Over 5 (five) years within 10 (ten) years

vii) Unclaimed Deposits 10 (ten) years and above

	2010 Taka	2009 Taka
	2,168,256,210	1,313,511,243
	3,415,531,491	1,970,266,864
	15,275,076,643	9,718,608,351
	9,579,817,192	4,928,235,472
	20,596,756,961	12,561,306,962
	2,148,921,668	7,863,567,927
	-	-
	53,184,360,164	38,355,496,820

13.ii. Other Mudaraba Deposits

Mudaraba Short Term Deposit

Mudaraba Hajj Deposits

Mudaraba Special Savings(Pension) Deposit

Mudaraba Monthly profit Deposit

Mudaraba Saving Bond

Mudaraba Waqf Cash Deposit

Others

	3,959,288,091	1,793,906,961
	40,339,249	36,529,861
	171,932,443	133,987,925
	638,677,500	774,277,250
	1,211,437	6,504,469
	3,219,744	8,142,573
	7,127,148,511	25,411,493,001
	11,941,816,975	28,164,842,039

13.iii. Al- wadeeah Current Accounts and other Accounts

Al-wadeeah Current Deposits

Foreign Currency Account(USD)

Sundry Deposit

Security Deposit :L C

Security Deposit : Foreign L C

Security Deposit : Bank Guarantee

Security Deposit :Foreign Bills Negotiation(FBN)

Security Deposit : Inland L C

Security Deposit : Inland Bills Purchased (IBP)

Profit Payable

Others

	3,810,868,403	2,717,249,513
	111,365,745	72,496,891
	155,582,490	124,492,945
	388,197,607	262,018,807
	623,351,817	215,759,256
	91,050,545	76,352,011
	59,825,410	47,584,595
	111,675,237	60,228,716
	82,715,991	99,472,067
	1,190,955,577	1,015,551,357
	41,493,928	10,207,478
	6,667,082,751	4,701,413,636

13.A. Consolidated Deposit and other Accounts

Al-Wadia Current Accounts and Others Accounts etc.

Mudaraba Savings Deposits

Mudaraba Term Deposits

Other Mudaraba Deposits

Bills Payable

Less: Inter-Company Transaction

	6,667,082,751	4,701,413,636
	7,227,520,700	5,489,241,144
	26,535,425,683	19,205,134,180
	11,941,816,975	8,454,911,262
	812,514,055	504,796,598
	53,184,360,163	38,355,496,820
	(210,394,698)	-
	52,973,965,465	38,355,496,820

Notes to the Financial Statements for the Year Ended 31 December 2010

	2010 Taka	2009 Taka
14. Other Liabilities		
Dividend Payable	462,000	468,000
Provision for Income Tax [Note-14.1]	3,373,623,119	2,548,156,145
Provision on Investment [Note-14.3.a]	1,035,241,000	706,659,000
Other Provision [Note:14.3.b]	7,991,964	8,491,964
Provision for Gratuity [Note:14.2]	18,498,530	103,986,070
Cash Waqf Fund (Staff)	80,000	80,000
Hajj Foundation.	69,000	69,000
F.C Charges	11,001	11,001
F.C held against back to back L/C	596,040,300	502,673,178
F.C held against EDF	94,334,950	23,270,329
Adjusting Account Credit Balance	36,654,488	2,931,957
Outstanding Expenses	1,533,076	1,450,338
Profit/Rent Suspense [Note 14.5]	8,565,286	3,723,926
Compensation Receivable	21,111,203	27,459,921
Compensation: Realised	381,933,134	51,627,205
AIBL General A/C [Note:14.7]	89,437,883	-
AIBL Foundation	-	4,000,000
CIB Collection Charge	101,200	49,750
Wes Fund Held (NRT) A/C	819,920	964,623
AIBL CMSL Payable Account	3,151,645,894	-
	8,818,153,947	3,986,072,408
14.1 Provision for income Tax		
Current tax		
Provision held at the begining of the year	2,548,156,145	1,953,962,286
Provision made during the year	825,466,974	594,193,859
Settlement for previous year	-	-
Provision held at the end of the year	3,373,623,119	2,548,156,145
14.1.a Provision for Current Tax made during the year		
Income Tax @ 42.5 % on estimated Taxable Profit	638,496,131	572,257,520
Income tax for Dividend	-	238,809
Income tax on income u/s 82(c) [CMSD Commission]	111,485,143	21,697,530
Gain on sales of DSE,CSE Licence	75,485,700	-
Excess Profit Tax (+)	-	-
Estimated Provision Required as at December 31,2010 (i)	825,466,974	594,193,860

Notes to the Financial Statements for the Year Ended 31 December 2010

	2010 Taka	2009 Taka
Provision held		
Balance as at January 1,2010	2,548,156,145	1,953,962,286
Tax for previous year (-)	2,548,156,145	1,953,962,286
Actual provision for tax held (II)	-	-
Estimated provision needs to be made (I-II)	825,466,974	594,193,860
Provision actually made during the year	825,466,974	594,193,860
A. Computation of Taxable Profit		
Profit before tax	2,626,517,625	1,589,240,231
Add:Inadmissible expenditure	503,746,282	279,094,137
Less: Item of income for sparate Consideration	1,471,982,078	239,403,547
Less: Further Allowable Expenditure	195,937,991	282,442,538
Estimated Taxable Profit for the year (A)	1,462,343,838	1,346,488,283
Add:Gain on sales of DSE,CSE Licence	503,238,001	-
Add:Income u/s 82(c) [CMSD Commission]	262,317,983	-
Total Taxable Income	2,227,899,822	1,346,488,283
14.1.A Consolidated Current tax		
Al-Arafah Islami Bank Ltd.	825,466,974	594,193,859
AIBL Capital Market Services Ltd.	23,486,768	-
	848,953,742	594,193,859
14.2 Provision for Gratuity		
Opening balance	103,986,070	64,770,824
Less: Paid during the year	103,986,070	2,177,100
Add:Provision during the year	18,498,530	41,392,346
Closing balance	18,498,530	103,986,070
14.3 Provision on Investment & Others		
Provision against Classified Investments (Specific)	137,578,000	173,128,000
Provision against Unclassified Investments (general)	666,950,000	409,186,000
Provision against Off-balance sheet exposures	230,713,000	124,345,000
Total Provision Held (a)	1,035,241,000	706,659,000
a) Provision for Investment		
i) Provision held at the begining of the year	173,128,000	329,779,000
Fully provision debt written off	(65,500,619)	(165,762,297)
Recoveries of amount previously written off	23,282,877	14,073,527
Specific provision for the year	6,667,742	-
Recoveries and Provision no longer required	-	-
Provision transferred to unclassified investment [Note:14.3.a.ii]	-	(4,962,230)
Net charges to Profit & Loss A/c	-	-
Provision held at the end of the year	137,578,000	173,128,000
ii) The movement in general provision on unclassified Investment :		
Provision held at the beginning of the year	409,186,000	298,093,000
Provision during the year	257,764,000	94,047,317
Provision transferred from classified investment [Note:14.3.a.ii]	-	4,962,230
Provision transferred from diminution in value of inevtment [Note:14.4]	-	12,083,453
Provision held at the end of the year	666,950,000	409,186,000

Notes to the Financial Statements for the Year Ended 31 December 2010

	2010 Taka	2009 Taka
iii) Provision against Off-balance sheet exposures		
Provision held at the beginning of the year	124,345,000	77,804,000
Provision during the year	106,368,000	46,541,000
Provision held at the end of the year	230,713,000	124,345,000
	1,035,241,000	706,659,000
b) Provision for Others		
Provision held at the beginning of the year	8,491,964	8,491,964
Provision during the year	-	-
	8,491,964	8,491,964
Less, Adjustment during the year	500,000	-
Provision held at the end of the year	7,991,964	8,491,964
14.4 Provision for diminution in value of investment		
Provision held at the beginning of the year	-	12,083,453
Provision transferred to unclassified investment [Note: 14.3.a.ii]	-	(12,083,453)
Provision held at the end of the year	-	-
14.5 Profit/Rent Suspense Account		
Balance held at the beginning of the year	3,723,926	3,466,887
Amount transferred to "Profit Rent Suspense" during the year	4,841,360	257,039
Amount recovered from "Profit Rent Suspense" during the year	-	-
Amount written off during the year	-	-
Balance at the end of the year	8,565,286	3,723,926

14.6 Compensation Realised

Brokerage house amounting to Tk.313,325,348 for the period from 1 July to 31 December 2010 have been recorded in compensation account instead of income as per instruction of Shahriah Board.

14.7 AIBL General A/C

AIBL General Account represents outstanding inter-branch and Head Office transactions (Net) originated but not responded up to the balance sheet date. However, the unresponded entries as on 31.12.2010 are as under:

	Number of unresponded entries		Unresponded Amount	
	Dr.	Cr.	Dr.	Cr.
Up to 3 Months	885	755	215.03	206.19
Over 3 Months but within 6 months	14	12	0.30	0.20
Over 6 months but within 1 year	-	-	-	-
Over 1 year but within 5 years	-	-	-	-
	899	767	215.33	206.39

14.A.Consolidated Other Liabilities

Al-Arafah Islami Bank Ltd.	8,818,153,947	3,986,072,408
AIBL Capital Market Services Ltd.	65,822,831	-
	8,883,976,778	3,986,072,408
Less: Investment From Subsidiary Company	(3,151,645,894)	-
Less: Due From Subsidiary Company	(42,286,065)	-
	5,690,044,819	3,986,072,408

Notes to the Financial Statements for the Year Ended 31 December 2010

15. Deferred tax Liabilities/ (Assets)

	2010 Taka	2009 Taka
Opening balance	(10,510,310)	(146,568,974)
Add: Addition for the year	24,058,056	136,058,664
Closing balance	-	-
Provision held at the end of the year	13,547,746	(10,510,310)

Presented after appropriate offsetting as follows:

Deferred tax Assets(-)	(10,510,310)	(44,194,080)
Deferred tax Liabilities	24,058,056	33,683,770
Deferred Tax Liabilities(net)	13,547,746	(10,510,310)

16. Capital**a) Authorised Capital**

The Authorized Capital of the Bank is 500,000,000 Ordinary Share of Tk. 10 each.

5,000,000,000	5,000,000,000
----------------------	----------------------

b) Issued, Subscribed and Fully Paid - up Capital

Issued for Cash	2,819,339,680	480,700,000
Issued for other than Cash (Bonus Share)	1,857,939,680	1,318,253,600
	4,677,279,360	1,798,953,600

c) Issued and paid up Capital of the Bank is 467,727,936 nos. of shares of Tk. 10 each as follows

Description	No. of Shares 2010	No. of Shares 2009	Total Taka	Total Taka
Sponsors /Promoters	222,110,366	88,744,410	2,221,103,660	887,444,100
Institution	71,689,852	27,515,790	716,898,520	911,509,500
General Public	173,927,718	63,635,160	1,739,277,180	-
Total	467,727,936	179,895,360	4,677,279,360	1,798,953,600

Note: Bank has increased its paid up capital by issuance of Bonus Shares during the year 2009

d) Break-up of Shares Classification of shareholders by holding as on 31.12.2010

Range of Holding			Number of Shareholders	No. of Shares	% of Shares
Less	than	50,000	48871	98,032,724	20.96%
50,001	to	100,000	204	14,422,904	3.08%
100,001	to	200,000	114	15,947,211	3.41%
200,001	to	300,000	57	13,958,741	2.98%
300,001	to	400,000	21	7,454,569	1.59%
400,001	to	500,000	9	4,239,482	0.91%
500,001	to	1,000,000	41	28,979,510	6.20%
1,000,001	to	10,000,000	60	179,156,227	38.30%
10,000,001	to	20,000,000	9	105,536,568	22.56%
Total			49386	467,727,936	100.00%

Notes to the Financial Statements for the Year Ended 31 December 2010

	2010 Taka	2009 Taka
e) Minimum Capital Requirement Capital Adequacy Ratio		
1.Tier-I (Core Capital)		
Paid-up Capital	4,677,279,360	1,798,953,600
Statutory Reserve	1,681,818,833	1,156,515,307
Retained Earnings	1,274,859,439	542,599,113
Minority Interest in Subsidiaries	1,948,900,000	-
	<u>9,582,857,632</u>	<u>3,498,068,020</u>
2.Tier- II (Supplimentary Capital)		
General Provision	897,663,000	533,531,000
Assets Revaluation Reserves	32,301,624	32,301,624
Exchange Equalisation	-	2,057,198
	<u>929,964,624</u>	<u>567,889,822</u>
3.Tier- III		
A. Total Eligible Capital (1+2+3)	10,512,822,256	4,065,957,842
B. Total Risk weighted Assets (a+b+c)	72,544,900,000	40,216,600,000
a. Credit Risk	66,202,100,000	37,447,600,000
i. Balance sheet Business	58,741,400,000	34,014,800,000
ii. Off-balance sheet Business	7,460,700,000	3,432,800,000
b. Market Risk (From WS-3)	1,062,200,000	345,800,000
c. Operrational Risk (From WS-4)	5,280,600,000	2,423,200,000
C. Capital Adequacy Ratio (CAR) (A / B)	14.49%	10.11%
D. Core Capital to RWA	13.21%	8.70%
E. Supplementary Capital to RWA	1.28%	1.41%
F. Minimum Capital Requirement (MCR) 9% of RWA	<u>6,529,041,000</u>	<u>3,619,494,000</u>
16.A. Minority Interest		
Share Capital	1,930,000,000	-
Retained Earnings	18,887,277	-
	<u>1948887277</u>	<u>-</u>

Notes to the Financial Statements for the Year Ended 31 December 2010

	2010 Taka	2009 Taka
17. Statutory Reserve		
Opening balance beginning of the year	1,156,515,307	838,667,261
Add: Reserve @ 20% (on pre-tax profit)	525,303,526	317,848,046
Balance at the end of the year.	1,681,818,833	1,156,515,307
18. Other Reserve		
A) General Reserve	-	-
Add: Addition / Adjustment made during this year	-	-
Sub total (i)	-	-
B) Share Premium	-	-
C) Investment Loss offsetting reserve	-	-
D) Exchange Equalization Accounts	-	2,057,198
E) Asset revaluation Reserve	64,603,248	64,603,248
F) Dividend Equalization Account	-	-
Sub total (ii)	64,603,248	66,660,446
Grand total (i + ii)	64,603,248	66,660,446
19. Retained Earnings		
Balance beginning of the year	542,599,113	416,602,651
Less : Bonus Share	(539,686,080)	(415,143,200)
Add: Net Profit / (loss) after tax during the year	1,776,992,595	858,987,708
	1,779,905,627	860,447,160
Less : transfer to Statutory Reserve	525,303,525	317,848,046
	1,254,602,102	542,599,113
19.A. Consolidated Retained Earnings		
Al-Arafah Islami Bank Ltd.	1,254,602,102	542,599,113
AIBL Capital Market Services Ltd.	39,144,613	-
	1,293,746,715	542,599,113
Less : Minority Interest	(18,887,276)	-
	1,274,859,439	542,599,113
20. Letter of Guarantee		
a) Claim against the bank which is not acknowledged as debt		
b) Money for which is the bank is contingently liable in respect of guarantees given favoring		
i. Directors	-	-
ii. Government	-	-
iii. Bank and other financial institution	-	-
iv. Others	3,081,523,783	2,841,321,534
	3,081,523,783	2,841,321,534

Notes to the Financial Statements for the Year Ended 31 December 2010

	2010 Taka	2009 Taka
21. Investment Income		
i) Income from General Investments		
Murabaha	1,434,351,546	1,200,395,363
Mudaraba	288,000	288,000
Musharaka	178,116	26,188
Bai-Muazzal	1,248,878,703	1,641,921,353
Hire-Purchase	819,030,962	719,972,219
Others mode income	220,066,305	182,553,419
	3,722,793,632	3,745,156,542
ii) Profit on Deposits with Other Islamic Banks		
In Bangladesh		
Profit received from other Islamic Bank	357,815,741	259,379,828
	357,815,741	259,379,828
Outside Bangladesh	-	-
Total (i + ii)	4,080,609,373	4,004,536,370
21.A. Cosolidated Investment Income		
Al-Arafah Islami Bank Ltd.	4,080,609,373	4,004,536,370
AIBL Capital Market Services Ltd.	62,691,955	-
	4,143,301,328	4,004,536,370
22. Profit paid on Deposits & Borrowing		
Mudaraba Savings Deposit	163,631,634	120,750,394
Mudaraba Short Term Deposit	115,222,367	46,584,532
Mudaraba Term Deposit	1,935,820,349	1,823,434,645
Mudaraba Special Deposit	764,997,949	592,745,372
Mudaraba BD. Govt. Islamic Bond fund	154,014,558	83,823,816
	3,133,686,856	2,667,338,759
23. Income from Investment in Share /Securities		
Dividend income (cash)	-	1,194,047
Gain on sale of Shares/Securities	-	1,152,443
Profit received from other Islamic Bond	33,138,660	12,086,593
	33,138,660	14,433,083
24. Commission, Exchange & Brokerage Income		
Commission	732,964,192	481,603,011
Exchange	351,632,785	275,709,875
Brokerage commission	968,744,077	333,889,982
	2,053,341,055	1,091,202,868

Notes to the Financial Statements for the Year Ended 31 December 2010

	2010 Taka	2009 Taka
25. Other Operating Income		
Processing Fee on Investment	513,660	4,312,180
Supervision Fee	1,803,655	1,040,305
Telex Charge Recovered	63,907	9,128
Transfer/Redemption Fee	22,075	335
Telephone/Fax Charges	15,724	376,134
P & T charge Recovered	13,505,866	17,229,549
Printing & Stationery	11,241,558	9,477,399
Writeoff Recovery Income	672,040	-
Capital Gain from Fixed Asset	1,242,735	1,575,083
Service Charge (Brokerage)	68,988,552	29,129,511
Margin Documentation Fee (Brokerage)	6,167,266	1,680,400
CDBL Income (Brokerage)	21,336,110	433,445
Legal expenses Recovered	159,564	110,468
Rent on Office Premissis	920,200	858,250
Application form sales (SEIS/SEF)	172,349	62,800
SWIFT Charge Recovered	32,080,645	39,009,742
Direct Expenses on Investment	3,597,587	3,662,876
Misc.Earning (Law)	28,670	122,650
Gain on sales of DSE & CSE Licencce	503,238,001	-
Misc.Earning	626,700,527	86,370,165
	1,292,470,690	195,460,420
26. Salaries, Allowances & Contribution to P.F		
Basic Salary	257,840,713	196,578,839
House Rent Expenses	155,067,440	119,337,707
Medical Expenses	43,915,078	34,808,521
Conveyance Expenses	27,459,095	19,937,816
Bonus	128,999,871	84,406,252
Bank Contribution to Provident Fund.	20,960,812	14,380,185
Utilities	31,365,327	20,272,629
Car Expenses	12,003,329	10,242,976
Corporate Allowances	-	300,000
Leave Encashment Expenses	8,966,000	5,966,675
Gratuity	18,498,530	41,392,346
	705,076,195	547,623,946
27. Director & Sharia Supervisory Committee Fees & Expenses		
i) Directors fees for attending Board/executive Committee/other committee meeting	2,536,900	1,332,000
ii) TA/DA/ Hotel fare & Foreign Directors	2,352,203	1,528,177
iii) Others	1,437,549	1,441,153
	6,326,652	4,301,330

Notes to the Financial Statements for the Year Ended 31 December 2010

	2010 Taka	2009 Taka
28. Sharia Supervisory Committee's Fees & Expenses		
i) Directors fees for attending Board/executive Committee/other committee meeting	145,000	120,000
ii) TA/DA/ Hotel fare & Foreign Directors	-	-
iii) Others	24,842	100,539
	169,842	220,539
29. Rent, Taxes, Insurance & Lighting		
Rent Office	87,886,441	49,311,627
Lighting & Electricity	19,051,205	14,560,238
Insurance	31,137,648	24,987,272
	138,075,293	88,859,137
30. Postage,Telegram,Telephone & Stamp		
Stamps	68,080	9,215
Postages	6,014,316	4,360,185
Telegram	180	2,280
Fax & Internet	7,383,993	7,213,964
Swift	8,688,107	8,681,409
Telephone (Office)	3,533,527	3,860,934
Telephone (Residence)	517,134	535,761
Telephone (Mobile)	1,370,629	1,164,924
Online Charge	24,555,981	15,383,087
	52,131,948	41,211,759
31. Stationary,Printing & Advertisement		
Printing & Stationery	18,568,950	8,819,868
Paper & Table Stationery	7,269,868	7,073,342
Advertisement & Publicity Expenses	16,480,629	7,325,815
	42,319,448	23,219,025
32. Other expenses		
Charge & Risk Expenses	2,470,996	1,528,744
Wages	35,301,170	19,560,465
Staff Welfare	-	32,010
Saturday Allowance	5,357,800	4,788,400
IT Allowance	2,249,000	1,855,705
CDBL Fee & Charges	73,230,492	17,465,954
Car Maintenance	2,422,328	199,591
Local Conveyance Expenses	2,677,424	1,870,329
Petroleum oil & Lubricant	8,094,761	5,747,927
Entertainment	10,332,419	6,181,995
Travelling Allowances	12,408,210	5,066,234
Bank Charge	3,742,213	3,741,581
Liveries/Uniform	81,110	54,110
Donations	11,107,175	116,730
Honourirum	533,900	675,000
Subscription	3,528,156	6,127,517

Notes to the Financial Statements for the Year Ended 31 December 2010

	2010 Taka	2009 Taka
Banks Clearing House Charge	508,907	308,464
Transportation Charge	922,279	492,266
Evening Banking Expenses	437,083	418,555
News paper, Jurnal & Periodicals	482,135	432,833
WASA/Gas Charge	1,986,403	1,533,203
Washing Charges	634,470	398,560
Training Expenses	4,071,723	3,058,384
Upkeep of Branch (Office Premises)	793,280	708,585
Computer Charges	9,778,151	7,335,444
CNG motor car	936,092	1,056,720
AIBL Foundation	-	-
Registration Expenses	19,508,597	3,114,894
Development	480,940	723,846
Photo Copy Chagre	1,636,559	1,423,413
AGM	2,717,457	2,433,480
Managers Conferance	1,200,782	1,076,756
Closing Expenses	91,000	54,000
Crocarige	217,921	102,570
HOWLA Charges (Brokerage)	6,266,775	3,668,508
LAGA Charges (Brokerage)	60,716,892	24,160,421
Credit rating charge	313,500	408,346
Eldorado membership fee	1,035	1,000,000
Loss on Fixed Assets	-	162,356
CDBL (General Exp.)	2,522,682	-
Misc. Expenses	2,881,228	1,094,319
	292,643,043	130,178,215
32.A.Consolidated Other expenses		
Al-Arafah Islami Bank Ltd.	292,643,043	130,178,215
AIBL Capital Market Services Ltd.	10,575	-
	292,653,618	130,178,215
33. Provision against Investments & Off-Balance sheet exposures		
On Classified Investment as per Bangladesh Bank Circular	6,667,742	-
On Un-classified Investment as per Bangladesh Bank Circular	257,764,000	94,047,317
On Off-balance sheet as per Bangladesh Bank Circular	106,368,000	46,541,000
Total	370,799,742	140,588,317
34. Paid for other operating Activities		
Directors and Shariah Council fees and expenses	6,496,494	4,521,869
Rent, taxes, insurance, lighting etc.	138,075,293	88,859,137
Postage, telegram, telephone and stamp etc.	52,131,948	41,211,759
legal charges	3,255,103	2,567,82
Audit fee	1,223,840	200,000
Repairs to the banks properties	13,497,929	13,836,757
Advertisement	16,480,629	7,325,816
Other expenses	292,643,043	130,178,215
	(523,804,280)	(288,701,375)

Notes to the Financial Statements for the Year Ended 31 December 2010

	2010 Taka	2009 Taka
34.A. Paid for other operating Activities		
Al-Arafah Islami Bank Ltd.	(523,804,280)	(288,701,375)
AIBL Capital Market Services Ltd.	(10,575)	-
	(523,814,855)	(288,701,375)
35. Changes in other Assets		
Adjusting A/c Debit Balance	(36,204,197)	(4,291,079)
Suspense Account	(98,766,389)	(16,134,951)
DD Paid without Advice	11,307,569	(8,175,000)
Stock of Stationery	(6,129,668)	1,130,304
Stamp in hand	(398,896)	(65,689)
Advance Deposit	(44,900)	(102,867)
Advance Rent	(44,133,309)	(56,484,193)
Capital Work In Progress	(14,769,655)	-
DSE & CSE Membership Cost	196,761,999	(156,500,000)
AIBL CMSL Receivable	(42,286,064)	-
Advance Income Tax & TDS [Note 11.3]	148,256,843	(63,948,472)
Protested Bills	500,000	-
Prepaid Expenditure [Motijheel & Banani Branch]	(826,699)	(54,801)
Brac Bank Eldorado Settlement A/C	(4,900,000)	(5,100,000)
Investment in Subsidiary Company	(2,070,000,000)	-
Accrued Income	(127,020,942)	29,519,372
AIB.General A/C.(Dr.Cr.)	264,697,991	(175,832,389)
	(1,823,956,318)	(456,039,764)
35.A. Changes in other Assets		
Al-Arafah Islami Bank Ltd.	(1,823,956,318)	(456,039,764)
AIBL Capital Market Services Ltd.	2,117,594,758	-
	293,638,441	(456,039,764)
36. Changes in other Liabilities		
Gratuity	(85,487,540)	39,215,246
AIBL Foundation	(4,000,000)	-
F.C Charges	-	11,001
F.C held against back to back L/C	93,367,122	156,371,701
Adjusting Account Credit Balance	33,722,530	(7,933,438)
Outstanding Expenses	82,738	(226,224)
Unearned Profit on Investment	-	-
Profit/Rent Suspenses	4,841,360	257,039
Compensation Receivable	(6,348,718)	(6,318,823)
Compensation Realised	330,305,929	50,298,803
AIBL General Account	89,437,883	-
Wes Fund Held (NRT) A/C	(144,703)	367,454
CIB Collection Charge	51,450	(39,800)
Other Provision	(500,000)	-
Wes Fund Held (NRT) A/C	819,922	964,625
	456,147,971	232,967,580
36.A. Changes in other Liabilities		
Al-Arafah Islami Bank Ltd.	456,147,971	232,967,580
AIBL Capital Market Services Ltd.	1,948,887,276	-
	2,405,035,247	232,967,580

Notes to the Financial Statements for the Year Ended 31 December 2010

37. Cash and Cash Equivalent at the end of the year

Cash in hand
Balance with Bangladesh Bank & Sonali Bank Ltd.
Balance with Other Banks
Bangladesh Government Islamic Investment Fund

**2010
Taka**

573,365,966
3,672,456,738
804,082,158
2,000,000,000
7,049,904,862

**2009
Taka**

392,891,238
3,250,671,446
988,404,578
1,500,000,000
6,131,967,262

37.A. Cash and Cash Equivalent at the end of the year

Al-Arafah Islami Bank Ltd.
AIBL Capital Market Services Ltd.

7,049,904,862
-
7,049,904,862

6,131,967,262
-
6,131,967,262

38. Calculation of earning per Share

The earning per share of the bank has been calculated in accordance with BAS-33 under basic Earning per share method as follows:

Earning Per Share	4.05	2.00
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38.i Net profit after tax (Numerator)	1,776,992,595	858,987,708
Weighted average number of ordinary shares outstanding (Denominator) before split	438,516,725	428,656,737
Earnings per share (EPS) before split	4.05	2.00

Theoretical ex-rights value per share:

	Shares	Value per Share	Taka
Market value as on October 06, 2010 (Right share credited)	233,863,968	109.70	25,654,877,290
Issue value of right shares	233,863,968	10	2,338,639,680
	467,727,936		27,993,516,970

Theoretical ex-rights value per share (Total value divided by total shares)	59.85		
Adjusting factor (Market value divided by theoretical ex-rights value per share)	1.83		
Weighted average number of shares for 2010:	233,863,968		
Number of shares before exercise of right issue	233,863,968	467,727,936	
Number of shares after exercise of right issue			
Weighted average number of shares for 2009			428,652,920

Earnings per share has been calculated in accordance with BAS - 33: "Earnings Per Share (EPS)". Previous year's figures have been adjusted for the issue of bonus shares and right shares during the year.

38.ii Consolidated earnings per share (CEPS)

Net profit after tax (Numerator)	1,816,137,207	858,987,708
Weighted average number of ordinary shares outstanding (Denominator) before split	438,516,725	428,656,737
Consolidated earnings per share (CEPS) before split	4.14	2.00

Earnings per share has been calculated in accordance with BAS - 33: "Earnings Per Share (EPS)". Previous year's figures have been adjusted for the issue of bonus shares and right shares during the year.

39. Events after the balance sheet date

- i) The Board of Directors in its 209th meeting held on 24 April 2011 has approved the audited financial statements for the year ended 31 December 2010 and recommended for bonus shares as the ratio of 26% (26 Bonus shares for every 100 shares) subject to approval of the shareholders at the 16th Annual General Meeting (AGM).

Notes to the Financial Statements for the Year Ended 31 December 2010

Consolidated Schedule of Fixed Assets as on 31 December 2010

Annexure- A1

Sl. No	Particulars	Cost / Revaluation				Depreciation				Written down value as on 31.12.10
		Balance at 1st January 2010	Revaluation	Addition during the year	Transfer/ Disposal during the year	Balance at 31st December 2010	Charge for the year	Transfer/ Disposal during the year	Balance at 31st Dec. 2010	
1	Land	137,288,432	-	55,200,000	-	192,488,432	-	-	-	192,488,432
2	Building	20,832,340	-	-	100,000	20,732,340	404,206	-	2,151,777	18,580,563
3	Furniture & Fixture (Wood)	40,831,303	-	12,591,635	2,219,761	51,203,178	2,812,063	-	19,363,278	31,839,900
4	Furniture & Fixture (Steel)	33,536,352	-	8,489,589	938,512	41,087,429	1,893,625	-	18,217,197	22,870,232
5	Computer	89,664,733	-	25,650,572	4,680,765	110,634,540	12,697,143	-	61,984,972	48,649,568
6	Computer Accessories	4,990,994	-	6,417,483	1,106,940	10,301,537	964,290	-	3,327,416	6,974,121
7	Motor Car	53,116,330	-	33,567,857	5,724,437	80,959,750	8,483,907	-	30,239,821	50,719,929
8	Machine Equipment & Appliance	120,343,747	-	69,194,474	8,502,059	181,036,163	12,533,264	-	56,817,500	124,218,663
9	Books & Library	8,353,498	-	189,889	-	8,543,387	188,583	-	7,600,141	943,246
10	Online Hardware	7,6910,340	-	20,173,923	1,124,832	95,959,431	15,869,779	-	30,553,705	65,405,726
11	Online Software	18,862,744	-	9,405,311	211,482	28,056,573	3,683,667	-	8,273,641	19,782,932
12	Interior Decoration	43,806,750	-	43,554,166	6,619,531	80,741,385	4,585,064	-	7,826,435	72,914,950
	Total	648,537,563	-	284,434,900	31,228,318	901,744,144	64,115,591	-	246,355,883	655,388,261
	December 31, 2009	532,320,437	-	121,613,751	5,396,625	648,537,563	50,546,904	3,863,258	182,240,293	466,297,269

Note - 1 : LAND- If includes Assets Revaluation gain amounting to Tk. 64,603,248/= which has been made by a professional valuer on the basis of market value at December 2004.

Notes to the Financial Statements for the Year Ended 31 December 2010

Schedule of Fixed Assets as on 31 December 2010

Annexure- A

SL No	Particulars	Cost / Revaluation				Depreciation				Written down value as on 31.12.10
		Balance at 1st January 2010	Revaluation	Addition during the year	Transfer/ Disposal during the year	Balance at 31st December 2010	Charge for the year	Transfer/ Disposal during the year	Balance at 31st Dec. 2010	
1	Land	137,288,432	-	55,200,000	-	192,488,432	-	-	-	192,488,432
2	Building	20,832,340	-	-	100,000	20,732,340	404,206	-	2,151,777	18,580,563
3	Furniture & Fixture (Wood)	40,831,303	-	10,437,325	2,219,761	49,048,868	2,812,063	-	19,363,278	29,685,590
4	Furniture & Fixture (Steel)	33,536,352	-	8,340,741	938,512	40,938,581	1,893,625	-	18,217,197	22,721,384
5	Computer	89,664,733	-	22,220,527	4,680,765	107,204,495	12,697,143	-	61,984,972	45,219,523
6	Computer Accessories	4,990,994	-	5,449,531	1,106,940	9,333,585	964,290	-	3,327,416	6,006,169
7	Motor Car	53,116,330	-	17,430,057	5,724,437	64,821,950	8,483,907	-	30,239,821	34,582,129
8	Machine Equipment & Appliance	120,343,747	-	62,685,361	8,502,059	174,527,050	12,533,264	-	56,817,500	117,709,550
9	Books & Library	8,353,498	-	189,889	-	8,543,387	188,583	-	7,600,141	943,246
10	Online Hardware	76,910,340	-	19,134,180	1,124,832	94,919,688	15,869,779	-	30,553,705	64,365,983
11	Online Software	18,862,744	-	9,195,229	211,482	27,846,491	3,683,667	-	8,273,641	19,572,850
12	Interior Decoration	43,806,750	-	36,533,901	6,619,531	73,721,120	4,585,064	-	7,826,435	65,894,685
	Total	648,537,563	-	246,816,742	31,228,318	864,125,986	64,115,591	-	246,355,883	617,770,103
	December 31., 2009	532,320,437	-	121,613,751	5,396,625	648,537,563	50,546,904	3,863,258	182,240,293	466,297,269

Note -1 : LAND- If includes Assets Revaluation gain amounting to Tk. 64,603,248/= which has been made by a professional valuer on the basis of market value at December 2004.

Notes to the Financial Statements for the Year Ended 31 December 2010

Corporate Tax Status as on 31 December 2010

Annexure - B

Income Year	Assessment Year	Net Profit as per Accounts	% of Income Tax	Tax Provision	Tax Assessed by DCT	Provision Excess/ (Short)	Advance Tax Paid	Status
1	2	3	4	5	6	7	8	9
1999	2000-2001	70,465,519	35	24,662,932	24,536,396	126,536	26,264,725	Final
2000	2001-2002	67,002,756	40	23,450,965	27,606,270	(4,155,305)	27,715,613	Final
2001	2002-2003	39,480,489	40	13,818,171	22,145,464	(8,327,293)	31,102,841	Final
2002	2003-2004	136,805,485	45	57,762,194	67,938,971	(10,176,777)	28,112,459	Final
2003	2004-2005	231,014,282	45	103,956,427	110,307,969	(6,351,542)	58,448,981	Final
2004	2005-2006	316,310,754	45	156,999,375	149,941,492	7,057,883	155,930,333	Final
2005	2006-2007	478,003,215	45	215,101,448	216,446,000	(1,344,552)	120,309,105	Final
2006	2007-2008	855,469,686	45	384,023,920	438,508,427	(54,484,507)	250,302,555	Final
2007	2008-2009	582,843,658	45	354,484,244	357,814,418	(3,330,174)	399,858,323	Final
2008	2009-2010	1,258,903,318	42.5	619,702,611	590,750,499	28,952,112	435,550,808	Assessment is to be done
2009	2010-2011	1,589,240,231	42.5	594,193,859	562,955,813	31,238,046	693,948,472	Assessment is to be done
2010	2011-2012	2,626,517,625	42.5	825,466,974	785,424,433	40,042,541	791,245,152	Assessment is to be done
	Total	8,252,057,018		3,373,623,120	3,354,376,152	19,246,968	3,018,789,367	

Notes to the Financial Statements for the Year Ended 31 December 2010

Highlight on the Overall Activities of the Bank for the year - 2010

SL No.	Particulars	2010	2009
1	Paid -up Capital	4,677,279,360	1,798,953,600
2	Total Capital	10,492,564,919	4,065,957,842
3	Total Assets	75,374,365,400	48,515,787,384
4	Total Deposits	53,184,360,164	38,355,496,820
5	Total Investment	53,582,960,723	36,134,084,793
6	Total Contingent Liabilities	23,436,873,855	12,463,185,698
7	Credit Deposit Ratio (CDR) (%)	93.43%	94.21%
8	Ratio of Classified Investment to Total investment (%)	1.14%	1.68%
9	Profit after Tax & Provision	1,776,992,595	858,987,708
10	Amount of Classified Investment during the year	610,475,871	608,144,000
11	Provision kept against Classified Investment	137,578,000	173,128,000
12	Provision Surplus / (Deficit)	50,000,000	43,320,000
13	Cost of fund(%)	9.72%	11.08%
14	Profit earning Assets	62,587,042,881	39,922,489,371
15	Profit Non-earning Assets	12,787,322,519	8,593,298,013
16	Return on Investment (ROI)	-	-
17	Return on Assets After Tax (ROA)	2.36%	1.77%
18	Income from Investment in Shares	33,138,660	14,433,083
19	Earning per Share (Taka)	4.05	2.00
20	Net Income per share (Taka)	4.05	2.00
21	Price Earning Ratio (Times)	13.24	9.53

Name of the Directors and their Shareholdings in the year 2010

Sl. No.	Name of Directors	Status	Ending position on 31/12/2010	Opening position on 01/01/2010	Remarks
1	Badiur Rahman	Chairman	13046748 shares of Tk. 10/- each Tk. 13,04,67,480/-	5017980 shares of Tk. 10/- each Tk. 5,01,79,800/-	
2.	Sarker Mohammad Shameem Iqbal	Vice-Chairman	130000 shares of Tk. 10/- each Tk. 13,00,000/-	50000 shares of Tk. 10/- each Tk. 5,00,000/-	
3.	Al-hajj Md. Harun-ar-Rashid Khan	Director	5000422 shares of Tk. 10/- each Tk. 5,00,04,220/-	2257470 shares of Tk. 10/- each Tk. 2,25,74,700/-	
4.	Al-hajj Nazmul Ahsan Khaled	Director	3467496 shares of Tk. 10/- each Tk. 3,46,74,960/-	2473060 shares of Tk. 10/- each Tk. 2,47,30,600/-	
5.	Al-hajj Abdul Malek Mollah	Director	6328276 shares of Tk. 10/- each Tk 6,32,82,760/-	2626260 shares of Tk. 10/- each Tk. 2,62,62,600/-	
6.	Al-hajj Hafez Md. Enayetullah	Director	5686486 shares of Tk. 10/- each Tk. 5,68,64,860/-	1880730 shares of Tk. 10/- each Tk.1,88,07,300/-	
7.	Al-hajj Abdul Moktadir	Director	4021396 shares of Tk. 10/- each Tk 4,02,13,960/-	1777460 shares of Tk. 10/- each Tk. 1,77,74,600/-	
8.	Al-hajj Ahamedul Hoque	Director	9033310 shares of Tk. 10/- each Tk. 9,03,33,100/-	3474350 shares of Tk. 10/- each Tk. 3,47,43,500/-	
9.	Al-hajj Abdus Samad	Director	10525996 shares of Tk. 10/- each Tk. 10,52,59,960/-	4048460 shares of Tk. 10/- each Tk. 4,04,84,600/-	
10.	Abu Naser Mohammad Yeahea	Director	11551878 shares of Tk. 10/- each Tk. 11,55,18,780/-	4443030 shares of Tk. 10/- each Tk. 4,44,30,300/-	

Name of the Directors and their Shareholdings in the year 2010

Sl. No.	Name of Directors	Status	Ending position on 31/12/2010	Opening position on 01/01/2010	Remarks
11.	Al-hajj Abdus Salam	Director	6572930 shares of Tk. 10/- each Tk. 6,57,29,300/-	612760 shares of Tk. 10/- each Tk. 61,27,600/-	
12.	Niaz Ahmed	Director	8291712 shares of Tk. 10/- each Tk. 8,29,17,120/-	N/A	
13.	Ashik Hossain	Director	14223092 Shares of Tk. 10/- each Tk. 14,22,30,920/-	N/A	
14.	Anwar Hossain	Director	1831388 Shares of Tk. 10/- each Tk. 1,83,13,880/-	N/A	
15.	Mohammed Emadur Rahman	Director	1593176 Shares of Tk. 10/- each Tk. 1,59,31,760/-	N/A	
16.	Sabrina Farah Ahmed	Director	5942040 Shares of Tk. 10/- each Tk. 5,94,20,400/-	N/A	
17.	Md. Rafiqul Islam	Director	2600000 Shares of Tk. 10/- each Tk. 2,60,00,000/-	N/A	
18.	Dr. Momtaz Uddin Ahmed	Independent Director	Nil	Nil	
19.	Ekramul Hoque Managing Director	Ex-Officio Director	Nil	Nil	No need to hold any share

Qualitative and Quantitative Disclosures under Pillar -3 of Basel-II

The disclosures (qualitative and quantitative) under the revised Risk Based Capital Adequacy (RBCA) framework as advised by Bangladesh Bank based on the audited financial position of the bank as of 31st December, 2010 are presented below:

- a) Scope of Application
- b) Capital Structure
- c) Capital Adequacy
- d) Credit Risk
- e) Equities: Disclosures for Banking book positions
- f) Interest Rate Risk in the Banking Book (IRRBB)
- g) Market Risk
- h) Operational Risk

A) Scope of application

Qualitative Disclosures

- a) The name of the top corporate entity to which this framework applies: **Al-Arafah Islami Bank Limited.**

b) Consolidation for accounting purposes

Consolidated financial statements are the financial statements of a group (parent and subsidiaries) presented into one. This offers the benefit of viewing the whole group's combined financial information together to see how all companies are doing jointly.

A group consists of a parent entity and all its subsidiaries. The control exercised by the parent entity is the power to govern the financial and operating policies of the subsidiary (ies) so as to obtain benefits from its activities.

Scope

Consolidated financial statements represent combination of the financials of all subsidiaries of the parent entity. This consolidation is required when a parent owns 50 percent or more shares in the subsidiary (ies) with controlling authority.

Procedures

In preparing consolidated financial statements, an entity combines the financial statements of the parent entity and its subsidiaries and the items covered are mainly assets, liabilities, equity, income and expenses. However intra group balances, transactions, income and expenses are eliminated in full.

The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements are of the same date. Consolidated financial statements are prepared using uniform accounting policies for both the parent entity and the subsidiary (ies).

Minority interest is presented in the consolidated statement of financial position within equity segment but separately from the equity of the owners of the parent entity.

Consolidation for regulatory purposes

Banks having subsidiaries have been advised to consolidate their financial statements following accounting standards as set by the regulators to assess capital adequacy. As such the bank has prepared capital adequacy report on Solo basis as well as on consolidated basis.

If subsidiaries financials are not consolidated with that of the Bank, investments in subsidiary (ies) by the bank will be deducted at 50% from Tier 1 and 50% from Tier 2 capital of the bank. The assets representing the investments in subsidiaries whose capital had been deducted from that of the parent would not be included in total assets for the purposes of computing CAR.

Al-Arafah Islami Bank Limited is the parent company of AIBL Capital Market Services Limited which is established on 21st September 2010 to perform merchant banking activities in Bangladesh. A brief description of AIBL Capital Market Services Limited is as follows:

Name	: AIBL Capital Market Services Limited
Date of Incorporation	: 21st September, 2010
Date of Commencement	: 21st September, 2010
Authorised Capital	: Tk. 1,000 crore
Paid up Capital	: Tk. 400 crore
Ownership	: Tk. 207.00 crore (51.75%)

Quantitative Disclosures:

Al-Arafah Islami Bank Limited has one subsidiary: Al-Arafah Islami Bank Limited and the assets and liabilities of this subsidiary are consolidate with the financial of the parent company.

B) Capital structure

Qualitative Disclosures:

- a) The regulatory capital under Basel-II is composed of
 - (I) Core Capital (Tier-1),
 - (II) Supplementary Capital (Tier-2)
 - (III) Additional Supplementary Capital (Tier-3) [only for market risk],

Tier-1 capital comprises highest quality capital items which are permanent in nature and allows a bank to absorb losses on an ongoing basis and includes paid-up capital, statutory reserve, general reserve, retained earnings, minority interest in subsidiaries,

Tier-2 capital lacks some of the characteristics of the core capital but bears loss absorbing capacity to a certain extent General provision, revaluation reserves etc are part of Tier 2 capital.

Tier-1 capital of the bank as of December 31, 2010 is Tk. 958.28 crore which is 91.15 % of total eligible capital and out of total Tier 1 capital 48.81 % is paid up capital & 17.55 % is statutory reserve. Tier-2 capital of the bank which is Tk 93.00 crore constituting 8.85 % of total eligible capital and the major contributors are general provision 96.53% & asset revaluation reserves 3.47 %.

The bank has already increased its Tier-1 capital by issuing right shares worth Tk.233.86 crore in 2010.

Qualitative Disclosures:

	Figures in crore taka
b) The total amount of Tier-I capital	958.28
Paid-up capital	467.73
Non- repayable share premium account	-
Statutory Reserve	168.18
General Reserve	-
Retained earnings	127.48
Minority interest in subsidiaries	194.89
Non cumulative irredeemable preference shares	-
Dividend equalization account	-
c) The total amount of Tier-2 and Tier-3 capital	93.00
d) Other deductions from capital	-
e) Total eligible capital	1051.28

C) Capital Adequacy

Qualitative Disclosures:

a) To calculate Minimum Capital Requirement (MCR) under pillar-I of Basel-II framework as per the guideline of Bangladesh Bank, Al-Arafah Islami Bank Limited is presently following Standardized Approach for assessing and mitigating Credit Risk, Standardized Rule Based Approach for quantifying Market Risk and Basic Indicator Approach for Operational measurement.

Quantitative Disclosures:

	Figures in crore taka
b) Capital Requirement for Credit Risk	596.82
c) Capital Requirement for Market Risk	9.56
d) Capital Requirement for Operational Risk	47.53
Total Requirement	652.91
e) Total and Tier 1 capital ratio:	
o For the consolidated group:	
- CAR	14.49%
- Tier- 1 Capital Ratio	13.21%
o For stand alone	
- CAR	12.56%
- Tier-1 Capital Ratio	11.01%

D) Credit Risk**Qualitative Disclosures:**

a) Definition of past due and impaired assets (for accounting purposes)

A loan payment that has not been made as of its due date is termed as past due. Payment may be made for repayment/ renewal/rescheduling or as an installment of a claim.

The past due claims are discussed below:

Special Mention Accounts (SMA):

A claim which is overdue for 90 days or more will be classified as Special Mention Account.

When a loan is classified as SMA, it needs constant monitoring and supervision as the repayment probability decreases.

Sub-Standard (SS):

The repayment of the loan has been put in doubt but the recovery is not unlikely.

Doubtful (DF):

There is less possibility of recovery of the overdue amount and probability of loss is high.

Bad /Loss (B/L):

These are the loans which have almost turned unrecoverable.

Approaches followed for specific and general allowances:**i) Specific provision:**

Substandard	:	20%
Doubtful	:	50%
Bad/Loss	:	100%

ii) General Provision:

- a) 1% to 5% on different categories of unclassified loans.
- b) 1% on Off Balance sheet exposure.
- c) 5% on the outstanding amount of loans kept in the 'Special Mention Account' after netting off the amount of Interest Suspense.

For classification of loan, specific and general allowances the bank follows Master Circular-Loan Classification and Provisioning vide BRPD circular no-05 dated June 05, 2006; and as advised by Bangladesh Bank from time to time.

In addition to the above mentioned objective criteria, loans can be classified on the basis of subjective judgment taking into consideration the factors such as uncertainty or doubt of repayment, continuous loss of capital, adverse situation, decrease of value of securities, legal suit etc.

However, Bangladesh Bank can classify any claim on the basis of their subjective judgment as well as can ask the Bank to buildup additional provision on non-performing loans.

Credit Risk Management Policy

The bank has established Credit Risk Management framework as directed by Bangladesh Bank through introduction of Risk Management (CRM) policy guide along with implementation of the Credit Risk Grading (CRG). This framework defines CRM structure, role, responsibilities and the processes to identify, quantify, and manage risk within the framework under the given policy. The CRM policy is reviewed from time to time for adoption of new techniques/policies for measurement and management of risk in line with the socio-economic scenario and investment environment of the country.

Quantitative Disclosures:

Figures in crore taka

a) Funded:	
General Investment	
i) In Bangladesh	1,792.47
Murabaha Investment	2,166.54
Bai-Muajjal Investment	886.76
Hire Purchase Investment	82.77
Pre shipment Investment	98.73
Quard	0.15
Sub Total	5,027.42
ii) Out side Bangladesh	-
Total	5,027.42
Less Unearned Profit on Investment	312.08
	4,715.34
Bill Purchased & Discount	
Payable in Bangladesh	609.54
Payable out side Bangladesh	33.42
Sub Total	642.96
Total Funded	5,358.30
b) Total Non Funded:	933.14
c) Geographical distribution of exposures	
Region Based	
Dhaka	3,954.09
Chittagong	965.97
Sylhet	46.01
Rajshahi	395.49
Khulna	252.81
Barisal	56.01
Sub Total	5,670.38
Less Unearned Profit on Investment	312.08
Total	5,358.30
d) Country based	
Domestic	5,358.30
Overseas	-
e) Major Industry wise distribution of exposures	
Agriculture, Fishing and Forestry	68.54
Industry	1,427.70
Construction	251.29
Water works & Sanatary Service	10.22
Transport & communication	153.58
Storage	1.80
Trade Finace	3,278.60
Miscellaneous	478.65
Total	5,670.38
Less Unearned Profit on Investment	312.08
Total	5,358.30

f) Residual contractual maturity breakdown of the whole portfolio	
Repayable on demand	-
Up to 1 month	350.19
More than 1 month but less than 3 months	450.86
More than 3 months but less than 1 year	1,874.37
More than 1 year to less than 5 year	1,682.63
More than 5 year	1,000.26
Total	5,358.30
g) Gross Non Performing Assets- (NPAs)	61.04
Non performing assets to outstanding Investment (loans and advances)	1.14%
h) Movement of Non Performing Assets (NPAs)	
Opening balance	60.81
Additions	23.09
Reductions	22.85
Closing balance	61.05
i) Movement of specific provisions for NPAs	
Opening balance	17.31
Fully Provision Debt Written off	(6.55)
Provision made during the period	0.66
Recoveries of amount previously write off	2.33
Closing balance	13.75

E) Equities: Disclosures for Banking Book Positions

Qualitative Disclosures:

a) The bank holds unquoted equities intent of which is not trading and the same are shown as banking book asset in balance sheet. As these securities are not quoted or traded in the bourses they are shown in the balance sheet at the cost price and no revaluation reserve has been created against these equities.

Quantitative Disclosures:

b) Values of investments (for unquoted securities) as disclosed in the Balance Sheet:

	Figures in crore taka
Name of the Scrip	value
Central Depository Bangladesh Ltd	0.88
Total	0.88

c) As investment in unquoted equities does not have any maturity, we have calculated capital charge on the basis of its risk weight which is 125% of investment value.

F) Interest Rate Risk in the Banking Book (IRRBB)

Qualitative Disclosures:

Interest rate risk is the exposure of a bank's financial condition due to adverse movements in interest rates. Changes in interest rates affect a bank's earnings by changing its net interest income and the level of other interest sensitive income and operating income. Changes in interest rates also affect the underlying value of the banks assets, liabilities and off-balance-sheet instruments because the economic value of future cash flows changes when interest rates change.

Interest rate risk in the banking book can be measured on the basis of:

- 1) Earning perspective-net interest income earned in the given reporting period
- 2) Economic value perspective- net interest income measured in a given point in time such as Economic Value of Capital

Quantitative Disclosures:

**Maturity GAP on Banking Book Assets & Liabilities
As on December 31, 2010**

Figure in crore taka

Particulars	Up to 1 month	1 to 3 month	3 to 12 month	1 to 5 years	Above 5 years	Total
Asset						
Cash in hand	424.58	-	-	-	-	424.58
Balance with other banks & Financial Institute	0.53	28.19	-	-	-	28.72
Placement with other banks & Financial Institute	90.00	230.00	500.00	-	-	820.00
Investment in Sharea & Securities (only HTM)	-	-	-	210.00	0.88	210.88
Investment (Loans and Advances)	350.19	450.86	1,874.36	1,682.63	1,000.25	5,358.29
Fixed Assets				32.89	32.65	65.54
Other Assets	21.79	31.03	32.89	125.66	222.43	433.80
Total	887.09	740.08	2,407.25	2,051.18	1,256.21	7,341.81
Liabilities						
Placement from other banks & Financial Institute	118.00	70.00	380.00	-	-	568.00
Deposits	558.38	569.53	1,915.97	2,059.67	193.85	5,297.40
Provision and other liabilities	74.80	47.01	95.11	125.23	226.84	568.99
Deferred Tax Liabilities/Assets	-	-	1.36	-	-	1.36
Total	751.18	686.54	2,392.44	2,184.90	420.69	6,435.75
GAP	135.91	53.54	14.81	(133.72)	835.52	906.06
Cumulative Gap	135.91	189.45	204.26	70.54	906.06	

Impact of Upward Interest Rate on Banking Book for One Year in Different Time Buckets

Figure in crore taka

Particular/ shock	Minor	Moderate	Major
Increase in interest rate	1.00%	2.00%	3.00%
Period	Upto 1 month		
Gap	135.91	135.91	135.91
Impact on Nil (Net Interest Income)	0.11	0.23	0.34
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	0.07	0.13	0.20
Period	1 to 3 month		
Gap	53.54	53.54	53.54
Impact on Nil (Net Interest Income)	0.09	0.18	0.27
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	0.05	0.10	0.15
Period	3 to 12 month		
Gap	14.81	14.81	14.81
Impact on Nil (Net Interest Income)	0.11	0.22	0.33
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	0.06	0.13	0.19

Impact of Downward Interest Rate on Banking Book for One Year in Different Time Buckets

Figure in crore taka

Particular/ shock	Minor	Moderate	Major
Decrease in interest rate	(1.00%)	(2.00%)	(3.00%)
Period	Upto 1 month		
Gap	135.91	135.91	135.91
Impact on Nil (Net Interest Income)	(0.11)	(0.23)	(0.34)
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	(0.07)	(0.13)	(0.20)
Period	1 to 3 month		
Gap	53.54	53.54	53.54
Impact on Nil (Net Interest Income)	(0.09)	(0.18)	(0.27)
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	(0.05)	(0.10)	(0.15)
Period	3 to 12 month		
Gap	14.81	14.81	14.81
Impact on Nil(Net Interest Income)	(0.11)	(0.22)	(0.33)
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	(0.06)	(0.13)	(0.19)

Impact of Upward Interest Rate on Banking Book for up to One Year (Cumulative)

Figure in crore taka

Particular/shock	Minor	Moderate	Major
Increase in interest rate	1.00%	2.00%	3.00%
Gap	204.26	204.26	204.26
Period(Year)	1 Year		
Impact on Nil (Net Interest Income)	2.04	4.09	4.13
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	1.17	2.35	3.52

Impact of Downward Interest Rate on Banking Book for up to One year (Cumulative)

Figure in crore taka

Particular/shock	Minor	Moderate	Major
Decrease in interest rate	(1.00%)	(2.00%)	(3.00%)
Gap	204.26	204.26	204.26
Period(Year)	1 Year		
Impact on Nil (Net Interest Income)	(2.04)	(4.09)	(6.13)
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	(1.17)	(2.35)	(3.52)

G) Market Risk**Qualitative Disclosures:****a) View of the Board of Directors on trading/investment activities:**

Trading book consists of positions in financial instruments held with trading intent or in order to hedge other elements of the Trading Book. The portfolio of investment includes Government Treasury Bills and Bonds, Prize Bonds, Shares of listed Public Limited Companies etc. Bank always desires to invest in high yield areas and also has ensured maintenance or Statutory Liquidity Requirements (SLR) as fixed by Bangladesh Bank.

Methods used to measure Market Risk:

Market risk is the possibility of losing assets in the balance sheet and off- balance sheet positions due to volatility in the market variables viz. interest rate, foreign exchange rate, reinvestment and price. The bank measures impact on profitability and impact on asset prices under market risk through Maturity GAP Analysis, Sensitivity Analysis, VAR, Mark to Market and has adopted Standardized Measurement approach for measuring Market Risks under Basel-II

Market Risk Management System:

The Bank has its own Market Risk Management System which includes Asset Liability Risk Management (ALM) and Foreign Exchange Risk Management under core risk management guidelines.

Policies and processes for mitigating market risk:

- Risk Management and reporting is based on parameters such as Duration, PV, Exposure and Gap Limits, VaR etc, in line with the global best practices.
- Risk Profiles are analyzed and mitigating strategies / processes are suggested by the Asset Liability Committee (ALCO). Their effectiveness is monitored on an on-going basis.
- Forex Open Position limits (Day limit / Overnight limit), Deal-wise cut-loss limits, Stop-loss limit, Profit / Loss in respect of cross currency trading are properly monitored and exception reporting is regularly carried out.
- Holding of equities is monitored regularly so that the investment remains within the limit as set by Bangladesh Bank.
- Asset liability management committee (ALCO) analyzes market and determines strategies to attain business goals.

Quantitative Disclosures:**b) The capital requirements for:**

	Figures in crore taka
Interest rate risk	-
Equity position risk	3.06
Foreign exchange risk	6.50
Commodity risk	-
Total	9.56

H) Operational risk**Qualitative Disclosures****a) View of the Board of Directors on system to reduce Operational Risk:**

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputation risk.

Al-Arafah Islami Bank Limited has established an effective integrated operational risk management framework to mitigate the operational risk; The focus of operational risk is on low probability/high loss vs. high probability/low loss events.

Performance Gap of Executives and Staffs:

The bank offers competitive pay package to its employees based on performance and merit. It always tries to develop corporate culture where employees can exert their highest involvement and commitment to work and organization with high ethical standards in order to build a congenial atmosphere.

Policies and processes for mitigating operational risk:

The Bank has adopted policies which deal with managing different operational risk. Internal control and compliance-division in conjunction with the Risk Management Unit (RMU) has been performing the supervisory and monitoring, works to manage operational risk.

Approach for calculating capital charge for operational risk:

The Bank has adopted Basic Indicator Approach (BIA) to compute capital charge against operational risk under Basel -II as per Bangladesh Bank Guidelines.

Quantitative Disclosures:

	Figures in crore taka
b) The capital requirements for operational risk	47.53

**Calculation of Capital Charge for Operational Risk
Basic Indicator Approach**

Year	Gross Income (GI)	Average GI	15% of Average GI
Dec-08	217.14	316.83	47.53
Dec-09	269.35		
December 2010	464.01		
Total GI	950.5		

**Auditors' Report on the
Financial Statements of
AIBL Capital Market Services Limited
For the period ended
December 31, 2010**

AUDITORS' REPORT

We have audited the accompanying Balance Sheet of the AIBL Capital Market Services Ltd, as of 31 December 2010 and the related Income & Expenditure Account and Cash flow statements for the period then ended. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We observe that:

1. The paid up capital of the company was subscribed by Al-Arafah Islami Bank Ltd (AIBL) and other individuals at the ratio of 51.75:48.25. On verification we observe that the Securities and Exchange Commission vide their letter # SEC/ REG:-79/DSE-234/2011/599 date 3 March 2011 ordered the company to be fully owned by AIBL and transfer the shares held by individual shareholders to AIBL by 31 March 2011.
2. Contrary to the provisions of section 103 of the companies Act 1994 AIBL Capital Market Services Ltd., a subsidiary of Al-Arafah Islami Bank Ltd (AIBL) has extended loan aggregating to Taka 309.54 crore to AIBL and charged profit @13% per annum and shown under investments with AIBL.
3. AIBL Capital Market Services Ltd., incorporated on 21 September 2010, acquired memberships of Dhaka Stock Exchange and Chittagong Stock Exchange from Al-Arafah Islami Bank Ltd on 28 December 2010 and 30 December 2010 respectively in pursuant of Vendor's Agreement dated 24 October 2010. The memberships were valued as of 30 June 2010.

In our opinion, subject to above observations and its consequential effect, the annexed financial statements prepared in accordance with Bangladesh Accounting Standards (BSA), give a true and fair view of the state of the Company's affairs as of 31 December 2010 and of the results of its operations and its cash flows for the period then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof.
- (b) In our opinion, proper books of account have been kept by the organization so far as it appeared from our examination of those books.
- (c) The financial statements dealt with by the report are in agreement with the books of account.



Howladar Yunus & Co
Chartered Accountants

Dated: Dhaka
4 March 2011

Balance Sheet As at 31st December 2010

ASSETS	Notes	31.12.2010 Taka
Non - Current Assets		
Property, Plant & Equipment	4	37,618,158
Current Assets:		
Investment to Al- Arafah Islami bank	5	3,095,364,029
Profit Receivable from Al- Arafah Islami Bank		56,281,865
Membership Cost	6	700,000,000
Advance, Deposits & Prepayment	7	100,000
Preliminary Expenses		4,567,685
Cash and Bank Balance	8	210,394,698
Advance Income tax		641,009
Total Assets		4,104,967,444
EQUITY AND LIABILITIES:		
Capital and Reserve		
Paid -up Capital	9	4,000,000,000
Retained Earning		39,144,613
Current Liabilities		
Accounts Payable	10	42,286,064
Income tax provision		23,486,768
Audit fees Payable		50,000
Total Equity and Liabilities		4,104,967,444

The annexed notes form an integral part of these financial statements


Director


Director


Managing Director

Signed as per annexed report on even date


Howladar Yunus & Co.
Chartered Accountants

Dated: March 04 , 2011
Dhaka

Income Statement

For the Period from 8 November 2010 to Deember 31, 2010

INCOME & EXPENDITURE

	December-2010 <u>Taka</u>
Profit on Investment	56,281,865
Profit on Bank Deposit	6,410,090
Total operating Income (A)	<u>62,691,955</u>
Bank Charges	10,575
Audit Fees	50,000
Total operating expenses (B)	<u>60,575</u>
Profit/(loss) before provision and tax C = (A - B)	<u>62,631,380</u>
Provision for Taxation	23,486,768
Net Profit after Tax	39,144,613
Retained Earning Brought forward	-
Retained earning Carried forward	<u>39,144,613</u>
Earning per Share (EPS) (Tk. 10)	0.10



Director



Director



Managing Director

Signed as per annexed report on even date


Howladar Yunus & Co.
Chartered Accountants

Dated: March 04 , 2011

Dhaka

Cash Flow Statement For the Period Ended December 31, 2010

	31 December-2010 <u>Taka</u>
A.Cash flows from operating activities	
Profit received	62,691,955
Paid for other operating activities	(651,584)
Operating profit before changes in operating assets and liabilities	62,040,371
Increase/(Decrease) of Operating assets	
Increase/(Decrease) of Operating liabilities	-
Accounts receivable from AIBL	(3,151,645,894)
Other liabilities	100,221.00
Net Cash receipt from operating activities	(3,089,505,302)
B.Cash flows from investing activities:	
Investment and advances to other	-
Purchase of Fixed assets	-
Net cash flows from investing activities	-
C.Cash flows from financing activities	
Increase in Share Capital	1,600,000,000
Net cash flows from financing activities	1,600,000,000
D.Net increase in cash and cash equivalent (A+B+C)	(1,489,505,302)
E.Effects of exchange rate changes on cash and cash-equivalents	-
F.Net increase in cash and cash equivalent D+E	(1,489,505,302)
G.Opening cash and cash-equivalent	1,699,900,000
H.Closing cash and cash-equivalents (F+G)	210,394,698



Director



Director



Managing Director

Statement of Changes in Equity For the year ended December 2010

Particulars	Share Capital	Retained Earning	Total
Paid Up Capital	4,000,000,000	-	4,000,000,000
Profit & Loss Account	-	39,144,613	39,144,613
Balance as at 31 December , 2010	4,000,000,000	39,144,612.50	4,039,144,613

The annex notes form an integral part of these financial statements



Director



Director



Managing Director

Notes to the Financial Statements For the period ended December 31, 2010

1. Significant Accounting Policies and other materials information

a) Legal Form of the Enterprise

The Company is incorporated under the companies act 1994 as a public limited company by shares namely AIBL Capital market Services Limited on 21st September 2010. The company was entitled to commence the business also from 21st September 2010. The Company is a subsidiary company of Al- Arafah Islami Bank Limited.

b) Address of Registered Office and Principal Place of Business:

The principal place of business is the Registered Office at Peoples Insurance Bhaban (7th floor) 36 Dilkusha C/A, Dhaka-1000

c) Nature of Business Activities:

The main objective of the company are to act as a member of Dhaka stock exchange and Chittagong stock exchange limited to carry on the business of broker, or dealers in stocks, shares and securities, commercial papers, bonds, debentures stock, foreign currencies, treasury bills and/or any financial instrument. The company has eight branches in Bangladesh.

2. Basis for preparation of financial statements:

a) Statement of Compliance

The financial statements of AIBL Capital Services Limited have been prepared in accordance with the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), Companies Act 1994 and other applicable laws and regulations.

b) Measurement bases used in preparing the Financial Statements

The elements of financial statements have been measured on "Historical Cost" basis, which is one of the most commonly adopted base provided in "the framework for the preparation and presentation of financial statements" issued by the International Accounting Standard Board (IASB).

c) Going Concern

Financial statements have been prepared on going concern basis as there was no significant doubt or uncertainty to continue the operation of the company in the foreseeable future.

d) Components of financial statements:

According to International Accounting Standard (IAS) - 1, as adopted by ICAB as BAS -1 "presentation of financial statements" the complete set of financial statements includes the following components:

- i) Balance sheet
- ii) Income Statement
- iii) Cash Flow Statement
- iv) Statement of Changes in Equity and
- v) Notes to the Financial Statements

3. Principal Accounting Policies:

a) Cash flow Statement

Cash Flow Statement is prepared in accordance with BAS 7 "Cash Flow Statement". The cash flow from the operating activities have been presented under Direct Method as prescribed by the Securities and Exchange Rules 1987 and considering the provisions of Paragraph 18(b) of BAS-7 which provides that "Enterprises are encouraged to report Cash Flow from Operating Activities using the Direct Method".

b) Reporting Currency and Level of Precision:

The figures in the financial statements represent Bangladesh Currency (Taka), which have been rounded-off to the nearest Taka.

31.12.2010

4.00 Fixed Assets:

Interior Decoration	7,020,265
Computer accessories	967,952
Online software	210,082
Online hardware	1,039,743
Motor Car	16,137,800
Furniture fixture steel	148,848
Mechine equipment	6,509,113
Computer	3,430,045
Ferniture fixture wood	2,154,310

37,618,158**5.00 Accounts Receivable:**

Accounts Receivable from Al- Arafah Islami Bank limited on which profit has charged on daily product basis @ 13.00% .

3,095,364,029**6.00 Membership cost**

Membership of DSE	525,000,000
Membership of CSE	175,000,000

700,000,000**7.00 Advance, Deposit & Prepayments**

Membership of DSE	-
Membership of CSE	-
Advance against Office Space at Nikunja, Dhaka.	100,000

100,000**8.00 Cash and Bank Balance:**

Cash at Bank-Al-Arafah Islami Bank Limited	210,394,698
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9.00 Share Capital**9.01 Authorised Capital**

The authorised Capital of the Company is 100,00,00,000
Ordinary Share of TK. 10 each.

10,000,000,000**9.02 Issued, Subscribed and fully Paid-up Capital**

Issued, Subscribed and fully Paid-up Capital is 40,00,00,000
share of TK. 10 each.

4,000,000,000**9.03 Share Holding Position :**

Name of the Share Holder	% of Shareholdings	No of Shares	Taka
Al-Arafah Islami Bank Limited	51.75000%	207,000,000	2,070,000,000
Badiur Rahman	2.50000%	10,000,000	100,000,000
KYCR Coils Industries Ltd.	0.50000%	2,000,000	20,000,000
Al- haj Md. Harun-ar-Rashid Khan	1.25000%	5,000,000	50,000,000
Al-haj Hafez Md. Enayetullah	1.50000%	6,000,000	60,000,000
Alhaj Abdul Malek Mollah	1.00000%	4,000,000	40,000,000
Alhaj Nazmul Ahsan Khaled	0.50000%	2,000,000	20,000,000
KDS Garment industries Ltd.	5.00000%	20,000,000	200,000,000
Alhaj Abdus Samad	0.50000%	2,000,000	20,000,000
Alhaj Abu Naser Mohammad Yeahea	4.50000%	18,000,000	180,000,000
Alhaj Abus Salam	2.00000%	8,000,000	80,000,000
Niaz Ahmed	1.25000%	5,000,000	50,000,000
Badshah Meah	2.00000%	8,000,000	80,000,000

Alhaj Kazi Md. Mofizur Rahman	2.00000%	8,000,000	80,000,000
Alhaj Eng. Kh. Mesbahuddin Ahmed	1.75000%	7,000,000	70,000,000
Md. Ashik Hossain	0.50000%	2,000,000	20,000,000
Farid Ahmed	0.50000%	2,000,000	20,000,000
Mohammed Mahtabur Rahman	1.75000%	7,000,000	70,000,000
Alhaj Abdul Moktadir	1.00000%	4,000,000	40,000,000
Mohammed Haroon	2.25000%	9,000,000	90,000,000
A S M Mainuddin Monem	0.50000%	2,000,000	20,000,000
Ahmedul Haque	0.25000%	1,000,000	10,000,000
Sarker Mohammad Shameem Iqbal	0.25000%	1,000,000	10,000,000
Mohammed Emadur Rahman	0.75000%	3,000,000	30,000,000
Kazi Abu Kauser	0.50000%	2,000,000	20,000,000
Master Abul Kashem	0.25000%	1,000,000	10,000,000
Naba knit Composite Limited	0.25000%	1,000,000	10,000,000
Jainul Abedin Jamal	0.25000%	1,000,000	10,000,000
Kamal Uddin	0.25000%	1,000,000	10,000,000
N.Nasir Uddin	0.25000%	1,000,000	10,000,000
Majbura Begum	0.25000%	1,000,000	10,000,000
Asma Begum	0.25000%	1,000,000	10,000,000
Afroza Sultana	0.25000%	1,000,000	10,000,000
Shajjad Mustafa	0.25000%	1,000,000	10,000,000
Azad Mustafa	0.25000%	1,000,000	10,000,000
Farhana Irin	0.25000%	1,000,000	10,000,000
Tanveer Nawaz	0.25000%	1,000,000	10,000,000
Sk. Md. Samiul Islam	0.25000%	1,000,000	10,000,000
Kawsar Azizur Rahman	0.25000%	1,000,000	10,000,000
Mohammad Jahangir	0.25000%	1,000,000	10,000,000
Mollah Mahmood Malek	0.50000%	2,000,000	20,000,000
Mollah Mazharul Malek	0.25000%	1,000,000	10,000,000
Norrish Poultry and Hatchery Ltd.	1.00000%	4,000,000	40,000,000
Galco Steel Bangladesh Ltd.	0.50000%	2,000,000	20,000,000
Mohammed Oheidul Alam	0.25000%	1,000,000	10,000,000
Sahana Ferdous	0.25000%	1,000,000	10,000,000
MST Marine Services and Traders Ltd.	0.25000%	1,000,000	10,000,000
Woodbreeze Limited	0.25000%	1,000,000	10,000,000
Zephyr International LTD.	0.25000%	1,000,000	10,000,000
Paean intl Ltd.	0.25000%	1,000,000	10,000,000
Shabana Niaz	0.50000%	2,000,000	20,000,000
Golden Oils Mills Ltd.	1.00000%	4,000,000	40,000,000
Shahida Anowar	0.50000%	2,000,000	20,000,000
Dubai Bangladesh Cement Mills Ltd.	0.25000%	1,000,000	10,000,000
Islamic Commercial Insurance Co. Ltd.	1.25000%	5,000,000	50,000,000
Faisal Ahmed	0.50000%	2,000,000	20,000,000
Mohammed Oliur Rahman	0.75000%	3,000,000	30,000,000
Reedisha knitex Ltd.	0.75000%	3,000,000	30,000,000
Md.Nurul Hoque	0.25000%	1,000,000	10,000,000
Kh Sakib Ahmed	0.50000%	2,000,000	20,000,000
TOTAL	100.00%	400,000,000	4,000,000,000

10.00 Accounts Payable

Fixed Assets	37,618,158
Preliminary Expenses	4,567,685
Others	100,221
	42,286,064

Accounts payable to Al- Arafah Islami Bank limited on which profit has charged on daily product basis @ 13.00% .

- 11.00** The Bank carried out transactions with related parties in the normal course of business on an arm length basis. As on December 31,2010 the the company had the following transaction with the Related Party(ies) and profit has been charged @13.00% on outstanding balances .

Name of the Related Parties	Relationship	Nature of Transaction	Balance at year end
AL- Arafah Islami Bank Ltd.	Holding Company	Account Receivable	3,095,364,029



Director



Director



Managing Director

Annexure-A

Fixed Assets Schedule As on 31st December 2010

Particulars	Cost			Balance as at 31-Dec-10 Taka	Depreciation			Written Down Value as at 31-Dec-10 Taka
	Opening Balance Taka	Addition during the year Taka	Disposal during the year Taka		Opening Balance Taka	Charge for the year Taka	Adjustment during the year Taka	
Interior decoration	5,209,765	1,810,500	-	7,020,265	-	-	-	7,020,265
Computer Accessories	825,161	142,791	-	967,952	-	-	-	967,952
online software	210,082	-	-	210,082	-	-	-	210,082
online Hardware	1,039,743	-	-	1,039,743	-	-	-	1,039,743
Motor car	5,287,800	10,850,000	-	16,137,800	-	-	-	16,137,800
Furniture fixture- Steel	148,848	-	-	148,848	-	-	-	148,848
Mechine equipment	5,987,213	521,900	-	6,509,113	-	-	-	6,509,113
Computer	3,187,695	242,350	-	3,430,045	-	-	-	3,430,045
Furniture fixture wood	2,102,606	51,704	-	2,154,310	-	-	-	2,154,310
Total	23,998,913	13,619,245	-	37,618,158	-	-	-	37,618,158

BRANCHES OF AIBL

DHAKA DIVISION

Banani Branch (AD)

16, Kamal Ataturk Avn, Banani, Dhaka
8810419, Fax- 8810587

Motijheel Corporate Branch

125, Motijheel C/A, Dhaka-1000
7160808, 0173-0019595

Dhanmondi Branch

H#54/1, R#4/A, Dhanmondi, Dhaka
8610913, 01819-255906

Dilkusha Branch (AD)

63, Dilkusha C/A, Dhaka-1000
9559063, 01819-260304

Islampur Branch

29-31, Islampur Road, Dhaka
7393800, 7393754

Jatrabari Branch

6 S.F. Sharak, West Jatrobari, Dhaka
7554510, 7554477

Joydebpur Chowrasta Branch

Joydebpur Chowrasta, Gazipur
9256196, 01819-261297

Kapasia Branch

Kapasia Bazar, Kapasia, Gazipur
06824-52055, 01671-973077

Konapara Branch

958, Konapara Bazar, Demra, Dhaka
01811-409592

Motijheel Branch (AD)

161, Motijheel C/A, Dhaka-1000
9569350 (D), 01819-771017

Moulvibazar Branch (AD)

3, Moulvibazar, Dhaka
7311989, 01819-211828

Mirpur Branch

5/H-G, Darus-Salam Road, Mirpur-1, Dhaka
9008123, 9010623

Mymensingh Branch

70, Choto Bazar, Mymensingh
091-66714, 01912-000458

Mouchak Branch

76 D.I.T. Road, Malibagh, Dhaka
9339006, 01710-853872

Mohammadpur Krishi Market Branch

32/8(Ka), T.M. Road, Mohammadpur, Dhaka
9142732, 01819-255297

Madhabdi Branch

691-694 Madhabdi Bazar, Narshingdi
9351805, 01711-613484

Nawabpur Road Branch (AD)

85/87, Nawabpur Road, Dhaka
7110708, 01819-202754

North South Road Branch

96, Nazrul Islam Sarani, Bangshal, Dhaka
7167682-3, 01819-411415

New Elephant Road Branch(AD)

91, New Elephant Road, Dhaka
9665323-4, 01819-244902

Narayangonj Branch

71, B.B. Road, Narayangonj
7645821-22, 01819-411430

Pagla Branch

Afser Karim Bhabon, Pagla, Narayangonj
7682356, 01819-253591

Progati Sharani Branch

Ga-133/3 Progati Sharani, Dhaka
9863317, 01713-204935

Uttara Model Town Branch

H#13 R # 14/A, S-4, Uttara, Dhaka
8916454, 01713-012889

VIP Road Branch (AD)

86, Inner Cerculer Road, Dhaka
9345871-2, 01819-212743

Gulshan Branch

Hosna Center, 106 Gulshan Avenue, Dhaka
9886271, 9863236, 01713-123503

Hazaribagh Branch

149, Hazaribagh bazar, Dhaka-1209
9611758-9, 01811-157536

Keranigonj Branch

Haridia Shopping Complex, Kadamtali, Keranigonj
7763100, 7763099, 01914-874850

Manda Branch

96 North Manda, Dhaka
7277772, 7277388, 01552-490339

Nandipara Branch

Nandipara Bazar, Dhaka.
7811053

Bhairab Branch

74, Kaporpotty, bhairab, Kishorgonj
09424-71774, 01817-032726, Fax: 09424-71775

Gazipur Branch

Holding # K-280 , B IDC Road, Gazipur
926-1102, 926-1140, 01811-448051

Hemayetpur Branch

Asha Plaza (1st Floor), Hemayetpur Bus Stand,
Hemayetpur, Savar, Dhaka
01911-398935, 01825-928909

Kamrangirchar Branch

Hazi Kamal Super Market, Kamrangirchar, Dhaka
961-4457-8, 01815-451189, Fax - 961-4459

Khilkhet Branch

B-34/Ka, Khilkhet Super Market , Khilkhet, Dhaka
895-4789, 895-4860, 01811-483199

Mirpur-10 Golchatter Branch

House - 27 Road - 1, Block - Kha, Mirpur-10, Dhaka
9006979, 9011766, 01715-619789

South Jatrabari Branch

314/A South Jatrabari, Dhaka
7545161, 7544840, 01710-857238

Abdullahpur SME Branch

Minnat Plaza, Abdullahpur Bazar, Abdullahpur,
Keranigonj, Dhaka 1311
01713-810082, 01916-152104

Bandar SME Branch

555/1, Wilson Road, Bandar Bazar, Narayanganj
766-1317-8, 01826-180327

Panchdona SME Branch

Panchdona Chowrasta, Narshingdi
01718-080042

CHITTAGONG DIVISION**Agrabad Branch (AD)**

34, Agrabad C/A, Chittagong
031-713372-3, Fax- 031-2514695

Hathazari Branch

Hathazari Bazar, Chittagong
031-2601679, 01811-408492

Jubilee Road Branch (AD)

221, Jubilee Road, Chittagong
031-637680, 01819-315480

Khatungonj Branch (AD)

146, Khatungonj, Chittagong
031-622229-30, 01712-191878

O.R. Nizam Road Branch

943, O.R. Nizam Road, Nasirabad, Chittagong
031-656567-8, 01819-345030

Potherhat Branch

Potherhat, Rauzan, Chittagong.
01817-058797

Cox's Bazar Branch

Kashem Plaza, East Bazarghat, Cox's Bazar
0341-51081-2, 01819320289

Chowmuhani Branch

857,858 Hazipur, Feni Road, Noakhali
0321-51000, 01715-033336

Feni Branch

33-34 S.S.K Road, Feni
0331-63548-9, 01911-711950

Comilla Branch

257,240, Monoharpur, Kotwali, Comilla
081-64546, 01711-431174

Companigonj Branch

Companigonj Bazar, Muradnagar, Comilla
08026-59076, 01712235569

Gollai Branch

Gollai, Chandina, Comilla
01715-219672

Brahmanbaria Branch

Mosjid Road, Hazi Mansion, Brahmanbaria Sadar
0851-59330, 01927-563888

Akhaura SME Branch

Collage Road, Sarak Bazar, Akhaura , B.Barria
08522-56155, 01740-619012

Bashurhat SME Branch

34, Main Road, Bashurhat, Noakhali
01815-375806

Tantarbazar SME Branch

Tantar Bazar, Akhaura, Brahmanbaria
01743-244344

SYLHET DIVISION**Ambarkhana Branch**

4877, 4874 Ambarkhana, Sylhet
0821-2832161-2, 01711-312599

Beani Bazar Branch

825, South Beani Bazar, Sylhet
08223-56114-5, 01713-409987

Laldighirpar Branch

1795, Reasot Tower, Laldighirpar, Sylhet
0821-710809, 01819-550426

Moulvibazar Branch

99-100 Saifur Rahaman Road, Moulvibazar
0861-54106-7, 01714-000907

Ruposhpur Branch

1450 Central Road, Srimangal, Moulvibazar
08626-71242, 01711431173

Zindabazar Branch

Jalalabad House, Zindabazar, Sylhet
0821-722078-9, 01711-431175

Madhabpur SME Branch

265-349, Madhabpur Bazar, Hobigonj
0832-756352, 01716-082820

KHULNA DIVISION**Khulna Branch (AD)**

4, Sir Iqbal Road, Khulna
041-721249, 01712-091747

Benapole Branch

283, 284, Benapole Bazar, Jessore
04228-75686, 01711-431176

Jessore Branch

27, M.K. Road, Jessore
0421-68571, 01711-431060

Satkhira Branch

466, Bara Bazar Sarak, Satkhira
0471-63606, 01712-514660

Chuknagar Branch

Chuknagar Bazar, Dumuria, Khulna
01727-043255, 01712-236127

Mongla branch

19/A, Mongla Port I/A, Mongla, Bagerhat
04662-75105-6, 01741-301916

BARISHAL DIVISION**Barisal Branch**

444 Hemayetuddin Road, Barisal
0431-64476, 01727379119

Jhalakathi Branch

68, Monohari Patti, Jhalakathi
0498-62808, 01711-194078
Fax : 0498-62807

Bhola Branch

Jahangir Plaza, Sadar Road, Bhola
0491-61244-5, 01715-602316, Fax - 0491-61244

Mathbaria Branch

289 Pharmacy Road, Mathbaria, Pirojpur
04625-75374, 01751-108816, Fax - 04625-75373

RAJSHAHI DIVISION**Rajshahi Branch (AD)**

239,248 Shaheb Bazar, Boalia, Rajshahi
0721-775171, 01727-179771

Bogra Branch (AD)

21/1 Nazib Mansion, Thana Road, Bogra
051-69994-5, 01713-203754

Mohadevpur Branch

Plot No. 425, Mohadevpur, Noagaon
07426-75136, 01711-425675

Saidpur Branch (AD)

Dr. Zikrul Hoque Road, Saidpur Nilphamari
05526-72804, 01716-236334
Fax : 05526-72804

Dinajpur Branch

333, Nimtala, Dinajpur
0531-61865-7, 01928-771006

Badargonj SME Branch

Upazila Road, Badargonj, Rangpur
05222-56571-4, 01712-037959



