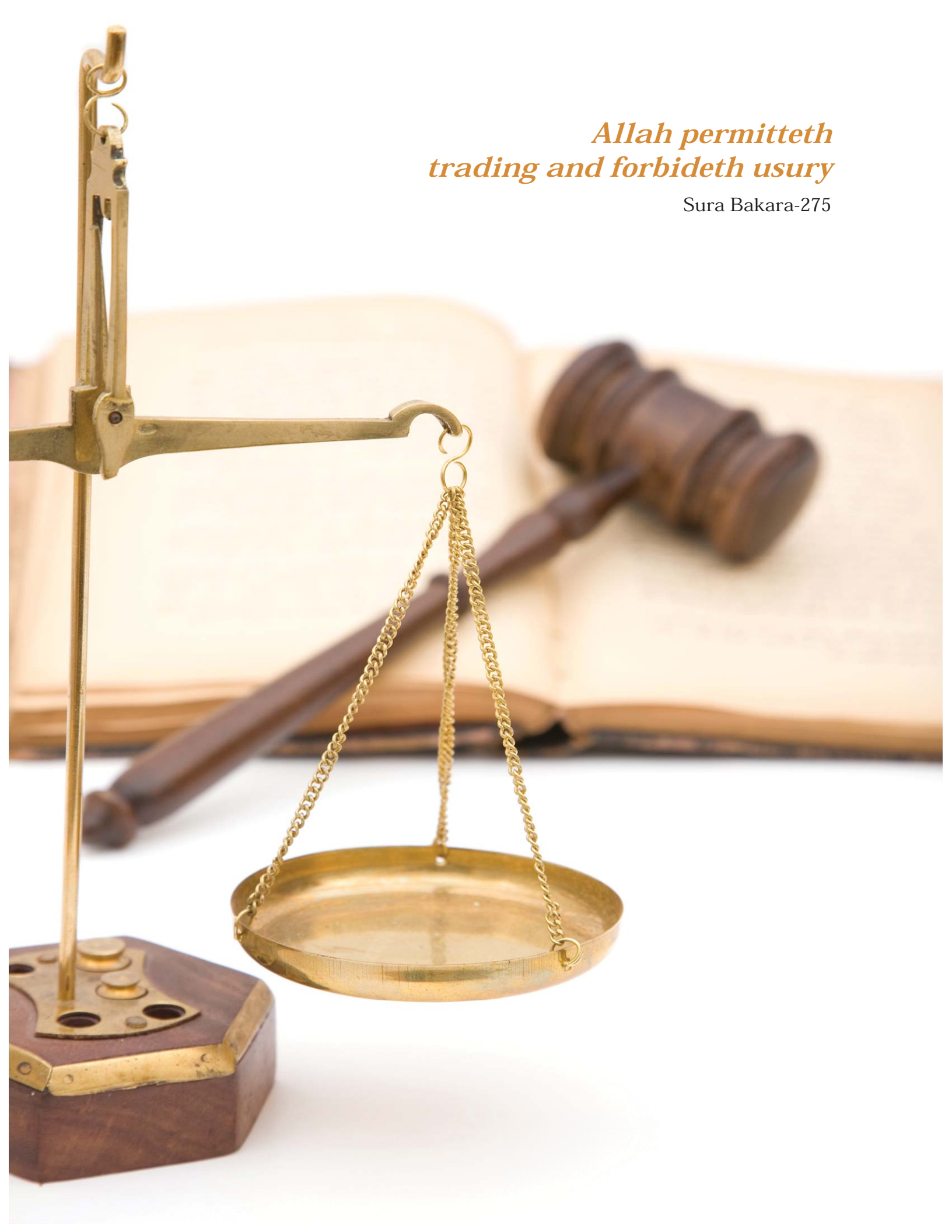




Annual Report 2012

*Allah permitteth
trading and forbideth usury*

Sura Bakara-275



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"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)

Qur'anic Verses on Interest



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)



- 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 hoping for nothing again.' (Luke VI 35, Hanley: History of Economic Thought 1964, Page 101)

*Opinion of other Religions
and Great Men on Interest*

Board of Directors

Directors

Badiur Rahman

Chairman

Sarker Mohammad Shameem Iqbal

Vice Chairman

Member:

Alhajj Md. Harun-ar-Rashid Khan

Alhajj Nazmul Ahsan Khaled

Alhajj Abdul Malek Mollah

Hafez Alhajj Md. Enayet Ullah

Alhajj Abdul Moktadir

Alhajj Ahamedul Haque

Alhajj Abdus Samad

Alhajj Abu Naser Mohammad Yeahea

Alhajj Engr. Kh. Mesbahuddin Ahmed

Alhajj Mohammed Abdus Salam

Alhajj Niaz Ahmed

Md. Ashik Hossain

Mohammed Emadur Rahman

Dr. Md. Shafiul Haider Chowdhury (Alternative Director of Alhajj Badsha Meah)

Alhajj Mohammed Haroon

Brig. Gen. M.A. Malek (Retd.)

Kazi Badruddin Ahmed

Ex Officio Director

Ekramul Hoque

Managing Director

Company Secretary

Md. Mofazzal Hossain

Deputy Managing Director

Executive Committee

Alhajj Abdus Samad

Chairman

Alhajj Abdul Malek Mollah

Vice-Chairman

Member:

Alhajj Md. Harun-ar-Rashid Khan

Alhajj Md. Nazmul Ahsan Khaled

Hafez Alhajj Md. Enayetullah

Alhajj Ahmedul Haque

Alhajj Abu Naser Mohammad Yeahea

Audit Committee

Sarker Mohammad Shameem Iqbal

Chairman

Member

Alhajj Mohammed Abdus Salam

Alhajj Niaz Ahmed

Md. Ashik Hossain

Brig. Gen. M.A. Malek (Retd.)

Shariah Supervisory Committee

Mufti Abdur Rahman

Chairman

Member

Mufti Ruhul Ameen

Mawlana Abdul Basit Barkatpuri

Mufti Muinul Islam

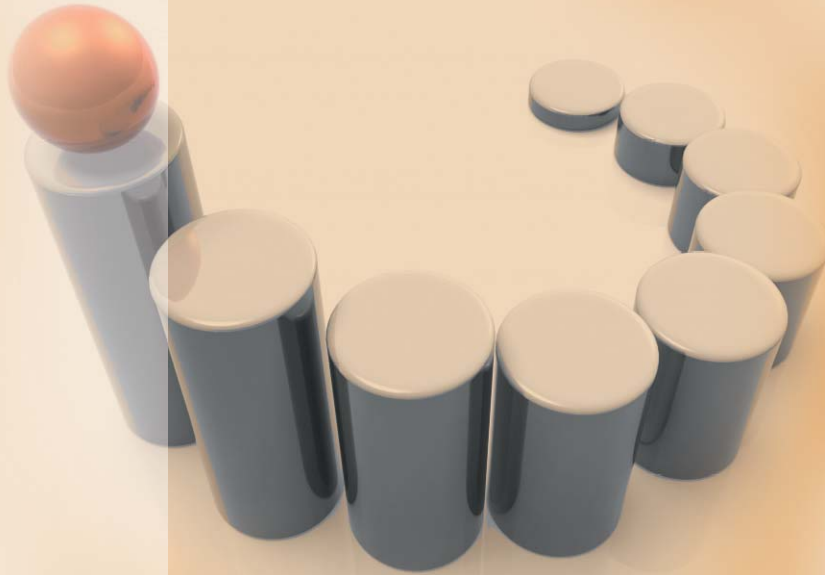
Alhajj A. Z. M. Shamsul Alam

Badiur Rahman

Secretary

Md. Abdur Rahim Khan

Board of Directors



Management Team

Managing Director

Ekramul Hoque

Deputy Managing Director

Md. Rafiqul Islam

Khondoker Nayeemul Kabir

Md. Mofazzal Hossain

Kazi Towhidul Alam

Md. Golam Rabbani

Executive Vice President

Md. Mominul Haque Bhuiyan

Md. Fazlul Karim

Md. Mahmoodul Haque

Muhammed Nadim ACA

Syed Masodul Bari

Borhanuddin Ahmed Chowdhury

Senior Vice President

Md. Nazmus Saadat

M. Atiqur Rahman

Manir Ahmad

Md. Abdur Rahim Duary

Md. Zakir Hossain

Md. Zakir Anam

A.N.M. Mofidul Islam

Engr. Md. Habib Ullah

Md. Abdullah Al-Mamun

Abed Ahmed Khan

Md. Abdus Zaher

Md. Abul Hossain

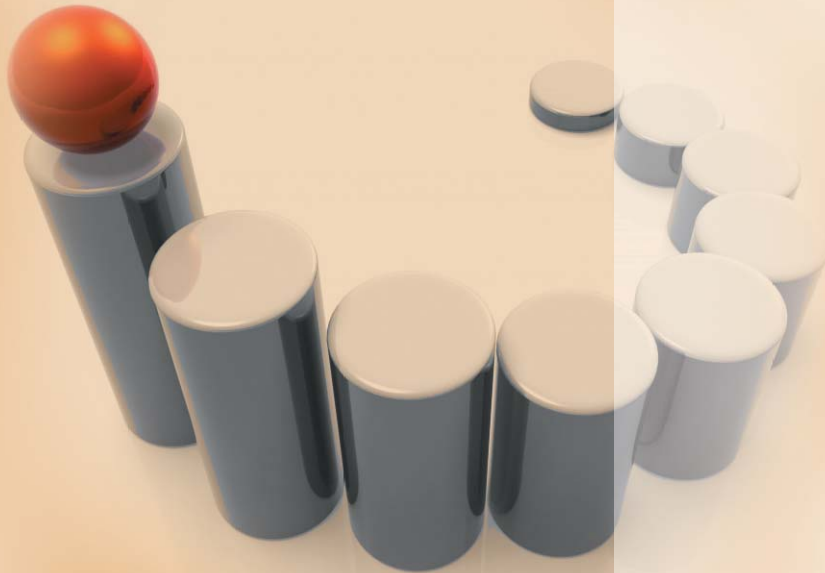
Md. Showkat Islam

A.K.M. Amzad Hossain

Md. Manjur Hasan

Md. Badruzzaman Bhuiyan

Md. Monjurul Alam



Vice President

Md. Abul Quassem
 Md. Fazlur Rahman (Ashrafi)
 Md. Aminul Islam Bhy.
 Md. Jafar Ullah
 A.T.M. Mostafizur Rahman
 Mohd. Yahya
 Iqbal Hossain Ahmed
 Md. Harunoor Rashid
 Md. Mujibur Rahman
 S. M. Kowsar
 Md. Abul Basher
 Aktar Kamal
 Md. Rajibul Islam Bhuiyan
 Md. Mazharul Islam
 Mohammed Hossain
 Md. Azharul Islam
 Md. Miran Shah Chowdhury
 Mohd. Javed Tarek Khan
 Md. Tariqul Amin
 Md. Emarat Hossain Khan
 A. K. M. Sazzad Hossain
 Md. Zahidul Islam
 S. M. Abu Jafar
 Md. Mostafizur Rahman
 Md. Nazmul Huda
 Md. Asaduzzaman Bhuiyan
 Mohammad Golam Kibria
 Md. Abdur Rahim Sarder
 Md. Mosharof Hossain
 Md. Zakir Hossain Bhuiya

Assistant Vice President

M. Anisur Rahman
 Md. Mizanur Rahman
 Munshi Amanul Haque
 Majibur Rahman
 Md. Nizamul Hoque Chy.
 Md. Sultan Mahmud

Md. Golam Sarwar
 Md. Idris Ali
 Md. Obaydul Islam
 Md. Mujahid Khalid
 C. G. M. Asaduzzaman
 Monir Ahammad
 Md. Hedayeatul Islam
 Md. Abul Kalam
 Mohd. Ziaul Karim Chow.
 Mollah Khalilur Rahman
 Md. Mainul Islam
 Md. Jahangir Alam
 Md. Asaduzzaman Khan
 Kamal Hossain
 Jalal Ahmad
 Md. Kabir Ahamed
 Ashraf Hossain
 Md. Zahid Hasan
 Md. Mahbubul Hoque
 Md. Mogreb Ali
 Ishtiaq Ahmed
 Md. Habibullah Bahar
 Jalal Ahmed
 Md. Sharif Chowdhury
 Mahbub Hasan
 Md. Mahbub Alam
 Md. Luthfur Rahman
 Khondoker Monirul Hoque
 Md. Nahid Hossain
 Md. Shamsul Huda Babar
 Jashim Ahmed Chy.
 A.K.M. Fokhrul Islam
 Touhid Siddique
 Md. Abdul Jabbar
 Md. Nazrul Islam
 Md. Mohiuddin Bhuiya
 Md. Salamat Ullah

Management Team



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	10,000.00 Million
Paid-up Capital	7,130.98 Million
Local Partnership of Capital	100%
Equity	14,050.69 Million
Number of Branches	100
Deposit	118,683.39 Million
Investment	106,650.42 Million
Number of Employees	2,110
Number of Shareholders	52,739



Honorable Chairman, Directors & Managing Director of AIBL are seen on the dais at the 17th Annual General Meeting

Auditors

SYFUL SHAMSUL ALAM & CO.

Chartered Accountants
Paramount Hights (level-6)
62/2/1, Box Culvert Road
Purana Palton, Dhaka-1000

MASIH MUHITH HAQUE & CO.

Chartered Accountants
UTC Building (13th Floor)
8 Panthapath
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



A section of the Shareholders attending 17th Annual General Meeting of AIBL



Notice of the 18th Annual General Meeting (AGM)

Notice is hereby given that the 18th Annual General Meeting of the shareholders of Al-Arafah Islami Bank Limited will be held on Tuesday, the 14 May 2013, at 10.30 a.m. at 'Hall of Fame, Bangabandhu International Conference Centre' Agargaon, Shre-e-Bangla Nagar, 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 2012;
2. To declare Dividend for the year 2012;
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)
DMD & Company Secretary
4 April, 2013
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. April 18, 2013 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	2008	2009	2010	2011	2012	Growth%
Income Statement						
Investment Income	3,456.34	4,004.54	4,306.62	9,481.01	14,998.60	52.20
Profit paid on Deposit	2,220.47	2,667.34	3,133.69	5,466.12	9,710.48	77.65
Net Investment Income	1,235.87	1,337.20	1,172.93	4,014.89	5,288.12	31.71
Non Investment Income	936.81	1,301.10	3,378.95	1,851.58	1,693.98	(8.51)
Non Investment Expenses	644.59	908.47	1,328.61	1,539.69	2,226.56	44.61
Net Non Investment Income	292.22	392.63	2,050.34	311.89	(532.58)	(270.76)
Profit Before Tax & Provision	1,528.09	1,729.83	3,223.27	4,326.78	4,755.54	9.91
Provision For Investment	269.20	140.59	370.80	380.16	811.44	113.45
Profit Before Tax	1,258.89	1,589.24	2,852.47	3,946.62	3,944.10	(0.06)
Provision For Tax (including Deferred Tax)	590.66	730.25	893.43	1,747.87	1,998.69	14.35
Profit After Tax	668.23	858.99	1,959.04	2,198.75	1,945.40	11.52
Balance Sheet						
Authorized Capital	2,500.00	5,000.00	5,000.00	10,000.00	10,000.00	-
Paid up Capital	1,383.81	1,798.95	4,677.28	5,893.37	7,130.98	21.00
Reserve Funds & Other Reserve	905.33	1,223.18	1,779.08	2,437.43	4,079.63	67.37
Shareholders' Equity (Capital & Reserve)	2,705.74	3,564.73	9,790.36	11,989.11	14,050.69	17.20
Deposits	29,690.12	38,355.50	53,882.96	82,186.98	118,683.39	44.41
Investment	27,742.57	36,134.08	53,582.96	77,714.95	106,650.42	37.23
Investment in Shares & Securities	1,090.23	1,502.00	2,078.83	3,771.83	5,511.24	46.12
Fixed Assets	396.76	466.30	655.39	968.13	2,394.62	147.34
Total Assets (Excluding off-balance sheet items)	37,177.22	48,515.79	74,005.01	106,768.18	149,320.36	39.85
Foreign Exchange Business						
Import Business	32,685.13	34,074.80	55,934.10	76,112.10	71,931.70	(5.49)
Export Business	20,176.64	23,546.10	32,042.40	52,202.10	58,476.60	12.02
Guarantee Business	784.49	2,841.32	3,081.15	1,812.38	1,955.72	7.91
Inward Foreign Remittance	2,672.04	2,832.28	4,431.90	6,876.20	23,120.40	236.24
Capital Measures						
Core Capital (Tier-I)	2,639.08	3,498.07	9,582.85	11,924.50	13,073.14	9.63
Supplementary Capital (Tier-II)	410.26	567.89	929.96	1,123.40	1,731.59	54.14
Tier-I Capital Ratio	9.70	9.68	13.21	12.31	10.38	(15.70)
Tier-II Capital Ratio	1.51	1.57	1.28	1.16	1.37	18.49
Total Capital	3,049.34	4,065.96	10,512.81	13,047.90	14,804.73	13.46
Total Capital Ratio	11.21	11.25	14.49	13.47	11.75	(12.76)
Investment Quality						
Volume of Non-Performing investment	817.90	608.14	610.48	751.10	1,783.60	137.47
% of NPLs to Total investment	2.75	1.68	1.14	0.95	1.63	71.58
Provision for Unclassified investment	298.09	409.19	666.95	866.46	1,021.15	17.85
Provision for Classified investment	329.78	173.13	137.58	305.93	711.63	132.61
Provision for Off Balance sheet Exposures	77.80	124.35	230.71	214.48	221.66	3.35
Share Information						
Number of Shares Outstanding	138,381,040	179,895,360	467,727,936	589,337,199	713,098,010	21.00
Earning per Share (Taka)	3.72	2.00	4.14	3.73	2.38	(14.70)
Book Value per Share (Taka)	19.55	19.82	16.47	16.69	20.19	20.96
Market Price per Share (Taka)	44.40	53.63	66.88	37.80	24.29	(35.74)
Price Earning Ratio (Times)	9.53	11.23	13.24	10.13	10.21	(24.67)
Price Equity Ratio (Times)	2.27	2.71	4.06	2.26	1.20	(46.88)
Dividend per Share						
Cash Dividend (%)	-	-	-	-	-	-
Bonus Share	30	30	26	21	17	(19.05)
Operating Performance Ratio						
Net Profit Margin%	4.87	4.11	2.22	5.55	5.88	5.99
Investment /Deposit Ratio	93.44	94.21	93.43	89.07	90.56	1.67
Return on Equity (ROE)%	24.70	24.10	20.01	18.34	13.51	(26.31)
Return on Assets (ROA)%	1.80	1.77	2.65	2.06	1.30	(36.73)
Cost of fund %	10.46	11.08	9.72	11.08	12.34	11.37
Cost /Income ratio in operating business (%)	65.17	67.40	58.06	61.82	71.51	15.68
Other Information						
Number of Branches	50	60	78	88	100	13.64
Number of Employees	1,080	1,296	1,711	1,807	2,110	16.77
Number of Shareholders	10,664	11,382	49,386	54,267	52,739	(2.82)



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 channelizing 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 2012, total value added by AIBL was BDT 5,262.70 million as against BDT 4,914.93 million in 2011. Bank's direct contribution to the economy was BDT 1,998.69 million in the form of corporate income tax. The Bank distributed BDT 1,419.21 million for its total 2,110 officials in 2012 as against that of BDT 918.41million in 2011.

At the end of 2012, the Bank mobilized total deposits of BDT 118,683.39 million and aided the economy in meeting its growth target by deploying BDT 106,650.42 million as investment to different sectors of the economy. Apart from these, the Bank performed significant import and export business.

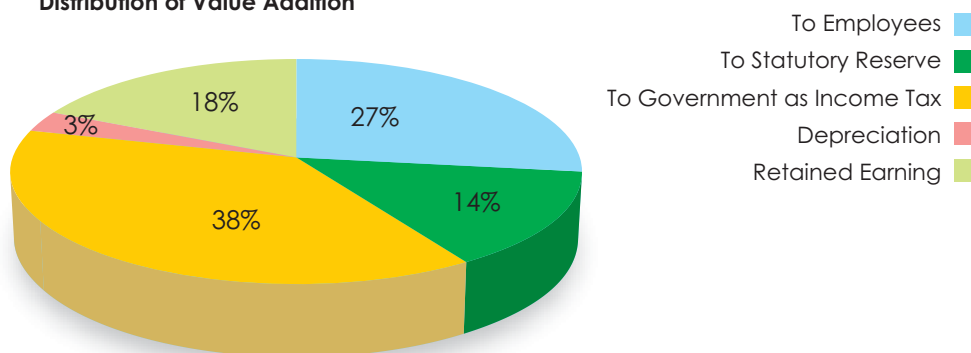
Value Added Statement

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	2012	2011
Income from Banking Service	16,692.58	11,332.59
Cost of Services & Supplies	(10,618.44)	(6,037.50)
Value added by Banking Services	6,074.14	5,295.09
Provisions for Investment & Off-Balance Sheet Items	(811.44)	(380.16)
Total Value Addition	5,262.70	4,914.93
Value Distributed		
To Employees	1,419.21	918.41
To Statutory Reserve	729.24	658.35
To Government as Income Tax	1,998.69	1,747.87
Depreciation	150.66	86.77
Retained Earning	964.90	1,503.53
Total	5,262.70	4,914.93

Distribution of Value Addition

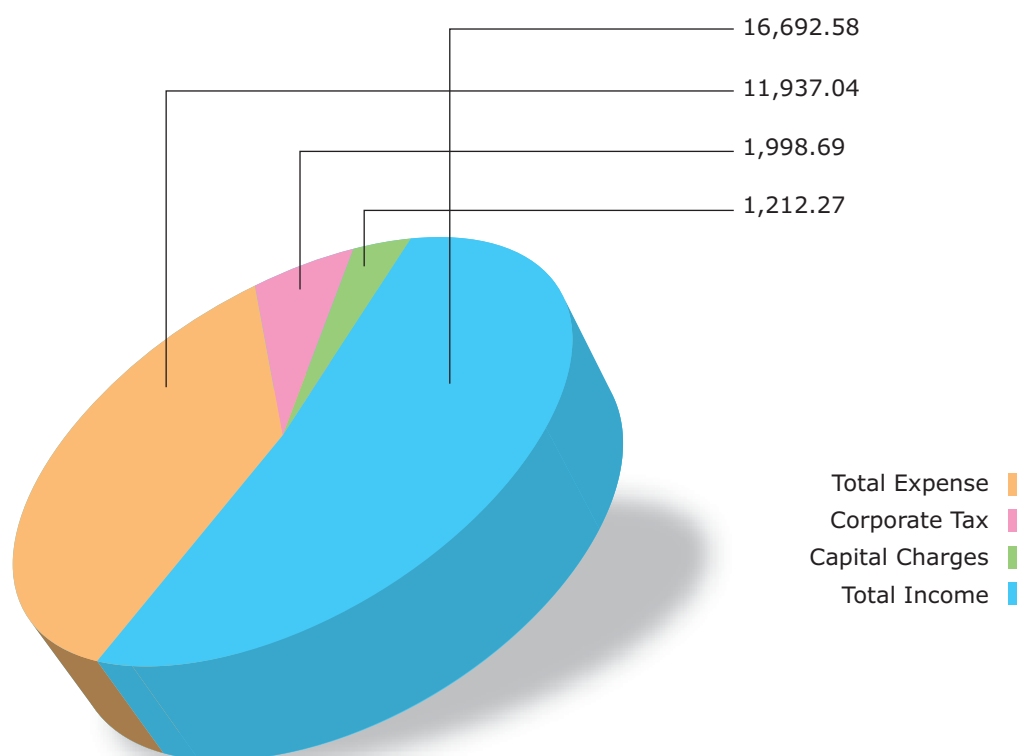


Economic Value Added Statement

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 1,544.58 million as on 31 December 2012 as against that of BDT 1,341.30 million in 2011.

(BDT in million)

Particulars	2012	2011
Shareholders Equity	14,050.69	11,989.11
Total Income	16,692.58	11,332.59
Total Expense	(11,937.04)	(7,005.81)
Corporate Tax	(1,998.69)	(1,747.87)
Capital Charges*	(1,212.27)	(1,237.61)
Economic Value Addition	1,544.58	1,341.30



* 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.

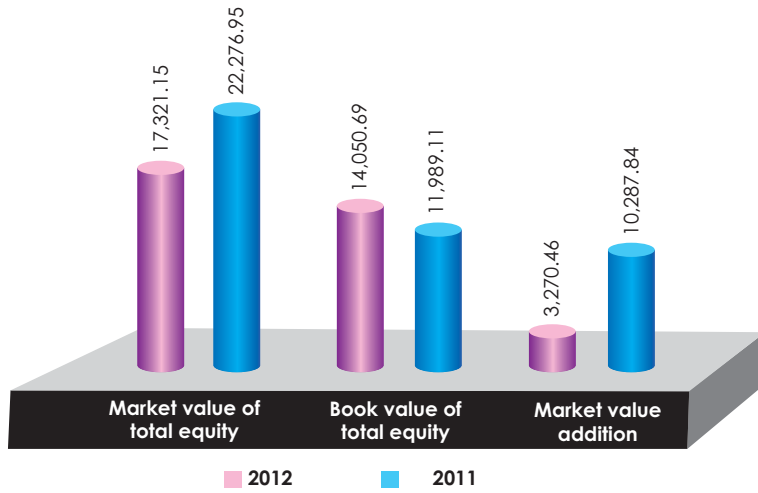
(BDT in million)

Particulars	2012	2011
Market value of total equity	17,321.15	22,276.95
Book value of total equity	14,050.69	11,989.11
Market value addition	3,270.46	10,287.84



The Bank reached the milestone of having 100 branches in 2012 by opening its Teknaf Branch

Market Value Addition



Total number of share outstanding : 713,098,010 (589,337,199)*
 Market value per share : BDT 24.29 (37.80)*

* Previous Year's figures in brackets.



The Bank has constructed 70 houses for the tornado-affected people in Brahmanbaria as part of its Corporate Social Responsibility



Chairman's Address

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
Assaiamu Alaikum,

It is my great pleasure to welcome you all to the 18th 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 2012. Though In year 2012 there was a liquidity pressure 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.

Though there was a liquidity crisis in the banking sector the Bank has mobilized a deposit of Tk. 118,686.39 million at the year ended 31 December 2012 registering a growth of 44.41% over the previous year.

On the other hand the total investment of the Bank to the valued customers amounting to Tk.106,650.42 million registering a growth of 37.23% over the previous year.

Import, export and remittance is directly related to the international trade as well as domestic policy of the country The total import of the Bank in the year 2012 has stood Tk. 71,931.70 million decrease of 5.49% over

the previous year and the total export has stood Tk. 58476.60 million registering a growth of 12.02% over the previous year. Besides during the year 2012 the bank received foreign Remittance 23,120.40 million, which is 236.24% higher than the previous year.

The total assets of the Bank increased to Tk. 149,320.36 million as on 31 December 2012 which was Tk. 106,768.18 in 2011.

In 2012 the Bank earned a profit before tax & provision of Tk. 4,755.54 million which is 9.91% higher than the previous year.

Total branch increased to 100 at the end of the year 31 December 2012. The authorized capital of the Bank is Tk. 10,000.00 million and paid up capital and reserve is Tk. 11,210.60 million as on 31 December 2012.

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 securitization. As on 31 December 2012 ratio of classified investment to total investment is 1.63%.

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 Islami 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 2013 will be on:

- Introduced credit card
- Process to get VISA membership to provide Islamic VISA International and local card among our customers very soon.
- To become more shariah compliant.
- To reduce the non-performing assets below 0.75%.
- Opening AIBL Capital Management Ltd. which is the subsidiary company of Al-Arafah Islami Bank Ltd.
- Establish 105 ATM Booths at various important location. Meanwhile we have deployed 30 ATM booths in prime location and another 75 ATMs are in pipe line.
- We have already joined as a pilot project member bank of National Payment System (NPS) conducted by Bangladesh Bank which will make our customers very comfortable in case of ATM, POS and other electronic transactions by accessing this system.

- Thrust in SME investment.
- Sound financial management.
- 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 10 new branches.
- Stable dividend.
- Green Banking Policy
- Establish ethical Bank
- Development skill manpower through imparting training as part of Eco friendly business & CSR activities.

We have Al-Arafah Islami Bank Foundation to render social service as a part of corporate social responsibility. During the year 2012 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-2012. 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: 14 May, 2013



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 2012. 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 2012 is the 18th 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- 2012 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 44.41% and 37.23% respectively.

On the other hand export, Import, remittance registered a growth of (5.49%), 12.02% and 236.24% respectively.

Classified investment increase to 1.63% as on 31st December 2012 compared to 0.95% as on 31 December 2011.

Total branches increased to 100 as on 31 December 2012 compared to 88 branches as on 31 December 2011.

In 2012 the Bank earned a profit before tax & provision of Tk. 4,755.54 million which is 9.91% 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 12 branches in 2012. We are going to open 10 new branches in 2013 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. We are in the process to get VISA membership; we hope that we will provide Islamic VISA International and local card among our customers very soon.

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.

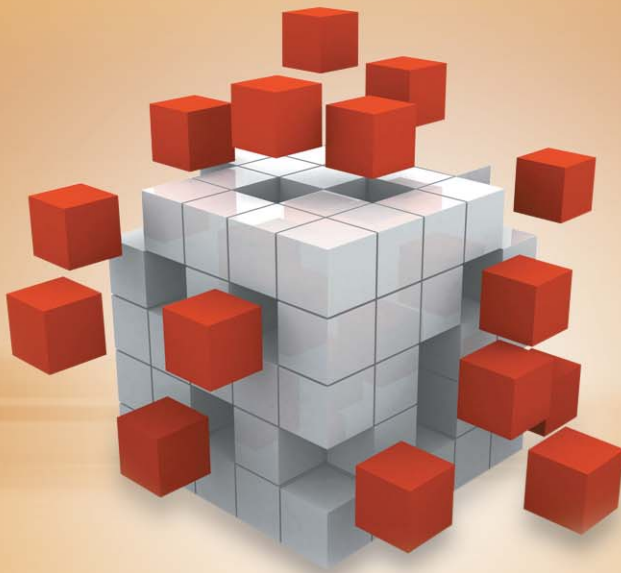
Looking forward, ensuring highest customer care, Shariah compliance and maintaining competitive price will be the thrust of future. I believe the gains made over the past years will be instrumental for superior positioning of the Bank in the future. Our strategy will add to our strengths by focusing 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 2013.

May Allah help us.

Ma-assalam,
Sincerely,

Ekramul Hoque
Managing Director
Date: 14 May, 2013



Board of Directors' Report

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 18th 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 2012.

Global Economy

The world economy slowed in 2012, although emerging and developing countries continued to experience robust economic growth. This deceleration however, reflects a weakening in some advanced economies. Among these advanced economies, the contraction in activity in Japan and the slowdown in the United States more than offset the strengthening of the euro area and the UK. Global inflation continued to accelerate, driven by rising commodity prices, primarily in the emerging and developing countries where food and energy goods weigh more heavily in the consumer basket.

1.2 The IMF's latest forecast suggests that the world economy will slow to average growth rate of 4.0 percent in 2012, from over 5.0 percent in 2011. This forecast was revised downwards from 4.3 percent mainly due to the worsening of the outlook of the Japanese economy. It also indicates that recovery from the global recession will not be uniform: in advanced countries GDP growth is expected to be around 1.6 percent, against 6.4 percent in emerging economies.

The main risk factors for the former are the persistent weakness of the labour and real-estate

markets in the United States, and the sovereign debt pressure in the euro area. In the emerging and developing economies fears are linked to the risk of overheating and a possible inflationary spiral.

1.3 According to the IMF's latest estimates in June 2012 global inflation rose from 3.5 percent in the last quarter of 2011 to 4.0 percent in the first quarter of 2012; more than 0.25 percentage point higher than projected in the April 2011 forecast. Inflation is further expected to accelerate in both developed and emerging countries to 2.6 percent and 7.5 percent respectively in 2012 (1.6 percent and 6.1 percent in the previous year) mainly because of larger-than-expected increases in commodity prices. expected increases in commodity prices. However, core inflation i.e. excluding food and fuel also crept up in a number of economies; it remained relatively unchanged in the United States and Japan and rose moderately in the euro area.

Among emerging and developing economies, inflation pressures have become increasingly broad based with accelerating demand side pressures reflecting a higher share of food and fuel in consumption

National Economy

According to the Bangladesh Bureau of Statistics (BBS), Bangladesh economy grew by 6.32 percent in FY12, missing the targeted 7.0 percent GDP growth. The BBS attributes the lower GDP growth to the deceleration in agriculture and service sector growth. However, given that the growth experience of all developed countries and most emerging and developing economies has been far worse due to global economic and financial crises, Bangladesh economy can be said to have performed reasonably well during FY12. The agriculture sector recorded a relatively low growth in FY12 compared to the previous fiscal, though the fisheries and forestry sub-sectors have performed reasonably well. The manufacturing sector depicted good growth and was improving steadily, although investment growth in

manufacturing was still below the potential because of bottlenecks in physical infrastructure and the persistent crisis in power and energy sectors. While there are strong official commitments and efforts to find solutions to these problems, the actual increase in economy-wide investment, including FDI, would depend on how quickly and effectively the government would ease the problems of power and energy sectors. Attaining the targeted 7.2 percent GDP growth this year (FY13) will hinge upon the government's succession this area.

The Economic growth rates of different sectors in the three most recent years were as under:

Sector	2009-10	2010-11	2011-12
Agriculture:	5.24	5.13	2.53
Agriculture and Forestry	5.56	5.09	1.72
Fishing	4.15	5.25	5.38
Industry:	6.49	8.2	9.47
Mining and Quarrying	8.8	4.8	6.25
Manufacturing:	6.5	9.45	9.76
Large and medium scale	5.98	10.94	10.78
Small scale	7.77	5.84	7.18
Electricity, Gas and Water:	7.28	6.63	14.11
Construction:	6.01	6.51	8.51
Services:	6.47	6.22	8.06
Wholesale and Retail Trade	5.87	6.31	5.88
Hotel and Restaurants	7.61	7.55	7.6
Transport, Storage & Communication	7.69	5.69	6.58
Financial Intermediation	11.64	9.64	9.52
Real-estate, Renting & Other Business Activities	3.89	3.96	4.05
Public Administration & Defence	8.35	9.67	6.07
Education	9.24	9.36	8.61
Health and Social Works	8.1	8.35	7.94
Community, Social & Personal Services	4.72	4.7	4.76
GDP at producer prices:	6.22	6.59	6.39
Import duty	1.79	10.04	4.32
GDP growth rate at constant 11995-96) market prices	6.97	6.71	6.32

In terms of US dollar, the value of GDP in current prices increased by 4.53 percent to US\$117,010 million in FY12 from US\$111,944 million in the previous year. Per capita GDP stood at US\$763 in FY12 compared to US\$748 in FY11, showing an increase of 2.0 percent. Measured in CPI, the annual average inflation was 10.62 percent in FY12 compared to 8.80 percent in FY11. The GDP deflator rose 8.00 percent in FY12 compared to 7.53 percent in FY11. The Taka depreciated by 11.14 percent in FY12, compared to 2.88 percent depreciation in FY11.

Agriculture:

The growth of agriculture sector decelerated to 2.53 percent in FY12 compared to 5.13 percent in FY11. Within it, the fisheries and forestry sub-sectors fared much better, depicting higher growth than in the previous fiscal but that of livestock was lower. The agriculture sector accounts for 19.29 percent of the

country's GDP and employs around 44 percent of the total labor force. It also contributes significantly to the country's export earnings. In FY12 the sector fetched US\$1,598 million worth of export, which was nearly 6.5 percent of the country's total exports. The agriculture sector provides the much-needed food and nutritional security and plays a big role in income generation and poverty reduction.

The target of domestic food grains production for FY12 was set by the government at 35.72 million metric tons (mmt) comprising 2.74 mmt of aus, 13.30 mmt of aman, 18.70 mmt of boro, and 0.98 mmt of wheat. This target was 3.56 percent higher than last year's actual production. As per preliminary estimates of the BBS, total food grain production in FY12 was slightly lower than the target but about 0.78 percent higher than the previous year's total production. For the FY13, DAE has set aman and aus production targets at 13.3 mmt and 2.89 mmt, respectively. Boro and wheat production targets are yet to be fixed.

Total food grains import in the FY12 was 2.29 mmt of which 0.52 mmt was rice and 1.77 mmt was wheat. Domestic food procurement target in FY12 was revised upward from 1.15 mmt to 1.35 mmt. Ultimately, total rice procurement in FY12 was 1.32 mmt. Wheat procurement during the last quarter was close to the target of 0.1 mmt.

According to the Directorate General of Food, as of 03 July 2012, the public food grains stock stood at 1,196 tmt, comprising 964 tmt of rice and 232 tmt of wheat. In addition, 89 tmt (rice 4 tmt and wheat 85 tmt) are awaiting in sea ports for unloading.

Industry:

The share of the industrial sector in the country's GDP increased by a modest 0.89 percent to 31.26 percent in FY12, from 30.37 percent in FY11. But for some international and national constraints, the sector could have occupied a bigger share in GDP. On the international front, the export growth declined due to economic shocks. Most of the country's industries suffered from the power problem, which was one of the major causes behind the failure in achieving the export target in FY12. Despite all odds, the broad industrial sector grew by 9.47 percent in FY12, a respectable 1.27 percentage points higher than the previous year's 8.20 percent growth. Within the broad industry sector, the performance of different sub-sectors was mixed. The manufacturing industries (including large, medium and small category) in particular depicted a higher growth at 9.76 percent in FY12, compared to 9.45 percent in FY11. The performance of mining, construction, housing, electricity, gas, and water sub-sectors also improved.

Services:

As per the BBS estimate, the services sector growth declined to 6.06 percent in FY12 from 6.22 percent in the previous fiscal. The share of services sector in GDP in FY12 also declined slightly: to 49.45 percent from 49.60 percent in FY11. This happened mainly due to the lower growth in agriculture and large-scale

industry, and slower expansion in trade activities. In FY12, service sector activities that expanded are hotels & restaurants, transport, storage & communication, and real estate, but wholesale & retail trade, telecommunications, banking, education, health, and public administration recorded slower growth.

Investment & 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. Gross investment as proportion of GDP increased slightly to 25.45 percent in FY12 from 25.15 percent in FY11. Public investment as proportion of GDP increased to 6.31 percent in FY12 from 5.64 percent in FY11 while private investment decreased to 19.14 percent in FY12 from 19.51 percent in FY11. Though the share of private investment stood at about 75 percent of total investment in FY12, it constitutes only 19 percent of GDP. The low level of private investment, which has been mainly due to the 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. On the other hand, ironically, the country's savings are not fully invested, as the gap of around 5 percent between national savings and investment rates would indicate. The national savings as proportion of GDP increased to 29.40 percent in FY12 from 28.78 percent in FY11. The domestic savings ratio also increased to 19.37 percent in FY12 from 19.29 percent in FY11.

Monetary Development:

Bangladesh Bank (BB) claims that its monetary policies, outlined in all successive Monetary Policy Statements (MPS), have been growth supportive and aimed at preserving price stability. In pursuit of the growth objective, BB's credit policies and programs in FY12 were directed to channeling adequate credit flows for productive purposes, especially to underserved sectors like agriculture, SME, renewable energy and other eco-friendly projects. At the same time, BB's policy was to discourage undue expansion or diversion of bank credit to unproductive and wasteful uses in order to bring down the inflationary pressure. However, BB's monetary/credit policies, for various reasons, have had very limited success in keeping prices and inflation rate under control.

Broad money growth slowed to 17.38, percent during FY12 from 21.35 percent during FY11, which was in line with the BB's monetary program. Reserve money growth declined to 8.99 percent during July-June of FY12 from 21.03 percent during the corresponding period of FY11, caused by a low 12.09 percent growth in net foreign assets of the central bank in 2012. Domestic credit recorded a growth of 19.47 percent during FY12 against 27.43 percent in FY11. The lower credit growth was due to the sharp decline in the growth of private sector credit to 19.68 percent in FY12 from 25.84 percent in FY11. The public sector

credit growth was 18.68 percent in FY12, compared to 33.63 percent in FY11. Total liquid assets of scheduled banks stood higher at Tk.124,391 crore as of end June, 2012 as against Tk.100,565 crore as of end June, 2011. Required liquidity of scheduled banks also stood higher at Tk.79,768 crore as of end June, 2012, compared to Tk.66,494 crore as of end June, 2011.

Exports:

The country achieved a modest 5.93 percent export growth in FY12 compared to an impressive export growth of 41.49 percent in the previous fiscal. The total export earning during the fiscal was US\$24,288 million, which is less than the annual target of US\$26,500 million. The target was not met due to Euro Zone debt crisis and political turmoil in some Middle Eastern countries. Bangladesh Export Processing Zones Authority (BEPZA) achieved good growth in exports during FY12 despite the global economic slowdown and the Euro Zone crisis. According to the BEPZA statistics, its exports increased by 13.88 percent. The companies inside the EPZs exported goods worth US\$4.21 billion in FY12, compared to US\$3.70 billion in FY11. BEPZA exports in FY12 exceeded the annual target by US\$210 million.

Category-wise breakdown of exports shows that, during July-May of FY12, exports of woven garments, knitwear, engineering & electric goods, leather, and agricultural products experienced some increase compared to the corresponding period of the previous year. On the other hand, the exports of raw jute and jute goods (excluding carpet) and fertilizers recorded a 11 percent decrease during the period.

The export of Bangladeshi goods to the Commonwealth of Independent States (CIS) countries rose to US\$130.75 million during the July-May period of FY12 from US\$109.8 million in FY11. Due to the recent debt crisis and fragile condition of banking sectors in Euro Zone area, the export of Bangladeshi goods to the European countries, the USA and Canada slowed down. Taking into consideration the vulnerability of exports to these countries, EPB is trying to boost exports to the CIS Countries as well as to Japan, China, Russia and India. EPB has already organized a trade fair in Russia to popularize Bangladeshi products and has planned to organize more trade fairs in Moscow and St. Petersburg and set up a display centre in Kyrgyzstan. As a least developed country, Bangladesh will seek duty and quota free entry into the Russian market.

Import:

Overall import payments grew by 5.30 percent to US\$35,442 million FY12 from US\$33,658 million in FY11. The increase was mainly due to the high growth in petroleum products and consumer goods imports. According to the latest statistics of the central bank, letters of credit (LCs) for import worth US\$3,403 million were opened in June 2012 compared to US\$3,25 million in May, 2012. Import LCs worth US\$2,386 million were settled during the period, compared to US\$2,844 million in the month of May 2012. Import LCs valued

at US\$34,815 million were settled during the July-June period of FY12, compared to US\$31,953 million in the corresponding period of FY11. As BB discouraged banks to open fresh LCs for importing non-essential luxury products, opening of fresh import LCs registered 4.01 percent decline during the July-June period of FY12 as against 34.04 percent increase during the corresponding period of FY11.

Remittances:

In FY12, Bangladesh received the highest ever remittance of US\$12,843.1 million in a year, which was 10.24 percent higher than the remittance of US\$11,650 million received in the previous financial year. The central bank, initiatives that helped much to increase remittance inflow to the country include opening of exchange houses by different banks, introducing transfer of remittance through mobile phone, and rationalizing fees for sending remittance. The increased remittance inflow is a positive sign of the economy that would help maintain a healthy balance of payments, position of the country.

According to BB data, the Islami Bank Bangladesh had received the highest amount of remittance in FY12 among all commercial banks. The bank received US\$3,490 million in the period. Among the state-owned banks, the Sonali Bank received the highest amount of US\$1,270 million in remittance from the expatriate Bangladeshis.

Balance of Payments:

Trade balance recorded a higher deficit of US\$7,928 million in FY12 compared to the deficit of US\$7,744 million in FY11. Because of the large inflow of worker remittances during the period, the current account surplus increased to US\$1,704 million during July-June of FY12 compared to the surplus of US\$885 million during the corresponding period of the previous fiscal. Despite a lower capital account surplus of US\$469 million, a still lower financial account deficit of US\$955 million, compared to the much larger deficit of US\$1,920 million in FY11, resulted in a surplus of US\$49 million in the overall balance during July-June of FY12 against a deficit of US\$656 million during July-June of FY11.

Foreign Aid:

The foreign aid flow to Bangladesh improved during FY12, rising to US\$2,033 million from US\$1,777 million during the previous fiscal. Net receipts of aid during FY12 were also higher by US\$198 million, compared to FY11. In FY12, net receipts of foreign aid stood at US\$1,248 million, compared to US\$1,050 million in FY11.

Foreign Direct Investment (FDI):

The FDI Inflow has been historically low in the country. In July-May of FY12 the country received US\$1,061 million as FDI. Inadequate land and industrial plots, weak physical infrastructure, and a lack of utilities are the major reasons behind low FDI Inflows. Low FDI Inflows and decline in 'foreign aid inflows put pressure on the foreign exchange reserves and also created difficulties for budget financing.

The share of FDI in total Investment in Bangladesh was 22.05, 18.63 and 17.16 percent in FY09, FY10 and FY11, respectively. It is ironical that Bangladesh can not attract bigger amounts of FDI although it offers lucrative incentives to foreign investors, and the World Bank has ranked Bangladesh far ahead of India, China and Vietnam for protecting foreign investors and for having a highly conducive environment for foreign Investment. Foreign Exchange Reserve:

Foreign Exchange Reserve

Bangladesh Bank's foreign exchange reserves rose to US\$10,364 million at the end of FY12 from US\$9,285 million in November when it was at its lowest in the fiscal. Reserves were the highest at US\$11,316 million in April 2011, but later it showed a downtrend due to rising import bills. Since April 2011, the country has been paying a large amount of import bills, mainly of fuel oils, while overall export earnings and overseas remittances declined. The remittance growth was slower than expected as the world economy was volatile. Exports also declined due to the debt crisis in Europe.

Price Situation:

The average inflation rate rose to 10.62 percent in FY12, which was the highest during the last three years and a half. The inflation rate was 8.80 percent in FY11 and 7.31 percent in FY10. However, the point-to-point inflation came down to 8.56 percent in June, 2012 from 9.15 percent in May, 2012. The government has set a target of bringing down the inflation rate to 7.5 percent in FY13, but the target may be difficult to achieve, if the prevailing global inflation trends did not improve.

The country's point-to-point inflation rate had come down to single digit after 13 months when it declined by 0.17 percentage point in April to stand at 9.93 percent, down from 10.10 percent in March, 2012. The point-to-point food inflation and non-food inflation also came down in June compared to that of May, 2012. The food inflation rate slowed down to 7.08 percent in June, showing a 0.38 percentage point decline from 7.46 percent in May, 2012. The fall in the prices of rice and rice-related products was the reason behind the decline in the food inflation rate. The non-food inflation was still high at 11.72 percent in June, although it fell by 1 percentage point from 12.72 percent in May, 2012. In urban and rural areas, the general, food and non-food point-to-point inflation rates also came down in FY12, compared to the previous fiscal year.

Public Finance:

The NBR revenue collection grew by 18.96 percent in FY12. In the period, total NBR revenue collection was Tk.94,457 crore, as against Tk.79,403 crore in FY11. Income tax receipts soared 22.79 percent in FY12, exceeding the collection target. Over the past five years, the tax authority has maintained more than 20 percent growth in income tax receipts particularly because of the steady growth of the economy and rising incomes.

About Tk.378.71 billion or 92 percent of the revised Tk.410.80 billion Annual Development Program (ADP) of FY12 was implemented during the fiscal,

according to the Implementation, Monitoring and Evaluation Division (IMED). In FY11, the ADP utilization rate was also 92 percent.

The government had slashed the original Tk.460 billion ADP to Tk.410.80 billion during the last quarter of FY12 as many ministries and agencies performed poorly as far as implementation of their development project concerned.

A total of 25 agencies and ministries, out of 54, achieved more than percent of revised ADP implementation rate. The Disaster Management and Relief Division achieved the highest implementation rate of 1 percent followed by the Ministry of Defence 104 percent, Ministry Chittagong Hill Tracts Affairs 101 percent, Ministry of Housing and Pu Works and Power Division 100 percent. On the other hand, Ministry of Aviation and Tourism achieved the lowest implementation rate of percent in FY12 followed by the Bank and Financial Institution Division percent, Ministry of Labour and Employment 36 percent, Ministry Foreign Affairs 41 percent and Legislative and Parliamentary Afft Division 50 percent.

Budget for 2012-13:

The outlay of the FY13 national budget is Tk.1,917.38 billion, which 18.93 percent higher than that of the last year's revised budget, and within it a Tk.601.37 billion development budget, which is 31.70 percent big than in the revised FY12 budget, and Tk.1,116.75 billion non-developer budget, which was Tk.1,009.85 in FY12. The ADP size is Tk.550.00 bit in the FY13, which is 33.89 percent larger than that of the past fiscal also includes 10 projects under PPP. The budget sets a 21.57 percent revenue growth to Tk.1,396.70 billion over the revised revenue estimate Tk.1,148.85 billion in the outgoing fiscal. The revenue receipts comprise of Tk.1,168.24 billion as tax revenue and Tk.228.46 billion non-tax revenue. In the total tax revenue, Tk.1,122.59 billion will come from NBR and Tk.45.65 billion from non-NBR taxes.

The overall fiscal deficit in the FY13 budget is Tk.520.68 billion, which 5.00 percent of GDP. The budget seeks to finance the deficit larc through domestic borrowing - Tk.230 billion, or 44 percent of the del from banks and Tk.104.84 billion, or 20 percent of the deficit, from r bank sources. The remainder, or 36 percent, of the deficit is to be finance with foreign borrowing. The targeted bank borrowing in the FY13 budgJ 21 percent lower than the actual bank borrowing in the outgoing fiscal.

In the ADP allocations, 25.50 percent is for the human resource se (education, health, and other related sectors), 29.90 percent for agriculture sector, which also includes rural development and n institutions, and water resources, 17.30 percent for power and em sector, and 14.80 percent for the communication sector (road, rail% bridges and other related sectors).

The non-development expenditure for the FY13 budget is Tk.1.35: billion, 13.84 percent higher than the revised expenditure of Tk.1,181 billion in FY12. The development expenditure for FY13 is Tk.564.39 bit 33.22 percent higher than the revised expenditure of

Tk.423.64 billio FY12. The budget seeks to attain a 7.2 percent GDP growth in FY13 and percent by FY15, reduce poverty, develop physical infrastructure, s power and energy sector problems, create opportunities for employer generation, increase social sector expenditure to address inadequack education and health, and implement social safety net programs improving the economic condition of the people.

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

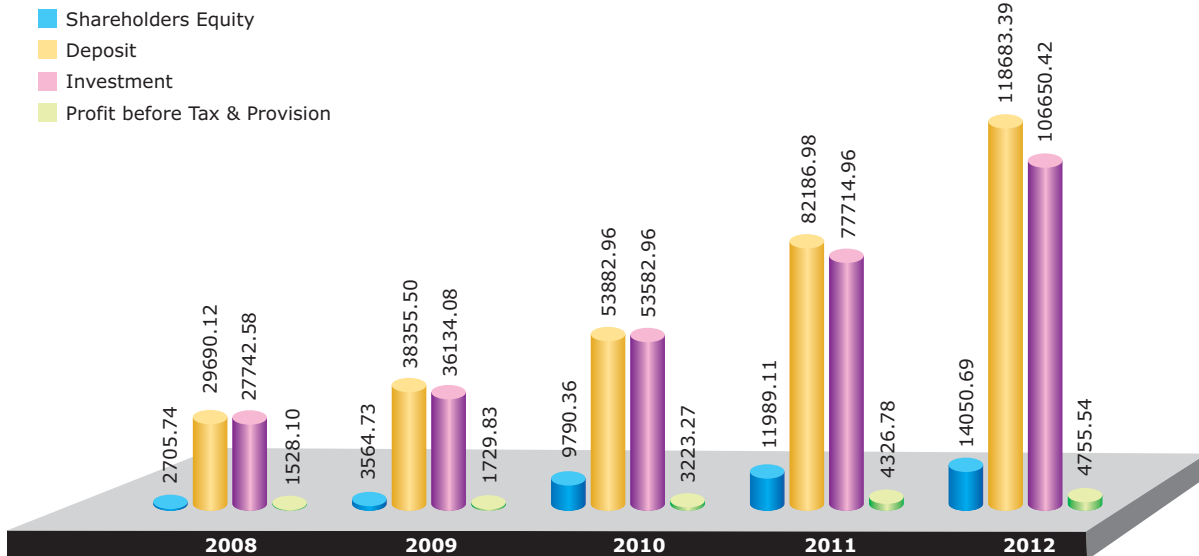
With the objective of achieving success in life here & hereafter following the way directed by the Holy Quran and the path shown by Rasul (SM) Al Arafah Islami Bank Ltd was established (registered) as a public limited company on 18 June 1995. The inaugural ceremony took place on 27 September 1995. The authorised capital of the Bank is Tk. 10,000.00 million and the paid up capital is Tk. 7,130.98 million as on 31.12.2012.

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. 14,050.69 million as on 31 December 2012, the manpower was 2,110 and the number of shareholders was 52,739. 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 100 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.

Performance at a glance (in Million taka)



Special Features of Al-Arafah Islami Bank Ltd. :

- * All activities of the bank are conducted according to Islamic Shariah where profit is the legal alternative to interest.
- * The bank's investment policy follows different modes approved by Islamic shariah based on the Qur'an & Sunnah.
- * The bank is committed towards establishing welfare oriented banking system, economic upliftment of the low-income group of people, create employment opportunities.
- * According to the need and demand of the society and the country as a whole the bank invests money to different 'Halal' business. The bank participates in different activities aiming at creating jobs, implementing development projects of the government and creating infrastructure.
- * The bank is committed to establish an economic system resulting in social justice and equitable distribution of wealth. It is committed to bring about changes in the underdeveloped rural areas for ensuring balanced 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 2012

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 Islamic 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 1 emergency meeting and 1 sub-committee meeting in the year 2012 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 of the Bank during the year to observe the Shariah compliance, give necessary instructions on the spot and submitted report to the Council. They have also submitted corrective measures to rectify the laws in implementing Shariah guidelines into the banking operations. They identified Tk. 25.50 million as doubtful income of the branches of the Bank.

Besides, after analysing balance sheet, the Supervisory committee identified Tk. 108.96 million as compensation realised in different branches and Tk. 0.50 million, Tk. 2.57 million as interest income received from NOSTRO A/Cs of foreign correspondent bank and Bangladesh Bank FC Clearing Account respectively. As a result it is advised to finalize the Balance Sheet of 2012 keeping doubtful income amounting to Tk. 137.54 million apart from basic income and spend after tax the same on the basis of Shariah prescribed modes.

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

AIBL Capital Market Services Ltd.

AIBL Capital Market Services Limited is a subsidiary company of Al- Arafah Islami Bank Limited. The Company is incorporated under the company's Act, 1994 as a public limited company by shares with an authorized Capital of BDT 10 billion (1000 crore) and paid up capital of BDT 4 billion (400 crore) to provide stock brokerage services. The paid up capital of the company is subscribed by Al- Arafah Islami Bank Limited and other individuals at the ratio of 60.13:39.87. In the year 2012, the company paid 25% cash dividend to its shareholders.

AIBL Capital Market Services Ltd. is a corporate member of Dhaka Stock Exchange Ltd. & Chittagong Stock Exchange Ltd. Membership Number of Dhaka Stock Exchange Ltd. is 234 & Membership Number of Chittagong Stock Exchange Ltd. is 139.

The main activities and functions of the company include Share trading in Dhaka Stock Market and Chittagong Stock Market.

Provide Margin facilities to the client.

Full service depository participant of Central Depository of Bangladesh Ltd.

Initially the trading activity of the company was started at head office and subsequently to meet the growing demand of the clients it opened three (3) more branches in Dhaka, and one (1) each in Chittagong, Sylhet, Khulna, Barisal and Brahmanbaria. In the year 2012, the company secured 3rd position at DSE in terms of trading volume.

AIBL Capital Management Limited

AIBL Capital Management Limited (AIBLCML), a Subsidiary of Al-Arafah Islami Bank Limited, was incorporated under the companies Act, 1994 on October 25, 2011 with a view to run and manage the operations of Merchant Banking Services with an authorized Capital of BDT 2 billion (200 Crore) and paid up capital of BDT 500 million (50 Crore). It aims to be one of the leading Merchant Banks of the country by rendering quality Merchant Banking Services with a high level of professional expertise and integrity.

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 34.90 highest in 2012. The market trend of our bank's share in Dhaka Stock Exchange from January 2012 to December 2012 is stated in the list:

SHARE PRICE LIST

Month	Opening	High	Low	Closing
January	37.80	34.90	33.51	34.02
February	34.02	32.28	28.74	31.02
March	31.02	33.76	29.65	32.45
April	32.45	34.49	30.40	33.33
May	33.33	29.12	25.62	28.18
June	28.18	27.92	24.26	26.57
July	26.57	28.40	24.76	27.07
August	27.07	27.36	22.29	26.10
September	26.10	27.69	24.08	26.16
October	26.16	26.67	23.36	25.27
November	25.27	24.21	21.46	23.24
December	23.24	24.91	23.17	24.29

Progress Analysis

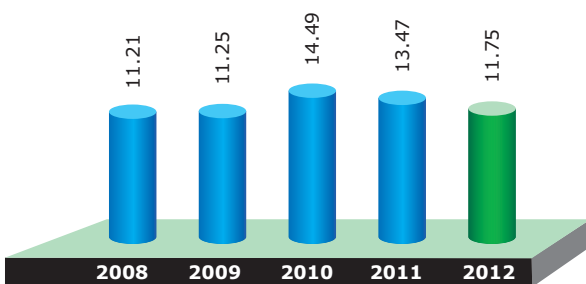
At the end of 2011, the number of depositors stood at 728,734 and the accumulated deposit was Tk. 118,683.39 million. The total number of investors stood at 83,822 and total investment extended to them was Tk 106,650,.42 million. During the year 2012 the total income was Tk. 16,692.58 million and total expenditure was Tk. 11,937.04 million. At the end of the year the profit before tax and provision stood Tk. 4,755.54 million.

Capital Adequacy & Reserve Fund

According to BRPD Circular the Bank will have to maintain Tk. 4,000.00 million Capitals by 1st July 2011. In compliance with the new provision, the bank has raised its Capital from Tk. 13,047.90 million to Tk. 14,804.73 million (Consolidated Basis) and Tk 10,641.90 million to Tk. 13,179.78 million (Solo Basis) in the year 2012 by declaring 21% stock dividend out of the profit of the year 2011 The paid up capital of the bank has stood at Tk. 7,130.98 million at 31st December 2012.

The total reserve fund has stood at Tk 4,079.63 million in the current year against Tk. 2,437.43 million at 31st December 2011. In this account, the bank experienced a growth of 67.37% The Bangladesh

Capital Adequacy Ratio



Bank has fixed the ratio of minimum capital adequacy (MCR) against Risk-Weighted Assets at 10% or Tk. 4,000 million whichever is higher. The Consolidated and Solo Basis capital adequacy ratio of the Bank as on 31.12.2012 is appended below:

Consolidated Basis

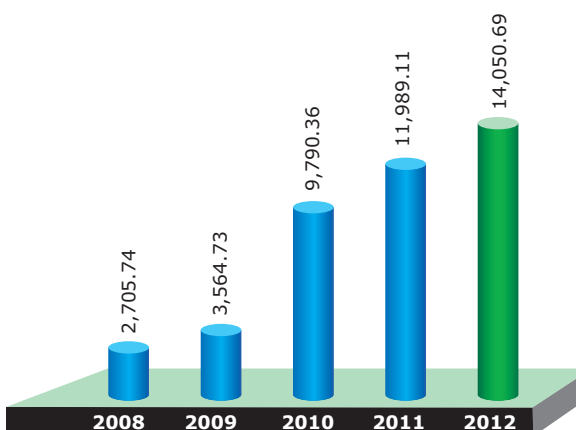
a) Core Capital (Tier-I)	Tk. in million.
Paid up Capital	7,130.98
Statutory Reserve	3,102.08
Retained Earnings	1,238.38
Non-controlling Interest in Subsidiaries	1,601.70
Total Core Capital	13,073.14
b) Supplementary Capital (Tier-II)	
Provision for Unclassified Investment	1,242.81
Assets Revaluation Reserve	488.78
Total Supplementary Capital	1,731.59
Total Capital (a+b)	14,804.73
c) Capital Adequacy Ratio	11.75%

Solo Basis

a) Core Capital (Tier-I)	Tk. in million
Paid up Capital	7,130.98
Statutory Reserve	3,102.08
Retained Earnings	1,215.14
Total Core Capital	11,448.20
b) Supplementary Capital (Tier-II)	
Provision for Unclassified Investment	1,242.80
Assets Revaluation Reserve	488.78
Total Supplementary Capital	1,751.58
Total Capital (a+b)	13,179.78
c) Capital Adequacy Ratio	10.93%

Shareholders Equity

(In million Taka)

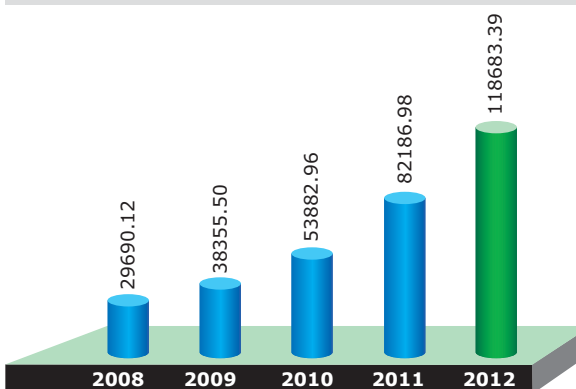


Deposits

The total deposit of the bank was Tk. 118,683.39 million at 31st December 2012 as against Tk. 82,186.98 million at 31st December 2011 recording a growth of 44.41% of which Tk. 2,564.75 million was bank deposit and Tk. 116,118.64 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, 2012 was as follows:

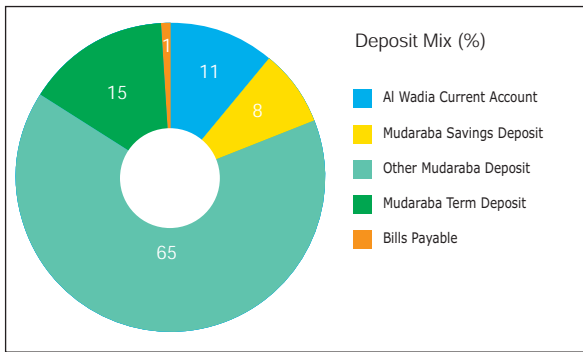
Deposit Growth

(In million Taka)



Deposit Mix 2012

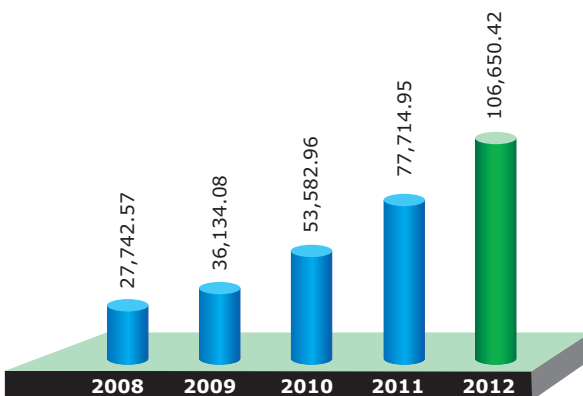
Products	Taka in Million
a) Al Wadia Current Account	12,898.84
b) Mudaraba Savings Deposit	9,998.52
c) Other Mudaraba Deposit	76,618.03
d) Mudaraba Term Deposit	18,208.83
e) Bills Payable	959.17
Total	118,683.39



Investment

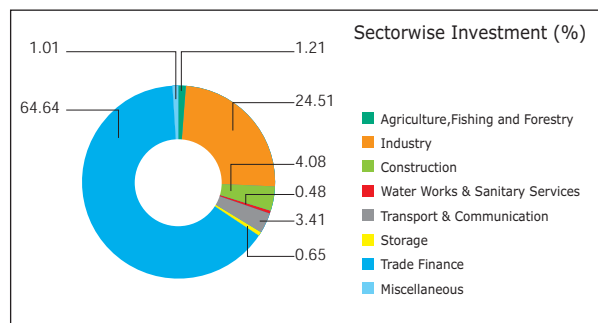
The investment of the bank has stood at Tk. 106,650.42 million as on 31st December 2012 as against Tk.77,714.95 (Net off PR) million in the previous year showing an increase by 37.23 %. The investment portfolio of the bank is well diversified and covers a broad spectrum of businesses and industries including 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 1.63% in our bank as on 31 December 2012. 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 2012

Sectors	Taka in million
Agriculture, Fishing and Forestry	1,382.00
Industry	27,983.42
Construction	4,658.54
Water works & Sanitary Service	552.48
Transport & Communication	3,894.49
Storage	745.10
Trade Finance	73,806.08
Miscellaneous	1,158.20
Total (Including Profit Receivable)	114,180.31
Less Unearned Profit on Investment	7,529.89
Total	106,650.42



Small & Medium Enterprise Investment

The role of small and medium enterprises (SMEs) is indispensable for overall economic development of a country like Bangladesh. Being labour intensive with short gestation period, SMEs are capable of increasing national income as well as rapid employment generation; achieving goal of eradicating extreme poverty and women empowerment. SME development is currently considered as one of the major pro-poor socio-economic development policy. Fulfilling the growing domestic demand with local resources and products is critical to economic growth. SMEs are playing a vital role in meeting domestic demand in our country.

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 2012 of SME investment portfolio is **Tk.17370.90 million**. 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 all 100 branches are under the operation. **SME & Promotional Program's Division** deals with the SME Investment and some other promotional sectors of the Bank. At the end of December 2012, number of security free SME investment client is 3950 and investment portfolio is **Tk. 489.84 million**. Skilled and experienced staffs 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, 2012 is shown in the table:

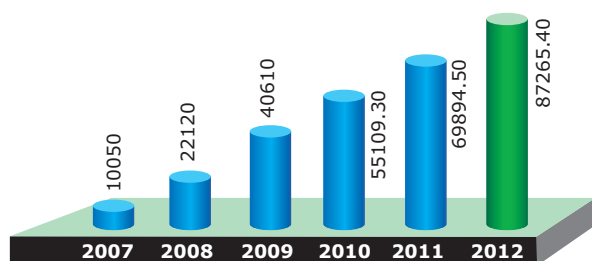
Small & Medium Enterprise Investment

Accumulated Disbursement	Tk. 87265.40 million
Portfolio	Tk. 17370.90 Million
Terms & Conditions	Stipulated by the Bank

SME Collateral Security Free Investment

Accumulated Disbursement	Tk. 1280.10 million
Portfolio	Tk. 489.84 Million
Minimum Investment	Tk. 50,000.00
Maximum Investment	Tk. 700,000.00
Number of Clients	3950 Persons
Number of Involved Branches	100
Rate of Profit	10 %
Supervision Fee	0.50 %
Maximum Duration	3 years
Repayment system	Monthly Installment
Recovery Rate	99.98 %
Terms & Conditions	Soft

Accumulated SME Disbursement of AIBL (In million Taka)

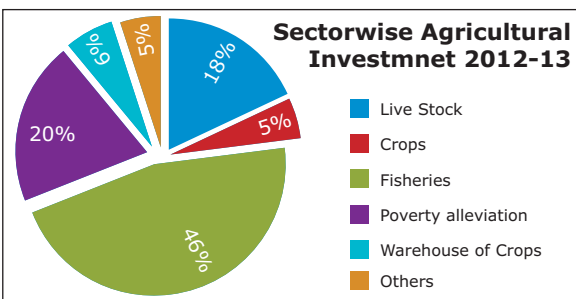


Agricultural Investment

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 2012, total agricultural investment portfolio is Tk. 944.00 million of the fiscal year 2012-2013. With collateral and without collateral both are practiced in agricultural investment. The statistics as on 31 December, 2012 is shown in the table:

Agricultural Investment

Portfolio	Tk. 944.00 Million
Fisheries	Tk. 409.15 million
Poverty alleviation	Tk. 177.37 million
Development of Livestock	Tk. 159.05 million
Warehouse of crops	Tk. 56.55 million
Crops	Tk. 47.80 million
Others	Tk. 94.08 million
Number of Clients	32,162 Persons
Rate of Profit	10% -13%
Recovery Rate	99.69%
Terms & Conditions	Stipulated by the Bank



Members of the Board of Directors are visiting a knit composite factory financed by the Bank

Investment for growing spices at a lowest profit rate (4%):

As per instruction of Bangladesh Bank, and to increase the production of different types of spices like Pulse, Oil-seed, Spice and Maize, we started investment at a lowest rate of profit (only 4%) to the marginal farmers. As on 31 December, 2012 the statistics is shown below:

Name of Spices	Invested Amount
Pulse, Oil-seed, Spice & Maize	2.03 million

Al-Arafah Khamarbari Investment Scheme

To make a priority to invest in the crop sector of Bangladesh, we have launched a new product named: **Al-Arafah Khamarbari Investment Scheme (Khamarbari)**. With this product, we work for a farmer's community of the Branch area. Our field officials motivate farmers to grow the potential crops based on their previous farming experience. We think, this kind of scheme is an innovative action to develop the crop sector of Bangladesh.

Investment on Women Entrepreneurs'

About half of the population of Bangladesh is women. Women participation in the mainstream of economic activities especially in the productive sectors is crucial for attaining sustainable economic growth, poverty reduction and women's empowerment. But women participation in economic sector is inadequate and the number of women entrepreneurs is very low compared to that of their male counterparts. In fact, there exist many obstacles in women participation in the mainstream of economic activity although the degree of integrity, devotion, creativity and expertise of women make us surprised. Especially women participation in microcredit programmes and readymade garments industry is contributing significantly to the country's industrialization. Similarly, participation of women entrepreneurs in SME sector is vital for the flourishing of Bangladesh economy

and enhancing women empowerment.

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, 2012 is shown in the table:

Women Entrepreneurs' Investment

Portfolio	Tk. 452.30 Million
Terms & Conditions	Stipulated by the Bank

Grameen Small Investment Scheme

Bangladesh has achieved the richest experience of poverty alleviation through rapid expansion of microfinance activities in the last one and half decade. So the experience of microfinance in Bangladesh has made important contributions to the emergence of this concept globally.

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, 61 rural branches are included in this scheme and this number is increasing gradually. At the end of December 2012, **Tk. 1030.62 million** is disbursed to 24,424 clients in different income generated programs, of which outstanding is **Tk. 228.94 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



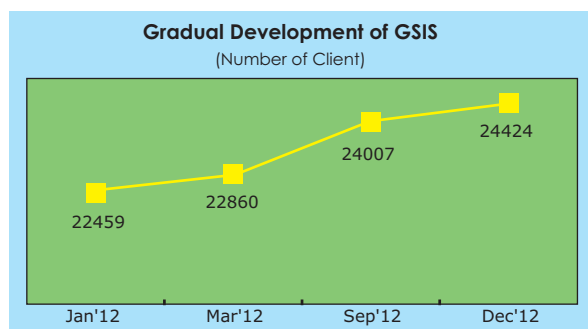
Inside view of an eco-friendly jute factory financed by the Bank

supervised investment system and skilled personnel are working in different branches to ensure proper as well as continuous supervision.

The statistics as on 31 December, 2012 is shown in the table:

Grameen Small Investment Scheme (GSIS)

Accumulated Disbursement Tk.	1030.62 million
Portfolio	Tk. 228.94 Million
Number of Villages Covered	920
Minimum Investment	Tk. 5000.00
Maximum Investment	Tk. 30,000.00
Number of Clients	24,424 Persons
Savings by the Clients	Tk. 151.37 Million
Number of Involved Branches	61
Number of Samity	1064
Number of Group	5304
Rate of Return	11%
Repayment system	Weekly Installment
Recovery Rate	99.98%
Terms & Conditions	Soft



AI-Arafah Solar Energy Investment Scheme

A Pioneer investment scheme named **AI-Arafah Solar Energy 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 an 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.

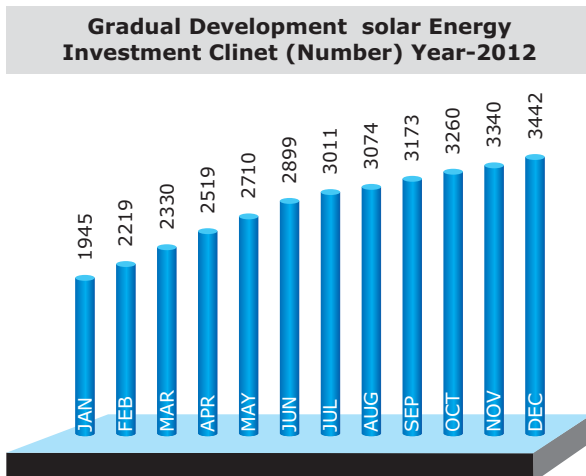
This Scheme is running under the control of **SME & Promotional Program's Division** with the support of newly created **Solar Energy Investment Department**. Skilled Electric Engineers & Solar Technicians are recruited in order to ensure the perfect technical support.

We have already established **1,74,639 Watt Peak** of electricity among **3,442 families** through our 17 Rural Branches so far. Accumulated investment of this sector is **Tk. 107.53 million**. We are running this program with our own funding as well as skilled personnel.

The statistics as on 31 December, 2012 is shown in the table:

AI-Arafah Solar Energy Investment Scheme

Accumulated Disbursement	Tk. 107.53 million
Portfolio	Tk. 58.26 Million
Electricity Provided	1,74,639 Watt Peak
Number of privileged Family	3442
Number of Branches under the scheme	17
Rate of Return	11%
Repayment system	Down payment
Recovery Rate	100%
Terms & Conditions	Soft



A poultry farm financed by the Bank under Rural Agricultural Investment Scheme

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 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 today management of risk associated with Treasury activities and thereby ensures 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.

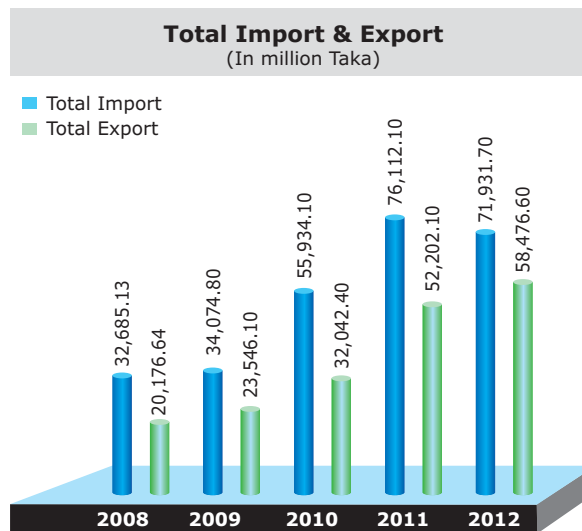
The International Trade

AL-Arafah Islami Bank Limited is quite active in conducting international trade activities through financing of import export and Foreign Remittances business. It has at present a network of 100 Branches throughout the county out of which 21 Branches are authorized to deal in Foreign Exchange Business. AIBL has 28 Nostro Accounts 281 Relationship Management Application (RMA) with different renowned Foreign Banks/Foreign Correspondents in 49 countries across the world.

At the end of 2012 the total Foreign Exchange Portfolio (Import, Export and Remittances) was Tk. 1,53,528.70 million showing a growth of 13.56% of this bank in compare with the corresponding year. The total export of the bank was Tk 52,202.10 million in 2011 which was increased by 12.02% to Tk 58,476.60 million in

2012. Similarly, the amount of import has decreased from Tk. 76,113.10 million in 2011 to Tk 71,931.70 million in 2012 a negative growth of 5.49%.

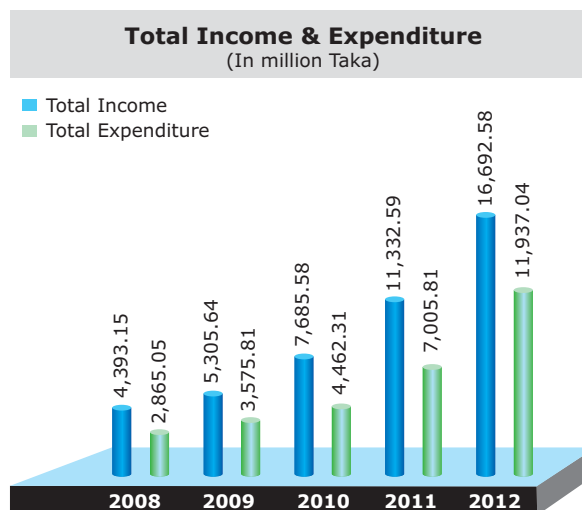
The Inward Foreign Remittances Business of the Bank recorded a tremendous growth rate of 236.04% from Tk. 6,876.20 million to Tk. 23,120.40 million in compare with last year due to starting live dealing by Treasury and delivery of quality services to the clients.



Income

Investment income : The investment income was Tk. 14,998.60 million during the year 2012 which registered a growth of 58.20% over the previous year. Investment income is 89.85% of the total income of Tk. 16,692.58 million.

Income from other than investment : The bank has earned Tk. 1,693.98 million from sources other than investment like commission income, exchange income, locker rent etc. in the current year which is 10.15% of the total income. It indicates (8.51) growth over the year 2011.



Expenditure

Profit paid to depositors: The Bank has paid the depositors Tk. 9,710.48 million which is 64.74% of the investment income and 81.35% of the total expenditure Tk. 11,937.04 for the year 2012. It indicates 77.65% growth over the year 2011.

Administrative and Other Expenses:

The administrative and other expenses were Tk.2,226.56 million during the year showing 44.61% growth over the year 2011. It is 18.65% of the total expenditure.

Various deposit product of the Bank in 2012 :

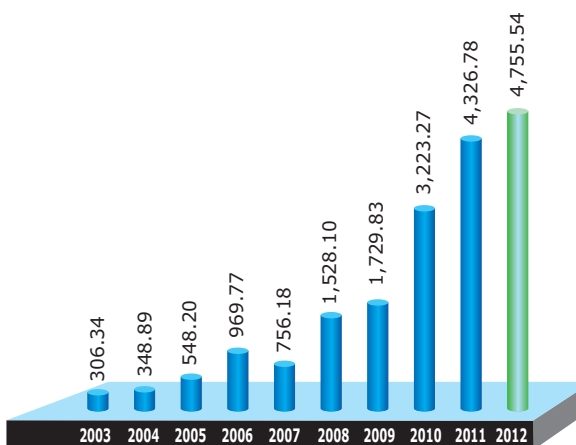
Sl.No	Types of Deposit
1.	Mudaraba Term Deposit (a) 36 Months (b) 24 Months (c) 12 Months (d) 06 Months (e) 03 Months (f) 01 Month
2.	Mudaraba Savings Deposit
3.	Short Notice Deposit (SND)
4.	Monthly Hajj Deposit
5.	Monthly Installment Term Deposit (ITD)
6.	Monthly Profit Based Term Deposit (PTD)
7.	Monthly Savings Investment (SID)
8.	One Time Hajj Deposit
9.	(a) Al-Arafah Savings Bond (3 Years) (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
20.	Mudaraba Savings Deposit-Student,
21.	Farmers, Freedom fighters Savings Account

Operating Profit

The bank earned operating profit of Tk. 4,755.54 million during the year 2012. The operating profit of the Bank during the year 2011 was Tk 4,326.78 million and thus the Bank attained Positive growth of 9.91% in respect of operating profit. The provision for income tax for the year amounted to Tk. 1,709.80 million and divisible profit available for appropriation amounted to Tk. 1,215.14 million.

Operating Profit

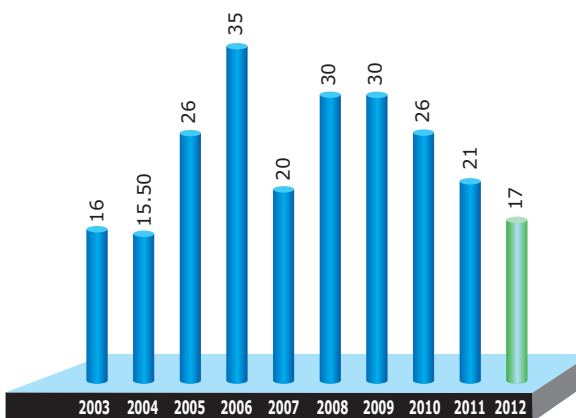
(In million Taka)



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 17% stock dividend in the year 2012. Table of Historical Dividend Payment Percentage are as follows:

Dividend (%)



Year	% Dividend
2003	16% Bonus
2004	15.50% Bonus
2005	26% Bonus
2006	35% Bonus
2007	20% Bonus
2008	30% Bonus
2009	30% Bonus
2010	26% Bonus
2011	21% Bonus
2012	17% Bonus

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 its branches.

With 100 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.

AIBL has improved on the Core Banking System Ababil with upgrading the system to meet consumer and bankers needs alike. In 2012, Al-Arafah Islami Bank Ltd. continued to improve the efficiency, effectiveness, and security of information technology (IT) services and operations. To improve the efficiency and overall quality of operations, major multiyear initiatives were undertaken to consolidate the management and function of Al-Arafah Islami Bank Ltd.'s help desk, server, and network operations. Significant progress was made, and the overall program met or exceeded its goals for the year.

In addition, IT Division continued to lead AIBL's transition to a more robust information security program, one that is based on guidance from the Central Bank.

During 2012, Personal & Business Banking in Bangladesh focused on delivering a positive customer experience and streamlining customers' interactions with the bank, which included critically reassessing the business unit's IT investment. Our investment in technology infrastructure over the past year has continuously improved our customer-facing systems, contributing to our high customer service scores.

Several IT projects were completed during the year, bearing in mind the requirements of customers, availability of latest technologies and trends of the market. We ensure that our systems meet accounting, compliance and risk requirements, as well as effectively managing customer information.

Migration of the back end Oracle Database to 11g along with implementation of other Oracle Products like Active Data Guard (ADG) for ensuring data replication to the Disaster Recovery Site (DRS) maintaining consistency and accuracy adds to the efficiency and quality of service of the Core banking system.

2012 also saw the introduction of Internet banking

services. Customers of the bank are already enjoying the facility and full-fledged internet banking (e-Commerce) facilities will be launched officially in near future.

The CIB cell has been automated and providing CIB information to the Central Bank according to their guidelines. The division has already automated the reporting processes required by the Central Banks Enterprise Data Ware House (EDW) Rationalized Input Template (RIT) project. The division is ready to submit monthly, quarterly and yearly monetary statements at web portal by using Rationalized Input Template (RIT).

Bangladesh Bank's Automated Clearing House (BACH) under which the Automated Cheque Processing System and (BACPS) Electronic Fund Transfer Network (BEFTN) are running smoothly as part of secured and efficient modern National Payment and Settlement Systems in the country consistent with international standards. Funds can be transferred virtually to any branch of any bank in shortest possible time in any part of the country.

Central bank has already approved AIBL's license for providing Mobile banking (m-Commerce) services. The ICT division is working with the technology partner towards making it available to its customers in very short time.

The ATM network has grown over and the year and ICT Division has played a major role in successfully implementing it providing technical support to the Card Division. Connectivity to the National Payment Switch (NPS) will ensure interbank electronic payments originating from different delivery channels e.g. Automated Teller Machines (ATM), Point of Sales (POS), Internet, Mobile Applications, etc.

ICT division has been playing a major role in developing skilled human resources as well. In total 1000 + of Employees obtained hands on lab training at the training facility of the division of which 315 in the year 2012. The personnel ranged from high level executives including managers to almost all levels.

ICT Division of the bank is striving hard to contribute to a faster economic growth giving a new momentum in the economy through expansion of business activities across the country.

Marketing and Business Development Division:

Marketing and Business development division was established in 2010 with a vision to survive in the competition and to continuously improve business of our bank using different marketing tools. Right now this division is being supervised by a highly experienced Deputy Managing Director of the bank. Main focus of this division is to identify business opportunities, overcome business threats and to develop business strategy. This division builds and maintains a long term relationship with its investment clients; provides assistance to the branches regarding prospective investment clients and also assist branches for deposit mobilization. Besides, Marketing division works to develop new product and redefine existing product. This division also identifies requirements of different promotional/gift items to acquire new customers and also to improve bank's brand and corporate image. Marketing division also takes initiatives of different CSR (Corporate Social Responsibilities) program besides bank's business activities.

Internal Control and Compliance of the Bank

AIBL has undertaken all-out efforts to mitigate all sorts of risk as per Core Risk Management Guidelines issued by Bangladesh Bank (BB). The Bank has formulated different Core Risks Policy Guidelines in order to ensure an effective control over its process e.g. Investment Risk Management Policy, Foreign Exchange Risk Management Guidelines, Money Laundering Prevention & Terrorist Financing Risk Guidelines, ICT Risk Management Guidelines, ALM Guidelines, Human Resources Policy/Service Rules and ICC Risk Management Policy Guidelines etc. The Bank has set-up a separate Division namely Internal Control & Compliance Division (ICCD) as per ICC guidelines of Bangladesh Bank. The bank has engaged an well experienced high official in the rank of EVP in the 3rd tire of management hierarchy to look over the ICCD exclusively to strengthen control mechanism. The ICCD Head has direct reporting line with the Board Audit Committee (BAC) and at the same time submits a copy of each Audit & Inspection report to Board Audit Committee while submitting the original copy to the Managing Director of the Bank. The Head of ICCD has to chalk out Risk Based Annual Audit Plan which requires concurrence of the Board Audit Committee.

a) Conduction of Audit & Inspection, Surprise Inspection etc. in the year, 2012:

As per Audit Plan, 2012, Audit & Inspection Department of the Bank undertook the following Audit & Inspection, Surprise Inspection during the year, 2012:

1. Comprehensive & Risk Based Audit & Inspection 88 (eighty eight) branches i.e. all the branches
2. Head Office Audit & Inspection 16 (sixteen) Division/Department
3. Surprise Inspection at the branches 26 (Twenty Six) branches.

To prevent incidence of errors and their recurrences, more emphasize was given on spot rectification of irregularities/lapses while auditing/inspecting of the branches.

b) Risk Based Comprehensive Audit & Inspection & Classification of branches of AIBL

The main objectives of Risk Based Audit & Inspection of this Bank is to achieve its goal by proper use of its resources (e.g. manpower, assets-liabilities, modern equipments etc.) identifying its weakness/ lapses & taking of appropriate measures to overcome the weakness.

Risk Based Audit conducted considering Risk Grading of the branches as per Business Volume & Control Risk as stated below:

a) Inherent Business Risk :

In order to trace out the inherent business risks of all the branches due consideration has given on the volume and growth of the businesses in different fields.

Inherent Business Risk of the branches have been measured on the basis of 08 (eight) parameters i.e. Deposit, Investment, CL, Profit, Import, Export, Foreign Remittance and Manpower etc. The business risk measuring sticks will further be developed for more accurate evaluation of the risk in the days to come.

b) Control Risk:

In order to outline the control risks vis-à-vis audit grading of all the branch/office (s) due consideration has given on the existence & status of control measures in different fields like spot rectification of irregularities, reducing of irregularities/lapses, protecting repetition of irregularities, lapses / gap of other control risks, ensuring Shariah Compliance to avoid Doubtful Income, implementing of Good governance, effective Concurrent Audit system, Customer & Employee satisfaction survey etc. traced by Internal Audit & Inspection Team and External Inspection Teams.

For audit purpose, we have segregated the branches into 05 risk categories for the year 2013, e.g. Extremely High Risk, Very High Risk, High Risk, Medium Risk and Low Risk. As per aforesaid categories, in the year 2013 audited the branches as under:

- Extremely High Risk Branches will be audited/inspected 200%,
- Very High Risk branches 150%
- All other category branches will be audited/inspected once in 2013.

Beyond surprise inspection and executive branch visit program. On the other hand, as per Audit Plan, 2013, Audit & Inspection to be conducted on all the Division/Department of Head Office with a view to smooth & transparent operation of the bank.

c) Core Risk Management System (CRM) Inspection:

To confirm the implementation status of Core Risk Management (CRM) Guidelines issued by Bangladesh Bank, a systematic inspection within the guideline/framework and as per existing instruction circulars of our bank is to conduct in the branches & concerned department/divisions of Head Office. The regular Audit & Inspection Teams conducts the inspection during their routine Audit & Inspections.

The auditors have to check the following 6-Core Risks Management System of the bank.

- Investment (Credit) Risk,
- Foreign Exchange Risk,
- Asset Liability Risk,
- Internal Control & Compliance (ICC) Risk,
- Money Laundering Risk,
- Information & Communication Technology (ICT) Risk.

d) Concurrent Audit:

Concurrent audit is a systematic and timely/spot examination of financial transactions on a regular basis to ensure accuracy, authenticity and

compliance with procedures and guidelines. Such Audit emphasizes on thorough checking rather than test checking and attempts to shorten the interval between occurrences of transaction and its internal checking or examination. The main objectives of Concurrent Audit is to strengthen Internal Control System of the branches by timely detecting of irregularities and taking of appropriate measures to prevent errors/lapses, fraud/forgery etc. immediately after occurrences and/or shortage possible time.

In view of the above, Concurrent Auditor/Authorized Officer(s) of the branches have to examine on daily basis on the daily transactions/operation of the branches. To prevent incidence of errors and their recurrences, Concurrent Auditors are putting their efforts for removal/ rectification of irregularities on the spot. If any major irregularities/lapses including lapses on Departmental Control Function Check List (DCFCL), traced by the Concurrent Auditor, are left unattended/unrectified over the month then Concurrent Auditor are to submit a monthly report mentioning the irregularities to the Manager with a copy to the Head of ICCD for necessary action.

e) Executive Branch Visit Program:

Beyond the Risk Based Comprehensive Audit & Inspection of the branches Executive Branch visit are done to bring the branches under intensive supervision & control of Head Office. All the executives of various Division & Department of Head Office visits their assigned branches for strengthening of Business Development as well as and ensuring of timely recovery of Overdue/Classified Investment which will be helpful to make a bridge for congenial environment. In 2012 Executive Branch visit conducted on 75 Branches

f) Mandatory Leave:

To execute the ICC Guideline of Bangladesh Bank Expansion of branches continued throughout the year. At the end of 2012 the Bank had 100 branches all over the country the already established the Mandatory Leave for all executives/Officials which will helpful to find out any errors, un expected fraud/ forgery as well the Officials will be refreshed for further devotion to their duties/responsibilities with full enthusiasm. In 2012 about 700 Officials of different ranks able the Mandatory Leave.

g) Auto Information System (AIS):

Auto Information System has already been executed for establishing effective ICC environment, culture and system development. As a result the movement of information made without intervention of all the errors, deviations, irregularities traced out for correction/rectification taking proper action promptly.

h) Audit Monitoring Department:

Audit Monitoring Department is ensuring the compliance of Audit & Inspection Reports of Internal Audit as well as Bangladesh Bank Audit. During the year, 2012 Internal Audit & Inspection team Audited (Comprehensive) 88 Branches once & 13 Branches twice (excluding new 12 branches). The Bangladesh Banks Inspection Team conducted Comprehensive Inspection on our 40 Branches & Foreign Exchange Inspection on 07 Branches. Audit Monitoring Deptt perform all kinds of follow up & correspondence with Branches & Bangladesh Bank. Audit Monitoring Deptt. also sent the comprehensive compliance report to Bangladesh Bank. The Board Audit Committee subsequently reviewed the report of ICCD and B.B.



Inside view of a ceramic industry financed by Al-Arafah Islami Bank Limited

During the year 2012 the Board Audit Committee conducted 11 (Eleven) meeting and discussed Audit Reports of 50 branches, some important Divisions of Head Office & compliance there-against.

Credit Rating

Credit Rating Agency of Bangladesh (CRAB) Limited has adjudged AA3 (pronounced Double A Three) rating in the Long Term and ST-2 rating in the Short Term for Al-Arafah Islami Bank Limited.

Based on	: Audited Financial Statement 2011
Date of Rating	: 21 June, 2012
Validity	: 30 June, 2013

Definitions of AA3 & ST-2 are given below:

AA3 (very Strong Capacity & Very High Quality): Commercial Banks rated in this category have very strong capacity to meet their financial commitments . They differ from the highest-rated commercial banks only to a small degree. This level of rating is adjudged to be of very high quality and is subject to very 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 .

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 2012 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 360 fresh entrants and 15 experienced Bankers during the year 2012 through a transparent recruitment process to fulfill the manpower requirement in the Bank. The Bank also sent 138 employee to BIBM, 04 employees abroad, 28 employees to Bangladesh Bank and 11 other places for training in different fields to upgrade themselves with the latest techniques of modern banking. We have 2,110 staff in the Bank of whom 102 are executives, 1,630 are officers and 378 other staffs as on December 31st 2012.



The Bank donated an Ambulance to Kurmitola High School under Corporate Social Responsibility (CSR)

Sl. No	Designation Category	Number
1	Executives	102
2	Officers	1,630
3	Others	378
Total		2,110

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 662 students from different renowned universities for doing internship program in our Bank during the year 2012. The Bank has recruited experienced new manpower to strengthen its large scale operations. Total manpower employed in the Bank including Managing Director is 2,110 at 31 December 2012 which was 1,807 at the end of the last year.

Training & Motivation:

Training is one of the most effective and well-recognized weapons in developing human resources. Training programs are being carried out for the Management Trainee Officers, Executive Officers, 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, extempore speech etc. are followed. Training materials e.g., course folders, related books; 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 2012, the total numbers of 2242 trainees were trained by AIBTRA through 51 training courses / workshops consisting of 220 working days. A total 382 executives/officials have been trained on different subjects through 9 outreach and 68 "In-house training at Branches". 315 officers/ Executives have been trained on IT operation in ICT Lab of AIBL through 20 workshops under the supervision of ICT Division. Moreover, an special seminar arranged by AIBTRA for raising awareness against Fake Notes for Customers & Businessmen of AIBL. In these programs, training sessions were conducted by resource persons from Bangladesh Bank, BIBM and many other government and private

Banks and financial institutions. 138 (One hundred thirty eight) officers and executives have received training from Bangladesh Institute of Bank Management (BIBM). At the same time, 34 officers and executives have been trained in several training institutes including Bangladesh Bank Training Academy. Moreover, 5 executives of the Bank participated in training workshops/Seminars in India, Malaysia and Singapore in the year 2012.

Besides these, in order to prepare Documentary Credit Specialist, for the first time AIBTRA has taken initiative to train selected AIBL officials in International Trade & Foreign Exchange for qualifying in the Certified Documentary Credit Specialist (CDCS) examination, 2013.

A list of training courses, seminar & workshops conducted during the year 2012 is given below:

Sl No	Subjects	Number	Number of Participants
A. Training Course:			
1.	Foundation Course on Banking (Batch-I/2012)	1	43
2.	Foundation Course on Banking (Batch-II/2012)	1	42
3.	Core Risk Management	1	42
4.	ICC Publications	1	38
5.	Orientation Course on Banking (Batch-I/2012)	1	53
6.	Orientation Course on Banking (Batch-II/2012)	1	51
7.	Capacity Development in Banking Operation for ICC Officials	1	33
B. Workshops:			
1.	SME Market Segmentation Database (Batch-I/2012)	1	49
2.	SME Market Segmentation Database (Batch-II/2012)	1	51
3.	AML & CFT Issues (Batch-I/2012)	1	50
4.	Internal Control & Compliance	1	48
5.	Financial Statement Analysis	1	38
6.	AML & CFT Issues (Batch-II/2012)	1	47
7.	Readymade Garments (RMG) Industries Financing in AIBL	1	43
8.	Team Building & Leadership.	1	28
9.	Bangladesh Bank Risk Management Guidelines for Banks	1	37
10.	Operation Risk Associated with Manual Payment & Solution Thereof	1	47
11.	Concurrent Audit	1	59
12.	Assessment of Bank Asset Quality	1	38
13.	SME Market Segmentation Database (Batch-III/2012)	1	49
14.	Internal Control & Compliance	1	47
15.	Documentation Against Bank's Investment	1	40
16.	Concurrent Audit	1	45
17.	Shariah Implementation in AIBL	1	41
18.	AIBL Renewable Solar Energy	1	60
19.	Classification of Investment- Bangladesh Bank Master Circular-2012	1	48
20.	SME Market Segmentation Database (Batch-4/2012)	1	44
21.	Raising Awareness Against Fake Notes	1	46
22.	Refreshers Training for BAMALCO's (Batch-I/2012)	1	46
23.	Refreshers Training for BAMALCO's (Batch-II/2012)	1	52
24.	UCP 600	1	45

25. Classification of Investment - Bangladesh Bank Master Circular-2012 (Batch-I/2012)	1	49
26. Classification of Investment - Bangladesh Bank Master Circular-2012 (Batch-II/2012)	1	47
27. Refreshers Training on AML & CFT Issues	1	33
28. Western Union Money Transfer Operation in AIBL (Batch-I/2012)	1	51
29. Western Union Money Transfer Operation in AIBL (Batch-II/2012)	1	52
30. Shariah Implementation in AIBL (Dhaka Division)	1	37
31. Criminology & it's use in Prevention of Malpractices in Banking	1	33
32. Management Audit in Bank	1	33
C. Executive Workshops:		
1. An overview on Islamic Money Market	1	38
2. HR Management: Manpower Planning	1	48
3. Transactional Analysis of Human Behavior	1	39
D. Outreach Workshops:		
1. Capacity Development in Banking Operation (Venue : Zindabazar, Barisal, Agrabad (Batch-I & II)	4	276
2. Shariah Implementation in AIBL (Venue: Agrabad, Zindabazar, Comilla, Khulna, Bogra Branch)	5	106
E. Seminar:		
1. Raising Awareness Against Fake Notes for Customers and Businessmen	1	51
F. IT Training (ICT Lab)	20	315
G. In-house training at Branches.	68	416
Total= (A+B+C+D+E+F+G)	140	3024

Staff Welfare Project

The Bank always keeps 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 Islamic International School & College, Al-Arafah Islami Bank Library and Al-Arafah Islami Bank Foundation Kidney Dialysis Center are major three are of its philanthropic activities.

Al-Arafah Islamic International School & College:

Al-Arafah Islamic International School & College was established in 1998 under the welfare project of Al-Arafah Islami Bank Foundation to provide moral & modern education in Islamic environment to guide our youngsters towards the blissful path of Almighty Allah and at the same time to provide them with the necessary knowledge and skills needed for an honourable life both here & here after.

Al-Arafah Islamic International School & College is running a Hifz section along with its English medium curriculum. 10 Hifz students have successfully completed the Hifzul Quran course from this section in

2012 too. At present about 300 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 2011 which is patronized by Her Majesty the Queen of UK. In addition to the Computer Lab, Science Lab, the school has recently launched the DigiClass as per the Edexcel curriculum for effective and enjoyable learning. Moreover, the classes are provided with air-condition facilities for comfortable learning. As such, the number of the students is on increasing trend. That's why, the institute is maintaining double shifts i.e Morning Shift for Junior Section and Day Shift for the Senior Section.

Al-Arafah Islamic International School & College 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.

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. In 2012, our students participated in two Educational Programmes of ATN Bangla TV which were telecast several times. Students of Al-Arafah Islamic International School & College established English Language Club in 2006 to promote English Language in the 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 encourages all level of students to write some articles for the magazine. Moreover, Al-Arafah Islamic International School & College has recently developed its website (www.alarafahiisc.com) to keep itself in touch with the global Network.

Al-Arafah Islami Bank Library

Library is the carrier & reservoir of knowledge. Al-Arafah Islami Bank has shown that 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 is established an International Standard Kidney Dialysis Center to deliver the dialysis therapy to the 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 ten kidney patient 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.

Another International Standard Kidney Dialysis Center is going to be inaugurated very soon at Firingi Bazar, Chittagong.

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 100 branches all over the country. In a bid to expand our network of Branches we got approval to open 10 (Ten) new branches in 2013.

Card & Retail Banking

Financial institutions worldwide are responding to the challenges of providing modern technology based services to their valued customers by incorporating product sets that match their customers' individual needs, payment preferences and then delivering them through any channel they prefer free from time and geographical boundaries. Our Bank has established ATM and Card services to ensure hassle free transactions by the customers. We have commercially launched Debit Card (Fast Cash) for our customers and meanwhile we have deployed 30 ATM booths in prime location and another 75 ATMs are in pipe line. Hopefully we will be able to deploy those ATMs within 2013. Moreover we have connected OMNIBUS share network from which our customers can avail 1400 + ATM facility of other banks all over the country. We are also pleased to inform our customers, well wishers that we have joined as a pilot project member bank of National Payment System (NPS) conducted by Bangladesh Bank which will make our customers very comfortable in case of ATM, POS and other electronic transactions by accessing this system. We are in the process to get VISA membership; we hope that we will provide Islamic VISA International and local card among our customers very soon.

Green Banking

Climate change is already beginning to transform life on Earth.

Around the globe, seasons are shifting, temperatures

are climbing and sea levels are rising. And meanwhile, our planet must still supply us - and all living things - with air, water, food and safe places to live. If we don't act now, climate change will rapidly alter the lands and waters we all depend upon for survival, leaving our children and grandchildren with a very different world.

Some of the most dangerous consequences of climate change are Temperatures, Changing, Wildlife at Risk, Rising Seas, Increased Risk of Drought, Fire, Floods and Earthquakes, effecting bio diversity, Stronger, More and Economic.

Environmental sustainability is a key part of our social responsibility efforts. Bank has established environmental policies, goals and practices that help to guide their activities inside and out. Environmentally-oriented thinking is incorporated into a range of bank operations, lending, products and services and in-house activities.

Al-Arafah Islami Bank Ltd. Being ethical Bank and in compliance to Bangladesh Bank guidelines has formed Green Banking Unit, headed by a senior executive and supervised by Board Audit Committee. The Bank has taken the following initiatives:

- Green Banking Policy adopted.
- Green Branches:
 - A green branch has been opened at Ruhitpur Bazar, Keranigonj. The Branch is designed in such a way that maximum day light can be used. Energy efficient bulb and other electric appliances are being installed. Solar power system is being provided for renewable energy.
- In-house activities:
 - Both the sides of papers are being used
 - Energy savings bulbs and other electrical devices are being used.
 - So far solar power system installed at 25 branches with total 25000 watt capacity.
- Online banking:
 - Online banking facilities already extended to the clients.
 - Debit Cards.
 - Credit Cards will be launched very soon.
 - We are collecting utility bills through Mobile Phone By mpay system.
- Green financing:
 - Financing Projects Eco friendly business activities and energy efficient industries are given preference.
- Environment Risk Management(ERM):
 - Environmental risk Rating is done on the relevant proposal under environment Risk management guide line.
- Sector Specific Environmental Policy (SSEP):
 - Bank has developed sector specific environmental policy for evaluation of sustainable projects.

Employee Training, Consumer Awareness and Green Events: Al-Arafah Islami Bank Ltd. Training and Research Academy are providing green banking training including ERM training, to its employees, with in-house and external resources. Counseling is provided to the clients by our branches.

Appointment of Statutory Auditor

In the 17th Annual General Meeting of the Bank M/S Masih Muhith Haque & Co. and M/S Syful Shamsul Alam & Co. Chartered Accountants were appointed External Auditors of the Bank for a term till conclusion of the 18th Annual General Meeting. The Board has approved M/S Masih Muhith Haque & Co. and Syful Shamsul Alam & Co. Chartered Accountants for appointment as External Auditors by the shareholders till the 19th Annual General Meeting.

Conceptualization of CSR

The modern era of CSR concept was evolved in 1950 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. To enhance social service as part of corporate social responsibility, the Bank has facilitated farmers & freedom fighters to open savings accounts with special facilities of giving profit on daily balance and not realization Account Maintenance Fee from those accounts. The Bank has also originated School Banking to open savings accounts of school students (minor) with same facilities as offered to farmers and freedom fighters in operating their savings accounts. During the year 2012 we accomplished different humanitarian and social activities which include allocation of fund Tk.19.39 million. 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 2012, 14 regular and emergency Board Meeting had been held. Besides, 44 meetings of Executive Committee and 10 meetings of Audit Committee of the Board had also been held during the year.



Donation to family of a martyred army officer in BDR (now BGB) carnage at Pilkhana



Scholarships are being provided regularly to poor and meritorious students



Chairman of the Bank with the newly recruited MTOs after their training



The Bank provided ETT machine to Dhaka National Medical Institute under CSR



Vice Chairman of the Bank in a certificate-giving ceremony held in AIBTRA



The Bank signed remittance agreement with Western Union Money Transfer network



The 3rd Annual General Meeting of AIBL Capital Market Services Limited



The 1st Annual General Meeting of AIBL Capital Management Limited



The Bank received the 'ICMAB Best Corporate Award 2012' from Honourable Commerce Minister Mr. Ghulam Muhammed Quader, MP



The Bank received the 'Weekly Industry Award' for consecutive 3 years



The Bank donated an Ambulance to the Medical Center of Chittagong University under Corporate Social Responsibility (CSR)



Blankets were donated to the poor under supervision of the central bank



Kidney patients are getting low-cost dialysis service at AIBL Foundation Kidney Dialysis Center, Dhaka



A second kidney dialysis center has started its operation in Chittagong under CSR



National debate competition held in Dhaka Ideal School & College under the sponsorship of the Bank



For implementation of Green Banking, AIBL Ruhitpur Branch is operated fully by solar power system

Directors' Report to the Shareholders as per condition No. 1.5 of SEC Notification No. SEC/CMRRCD/2006-158/Admin/44 Dated 07 August 2012

The Directors also report that:

- i. Industry outlook and possible future developments in the industry. Page No 24-45
- ii. Segment-wise or product-wise performance. Page No. 31 & 32
- iii. Risks and concerns. Page No. 44
- iv. A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin. Page No. 48
- v. Discussion on continuity of any Extra-Ordinary gain or loss. Page No. Nil
- vi. Basis for related party transactions-a statement

- of all related party transactions is disclosed in the annual report. Page No. 107-108
- vii. Utilization of proceeds from public issues, rights issues and/or through any others instruments. Page No. Nil
- viii. An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc. Page No. Nil
- ix. There is no significant variance occurs between Quarterly Financial Performance and Annual Financial Statements. A highlights along with reasons thereof are given below:

Particular	2012	2011	Growth %
Investment income	14,119.19	8,974.09	57.33%
Profit paid to depositors	9,575.65	5,543.45	72.74%
Net Investment Income	4,543.54	3,430.64	32.44%
Commission, Exchange & Brokerage and other Income	1,979.41	1,693.32	16.90%
Total Operating Income	6,522.95	5,123.96	27.30%
Total Operating Expense	2,119.05	1,468.75	44.28%
Profit before Tax and provision	4,403.90	3,655.21	20.48%
Provision on Investment and others	757.68	363.47	108.46%
Profit Before Tax	3,646.22	3,291.74	10.77%
Provision for Taxation	1,726.69	1519.68	13.62%
Net Profit after Tax	1,919.53	1,772.06	8.32%
EPS	2.69	2.49	8.03%

Investment income increased by 57.33% compared to previous year due to increase investment Tk. 28,133.22 million in 2012 and optimum utilization of surplus fund. On the other hand profit paid on deposits and borrowings increased by 72.74% compared to previous year due to increase deposits and borrowings Tk. 37,133.05 million in the year 2012. During the year 2012 Net Profit after tax increased by 8.32% compared to previous year 2011.

- x. Remuneration to directors including independent directors. Page No.96
- xi. The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- xii. Proper books of account of the bank have been maintained.
- xiii. 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.
- xiv. International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standard (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed.
- xv. The system of internal control is sound in design and has been effectively implemented and monitored.
- xvi. There are no significant doubts upon the issuer company's ability to continue as a going concern.
- xvii. Significant deviations from the last year's operating results of the bank has been highlighted and the reasons thereof is explained. Page No. Nil
- xviii. Key operating and financial data of at least preceding 5 (five) years shall be summarized. Page No.15
- xix. The Bank has declared stock dividend.
- xx. The number of Board meetings held during the year and attendance by each director has been disclosed. Page No.49
- xxi. The pattern of shareholding has been reported to disclose the aggregate number of shares (along with name details where stated below) held by:-
 - a. Parent/Subsidiary/Associated Companies and other related parties (name wise details); Page No. 73
 - b. Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details); Page No.49 & 50
 - c. Executives; Page No. 9-10
 - d. Shareholders holding ten percent (10%) or more voting interest in the company (name wise details). Page No. Nil
- xxii. Appointment /Reappointment of a director the company has been disclosed the following information to the shareholder:
 - a. A brief resume of the director; Page No. 107-108
 - b. Nature of his/her expertise in specific functional areas; Page No. 107-108
 - c. Name of the companies in which the person also holds the directorship and the membership of committees of the board. Page No. 107-108

Directors' Attendance in the Board Meeting for the year 2012

Sl No.	Name of the Directors	Designation	Meeting held	Attended	Remarks
1	Jb. Badiur Rahman	Chairman	14	14	
2	Jb S.M. Shameem Iqbal	Vice-Chairman	14	11	
3	Alhajj Md. Harun-ar-Rashid Khan	Director	14	13	
4	Alhajj Nazmul Ahsan Khaled	Director	14	12	
5	Alhajj Abdul Malek Mollah	Director	14	13	
6	Hafez Alhajj Md. Enayet Ullah	Director	14	14	
7	Alhajj Abdul Moktadir	Director	14	8	
8	Alhajj Ahamedul Haque	Director	14	11	
9	Alhajj Abdus Samad	Director	14	10	
10	Alhajj A.N.M. Yeahea	Director	14	10	
11	Alhajj Engr. Kh. Mesbahuddin Ahmed	Director	14	12	
12	Alhajj Mohammed Abdus Salam	Director	14	11	
13	Alhajj Niaz Ahmed	Director	14	13	
14	Jb. Md. Ashik Hossain	Director	14	12	
15	Jb. Md. Rafiqul Islam	Director	5	3	Resigned on 29.04.12
16	Jd. Mohammed Emadur Rahman	Director	14	4	
17	Jb. Anwar Hossain	Director	4	2	Resigned on 19.04.12
18	Dr. Momtaz Uddin Ahmed	Director	7	7	Tenure Expired on 11.07.12
19	Brig. Genneral M.A. Malek (Retd.)	Director	14	10	
20	Alhajj Badsha Meah	Director	5	3	Appointed on 29.04.12
	Dr. Md. Shafiul Haider Chowdhury	Alternative Director	4	2	Appointed on 19.09.12
21	Alhajj Mohammed Haroon	Director	10	5	Appointed on 19.04.12
22	Jb. Kazi Badruddin Ahmed	Director	5	2	Appointed on 28.08.12

Statement of Shares held by Directors and their Spouses & Minor Children (as on 31 December 2012)

Sl no	Name of the Directors	Status	No of Shares
1	Jb. Badiur Rahman	Chairman	19,891,070
	Mrs. Syeda Rashida Yasmin	Spouse	3,486,893
2	Sarker Mohammad Shamim Iqbal	Vice Chairman	17,495,940
3	Alhajj Md. Harun-ar-Rashid Khan	Director	14,262,307
4	Alhajj Nazmul Ahsan Khaled	Director	14,286,037
5	Alhajj Abdul Malek Mollah	Director	14,301,748
	Mrs. Alhajj Laila Begum	Spouse	225
6	Alhajj Hafez Md. Enayetullah	Director	14,265,866
7	Alhajj Abdul Moktadir	Director	14,266,519
8	Alhajj Abdus Samad	Director	16,047,932
	Mrs. Shahana Ferdous	Spouse	515,314
9	Alhajj Ahamedul Haque	Director	14,262,233
10	Alhajj Engr. Kh. Mesbahuddin Ahmed	Director	14,262,781
	Mrs. Ajmeri Ahmed	Spouse	6,310,542
11	Jb. Abu Naser Mohammad Yeahea	Director	17,611,992
	Mrs. Nahreen Siddiqua	Spouse	7,633,750
12	Jb. Abdus Salam	Director	14,463,088
13	Jb. Niaz Ahmed	Director	14,335,543
	Mrs. Shabana Niaz	Spouse	5,880,136
14	Jb. Ashik Hossain	Director	14,264,524
15	Alhajj Mohammed Haroon	Director	16,378,328
16	Mohammad Emadur Rahman	Director	14,279,554
17	Alhajj Badsha Meah	Director	14,262,336
	Mrs. Feroza Begum	Spouse	221,312

**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 2012)**

Sl no	Name of the Executives	Status	No. of Shares
1	Ekrumul Hoque	Chief Executive Officer	Nil
2	Md. Mofazzal Hossain	Company Secretary	5014
	Mahfuza Khatun	Wife of Md. Mofazzal Hossain	42
3	Muhammed Nadim ACA	Chief Financial Officer	Nil
4	Md. Mahmoodul Haque	Head of Internal Control & Complainece Division	Nil

**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 2012)**

Sl no	Name of the Executives	Status	No. of Shares
1	Md. Rafiqul Islam	Deputy Managing Director	Nil
2	Khondoker Nayeemul Kabir	Deputy Managing Director	Nil
3	Kazi Towhidul Alam	Deputy Managing Director	Nil
4	Md.Golam Rabbani	Deputy Managing Director	Nil
5	Md. Mominul Hoque Bhuiyan	Executive Vice President	4000



An MOU was signed between Al-Arafah Islami Bank Ltd. and Millennium Information Solution Ltd. for implementation of Mobile Banking

Sub: Audit opinion on the implementation of conditions of Corporate Governance guidelines implemented for the period from 07 august 2012 to 31 December 2012.

Dear Sir,

We have checked the relevant documents regarding the compliance of the provisions of Corporate Governance Guidelines issued by the Bangladesh Securities & Exchange Commission (BSEC) under Notification No-SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 for the period ended 31 December 2012.

In our opinion, Al-Arafah Islami Bank Limited has complied with the conditions of Corporate Governance Guidelines of BSEC for the period ended 31 December 2012, except the followings:

Appointment of independent director:

AIBL has total number of directors are twenty (20) out of which two (2) are independent directors but as per SEC guideline at least four (4) independent directors are required.

Constitution of audit committee:

Independent director of the bank shall be the chairman of the audit committee. But the existing Chairman of the audit committee is not the independent director. Appointment of an independent director as a chairman of the audit committee is under process.

Board of director of subsidiary company:

At least one independent director of the board of directors of AIBL (Holding Company) shall be a director of the board of directors of the subsidiary company. Currently there is no director in subsidiary company who is the independent director of the board of directors of the AIBL (Holding company).

Actual status against each requirement of the Corporate Governance Guidelines is given in Annexure-1.

Thanking you

Yours truly,


MASIH MUHITH HAQUE & CO.
 Chartered Accountants


Syful Shamsul Alam & Co.
 Chartered Accountants

Compliance Report on SEC Notification

Status of compliance of corporate Governance (Report under Condition No. 7.00)

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

Condition no.	Title	Compliance status (put ✓ mark 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		✓	Four independent directors are required, but currently there are two. Appointment of remaining independent directors under process.
1.2 (ii) a)	The independent does not hold any share in the company' or Holds less than one percent (1%) shares of the total paid-up shares of the company;	✓		
1.2 (ii) b)	The independent director is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company :	✓		
1.2 (ii) c)	The independent director does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associated companies;	✓		

Compliance Report on SEC Notification

Condition no.	Title	Compliance status (put ✓ mark in the appropriate column)		Explanation for non-compliance with the condition
		Yes	No	
1.2 (ii) d)	The independent director is not a member, director, or officer of any stock exchange;	✓		
1.2 (ii) e)	The independent director is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;	✓		
1.2 (ii) f)	The independent director is not a partner or an executive or was not a Partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm;	✓		
1.2 (ii) g)	The independent shall not be an independent director in more than 3 (three) listed companies;	✓		
1.2 (ii) h)	The independent director has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFII);	✓		
1.2 (ii) i)	The independent director has not been convicted for a criminal offence involving moral turpitude.	✓		
1.2 (iii)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).	✓		
1.2 (iv)	The post of independent director(s) cannot remain vacant for more than 90(ninety) days.	✓		
1.2 (v)	The Board shall lay down, a code of conduct of all Board members and annual compliance of the code to be recorded.	✓		
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3(three) years, which may be extended for 1(one) term only.	✓		
1.3 (i)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	✓		
1.3 (ii)	The person should be a Business Leader/ Corporate Leader/ Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants and Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management /professional experiences.	✓		One Independent director does not meet the specified requirement. At the time of his appointment this provision was not introduced.
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	✓		
1.4	Chairman of the Board and Chief Executive Officer	✓		
1.5 (i)	Industry outlook and possible future developments in the industry.	✓		
1.5 (ii)	Segment-wise or product-wise performance.	✓		
1.5 (iii)	Risks and concerns.	✓		
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	✓		
1.5 (vi)	Basis for related party transactions-a statement of all related party transactions should be disclosed in the annual report.	✓		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.	✓		
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.	✓		
1.5 (ix)	If significant variance occurs between Quarterly Financial Performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	✓		
1.5 (x)	Remuneration to directors including independent directors.	✓		
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	✓		
1.5 (xii)	Proper books of account of the issuer company have been maintained.	✓		
1.5 (xiii)	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.	✓		

Compliance Report on SEC Notification

Condition no.	Title	Compliance status (put ✓ mark in the appropriate column)		Explanation for non-compliance with the condition
		Yes	No	
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standard (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed.	✓		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	✓		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		
1.5 (xxi a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		
1.5 (xxi)b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	✓		
1.5 (xxi)c)	Executives;	✓		
1.5 (xxi)d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		
1.5 (xxii) a)	A brief resume of the director;	✓		
1.5 (xxii) b)	Nature of his/her expertise in specific functional areas;	✓		
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
2.1	Appointment of CFO, Head of Internal audit & company secretary.	✓		
2.2	Requirement to attend Board meeting	✓		
3 (i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	✓		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	✓		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing	✓		
3.1 (i)	Number of member of Audit committee	✓		
3.1 (ii)	Inclusion of independent director in the audit committee	✓		
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience,	✓		

Compliance Report on SEC Notification

Condition no.	Title	Compliance status (put ✓ mark in the appropriate column)		Explanation for non-compliance with the condition
		Yes	No	
3.1 (iv)	When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy(ies) . immediately or not later than 1 .. (one) month from the date "of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.	✓		
3.1 (v)	The company secretary shall act as the secretary of the Committee.	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	✓		
3.2 (i)	Selection of the Chairman of audit committee		✓	Existing chairman of the audit committee is not an independent director. Appointment of independent director is under process
3.2 (ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM).	✓		
3.3 (i)	Oversee the financial reporting process.	✓		
3.3 (ii)	Monitor choice of accounting policies and principles.	✓		
3.3 (iii)	Monitor Internal Control Risk management process.	✓		
3.3 (iv)	Oversee hiring and performance of external auditors.	✓		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	✓		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	✓		
3.3 (vii)	Review the adequacy of internal audit function.	✓		
3.3 (viii)	Review statement of significant 'related party transactions submitted by the management.	✓		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	✓		
3.3 (x)	When money is raised through Initial Public Offering, (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major, category (capital expenditure, sales and marketing expenses, working capital etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.	✓		
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
3.4.1 (ii)a)	report on conflicts of interests;	✓		
3.4.1 (ii)b)	suspected or presumed fraud or irregularity or material defect in the internal control system;	✓		
3.4.1 (ii)c)	suspected infringement of laws, including securities related laws, rules and regulations::	✓		
3.4.1 (ii)d)	any other matter which shall be disclosed to the Board of Directors immediately.	✓		
3.4.2	Reporting to the Authorities	✓		
3.5	Reporting to the Shareholders and General Investors	✓		
4 (i)	Appraisal or valuation services or fairness opinions.	✓		
4 (ii)	Financial information system design and implementation	✓		
4 (iii)	Book-keeping or other services related to the accounting records or financial statement	✓		
4 (iv)	Broker -dealer services	✓		
4 (v)	Actuarial services	✓		
4 (vi)	Internal audit services	✓		
4 (vii)	Any other services that the audit committee determines.	✓		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	✓		
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	✓		

Compliance Report on SEC Notification

Condition no.	Title	Compliance status (put ✓ mark in the appropriate column)		Explanation for non-compliance with the condition
		Yes	No	
5 (ii)	At least 1 (one) independent director of the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.		✓	Currently there are no independent directors of holding company, who are the directors of the subsidiary companies.
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	✓		
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	✓		
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular, the investments made by the subsidiary company.	✓		
6 (i) a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	✓		
6 (i) b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	✓		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent illegal or violation of the company's code of conduct.	✓		
7 (i)	The company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	✓		
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	✓		

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 2012. Board of Directors takes this opportunity to thank the Shariah and Board Members of the Bank for their relentless whole hearted support. Their collective wisdom contributed extensively to acquiring of strength. The Board of Directors also thanks the management and the staff for their loyalty, support and untiring efforts which has resulted in improved performance. The Board of Directors expresses its thanks to respected shareholders, valued customers, patrons well-wishers, Government of Bangladesh, Bangladesh Bank, Registrar of Joint Stock Companies & Firms, Securities and Exchange Commission, Auditors, Legal advisers and all others concerned for giving us the benefit of their support and co-operation. We quietly weigh their continued support and co-operation which are constant source of inspiration. We re-assurance our vow to remain most

disciplined, Shariah compliant and result oriented. While we look forward to their continuous support and co-operation with trust and confidence, We reassure that our respected shareholders can expect further satisfactory results in 2012. 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: 14 May, 2013
On behalf of the Board of Directors

Report of the Shariah Supervisory Committee

For the year ended 31 December 2012

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 property.
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

A warm-toned photograph of a meeting table. In the foreground, a person's hand holds a pair of glasses. To the right, another person's hand holds a pen, with a wristwatch visible. In the background, another person's hand holds a pen. There are glasses of water on the table. A keyboard is visible in the lower left. The overall scene suggests a professional meeting or audit.

Auditors' Report and Financial Statements

for The Year Ended 31 December 2012

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 (AIBL) and its subsidiaries, (the "Group") as well as the financial statements of Al-Arafah Islami Bank Limited ("the Bank") which comprises the Consolidated Balance Sheet as at 31 December 2012, Consolidated Profit & Loss Account, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994 and other applicable laws and regulations. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether these 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 auditor's 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.

The financial statements of the Bank's two subsidiaries namely, AIBL Capital Market Services Limited (AIBL CMSL) and AIBL Capital Management Limited (AIBL CML) were audited by other auditors whose reports have been furnished to us and in our opinion, in so far as it relates to the amounts included in respect of the bank's subsidiaries, are based solely on the reports to the other auditors.

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

Opinion

In our opinion, the Financial Statements prepared in accordance with Bangladesh Financial Reporting Standards, give a true and fair view of the state of the bank's affairs and its subsidiaries as at 31 December 2012 and the results of its operations and its cash flows for the period then ended and comply with the Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchanges Rules 1987 and other applicable laws and regulations.

Further to our opinion in the above paragraph, we state that:

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification there-of;
- (ii) in our opinion, proper books of account as required by law have been kept by the bank so far as it appeared from our examination of those books and proper returns-adequate for the purpose of our audit, have been received from branches not visited by us;
- (iii) the Bank's Balance Sheet and Income Statement together with the annexed notes 1 to 39 dealt with by the report are in agreement with the books of account and returns;
- (iv) the expenditures incurred was for the purpose of the bank's business;
- (v) the financial position of the bank as on 31 December 2012 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 the generally accepted accounting principles;
- (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;
- (vii) the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (viii) the records and statements submitted by the branches have been properly maintained and reflected in the financial statements;
- (ix) adequate provisions have been made for advances and other assets which are, in our opinion, doubtful of recovery;
- (x) the information and explanations required by us have been received and found satisfactory;
- (xi) the Bank has no overseas branches;
- (xii) 80% of the risk- weighted assets have been audited; and
- (xiii) We have spent approximately 12,215 man hours for the audit of the books of accounts and the financial statements of the Bank.


MASIH MUHITH HAQUE & CO.
Chartered Accountants

Place : Dhaka
Date : 4 April 2013


Sydul Shamsul Alam & Co.
Chartered Accountants

Consolidated Balance Sheet as at December 31, 2012

PROPERTY AND ASSETS	Notes	2012 Taka	2011 Taka
Cash in hand	5		
Cash in hand (including foreign currencies)	5.a	1,082,941,132	809,438,237
Balance With Bangladesh Bank and its Agents Banks (including foreign currencies)	5.a.i	11,601,779,123	6,527,355,409
		12,684,720,255	7,336,793,646
Balance with other Banks and Financial Institutions	6.A		
In Bangladesh	6.a	1,055,597,112	297,693,562
Outside Bangladesh	6.b	1,257,383,205	932,643,431
		2,312,980,317	1,230,336,993
Placement with Banks & Other Financial institutions	7	11,300,000,000	9,800,000,000
Investment in Share & Securities	8.A		
Government	8.a	4,200,000,000	3,000,000,000
Others	8.A.ii	1,311,242,916	771,826,073
		5,511,242,916	3,771,826,073
Investments	9.A		
General Investments etc.	9.h	95,820,214,960	69,140,245,957
Bills purchased and discounted	9.b	10,830,210,720	8,574,711,041
		106,650,425,680	77,714,956,998
Fixed assets including Premises	10.A	2,394,620,839	968,132,029
Other Assets	11.A	8,466,374,155	5,946,135,179
Non-Banking Assets		-	-
Total Assets		149,320,364,162	106,768,180,918
LIABILITIES AND CAPITAL			
Liabilities			
Placement from Banks & Other Financial institutions	12.A	6,230,000,000	5,600,000,000
Deposits and other Accounts	13.A		
Mudaraba Savings Deposits		9,998,519,808	8,365,529,395
Mudaraba Term Deposits	13.A.ii	76,618,032,206	50,030,522,304
Other Mudaraba Deposits	13.i	18,208,830,719	13,428,545,310
Al-Wadia Current Accounts and Others Accounts etc.	13.ii	12,898,844,570	9,609,727,873
Bills Payable		959,167,532	752,651,888
		118,683,394,835	82,186,976,770
Other Liabilities	14.A	10,307,395,261	6,960,102,057
Deferred tax Liabilities/ (Assets)	15	48,885,051	31,992,768
Total Liabilities (12+13+14+15)		135,269,675,147	94,779,071,595
Share holders Equity			
Paid up capital	16	7,130,980,100	5,893,371,990
Retained earnings	19.A	1,238,380,901	1,503,534,242
Statutory reserve	17	3,102,076,966	2,372,832,157
Revaluation Reserve	18	977,548,248	64,603,248
Total equity attributable to equity holders of the bank		12,448,986,215	9,834,341,637
Non-controlling interest	16.A	1,601,702,801	2,154,767,685
Total equity		14,050,689,016	11,989,109,322
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		149,320,364,162	106,768,180,918

Consolidated Balance Sheet as at December 31, 2012

	Notes	2012 Taka	2011 Taka
OFF BALANCE SHEET ITEMS			
Contingent Liabilities			
Acceptance and endorsement		9,057,403,774	8,695,810,430
Letters of Guarantee	20	1,955,716,112	1,812,384,128
Letters of Credit		10,259,719,879	10,023,844,948
Bills for Collection		892,886,654	950,742,178
Other Contingent Liabilities		-	-
Total		22,165,726,419	21,482,781,684
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		22,165,726,419	21,482,781,684

Accompanying notes form an integral part of these financial statements


Executive Vice President


Managing Director


Director


Director


Chairman


MASIH MUHITH HAQUE & CO.
Chartered Accountants

Signed in terms of our report of event date.


Syful Shamsul Alam & Co.
Chartered Accountants

Place : Dhaka
Date : 4 April 2013

Consolidated Profit & Loss Account For the Year ended December 31, 2012

	Notes	2012 Taka	2011 Taka
Investment income	21.A	14,998,602,041	9,481,012,371
Profit paid on deposits & borrowing	22.A	(9,710,478,209)	(5,466,118,053)
Net investment income		5,288,123,832	4,014,894,318
Income from Investment in shares/securities	23.A	252,688,408	106,731,654
Commission, exchange and brokerage	24.A	1,237,218,574	1,551,390,006
Other operating income	25.A	204,068,737	193,461,955
		1,693,975,719	1,851,583,615
Total operating income		6,982,099,551	5,866,477,933
Salaries and allowances & contribution to provident fund	26.A	1,408,249,794	907,747,260
Directors' fees & expenses	27.A	8,265,823	7,711,280
Shariah supervisory committee's fees & expenses	28	260,177	189,906
Rent, taxes, insurance, lighting etc.	29.A	232,525,902	170,483,979
Postage, telegram, telephone and stamp etc.	30.A	72,405,496	58,136,839
Legal charges		2,298,422	3,497,413
Auditors' fee		816,540	751,340
Managing director's salary & allowance		10,660,000	10,660,000
Depreciation and repairs to the bank's properties		175,913,514	108,209,476
Stationery, printing, advertisement etc.	31.A	56,326,128	43,912,972
Other expenses	32.A	258,839,210	228,388,600
Total operating expenses		2,226,561,006	1,539,689,066
Profit/(Loss) before tax & provision		4,755,538,545	4,326,788,867
Provision against investments & contingent liabilities	33.A	668,204,911	369,998,339
Provision for diminution in value of investment	14.3.A	143,240,680	10,166,919
Other provision	26	-	-
Total provision		811,445,591	380,165,258
Profit/(Loss) before tax		3,944,092,954	3,946,623,609
Current tax	14.A.I	(1,981,803,477)	(1,729,427,097)
Deferred tax expense	15	(16,892,283)	(18,445,022)
Provision for taxation		(1,998,695,760)	(1,747,872,119)
Net Profit/(Loss) after tax		1,945,397,193	2,198,751,490
Net profit attributable to:			
Equity holders of the bank		1,694,144,703	1,992,871,080
Non-controlling interest		251,252,490	205,880,410
Profit for the year		1,945,397,193	2,198,751,490
Appropriation			
Statutory reserve		729,244,809	658,348,255
Non-controlling interest		251,252,490	205,880,410
Transfer to retained earnings		964,899,894	1,334,522,824
Earnings per share	38.A	2.38	2.79

Accompanying notes from 1 to 39 forms an integral part of these financial statements


Executive Vice President


Managing Director


Director


Director


Chairman


MASIH MUHITH HAQUE & CO.
Chartered Accountants

Signed in terms of our report of event date.


Syful Shamsul Alam & Co.
Chartered Accountants

Place : Dhaka
Date : 4 April 2013

Consolidated Cash Flow Statement For The Year Ended December 31, 2012

	Notes	2012 Taka	2011 Taka
Cash flows from Operating Activities			
Investment income receipt in Cash		14,499,575,043	9,283,741,639
Profit paid on deposits		(7,907,151,745)	(4,322,107,880)
Dividend received		10,076,279	1,450,000
Fees & Commission received in cash		1,177,218,244	1,551,390,006
Recoveries from write off investments		14,154,626	47,157,720
Cash payments to employees		(1,395,233,312)	(918,407,260)
Cash payments to suppliers		(37,574,259)	(30,840,636)
Received from other operating activities (item-wise)		919,069,819	278,426,922
Paid for other operating activities (item-wise)	34.A	(570,526,782)	(503,636,667)
Advance income tax paid		(1,925,630,084)	(1,098,631,262)
Operating profit before changes in operating assets and liabilities		4,783,977,829	4,288,542,582
Changing in Operating assets & liabilities			
Increase/Decrease of trading securities		(539,416,843)	(692,992,733)
Increase/Decrease of investment and advances to other banks		(1,500,000,000)	(1,600,000,000)
Increase/Decrease of Investment and advances to customers (other than Banks)		(29,363,278,545)	(24,131,996,275)
Increase/Decrease of other assets (item-wise)	35.A	(1,835,457,841)	(355,030,267)
Increase/Decrease of Deposits from other banks		630,000,000	(80,000,000)
Increase/Decrease of Deposits from customers (other than Banks)		37,383,529,660	27,306,994,578
Increase/Decrease of Other liabilities account of customers		-	-
Increase/Decrease of Trading liabilities (item-wise)	36.A	(799,324,259)	181,221,157
Cash receipt from operating activities		3,976,052,172	628,196,460
A. Net Cash from operating activities		8,760,030,001	4,916,739,042
Cash flows from investing activities:			
Proceeds from sale of securities		-	-
Payments for purchases of securities		-	-
Purchase of property, plant and equipment		(667,697,569)	(399,513,265)
Sales proceeds of Fixed assets		-	-
Purchase-sale of subsidiary		-	-
B. Net cash flows from investing activities		(667,697,569)	(399,513,265)
Cash flows from financing activities			
Increase in Exchange Equalization Account		-	-
Increase in Share Capital		3,987,501	-
Dividend paid		(465,750,000)	-
C. Net cash flows from financing activities		(461,762,499)	-
D. Net increase in cash and cash equivalent (A+B+C)		7,630,569,934	4,517,225,777
E. Effects of exchange rate changes on cash and cash-equivalents		-	-
F. Net increase in cash and cash equivalent (D+E)		7,630,569,934	4,517,225,777
G. Cash & Cash Equivalents at the beginning of the year		11,567,130,639	7,049,904,862
H. Cash & Cash Equivalents at the end of the year	37.A	19,197,700,573	11,567,130,639


Executive Vice President


Managing Director


Director


Director


Chairman

Consolidated Statement Of Changes In Equity For The Year Ended December 31, 2012

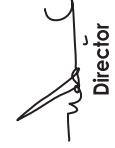
Particular	Paid up Capital	Statutory Reserve	Retained Earnings	Asset Revaluation Reserve	Total	Non-controlling Interest	Total Equity
Balance at 1st January 2012	5,893,371,990	2,372,832,157	1,503,534,243	64,603,248	9,834,341,638	2,154,767,685	11,989,109,323
Changes in accounting policy	-	-	-	-	-	-	-
Buy back share	-	-	-	-	-	(342,554,874)	(342,554,874)
Issue of the share capital	1,237,608,110	-	-	-	1,237,608,110	3,987,501	1,241,595,611
Restated balance	7,130,980,100	2,372,832,157	1,503,534,243	64,603,248	11,071,949,748	1,816,200,311	12,888,150,059
Surplus/deficit on account of Revaluation of properties	-	-	-	912,945,000	912,945,000	-	912,945,000
Surplus/deficit on account of Revaluation of investments	-	-	-	-	-	-	-
Gain on acquisition of subsidiary	-	-	7,554,874	-	7,554,874	-	7,554,874
Currency translation differences recognized in the income	-	-	-	-	-	-	-
Net gain and losses not recognised in Income Statement	-	-	-	-	-	-	-
Net profit for the year	-	-	1,694,144,703	-	1,694,144,703	251,252,490	1,945,397,193
Interim Dividend paid	-	-	-	-	-	(465,750,000)	(465,750,000)
Stock dividend - 2011 (21.00 %)	-	-	(1,237,608,110)	-	(1,237,608,110)	-	(1,237,608,110)
Issue of share capital	-	-	-	-	-	-	-
Transferred to retained earning	-	-	-	-	-	-	-
Appropriations during the year	-	729,244,809	(729,244,809)	-	-	-	-
Total shareholders' equity as on December 31,2012	7,130,980,100	3,102,076,966	1,238,380,901	977,548,248	12,448,986,215	1,601,702,801	14,050,689,017
Add: General provision for unclassified investments							1,242,808,265
Less: 50% of Assets revaluation reserve							(488,774,124)
Total equity as on December 31,2012							14,804,723,158
Total shareholders' equity as on December 31,2011	5,893,371,990	2,372,832,157	1,503,534,243	64,603,248	9,834,341,638	2,154,767,685	11,989,109,323



Executive Vice President



Managing Director



Director



Director



Chairman

Consolidated Statement Of Liquidity For The Year Ended December 31, 2012


(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	12,684,720,255	-	-	-	-	12,684,720,255
	Balance with other bank and financial institution	2,312,980,317	-	-	-	-	2,312,980,317
	Placement with banks & other financial institutions	2,100,000,000	4,200,000,000	5,000,000,000	-	-	11,300,000,000
	Investments (in shares & securities)	1,508,104,026	500,000,000	1,600,000,000	1,900,000,000	3,138,890	5,511,242,916
	Investments	38,280,274,539	25,313,265,365	21,788,968,454	12,560,484,971	8,707,432,351	106,650,425,680
	Fixed assets including premises (land & building)	1,508,446,528	204,631,120	179,052,230	380,942,314	2,013,678,525	2,394,620,839
	Other assets				127,894,449	6,446,349,828	8,466,374,155
	Non banking assets						
	Total Assets	58,394,525,665	30,217,896,485	28,568,020,684	14,969,321,734	17,170,599,594	149,320,364,162
2	Liabilities :						
	Placement from banks & other financial institutions	1,230,000,000	4,400,000,000	600,000,000	-	-	6,230,000,000
	Deposits	54,249,494,834	31,032,912,990	20,805,187,010	7,990,612,945	4,605,187,055	118,683,394,834
	Other accounts						
	Provision and other liabilities	505,702,643	76,823,602	67,220,652	48,014,752	9,609,633,612	10,307,395,261
	Deferred tax liabilities / (assets)	-	-	48,885,051	-	-	48,885,051
	Total Liabilities	55,985,197,477	35,509,736,592	21,521,292,713	8,038,627,697	14,214,820,668	135,269,675,146
	Net Liquidity Gap	2,409,328,188	(5,291,840,107)	7,046,727,971	6,930,694,037	2,955,778,926	14,050,689,016

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 & liabilities.


Executive Vice President


Managing Director


Director


Director


Chairman

Balance Sheet as at December 31, 2012

PROPERTY AND ASSETS	Notes	2012 Taka	2011 Taka
Cash in hand	5		
Cash in hand (including foreign currencies)	5.a	1,082,941,132	809,438,237
Balance With Bangladesh Bank and its Agents Banks (including foreign currencies)	5.a.i	11,601,779,123	6,527,355,409
		12,684,720,255	7,336,793,646
Balance with other Banks and Financial Institutions	6		
In Bangladesh	6.a	1,055,592,112	297,693,562
Outside Bangladesh	6.b	1,257,383,205	932,643,431
		2,312,975,317	1,230,336,993
Placement with Banks & Other Financial Institutions	7	11,300,000,000	9,800,000,000
Investment in Share & Securities	8		
Government	8.a	4,200,000,000	3,000,000,000
Others	8.b	997,514,772	628,918,901
		5,197,514,772	3,628,918,901
Investments	9		
General Investments etc.	9.a	90,736,824,432	64,859,099,786
Bills purchased and discounted	9.b	10,830,210,720	8,574,711,041
		101,567,035,152	73,433,810,827
Fixed assets including premises	10	2,361,213,539	932,505,493
Other Assets	11	10,911,353,282	7,156,359,395
Non-Banking Assets		-	-
Total Assets		146,334,812,318	103,518,725,256
LIABILITIES AND CAPITAL			
Liabilities			
Placement from Banks & Other Financial institutions	12	5,100,000,000	4,900,000,000
Deposits and other Accounts	13		
Mudaraba Savings Deposits		9,998,519,808	8,365,529,395
Mudaraba Term Deposits		77,314,883,253	50,290,733,979
Other Mudaraba Deposits	13.i	18,208,830,719	13,428,545,310
Al-Wadia Current Accounts and Others Accounts etc.	13.ii	12,898,844,570	9,609,727,873
Bills Payable		959,167,532	752,651,888
		119,380,245,882	82,447,188,444
Other Liabilities	14	9,379,937,665	6,546,274,484
Deferred tax Liabilities/ (Assets)	15	48,885,051	31,992,768
Total Liabilities (12+13+14+15)		133,909,068,598	93,925,455,697
Share holders Equity			
Paid up Capital	16	7,130,980,100	5,893,371,990
Statutory Reserve	17	3,102,076,966	2,372,832,157
Revaluation Reserve	18	977,548,248	64,603,248
Retained Earnings	19	1,215,138,406	1,262,462,165
Total Share holders equity		12,425,743,720	9,593,269,560
Total Liability and Share holders equity		146,334,812,318	103,518,725,256

Balance Sheet as at December 31, 2012

	Notes	2012 Taka	2011 Taka
OFF BALANCE SHEET ITEMS			
Contingent Liabilities			
Acceptance and endorsement		9,057,403,774	8,695,810,430
Letters of Guarantee	20	1,955,716,112	1,812,384,128
Letters of Credit		10,259,719,879	10,023,844,948
Bills for Collection		892,886,654	950,742,178
Other Contingent Liabilities		-	-
Total		22,165,726,419	21,482,781,684
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		22,165,726,419	21,482,781,684

Accompanying notes from 1 to 39 form an integral part of these financial statements


Executive Vice President


Managing Director


Director


Director


Chairman


MASIH MUHITH HAQUE & CO.
Chartered Accountants

Signed in terms of our report of event date.


Syful Shamsul Alam & Co.
Chartered Accountants

Place : Dhaka
Date : 4 April 2013

Profit & Loss Account for the Year Ended 31 December 2012

	Notes	2012 Taka	2011 Taka
Investment income	21	14,119,185,337	8,974,091,781
Profit paid on deposits & borrowing	22	(9,575,649,820)	(5,543,448,128)
Net investment income		4,543,535,517	3,430,643,653
Income from investment in shares / securities	23	772,218,821	105,394,687
Commission, exchange and brokerage	24	1,012,084,491	1,414,781,026
Other operating income	25	195,115,910	173,145,269
		1,979,419,222	1,693,320,982
Total operating income		6,522,954,739	5,123,964,635
Salaries and allowances & contribution to providend fund	26	1,357,953,006	884,070,258
Directors fees & expenses	27	6,715,823	7,115,280
Shariah supervisory committee's fees & expenses	28	260,177	189,906
Rent, taxes, insurance, lighting etc.	29	221,169,805	160,599,777
Postage, telegram, telephone and stamp etc.	30	71,875,333	57,724,258
Legal charges		2,242,004	3,494,413
Auditors' fee		646,540	651,340
Managing director's salary & allowances		10,660,000	10,660,000
Depreciation Repairs to the bank's properties		169,293,106	96,840,927
Stationery, printing, advertisement etc.	31	55,482,737	43,129,421
Other expenses	32	222,752,311	204,276,584
		2,119,050,842	1,468,752,165
Total operating expenses		2,119,050,842	1,468,752,165
Profit/(Loss) before tax & provision		4,403,903,897	3,655,212,470
Provision against investments & contingent liabilities	33	668,204,911	361,946,132
Provision for diminution in value of investment	14.3	89,474,939	1,525,061
Other provision	26	-	-
		757,679,850	363,471,193
Total provision		757,679,850	363,471,193
Profit/(Loss) before tax		3,646,224,047	3,291,741,277
Current tax	14.1	(1,709,802,603)	(1,501,239,915)
Deferred tax	15	(16,892,283)	(18,445,022)
		(1,726,694,886)	(1,519,684,937)
Provision for taxation		(1,726,694,886)	(1,519,684,937)
Net Profit/(Loss) after tax		1,919,529,161	1,772,056,340
Appropriation			
Statutory reserve		729,244,809	658,348,255
Transfer to retained earnings		1,190,284,351	1,113,708,085
Earning per ordinary share (EPS)	38	2.69	2.49

Accompanying notes from 1 to 39 forms an integral part of these financial statements


Executive Vice President


Managing Director


Director


Director


Chairman


MASIH MUHITH HAQUE & CO.
Chartered Accountants

Place : Dhaka
Date : 4 April 2013

Signed in terms of our report of event date.


Syful Shamsul Alam & Co.
Chartered Accountants

Cash Flow Statement for the Year Ended 31 December 2012

	Notes	2012 <u>Taka</u>	2011 <u>Taka</u>
Cash flows from Operating Activities			
Investment income receipt in Cash		13,620,158,339	8,776,821,049
Profit paid on deposits		(7,547,823,035)	(4,308,898,556)
Dividend received		10,076,279	1,450,000
Fees & Commission received in cash		952,084,161	1,414,781,026
Recoveries from write off investments		14,154,626	47,157,720
Cash payments to employees		(1,344,936,524)	(894,730,258)
Cash payments to suppliers		(36,730,868)	(30,057,085)
Received from other operating activities (item-wise)		772,218,821	277,089,955
Paid for other operating activities (item-wise)	34	(569,252,223)	(463,861,411)
Advance income tax paid		(1,691,678,517)	(959,610,813)
Operating profit before changes in operating assets and liabilities		4,178,271,059	3,860,141,627
Changing in Operating assets & liabilities			
Increase/Decrease of trading securities		(368,595,871)	(550,085,561)
Increase/Decrease of investment and advances to other banks		(1,500,000,000)	(1,600,000,000)
Increase/Decrease of Investment and advances to customers (other than Banks)		(27,264,653,833)	(19,850,850,104)
Increase/Decrease of other assets (item-wise)	35	(1,836,883,107)	(351,852,212)
Increase/Decrease of Deposits from other banks		200,000,000	(780,000,000)
Increase/Decrease of Deposits from customers (other than Banks)		35,244,375,999	27,258,333,852
Increase/Decrease of Other liabilities account of customers		-	-
Increase/Decrease of Trading liabilities (item-wise)	36	466,764,213	(3,073,548,229)
Cash receipt from operating activities		4,941,007,400	1,051,997,747
A. Net Cash from operating activities		9,119,278,459	4,912,139,374
Cash flows from investing activities:			
Proceeds from sale of securities		-	-
Payments for purchases of securities		-	-
Purchase of property, plant and equipment		(663,713,526)	(394,913,597)
Sales proceeds of Fixed assets		-	-
Purchase-sale of subsidiary		(825,000,000)	-
B. Net cash flows from investing activities		(1,488,713,526)	(394,913,597)
Cash flows from financing activities			
Increase in Exchange Equalization Account		-	-
Increase in Share Capital		-	-
Dividend paid		-	-
C. Net cash flows from financing activities		-	-
D. Net increase in cash and cash equivalent (A+B+C)		7,630,564,933	4,517,225,777
E. Effects of exchange rate changes on cash and cash-equivalents		-	-
F. Net increase in cash and cash equivalent (D+E)		7,630,564,933	4,517,225,777
G. Cash & Cash Equivalents at the beginning of the year		11,567,130,639	7,049,904,862
H. Cash & Cash Equivalents at the end of the year	37	19,197,695,572	11,567,130,639

Accompanying notes form an integral part of these financial statements


Executive Vice President


Managing Director


Director


Director


Chairman

Statement of Changes in Equity for the Year Ended 31 December 2012

Particular	Paid up Capital	Statutory Reserve	Retained Earnings	Asset Revaluation Reserve	Total Taka
Balance at 1st January 2012	5,893,371,990	2,372,832,157	1,262,462,165	64,603,248	9,593,269,560
Changes in accounting policy	-	-	-	-	-
Issue of the share capital	1,237,608,110	-	-	-	1,237,608,110
Restated balance	7,130,980,100	2,372,832,157	1,262,462,165	64,603,248	10,830,877,670
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	-	-	1,919,529,161	-	1,919,529,161
Cash dividend	-	-	-	-	-
Stock dividend - 2011 (21.00 %)	-	-	(1,237,608,110)	-	(1,237,608,110)
Issue of share capital	-	-	-	-	-
Transferred to retained earnings	-	-	-	-	-
Appropriations during the year	-	729,244,809	(729,244,809)	912,945,000	912,945,000
Total shareholders' equity as on December 31, 2012	7,130,980,100	3,102,076,966	1,215,138,406	977,548,248	12,425,743,721
Add: General provision for unclassified investments					1,242,808,265
Less: 50% of Assets Revaluation Reserve					(488,774,124)
Total equity as on December 31, 2012					13,179,777,862



Executive Vice President



Managing Director



Director



Director



Chairman

Statement of Liquidity for the Year Ended 31 December 2012

(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	12,684,720,256	-	-	-	-	12,684,720,256
	Balance with other banks and financial institutions	2,312,975,317	-	-	-	-	2,312,975,317
	Placement with banks & other financial institutions	2,100,000,000	4,200,000,000	5,000,000,000	-	-	11,300,000,000
	Investments (in shares & securities)	1,194,375,882	500,000,000	1,600,000,000	1,900,000,000	3,138,890	5,197,514,772
	Investments	38,280,274,539	20,229,874,836	21,788,968,454	12,560,484,971	8,707,432,352	101,567,035,152
	Fixed assets including premises (land & building)	-	-	-	347,535,014	2,013,678,526	2,361,213,540
	Other assets	1,508,446,528	204,631,120	179,052,230	127,894,449	8,891,328,954	10,911,353,281
	Non banking assets	-	-	-	-	-	-
	Total Assets	58,080,792,522	25,134,505,956	28,568,020,684	14,935,914,434	19,615,578,722	146,334,812,318
2	Liabilities :						
	Placement from banks & other financial institutions	100,000,000	4,400,000,000	600,000,000	-	-	5,100,000,000
	Deposits	54,946,345,882	31,032,912,990	20,805,187,010	7,990,612,945	4,605,187,055	119,380,245,882
	Other accounts	-	-	-	-	-	-
	Provision and other liabilities	505,702,643	76,823,602	67,220,652	48,014,752	8,682,176,016	9,379,937,665
	Deferred tax liabilities / (assets)	-	-	48,885,051	-	-	48,885,051
	Total Liabilities	55,552,048,525	35,509,736,592	21,521,292,713	8,038,627,697	13,287,363,071	133,909,068,598
	Net Liquidity Gap	2,528,743,997	(10,375,230,636)	7,046,727,971	6,897,286,737	6,328,215,651	12,425,743,720

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 & liabilities.



Executive Vice President



Managing Director



Director



Director



Chairman

Notes to the Financial Statements for the Year Ended 31 December 2012

1. The Bank and its activities

- 1.1 "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. The Bank went for public issue of share in the year 1998 and its share are listed with Dhaka Stock Exchange (DSE) and Chaittagong Stock Exchange (CSE). Presently the bank has 100 Branches and 2 (two) Subsidiary Companies.

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

1.2 Subsidiaries of the Bank

Al-Arafah Islami Bank Ltd has two subsidiary companies. The financial statements of those subsidiary companies are included in the consolidated financial statements according to BAS-27.

1.2.1 AIBL Capital Market Services Limited

Al-Arafah Islami Bank Ltd. owned 60.125% shares of AIBL Capital Market Services Ltd. a subsidiary company of Al-Arafah Islami Bank Limited. AIBL Capital Market Services Ltd. incorporated in Bangladesh on 20 September 2010 as a Public Limited Company. The principal activities of subsidiary company is to provide quality services to the prospective institutional and individual investors in the capital market. The main activities and functions of the company include;

- i. Share trading in Dhaka Stock Market and Chittagong Stock Market.
- ii. Provide Margin facilities to the client.
- iii. Full service depository participant of Central Depository of Bangladesh Ltd.

Copy of the audited financial statement is attached Appendix A

1.2.2 AIBL Capital Management Limited

Al-Arafah Islami Bank Ltd. owned 98% shares of AIBL Capital Management Limited a subsidiary company of Al-Arafah Islami Bank Limited. AIBL Capital Management Limited has been incorporated under the companies act (Act XVIII) of 1994 as a Private limited Company by share on 25th October 2011. The company was entitled to commence the business also from 25th October 2011 with a view to run and manage the operations of Merchant Banking Services with an authorized Capital of BDT 2 billion and paid up capital of BDT 500 million. It aims to be one of the leading Merchant Banks of the country by rendering quality Merchant Banking Services with a high level of professional expertise and integrity

Copy of the audited financial statement is attached in Appendix B

2. Basis of preparation and significant accounting policies

2.1 Preparation of financial statements

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

Notes to the Financial Statements for the Year Ended 31 December 2012

2.2 Basis of Consolidation

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

2.3 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.

2.4 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:

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

2.5 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.

2.6 Reporting period

The financial statements cover one calendar year from 1 January to 31 December 2012.

2.7 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.

2.8 Assets and basis of their valuation

2.8.1 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.

2.8.2 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.

Notes to the Financial Statements for the Year Ended 31 December 2012

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.

Investment in subsidiaries

The bank has made investment in subsidiary company AIBL Capital Market Service Ltd Tk. 240.50 crore holding 60.125% shares. The rest of 39.875% shares are hold by others and another subsidiary Company named AIBL Capital Management Limited Tk 49.00 crore holding 98% shares.

2.8.3 Fixed assets Accounting & Depreciation and Intangible Assets Accounting & Amortization Policy.

Board of Directors of Al- Arafah Islami Bank Limited in its 226th meeting held on 11 July, 2012 has approved "Fixed Assets accounting & depreciation and Intangible Assets accounting & amortization Policy" which has been effected from January 2012.

- i) All fixed assets except land are stated at cost less accumulated depreciation and accumulated impairment loss as per BAS-16 " Property,Plant and Equipment". Acquisition cost of an asset comprises the purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.
- ii) Land is recognised at cost at the time of acquisition and subsequently measured at revalued amounts which is the market value at the time of revaluation done by a independent professional valuer on 31st December 2012, any surplus on revaluation is shown as equity component until the disposal/de-recognition of asset. The property is located within:
 - a) Dist : Dhaka, P. S Motijheel, Sub - registry office : Sutrapur, Dhaka collectorate Touzi # 141-B-1, Mouza : Sabek Shahr Dhaka, Sheet # 22, Ward # 03,Holding No 63,Purana Palton 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.Mutation Khatian 362/3 and Dag # 1979 and 1980. The area of land measuring about 16.42 katha,
 - "b) Holding No 63/1/A, Purana Palton, Dist: Dhaka, P.S Motijheel, Subregistry office: Sutrapur, Dhaka Collectorate Touzi # 141-B-1, under Mouza: Sabek-Sahar Dhaka then Ramna, Hal-Motijheel, J-L#S.A-04, R.S & City Jarip - 06, Sheet # 22,Ward # 03, Khatian-C.S-6947 (Jha), S.A-428, Dhaka City Jarip-103,449, Namjari-542, 362/3/1, Jote-543,687 & 437, Dag # C.S-100, 101, S.A 1979, 1980, 1981,1997,2025,1979/2039, R.S-1315,1322,1316/1360,1323/1359, DhakaCityJarip-08,809,811. Deed # 3825 300, dated: 22.08.2010 & 01.02.2012. The area of land measuring about (6.91+7.03) 13.94 katha, "
 - c) Total land measuring 30.36 katha, cost price was Tk. 45,32,55000. The land was revalued at tk. 4.50 crore per katha and total land valuation amount Tk. 136,62,00,000. Total asset revaluation gains amounting Tk. 912,945,000.
- iii) Depreciation of an item of fixed assets and amortization on intangible assets is charged on the basis of estimated useful lives as mentioned in revised fixed asset policy of the bank on monthly basis following straight-line method. The depreciation/amortization method used should reflect the pattern in which the asset's economic benefits are consumed by the enterprise. The depreciation charge for each period should be recognized as an expense unless it is included in the carrying amount of another asset.
- iv) Depreciation/amortization rates used for each type of fixed assets are as follows (per annum):

Name of Assets	Rate of depreciation/ amortization	Estimated usefull Lives
Furniture and Fixture (Wood)	10%	10 years
Furniture and Fixture (Steel)	10%	10 years
Computer	20%	5 years
Computer Accessories	20%	5 years
Motor Car	20%	5 years
Mechanical Appliances	20%	5 years
Books	10%	10 years
Online Hardware	20%	5 years
Land	Nil	Nil
Building	2.50%	40 years
Interior Decoration	10%	10 years
Online Software	20%	5 years

Notes to the Financial Statements for the Year Ended 31 December 2012

v) Depreciation is charged on the addition of fixed assets and intangible assets are amortized from the month of acquisition. Whole month depreciation/amortization is to be charged if such assets are acquired in the first half of the month and no depreciation/amortization is to be charged if such assets are acquired in the second half of the month; no depreciation is charged from the month when the assets are disposed.

vi) Maintenance and repair costs are charged to profit and loss account as and when incurred.

2.8.4 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.

2.8.5 Non-banking assets

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

2.8.6 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)

2.9 Share Capital

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

2.10 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.

2.11 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 first revalued its land in December 2004 and again in December 2012 which is absolutely owned by the bank and the surplus amount transferred to revaluation reserve. (Annexure-A)

2.12 Non-controlling interest

Non-controlling interest is that portion of the profit or loss and net assets of the subsidiaries (AIBL Capital Market Services Limited and AIBL Capital Management Limited) attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent (Al-Arafah Islami Bank Limited).

2.13 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 as per BRPD Circular No.14 dated 23 Spetemebr 2012. The provision rates are given below:

Particulars	Rate
General provision on unclassified general loans and advances / investments	1%
General provision on unclassified small enterprise financing	0.25%
General provision on unclassified loans / investments for housing finance and on loans for professionals	2%
General provision on unclassified BHS/MHS/SDS	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 2012

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 balance sheet 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 nostro 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 2011 (Assessment year 2012-2013) 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 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 07 (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.

viii) Other provision and accrued expenses

In compliance with BAS-37, provision and accrued expenses are recognised in the financial statements when the bank has legal or constructive obligation as a result of past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.14 Revenue recognition

Notes to the Financial Statements for the Year Ended 31 December 2012

i) Profit on Investment

a) 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. 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.

b) 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.

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

ii) Fees and commission income

Fees and commission income are recognized when earned. Commission charged on customer on letters of credit and letters of guarantee are credited to income at the time of effecting the transactions.

iii) Dividend Income

Dividend Income from investment is recognised at the time when it is declared, ascertained, and right to receive the payment is established.

2.15 Management and other expenses

Expenses incurred by the bank are recognised on actual and accrual basis.

2.16 Sharing of investment income

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

2.17 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 2012 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.

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

2.18 Basic Earning per share

This has been calculated by dividing the basic earning attributable to ordinary shareholders of the bank 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.

2.19 Related Party transactions

Related party transaction is a transfer of resources, services, or obligation between related parties, regardless of whether price is charged as per BAS 24.

2.20 Events after reporting period

All the material events after the reporting period have been considered; appropriate adjustments and disclosures have been made in the financial statements.

2.21 Approval of the financial statements

The financial statements were approved by the board of directors on 04 April 2013

Notes to the Financial Statements for the Year Ended 31 December 2012

2.22 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.
- ii) Wherever necessary previous years' figures have been rearranged to conform to the current years' presentation.

3.A 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 or 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 established 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 (thirty) days is reviewed by the management for its settlement. Regulatory reports are submitted on time to Bangladesh Bank.

iii) Assets Liability Management

The Asset Liability Committee (ALCO) 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. ALCO 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 ALCO is to monitor and avert significant volatility in net profit income, investment value and exchange earnings.

Notes to the Financial Statements for the Year Ended 31 December 2012

iv) Internal control and compliance

"Effective internal controls are the foundation of safe and sound banking. A properly designed and consistently enforced system of operational and financial internal control helps the bank management to safeguard the bank's resources, produce reliable financial and managerial report, and comply with laws and regulations.

AIBL has taken all-out efforts to mitigate all sorts of risk in line with the guidelines issued by Bangladesh Bank. To this effect, the bank has formed an Internal Control & Compliance (ICC) division headed by executive vice president. The ICC division has been segregated to three departments which are audit & inspection department, audit monitoring department and regulatory compliance department. AIBL internal control contains self-monitoring mechanisms and to ensure effective control DCFCL, Investment documentation checklist and quarterly operation report have been developed and implemented. Internal audit and internal control teams carries out regular audit and surprise/special inspection of the branches to mitigate operational risk and restrain the possibility of circumvention or overriding the control procedure. ICC division submits parallel comprehensive internal audit report to the managing director and to the audit committee. Within 02 (two) months after receiving the audit report, audit monitoring department completes the compliance report and submits the report to the audit committee for their review. The committee reviews the system of internal control and the audit process for compliance with rules, regulation and code of conduct, financial reporting process, and also suggests actions to remedy the lapses/irregularities. By this time the ICC division has introduced concurrent audit, executive branch visit, surprise inspection, automated information system, and mandatory leave policy to boost-up the functions of internal control and compliance."

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 have been established for the prevention of money laundering and transaction profile has been introduced. Training has been continuously given to all category of officers and executives for developing awareness and skill for identifying suspicious activities. The bank submits the STR, 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 (IT) 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.

3.B 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 shall be made as on the effective date viz. 31 March 2010.

3.C 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:

Notes to the Financial Statements for the Year Ended 31 December 2012

Name of the BAS	BAS No.	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 Plans	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	Applied
Investment Property	40	N/A
Agriculture	41	N/A

Name of the BFRS	BFRS No.	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

Notes to the Financial Statements for the Year Ended 31 December 2012

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 no. 12 dated 23th December, 2002 and subsequently reconstituted by the Board of Directors in its 228th meeting held on 28th August, 2012 as under:

SL No	Name	Status with the Committee	Educational Qualification
01	Jb. Sarker Mohammad Shameem Iqbal	Chairman	MBA
02	Alhajj Mohammed Abdus Salam	Member	M.com
03	Alhajj Naiz Ahmed	Member	M.com.(accounting), L.L.B
04	Jb. Md. Ashik Hossain	Member	BBA
05	Brig. Gen. M.A. Malek (Retd.)	Member	B.Sc (Mechanical Engineering)

During the year 2012 the audit committee of the bank conducted 10 (ten) meetings in which among others, the following issues were discussed:-

- Reviewing the inspection report of different branches of AIBL conducted by the bank internal inspection team from time to time and status of compliance thereof.
- Reviewing the comprehensive inspection report of different branches of AIBL conducted by Bangladesh Bank and status of compliance thereof.
- Reviewing the financial statements of the bank for the year 31 December, 2012.



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
Al-Arafah Islami
Bank Limited



আল-আরাফাহ্ ইসলামী ব্যাংক লিঃ

শরীয়াহ ও আধুনিক ব্যাংকিং এর এক অনন্য সমন্বয়

Notes to the Financial Statements for the Year Ended 31 December 2012

			2012 Taka	2011 Taka
5. Cash				
a) Cash in hand				
In local currency			1,080,032,161	806,685,696
In foreign currency (Note 5.a.ii)			2,908,971	2,752,541
			1,082,941,132	809,438,237
b) Balance with Bangladesh Bank				
In local currency			9,178,483,870	5,087,569,334
In foreign currency			1,841,880,055	1,153,431,238
			11,020,363,926	6,241,000,573
c) Balance with Sonali Bank Limited				
In local currency			581,415,197	286,354,836
In foreign currency			-	-
			581,415,197	286,354,836
5.a.i	Total of balance with Bangladesh Bank and its agent banks (including foreign currencies)		11,601,779,123	6,527,355,408
	Total cash (5a+5ai)		12,684,720,255	7,336,793,645
5.a.ii Foreign currency				
Currency Name	Amount In FC	Exchange Rate	Amount BDT	Amount BDT
US Dollar	36,476	79.75	2,908,971	2,752,541
Great Britain Pound	-	-	-	-
Euro	-	-	-	-
Others	-	-	-	-
			2,908,971	2,752,541
5.b Cash Reserve Requirements (CRR) and Statutory Liquidity Requirements (SLR)				
	Cash Reserve Requirements (CRR) and Statutory Liquidity Requirements (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 Requirements (CRR)				
Required reserve (6 % of average demand and time liabilities)			6,503,331,000	4,328,550,000
Actual reserve held with Bangladesh Bank			9,190,007,000	5,143,569,000
Surplus/(Deficit)			2,686,676,000	815,019,000
Statutory Liquidity Requirements (SLR)				
Required reserve (11.50 % of average demand and time liabilities)			12,464,718,000	8,296,389,000
Actual reserve held with Bangladesh Bank			15,094,952,000	9,281,608,000
Surplus/(Deficit)			2,630,234,000	985,219,000
6. Balance with other Banks and Financial Institutions				
a) In Bangladesh:				
Al-Wadia current accounts				
Islami Bank Bangladesh Limited			79,518,059	20,022,806
Dutch Bangla Bank Limited			6,630,510	6,554,727
National Bank Limited			2,665,015	678,775
Agrani Bank Limited			1,650	1,650
Pubali Bank Limited			-	-
			88,815,233	27,257,958
Mudaraba saving deposits				
Dhaka Bank Limited			10,320,288	1,970,145
Prime Bank Limited			47,850,047	7,187,552
Social Islami Bank Limited			565,537,306	10,129,098
Shahjalal Islami Bank Limited			237,402	4,804,918
EXIM Bank Limited			9,879,302	1,758,424
ICB Islamic Bank Limited			167,379,478	167,379,478
Jamuna Bank Limited			3,694,097	3,528,516
The City Bank Limited			5,187,737	4,838,528
Southeast Bank Limited			495,485	1,081,929
AB Bank Limited			112,511,010	30,481,980
			923,092,153	233,160,569

Notes to the Financial Statements for the Year Ended 31 December 2012

Short term deposits
Social Islami Bank Limited
Rupali Bank Limited

2012
Taka

246,296
43,438,431

43,684,727

1,055,592,112

2011
Taka

240,724
37,034,311

37,275,035

297,693,562

Total balance in Bangladesh

b) Outside Bangladesh

US Dollar

SL.	Name of the bank	Amount in FC	Coverision rate	Amount in BDT.	Amount in BDT.
1	Well Fergo, New York, USA	2,756,117	79.75	219,806,913	57,697,272
2	Standard Chartered Bank, New York, USA	1,488,823	79.75	118,737,173	74,374,019
3	Mashreq Bank, New York, USA	546,911	79.75	43,617,451	64,144,215
4	Union DE Banques Arabes Et Francaises	(156,104)	79.75	(12,449,694)	8,161,726
5	Citibank NA	7,447,289	79.75	593,939,157	165,091,534
6	Sonali Bank, London	542,063	79.75	43,230,785	5,473,970
7	ICICI Bank, Hongkong	506,477	79.75	40,392,786	6,699,273
8	Commerzbank AG, Frankfurt	205,064	79.75	16,354,325	-
Total USD				1,063,628,896	381,642,009

ACU Dollar

SL.	Name of the bank	Amount in FC	Coverision rate	Amount in BDT.	Amount in BDT.
1	Mashreq Bank, Mumbai, India	(423,937)	79.75	(33,810,020)	13,776,321
2	Standard Chartered Bank, Mumbai, India	(147,443)	79.75	(11,758,972)	133,283,223
3	Standard Chartered Bank, Kolkata, India	87,730	79.75	6,996,638	7,198,200
4	Standard Chartered Bank, Kolkata, India	56,332	79.75	4,492,635	4,618,639
5	Standard Chartered Bank, Karachi, Pakistan	142,895	79.75	11,396,215	66,141,862
6	Sonali Bank, Kolkata, India	294	79.75	23,486	2,497,976
7	ICICI Bank, Mumbai, India	1,496,809	79.75	119,374,096	96,181,286
8	Bank of Bhutan, Bhutan	191,204	79.75	15,248,974	12,758,909
9	HSBC, Mumbai, India	86,873	79.75	6,928,343	30,017,836
10	Habib Bank, Karachi, Pakistan	(34,397)	79.75	(2,743,214)	4,099,460
11	United Bank of India	93,627	79.75	7,466,948	4,107,875
12	AB Bank Ltd., Mumbai	29,030	79.75	2,315,198	12,002,735
Total ACU Dollar				125,930,327	386,684,322

EURO

SL.	Name of the bank	Amount in FC	Coverision rate	Amount in BDT.	Amount in BDT.
1	United Bank of India	75,411	105.44	7,951,364	6,589,542
2	Sonali Bank, London	12,626	105.44	1,331,293	1,060,858
3	Standard Chartered Bank, Frankfurt	184,756	105.44	19,480,788	20,570,005
4	Commerzbank AG, Frankfurt	6,460	105.44	681,176	-
Total EURO				29,444,621	28,220,405

GBP

SL.	Name of the bank	Amount in FC	Coverision rate	Amount in BDT.	Amount in BDT.
1	Standard Chartered Bank, London, UK	177,539	128.94	22,892,570	128,068,463
2	Sonali Bank, London	9,948	128.94	1,282,690	1,266,735
Total GBP				24,175,260	129,335,198

Notes to the Financial Statements for the Year Ended 31 December 2012

Saudi Riyal

Sl.	Name of the bank	Amount in FC	Conversion rate
1	Al-Rajhi Banking Corp, Riad, KSA	258,346	21.26

Total Saudi Riyal

Japanese Yen

Sl.	Name of the bank	Amount in FC	Conversion rate
1	Standard Chartered Bank, Tokyo, Japan	9,399,349	0.93

Total Japanese Yen

Total balance outside Bangladesh

Grand total

6.A. Consolidated balance with other banks and financial institutions

a) In Bangladesh:

Al-Arafah Islami Bank Limited [Note-6.a]
 AIBL Capital Market Services Limited
 AIBL Capital Management Limited

Less: Inter-company transaction

b. Outside Bangladesh

6.A.i Maturity wise groupings (inside & outside Bangladesh)

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 (one) year but not more than 5 (five) years
 Over 5 (five) years

7. Placement with banks & other financial institutions

Shahjalal Islami Bank Limited
 Social Islami Bank Limited
 Southeast Bank Limited
 Dhaka Bank Limited
 Jamuna Bank Limited
 First Security Islami Bank Limited
 Exim Bank Limited
 AB Bank Limited

8 Investment in shares & securities

Government securities (8.a)
 Investment in ordinary shares (8.b)

8.a Government securities

Bangladesh Government Islami Bond Fund

8.b Investment in ordinary shares

Quoted

Ordinary Shares of listed companies

Unquoted

Central Depository Bangladesh Limited

**2012
Taka**

**2011
Taka**

Amount in BDT.	Amount in BDT.
5,493,723	4,121,894
5,493,723	4,121,894

Amount in BDT.	Amount in BDT.
8,710,377	2,639,603
8,710,377	2,639,603

1,257,383,205	932,643,431
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2,312,975,317	1,230,336,993
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1,055,592,112	297,693,562
291,518,809	260,211,675
405,337,239	-
1,752,448,160	557,905,238

(696,851,048)	(260,211,675)
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1,055,597,112	297,693,562
----------------------	--------------------

1,257,383,205	932,643,431
----------------------	--------------------

2,312,980,317	1,230,336,993
----------------------	----------------------

88,815,233	27,257,958
126,763,021	58,259,486
2,097,397,064	1,144,819,549
-	-
-	-
-	-
2,312,975,318	1,230,336,993

11,300,000,000	9,800,000,000
-----------------------	----------------------

200,000,000	200,000,000
3,300,000,000	2,800,000,000
2,400,000,000	3,400,000,000
600,000,000	200,000,000
3,900,000,000	2,400,000,000
500,000,000	-
300,000,000	700,000,000
100,000,000	100,000,000
11,300,000,000	9,800,000,000

4,200,000,000	3,000,000,000
---------------	---------------

997,514,772	628,918,901
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5,197,514,772	3,628,918,901
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4,200,000,000	3,000,000,000
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994,375,882	625,780,011
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-	-
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3,138,890	3,138,890
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997,514,772	628,918,901
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-	-
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997,514,772	628,918,901
--------------------	--------------------

997,514,772	628,918,901
--------------------	--------------------

997,514,772	628,918,901
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Notes to the Financial Statements for the Year Ended 31 December 2012

8.b.i Book value of share as on 31 December 2012 as follows:

Quoted shares (Schedule of quoted shares are given Annexure B)

Islami Bank Bangladesh Limited
Shahjalal Islami Bank Limited
Social Islami Bank Limited
BSRM Steel Mills Limited
Islami Insurance Bangladesh Limited
Lafarge Surma Cement Limited
Titas Gas Limited
First Security Islami Bank Limited
Mobile Jamuna Bangladesh Limited
Meghna Petroleum
Fareast Life Insurance Co. Limited
Beximco Limited
Bexmico Pharma
Jamuna Oil Limited
Grameen Phone
Prime Life Insurance Co. Limited
MI Cement Limited
Dhaka Electric Supply Company Limited
Confidence Cement Limited
Summit Power Limited
Apex Adelchi Foot wear Limited
Square Pharmaceuticals Limited
Square Textiles
GPH Ispat Limited
Padma Oil Company Limited
GQ Ball pen Limited
Bangladesh Submarine Cable Com. Limited
AIBL 1st Mutual Fund

Unquoted shares

Central Depository Bangladesh Limited

Total

8.A Investment in shares & securities

Al-Arafah Islami Bank Limited
AIBL Capital Market Services Limited
AIBL Capital Management Limited

8.A.i Maturity grouping of investments

Payable on demand
Not more than 3 (three) months
Over 3 (three) months but not more than 1 (one) year
Over 1 (one) year but not more than 5 (five) years
More than 5 years

8.A.ii Investment in shares and securities (others)

Al-Arafah Islami Bank Limited
AIBL Capital Market Services Limited
AIBL Capital Management Limited

9 Investments

a) General investment

i. In Bangladesh

Murabaha investment
Bai-Muazzal investment
Hire purchase investment
Pre shipment Investment
Quard
Uzrat bill wakala

	2012 Taka	2011 Taka
8.b.i Book value of share as on 31 December 2012 as follows:		
Quoted shares (Schedule of quoted shares are given Annexure B)		
Islami Bank Bangladesh Limited	22,776,615	73,931,937
Shahjalal Islami Bank Limited	17,424,565	25,358,217
Social Islami Bank Limited	2,259,695	64,144,413
BSRM Steel Mills Limited	122,372,996	125,770,696
Islami Insurance Bangladesh Limited	36,308,463	35,966,390
Lafarge Surma Cement Limited	-	25,456,436
Titas Gas Limited	53,227,303	52,479,938
First Security Islami Bank Limited	1,657,848	22,690,943
Mobile Jamuna Bangladesh Limited	20,502,905	77,326,730
Meghna Petroleum	43,869,683	1,686,772
Fareast Life Insurance Co. Limited	1,219,636	50,967,540
Beximco Limited	9,836,859	-
Bexmico Pharma	41,325,302	-
Jamuna Oil Limited	12,906,275	-
Grameen Phone	95,836,028	-
Prime Life Insurance Co. Limited	108,316,987	-
MI Cement Limited	1,761,703	-
Dhaka Electric Supply Company Limited	70,164,791	-
Confidence Cement Limited	31,839,036	-
Summit Power Limited	82,852,609	-
Apex Adelchi Foot wear Limited	19,205,623	-
Square Pharmaceuticals Limited	112,855,490	-
Square Textiles	7,824,991	-
GPH Ispat Limited	1,675,994	-
Padma Oil Company Limited	5,500,632	-
GQ Ball pen Limited	82,699	-
Bangladesh Submarine Cable Com. Limited	771,155	-
AIBL 1st Mutual Fund	70,000,000	70,000,000
Unquoted shares		
Central Depository Bangladesh Limited	3,138,890	3,138,890
Total	997,514,772	628,918,901
8.A Investment in shares & securities		
Al-Arafah Islami Bank Limited	5,197,514,772	3,628,918,901
AIBL Capital Market Services Limited	212,069,719	142,907,172
AIBL Capital Management Limited	101,658,425	-
	5,511,242,916	3,771,826,073
8.A.i Maturity grouping of investments		
Payable on demand	-	-
Not more than 3 (three) months	-	-
Over 3 (three) months but not more than 1 (one) year	5,197,514,772	3,628,918,901
Over 1 (one) year but not more than 5 (five) years	313,728,144	142,907,172
More than 5 years	-	-
	5,511,242,916	3,771,826,073
8.A.ii Investment in shares and securities (others)		
Al-Arafah Islami Bank Limited	997,514,772	628,918,901
AIBL Capital Market Services Limited	212,069,719	142,907,172
AIBL Capital Management Limited	101,658,425	-
	1,311,242,916	771,826,073
9 Investments		
a) General investment		
i. In Bangladesh		
Murabaha investment	28,949,883,771	23,845,684,157
Bai-Muazzal investment	44,936,692,931	31,971,641,046
Hire purchase investment	19,774,801,206	12,748,718,957
Pre shipment Investment	1,769,978,148	926,018,954
Quard	2,835,355,656	1,278,660,293
Uzrat bill wakala	-	-
	98,266,711,711	70,770,723,407

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012 Taka	2011 Taka
ii. Outside Bangladesh	-	-
98,266,711,711	98,266,711,711	70,770,723,407
Less: Unearned profit on investment	(7,529,887,279)	(5,911,623,621)
	90,736,824,432	64,859,099,786
b) Bill purchased & discounted		
Payable in Bangladesh	10,375,116,030	8,224,612,674
Payable outside Bangladesh	455,094,690	350,098,367
	10,830,210,720	8,574,711,041
	101,567,035,153	73,433,810,828
c) An analysis to disclose following significant concentration :		
i. Investment to directors and others	5,372,000	5,372,000
ii. Investment to managing director and cheif executive	-	-
iii. Investment to customer (No. of clients with amount of outstanding and classified loan to whom loans and Investment sanctioned more than 10% of total capital of the bank)	30,644,200,000	17,275,602,000
iv. Investments to customers for more than 10% of bank's total capital		
Number of clients	33	19
Amount of outstanding investment	30,644,200,000	17,275,602,000
Amount of classified investment	-	-

Outstanding Balance

Sl No.	Name of Clients	Funded	Non-Funded	Total Amount	Total Amount
1	M/s PHP Continuous Galvanizing Alills Ltd. & its sister concer	-	8.76	8.76	-
2	M/s Zaber Spinning Mills Limited	78.16	15.1	93.26	72.24
3	M/s Yeasmin Spinning Mills Limited	92.98	11.25	104.23	67.38
4	M/s Nitol Motors Limited	60.86	-	60.86	-
5	M/s Mashihata Sweaters Limited	41.08	70.96	112.04	63.23
6	M/s Ibrahim Textile Mills Limited	66.77	0.3	67.07	-
7	M/s Shovon Paper Bag ind. & Woven Bag Mfg. Co. Limited	67.09	-	67.09	65.06
8	M/s Saad Musa Fabrics Unit-2 & 3	85.84	97.46	183.3	-
9	M/s Younus Paper Mills Limited	112.15	0.98	113.13	1 10.33
10	M/s Runner Motors Ltd & its sister concern	85.97	12.67	98.64	106.62
11	M/s Trurag Garments & Hosiery Mills Limited	45.37	21.36	66.73	104.51
12	Abul Khair Steel industries Ltd. & its sister concern	66.4	56.22	122.62	-
13	M/s Elhan Textile	39.09	11.38	50.47	182.28
14	AIBL Capital Market services Limited	170.57	70	240.57	220.57
15	T K Group	55.31	39.57	94.88	1 18.44
16	Ehasan Steel Re-Rolling Mills Ltd & its sister concern	-	-	-	81.93
17	R I Enterprise	16.7	-	16.7	50.21
18	Majumder Trading	52.25	39.02	91.27	68.38
19	Kader Compact Spinning Mills	13.36	-	13.36	51.98
20	Birds Garments Ltd -Unit-2 & sister concern	12.77	42.27	55.04	56.92
21	Shahjalal Islami Bank Securities Limited	137.95	-	137.95	79.96
22	Otobi Ltd	99	6.58	105.58	84.29
23	Abu Bakkar & Brothers	56.39	4	60.39	68.80
24	Masud Trading	31.21	-	31.21	74.42
25	Techno Electricals Ltd & its sister concerns	50.7	19.34	70.04	-
26	Hasan Tanveer Fashion Wear & its sister concerns	26.62	38.35	64.97	-
27	M/S R.S Svndicate	68.62	-	68.62	-
28	Islam Brothers & its Sister Concern	16.78	19.05	35.83	-
29	Partex Jute Mills Limited	127.05	22.94	149.99	-
30	Juma enterprise & its sister Concern	64.32	-	64.32	-
31	Thermax Group	253.4	38.59	291.99	-
32	Jaj Bhuiyan Group	141.8	96.24	238.04	-
33	S & M Trading	43.53	23.85	67.38	-
34	M/S. JST Commodities	-	18.09	18.09	-
Total		2,280.09	784.33	3,064.42	1,727.55

(Taka in Crore)

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012 Taka	2011 Taka
v) Industry/Sector wise investments		
Agriculture, fishing and forestry	1,382,001,256	793,482,786
Industry	27,983,420,499	24,279,597,756
Construction	4,658,540,679	3,412,988,458
Water works & sanitary services	552,481,017	302,278,561
Transport & communication	3,894,489,667	3,435,774,906
Storage	745,100,500	48,035,789
Trade finance	68,722,692,777	41,886,353,810
Miscellaneous	1,158,196,036	5,186,922,383
Total	109,096,922,431	79,345,434,449
Less: Unearned profit on investment	(7,529,887,279)	(5,911,623,621)
	101,567,035,152	73,433,810,827
vi) Geographical location wise Investment		
Urban		
Dhaka Region	75,313,323,373	52,340,265,779
Chittagong Region	15,775,263,431	10,532,531,276
Sylhet Region	445,816,233	1,387,975,479
Rajshahi Region	5,197,957,704	3,956,890,152
Khulna Region	2,877,281,368	3,289,172,083
Barisal Region	1,237,686,990	1,993,326,892
	100,847,329,099	73,500,161,660
Rural		
Dhaka Region	3,902,087,423	2,215,758,025
Chittagong Region	1,773,255,233	1,158,138,145
Sylhet Region	428,868,466	442,974,165
Rajshahi Region	1,704,194,982	1,499,730,300
Khulna Region	336,479,033	401,847,649
Barisal Region	104,708,195	126,824,505
	8,249,593,333	5,845,272,789
	109,096,922,432	79,345,434,449
Less: Unearned profit on investment	(7,529,887,279)	(5,911,623,621)
	101,567,035,153	73,433,810,828
d) Classification of Investment including bills purchased and discounted		
Unclassified		
Standard including (staff investment)	105,365,509,000	77,711,580,387
Special mention accounts (SMA)	1,433,867,000	882,754,062
	106,799,376,000	78,594,334,449
Classified		
Sub standard	677,807,000	239,507,000
Doubtful	649,975,000	120,813,000
Bad / Loss	969,764,000	390,780,000
	2,297,546,000	751,100,000
	109,096,922,431	79,345,434,449
Less: Unearned profit on investment	(7,529,887,279)	(5,911,623,621)
	101,567,035,152	73,433,810,828
e) Required provision on investment & off balance sheet exposures		
Unclassified		
General provision on unclassified investment	1%	782,445,000
General provision on small enterprise investment	0.25%	52,953,000
General provision on housing financing investment	2%	24,449,000
General provision on consumer financing	5%	7,509,000
General provision on micro investment	5%	11,315,000
General provision on special mention investment	5%	63,978,000
General provision on BHS/MHS/SDS	2%	78,502,000
		1,021,151,000
Classified		
Specific provision on substandard investment	20%	77,835,000
Specific provision on doubtful investment	50%	200,024,000
Specific provision on bad/loss investment	100%	428,470,000
		706,329,000
Off-balance sheet items		
General provision on off-balance sheet	1%	221,404,000
		1,948,884,000
		1,386,869,424

Notes to the Financial Statements for the Year Ended 31 December 2012

		2012	2011
		Taka	Taka
f) Provision made on investment & off-balance sheet exposures			
Unclassified			
General provision on unclassified Investment	1%	782,445,000	674,071,424
General provision on small enterprise Investment	0.25%	52,953,000	64,318,000
General provision on housing financing Investment	2%	24,449,000	60,413,000
General provision on consumer financing	5%	7,509,000	13,504,000
General provision on micro Investment	5%	11,315,000	10,725,000
General provision on special mention Investment	5%	63,978,000	43,426,000
General provision on BHS/MHS/SDS	2%	78,502,000	-
		1,021,151,000	866,457,424
Classified			
Specific provision on substandard Investment	20%	77,835,000	26,646,000
Specific provision on doubtful Investment	50%	200,024,000	206,430,000
Specific provision on bad/loss Investment	100%	428,470,000	72,859,000
		706,329,000	305,935,000
Off-balance sheet items			
General provision on off-balance sheet	1%	221,657,265	214,477,000
		1,949,137,265	1,386,869,424
Provision Excess/(Shortfall)		253,265	-
g) Particulars of investments			
i) Investment considered good in respect of which of the bank company is fully secured;		83,284,968,825	60,215,724,879
ii) Investment considered good against which the banking company holds no security other than the debtors personal guarantee.		6,094,022,109	4,406,028,650
iii) Investment considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors;		12,188,044,218	8,812,057,299
		101,567,035,152	73,433,810,828
iv) Investment adversely classified; provision not maintained there against;		-	-
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 or in the case of private companies as members;		5,372,000	9,417,012
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		898,769,000	390,780,000
i) Decrease/Increase in provision (Specific)		302,160,000	109,730,579
ii) Amount of Investment written off		114,787,696	57,475,428
iii) Amount realised against Investment previously written off		60,462,270	47,157,720
b) Amount of provision kept against Investment classified as "bad/loss" on the date of preparing the balance sheet ;		553,526,000	305,935,000
		-	-
c) Profit creditable to the profit suspense/compensation a/c;		96,265,831	20,030,964
d) Cumulative amount of the written of Investment;		621,163,946	631,481,654
e) Amount written off during the current year;		114,787,696	57,475,428
f) The amount of written off Investment for which lawsuit has been field;		621,163,946	631,481,654
h) General investment			
Al-Arafah Islami Bank Limited		90,736,824,432	64,859,099,786
AIBL Capital Market Services Limited		6,903,390,528	5,986,901,675
		97,640,214,960	70,846,001,461
Less : Inter-company adjustment		(1,820,000,000)	(1,705,755,505)
		95,820,214,960	69,140,245,956

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012 Taka	2011 Taka
i) Maturity grouping of investment (including bills purchased and discounted)		
Payable on demand	-	-
Up to 1 (one) month	38,280,274,539	5,004,258,799
Over 1 (one) month but not more than 3 (three) months	25,313,265,365	8,014,217,842
Over 3 (three) months but not more than 1 (one) year	21,788,968,454	23,749,335,437
Over 1 (one) year but not more than 5 (five) years	12,560,484,971	25,328,865,527
Over 5 (five) years	8,707,432,352	11,337,133,222
	106,650,425,681	73,433,810,827
9.A. Investments		
Al-Arafah Islami Bank Limited	101,567,035,152	73,433,810,828
AIBL Capital Market Services Limited	6,903,390,528	5,986,901,675
AIBL Capital Management Limited	-	-
	108,470,425,680	79,420,712,503
Less : Inter-company adjustment	(1,820,000,000)	(1,705,755,505)
	106,650,425,680	77,714,956,998
9.A.i Maturity grouping of investment		
Including bills purchased and discounted		
Payable on demand	-	-
Up to 1 (one) month	38,280,274,539	5,004,258,799
Over 1 (one) month but not more than 3 (three) months	25,313,265,365	8,014,217,842
Over 3 (three) months but not more than 1 (one) year	21,788,968,454	29,749,335,437
Over 1 (one) year but not more than 5 (five) years	12,560,484,971	21,469,438,612
Over 5 (years) years	8,707,432,351	13,477,706,308
	149,141,276,957	77,714,956,998
10. Fixed assets at cost less accumulated depreciation		
Land	1,568,862,352	355,003,352
Building	105,445,397	105,353,474
Furniture (wood)	133,771,786	56,791,940
Furniture (steel)	59,547,248	49,215,850
Computer	137,399,948	122,736,534
Computer (accessories)	22,222,718	16,633,166
Motor car	93,494,046	75,498,120
Machine equipment & appliance	302,799,461	216,003,556
Online hardware	125,861,048	106,116,443
Online software	108,309,057	31,282,396
Interior decoration	160,183,587	115,747,552
Books & library	8,734,521	8,657,200
	2,826,631,169	1,259,039,583
Accumulated depreciation	(465,417,630)	(326,534,090)
	2,361,213,539	932,505,493
Schedule of fixed assets are given in Annexure - A.		
10.A. Fixed assets		
Al-Arafah Islami Bank Limited	2,361,213,539	932,505,493
AIBL Capital Market Services Limited	33,407,300	35,626,536
AIBL Capital Management Limited	-	-
	2,394,620,839	968,132,029
Schedule of fixed assets are given in Annexure - A.I		
11. Other assets		
Adjusting a/c debit balance	78,731,402	43,987,760
Suspense account	56,484,258	102,801,721
DD paid without advice	4,832,860	137,231,891
Stock of stationery	19,974,132	14,721,608
Stamp in hand	1,846,003	928,907
Advance deposit	3,035,382	2,784,586
Advance rent	217,631,178	174,349,582
Capital work in progress	158,532,270	77,910,033
Sponsorship of AIBL 1st Islamic Mutual Fund	100,000,000	100,000,000
Investment in subsidiary companies	2,895,000,000	2,070,000,000
Advance income tax & TDS [Note 11.2]	5,896,510,957	3,978,400,180
Protested bills	5,614,700	5,614,700
Prepaid expenditure	3,445,016	2,154,357
Brac bank eldorado settement a/c	40,000,000	10,000,000
AIBL CMSL dividend receivable	427,400,000	-
Accrued income	1,002,250,056	435,409,006
Clearing adjustment	65,067	65,067
	10,911,353,282	7,156,359,395

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012 Taka	2011 Taka
11.1 Classification of other assets under the following categories		
i) Investment in shares of subsidiary companies;	2,895,000,000	2,070,000,000
ii) Stationery, stamps, printing materials etc.	21,820,135	15,650,515
iii) Advance rent and advertisement;	217,631,178	174,349,582
iv) Profit accrued on investment but not collected, commission & brokerage receivable on shares and debenture and other income receivable	1,002,250,056	435,409,006
v) Security deposit	3,035,382	2,784,586
vi) Preliminary, formation and organization expenses, renovation development expenses and prepaid expenses	3,445,016	2,154,357
vii) Adjustments a/c debit balance	78,731,402	43,987,760
viii) Suspenses account	56,484,258	102,801,721
ix) DD paid without advice	4,832,860	137,231,891
x) Protested bills	5,614,700	5,614,700
xi) Capital work in progress	158,532,270	77,910,033
xii) Others [Note: 11.1.xiii]	6,463,976,023	4,088,465,246
	10,911,353,281	7,156,359,397
xiii) Others		
Brac bank eldorado settlement a/c	40,000,000	10,000,000
AIBL CMSL dividend receivable	427,400,000	-
Sponsorship of AIBL 1st Islamic Mutual Fund	100,000,000	100,000,000
Advance income tax & TDS	5,896,510,957	3,978,400,180
Clearing adjustment	65,067	65,067
	6,463,976,023	4,088,465,246
11.2 Advance income tax & TDS		
i) Beginning of the year	3,978,400,180	3,018,789,367
Advance tax paid during the year	1,691,678,517	830,124,000
Tax deducted at source during the year	226,432,260	129,486,813
Advance income tax at the end of the year	5,896,510,957	3,978,400,180
11.A. Consolidated other assets		
Al-Arafah Islami Bank Limited	10,911,353,282	7,156,359,397
AIBL Capital Market Services Limited	1,094,435,685	859,775,782
AIBL Capital Management Limited	3,687,959	-
	12,009,476,926	8,016,135,178
Less: Investment in subsidiary company	(3,115,702,771)	(2,070,000,000)
Less: Dividend receivable from subsidiary	(427,400,000)	-
	8,466,374,155	5,946,135,178
12. Placement from banks & other financial institutions		

The Bank has taken finance from Islami Investment Bond (Islami Bond) at banks' own mudaraba savings rate (i.e. as on 31st December 2011 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 Limited (Islamic Banking Branch)	03-11-13	MTDR	500,000,000	300,000,000
Jamuna Bank Limited (Islamic Banking Branch)	21-02-13	MTDR	200,000,000	200,000,000
Jamuna Bank Limited (Islamic Banking Branch)	26-02-13	MTDR	500,000,000	500,000,000
Jamuna Bank Limited (Islamic Banking Branch)	28-02-13	MTDR	300,000,000	600,000,000
Social Islami Bank Limited	02-06-13	MTDR	500,000,000	400,000,000
Social Islami Bank Limited	27-04-13	MTDR	200,000,000	100,000,000
Social Islami Bank Limited	05-04-13	MTDR	200,000,000	100,000,000
Social Islami Bank Limited	03-01-13	MTDR	500,000,000	500,000,000
Social Islami Bank Limited	14-03-13	MTDR	200,000,000	500,000,000
Dhaka Bank Limited	23-03-13	MTDR	200,000,000	400,000,000
Southeast Bank Limited (Islamic Banking Branch)	20-01-13	MTDR	100,000,000	300,000,000
Southeast Bank Limited (Islamic Banking Branch)	16-03-13	MTDR	500,000,000	500,000,000
Southeast Bank Limited (Islamic Banking Branch)	28-03-13	MTDR	500,000,000	300,000,000
Dhaka Bank Limited (Islamic Banking Branch)	15-03-13	MTDR	200,000,000	-
Dhaka Bank Limited (Islamic Banking Branch)	21-06-13	MTDR	200,000,000	-
Shahjalal Islami Bank Limited	23-02-13	MTDR	200,000,000	200,000,000
AB Bank Limited (Islamic Banking Branch)	27-03-13	MTDR	100,000,000	-
		Total	5,100,000,000	4,900,000,000
b. Outside Bangladesh				
			-	-
Total placement from banks & other financial Institutions			5,100,000,000	4,900,000,000

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012 Taka	2011 Taka
12.A. Consolidated placement from banks & other financial Institutions		
Al-Arafah Islami Bank Limited	5,100,000,000	4,900,000,000
AIBL Capital Market Services Limited	2,950,000,000	2,405,755,505
AIBL Capital Management Limited	-	-
Less: Inter-company borrowing	(8,050,000,000)	(7,305,755,505)
	6,230,000,000	5,600,000,000
13. Deposit and other accounts		
Al-Wadia current accounts and others accounts etc. [Note: 13.ii]	12,898,844,570	9,609,727,873
Mudaraba savings deposits	9,998,519,808	8,365,529,395
Mudaraba term deposits	77,314,883,253	50,290,733,979
Other mudaraba deposits [Note: 13.i]	18,208,830,719	13,428,545,310
Bills payable	959,167,532	752,651,888
	119,380,245,882	82,447,188,444
13.i Other mudaraba deposits		
Mudaraba short term deposit	3,971,054,651	3,112,289,628
Mudaraba hajj deposits	46,075,929	42,606,251
Mudaraba special savings(pension) deposit	959,828,507	388,970,996
Mudaraba monthly profit deposit	1,097,287,189	572,978,603
Mudaraba saving bond	132,785	811,848
Mudaraba waqf cash deposit	4,941,192	3,845,928
Others	12,129,510,466	9,307,042,055
	18,208,830,719	13,428,545,310
13.ii Al-Wadeeah current accounts and other accounts		
Al-Wadeeah current deposits	4,620,976,021	4,241,365,605
Foreign currency account (USD)	534,188,202	178,947,912
Sundry deposit	1,806,445,057	127,455,814
Security deposit: LC	305,836,651	305,836,651
Security deposit: foreign LC	627,937,476	627,937,476
Security deposit: bank guarantee	90,107,616	90,107,616
Security deposit: foreign bills negotiation (FBN)	72,092,385	72,092,385
Security deposit: inland LC	128,855,106	128,855,106
Security deposit: inland bills purchased (IBP)	166,826,641	166,826,641
Profit payable	2,588,668,536	2,068,632,079
F.C held against back to back L/C	1,230,326,493	1,230,326,493
F.C held against EDF	60,722,455	60,722,455
Compensation realised	131,673,727	131,673,727
Others	534,188,202	178,947,912
	12,898,844,570	9,609,727,873
13.A. Consolidated deposit and other accounts		
Al-Wadia current accounts and others accounts etc.	12,898,844,570	9,609,727,873
Mudaraba savings deposits	9,998,519,808	8,365,529,395
Mudaraba term deposits (13.A.ii)	76,618,032,206	50,030,522,305
Other mudaraba deposits	18,208,830,719	13,428,545,310
Bills payable	959,167,532	752,651,888
	118,683,394,835	82,186,976,770
13.A.i Maturity-wise classification of deposits		
i. Repayable on demand	2,999,555,943	2,509,658,819
With a residual maturity of		
ii. Repayable within 1 (one) month	51,249,938,890	6,344,128,882
iii. Over 1 (one) month but within 6 (six) months	31,032,912,990	19,235,077,099
iv. Over 6 (six) months within 1 (one) year	20,805,187,010	19,318,619,182
v. Over 1 (one) year within 5 (five) years	7,990,612,946	30,455,435,629
vi. Over 5 (five) years within 10 (ten) years	4,605,187,055	4,324,057,160
vii. Unclaimed deposits 10 (ten) years and above	-	-
	118,683,394,834	82,186,976,771
13.A.ii Mudaraba term deposits		
Mudaraba term deposits	77,314,883,253	50,290,733,979
Less: Inter-company adjustment	(696,851,047)	(260,211,674)
	76,618,032,206	50,030,522,305

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012 Taka	2011 Taka
14. Other liabilities		
Dividend payable	459,000	461,000
Provision for income tax [Note: 14.1]	6,605,081,306	4,895,278,703
Provision on investment [Note: 14.2]	1,954,441,265	1,386,869,424
Provision for diminution in value of investment [Note: 14.3]	91,000,000	1,525,061
Provision for gratuity	23,676,482	-
Other provision [Note: 14.2.b]	7,976,964	7,991,964
Cash waqf fund (staff)	80,000	80,000
Hajj foundation	69,000	69,000
Adjusting account credit balance	68,469,503	36,046,845
Outstanding expenses	1,211,498	1,369,689
Profit/Rent suspense [Note: 14.4]	96,265,831	20,030,964
Compensation receivable	94,656,124	26,709,577
ABL general a/c [Note: 14.5]	436,021,642	169,690,646
CIB collection charge	529,050	141,610
Write off recovery	-	10,000
	9,379,937,665	6,546,274,483
14.1 Provision for income tax		3,409,955,324
Current tax		
Provision held at the beginning of the year	4,895,278,703	3,394,038,788
Provision made during the year	1,709,802,603	1,501,239,915
Provision held at the end of the year	6,605,081,306	4,895,278,703
(Details of Corporate tax status may kindly be seen in Annexure-C)		3,423,503,071
14.1.a. Provision for current tax made during the year		
Income tax on business income	1,590,929,600	1,489,010,290
Capital gain	10,007,748	819,674
Income u/s 82(c) [CMSD Commission]	-	11,119,951
Cash dividend	108,865,256	290,000
Excess profit tax (+)	-	-
Estimated provision required as at December 31, 2012 (i)	1,709,802,603	1,501,239,916
Provision held		
Balance as at January 1, 2012	4,895,278,703	3,394,038,788
Tax for previous year (-)	4,895,278,703	3,394,038,788
Actual provision for tax held (ii)	-	-
Estimated provision needs to be made (I-II)	1,690,315,294	1,501,239,915
Provision actually made during the year	1,690,315,294	1,501,239,915
A. Computation of taxable profit		
Profit before tax	3,646,224,047	3,291,741,277
Add: Inadmissible expenditure	647,978,847	490,767,083
Less: Item of income for separate consideration	(644,403,754)	(90,987,744)
Less: Further allowable expenditure	(297,008,172)	(187,966,992)
Estimated Business income other than 82(C)	3,352,790,968	3,503,553,624
Add: Gain on sales of DSE, CSE licence	-	-
Add: Capital gain	100,077,475	8,196,741
Add: Cash dividend	544,326,279	1,450,000
Add: Income u/s 82(c) [CMSD commission]	-	26,164,591
Total taxable Income	3,997,194,722	3,539,364,957
14.2 Provision on investment & others		
Provision against classified investments (specific) [14.2.a.i]	711,633,000	305,935,000
Provision against unclassified investments (general) [14.2.a.ii]	1,021,151,000	866,457,424
Provision against off-balance sheet exposures [14.2.a.iii]	221,657,265	214,477,000
Total provision held (a)	1,954,441,265	1,386,869,424
a) The movement in specific provision on classified investment :		
i) Provision held at the beginning of the year	305,935,000	137,578,000
Fully provision debt written off	(114,787,696)	(57,475,428)
Recoveries of amount previously written off	14,154,626	47,157,720
Specific provision for the year	506,331,070	178,674,708
Provision transferred to unclassified investment	-	-
Net charges to profit & loss a/c	-	-
Provision held at the end of the year	711,633,000	305,935,000

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012 Taka	2011 Taka
ii) The movement in general provision on unclassified Investment :		
Provision held at the beginning of the year	866,457,424	666,950,000
Provision during the year	154,693,576	183,271,424
Provision transferred from off-balance sheet exposures	-	16,236,000
Provision held at the end of the year	1,021,151,000	866,457,424
iii) The movement in provision against off-balance sheet exposures		
Provision held at the beginning of the year	214,477,000	230,713,000
Provision during the year	7,180,265	-
Provision transferred to classified investment	-	(16,236,000)
Provision held at the end of the year	221,657,265	214,477,000
1.954,441,265	1,954,441,265	1,386,869,424
b) Provision for others		
Provision held at the beginning of the year	7,991,964	7,991,964
Provision during the year	-	-
Adjustment during the year	(15,000)	-
Provision held at the end of the year	7,976,964	7,991,964
14.3 Provision for diminution in value of investment		
Provision held at the beginning of the year	1,525,061	-
Provision during the year	89,474,939	1,525,061
Provision held at the end of the year	91,000,000	1,525,061
14.4 Profit/Rent suspense account		
Balance held at the beginning of the year	20,030,964	8,565,286
Amount transferred to "profit rent suspense" during the year	76,234,867	11,465,678
Balance at the end of the year	96,265,831	20,030,964
14.5 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 31.12.2012 are as under:		
	Number of unrespondend entries	Unrespondend amount (Figure in Crore)
	Dr.	Cr.
Up to 3 (three) months	532	579
Over 3 (three) months but within 6 (six) months	17	21
Over 6 (six) months but within 1 (one) year	-	-
Over 1 (one) year but within 5 (five) years	-	-
	549	600
		975
		1,294
14.A. Consolidated other liabilities		
Al-Arafah Islami Bank Limited		9,379,937,665
AIBL Capital Market Services Limited		1,566,420,900
AIBL Capital Management Limited		3,126,967
		10,949,485,532
Less: Investment from subsidiary company		(214,690,271)
Less: Inter-company dividend payable		(427,400,000)
		10,307,395,261
14.A.i Consolidated current tax		
Al-Arafah Islami Bank Limited		1,709,802,603
AIBL Capital Market Services Limited		268,905,541
AIBL Capital Management Limited		3,095,333
		1,981,803,477
14.3.A Consolidated provision for diminution in value of investment		
Al-Arafah Islami Bank Limited		89,474,939
AIBL Capital Market Services Limited		53,765,741
AIBL Capital Management Limited		-
		143,240,680
15. Deferred tax liabilities/(assets)		
Opening balance		31,992,768
Add: Addition for the year		16,892,283
Provision held at the end of the year		48,885,051

Notes to the Financial Statements for the Year Ended 31 December 2012

		2012 Taka	2011 Taka
Presented after appropriate offsetting as follows:			
Deferred tax liabilities (+)		31,992,768	13,547,746
Deferred tax liabilities		16,892,283	18,445,022
Deferred tax liabilities (net)		48,885,051	31,992,768
Reconciliation of Deferred tax liabilities/(assets) are as follows:			
	Carrying amount on the date of statement of financial position	Tax Base	Taxable/(Deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2012			
Property, plant and equipment		653,651,055	138,700,133
Provision for gratuity		-	(23,676,482)
Net taxable temporary difference			115,023,651
Applicable tax rate			42.5%
Deferred tax liability			48,885,051
16. Capital			
a) Authorised capital			
The Authorized Capital of the Bank is 1000,000,000 Ordinary Share of Tk. 10 each.		10,000,000,000	10,000,000,000
b) Issued, subscribed and fully paid - up capital			
Issued for cash		2,819,339,680	2,819,339,680
Issued for other than cash (bonus share)		4,311,640,420	3,074,032,310
		7,130,980,100	5,893,371,990
c) Break-up of shares Classification of shareholders by holding as on 31.12.2012			
Range of Holding	Number of Shareholders	No. of Shares	% of Shares
Less than 50,000	52050	114,974,480	16.12%
50,001 to 100,000	292	20,274,075	2.84%
100,001 to 200,000	142	19,924,081	2.79%
200,001 to 300,000	58	14,072,209	1.97%
300,001 to 400,000	36	12,347,483	1.73%
400,001 to 500,000	22	9,908,621	1.39%
500,001 to 1,000,000	39	28,261,002	3.96%
1,000,001 to 10,000,000	81	220,490,782	30.92%
10,000,001 to 20,000,000	19	272,845,278	38.26%
Total	52739	713,098,011	100.00%
d) Minimum capital requirement capital adequacy ratio			
1.Tier- I (Core capital)			
Paid-up capital		7,130,980,100	5,893,371,990
Statutory reserve		3,102,076,966	2,372,832,157
Retained earnings		1,215,138,406	1,262,462,165
		11,448,195,473	9,528,666,312
2.Tier- II (Supplementary capital)			
General provision		1,242,808,265	1,080,934,424
Assets revaluation reserves		488,774,124	32,301,624
		1,731,582,389	1,113,236,048
3.Tier- III			
A. Total eligible capital (1+2+3)		13,179,777,862	10,641,902,360
B. Total risk weighted assets (a+b+c)		120,578,400,000	93,313,600,000
a. Credit risk		106,762,100,000	84,474,700,000
i. Balance sheet exposure		103,154,600,000	80,318,700,000
ii. Off-balance sheet exposure		3,607,500,000	4,156,000,000
b. Market risk (From WS-3)		5,090,600,000	2,374,400,000
c. Operational risk (From WS-4)		8,725,700,000	6,464,500,000
C. Capital Adequacy Ratio (CAR) (A / B)		10.93%	11.40%
D. Core capital to RWA		9.49%	10.21%
E. Supplementary capital to RWA		1.44%	1.19%
F. Minimum Capital Requirement (MCR) 10.00% of RWA		12,057,840,000	9,331,360,000
Capital surplus		1,121,937,862	1,310,542,360

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012 Taka	2011 Taka
16.A. Non-controlling interest		
Opening balance	2,154,767,685	1,948,887,275
Less: Buy back of shares of AIBL CMSL	(342,554,874)	-
Add: Added on acquisition AIBL CML	3,987,501	-
Add: Non-controlling interest in profit for the year	251,252,490	205,880,410
Less: Dividend paid	(465,750,000)	-
Balance at the end of the year	1,601,702,801	2,154,767,685
17. Statutory reserve		
Opening balance beginning of the year	2,372,832,157	1,714,483,901
Add: Reserve @ 20% (on pre-tax profit)	729,244,809	658,348,255
Balance at the end of the year	3,102,076,966	2,372,832,157
18. Revaluation Reserve		
Asset revaluation reserve	977,548,248	64,603,248
	977,548,248	64,603,248
19. Retained earnings		
Balance at beginning of the year	1,262,462,165	1,364,846,711
Add: Net Profit / (Loss) after tax during the year	1,919,529,161	1,772,056,340
Less: Stock dividend	(1,237,608,110)	(1,216,092,630)
	1,944,383,216	1,920,810,421
Less: Transfer to statutory reserve	(729,244,809)	(658,348,255)
Balance at end of the year	1,215,138,406	1,262,462,165
19.A. Consolidated retained earnings		
Balance at beginning of the year	1,503,534,243	1,385,104,048
Add: Net profit after tax during the year	1,694,144,703	1,992,871,080
Add: Gain on acquisition of subsidiary	7,554,874	-
Less: Stock dividend to equity holders of the bank	(1,237,608,110)	(1,216,092,630)
Less: Transfer to statutory reserve	(729,244,809)	(658,348,255)
	1,238,380,901	1,503,534,243
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. Government	-	-
ii. Bank and other financial institution	-	-
iii. Others	1,955,716,112	1,812,384,128
	1,955,716,112	1,812,384,128
21. Investment income		
i. Income from General Investments		
Murabaha	2,248,685,509	2,302,414,550
Mudaraba	-	302,400
Musharaka	1,720	27,950
Bai-Muazzal	5,411,260,294	3,043,524,116
Hire purchase	2,557,351,376	1,415,125,436
Others mode income	2,901,237,601	1,296,647,844
	13,118,536,500	8,058,042,295
ii. Profit on Deposits with other islamic banks		
In Bangladesh		
Profit received from other islamic bank	1,000,648,837	916,049,486
	1,000,648,837	916,049,486
Outside Bangladesh	-	-
Total (i + ii)	14,119,185,337	8,974,091,781
21.A. Consolidated investment income		
Al-Arafah Islami Bank Limited	14,119,185,337	8,974,091,781
AIBL Capital Market Services Limited	1,083,591,662	745,610,062
AIBL Capital Management Limited	10,515,313	-
	15,213,292,312	9,719,701,843
Less : Inter-company adjustment	(214,690,271)	(238,689,472)
	14,998,602,041	9,481,012,371

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012 Taka	2011 Taka
22. Profit paid on deposits & borrowing		
Mudaraba savings deposit	245,413,489	192,740,454
Mudaraba short term deposit	139,635,443	128,120,629
Mudaraba term deposit	5,691,003,564	3,694,667,926
Mudaraba special deposit	3,319,932,970	1,322,833,563
Mudaraba Bangladesh government Islamic bond fund	179,664,355	205,085,556
	9,575,649,820	5,543,448,128
22.A. Profit paid on deposits & borrowing		
Al-Arafah Islami Bank Limited	9,575,649,820	5,543,448,128
AIBL Capital Market Services Limited	349,518,660	161,359,397
AIBL Capital Management Limited	-	-
	9,925,168,480	5,704,807,525
Less : Inter-company adjustment	(214,690,271)	(238,689,472)
	9,710,478,209	5,466,118,053
23. Income from investment in share/securities		
Dividend income	544,326,279	1,450,000
Gain on sale of shares/securities	100,077,475	8,196,741
Profit received from other islamic bond	127,815,067	95,747,945
	772,218,821	105,394,687
23.A. Consolidated income from investment in share/securities		
Al-Arafah Islami Bank Limited	772,218,821	105,394,687
AIBL Capital Market Services Limited	11,144,997	1,336,967
AIBL Capital Management Limited	3,574,590	-
	786,938,408	106,731,654
Less : Inter-company adjustment	(534,250,000)	-
	252,688,408	106,731,654
24. Commission, exchange & brokerage income		
Commission	671,559,293	541,979,793
Exchange	340,525,198	791,460,230
Brokerage commision	-	81,341,003
	1,012,084,491	1,414,781,026
24.A Consolidated commission, exchange & brokerage income		
Al-Arafah Islami Bank Limited	1,012,084,491	1,414,781,026
AIBL Capital Market Services Limited	225,134,083	136,608,980
AIBL Capital Management Limited	-	-
	1,237,218,574	1,551,390,006
Less: Inter-company adjustment	-	-
	1,237,218,574	1,551,390,006
25. Other operating income		
Processing fee on investment	639,445	945,551
Supervision fees-pass book	1,593,050	2,417,370
Telex charge recovered	110 3,995	-
Transfer/Redumision fee	20,000	34,790
Telephone/Fax charges	16,175	2,945
P & T charge recovered	24,207,659	17,943,093
Printing & stationery	21,075,715	13,804,799
CDBL income (Brokerage)	-	2,105,481
Capital gain / (loss) from fixed assets	(1,099,181)	-
Service charge (Brokerage)	100	16,991,229
Accounts maintenance fee	94,490,724	84,576,034
CARD income	2,058,849	1,319,400
Legal expenses recovered	35,100	790
Rent on office premissis	-	653,200
Service charge on batch	71	-
Application form sales (SEIS/SEF)	240,346	295,237
SWIFT charge recovered	46,106,608	27,242,040
Direct expenses on investment	2,652,975	4,407,316
Misc earning	3,078,164	402,000
	195,115,910	173,145,269

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012 Taka	2011 Taka
25.A. Consolidated other operating income		
Al-Arafah Islami Bank Limited	195,115,910	173,145,269
AIBL Capital Market Services Limited	8,952,827	20,316,686
AIBL Capital Management Limited	-	-
	204,068,737	193,461,955
Less : Inter-company adjustment	-	-
	204,068,737	193,461,955
26. Salaries, allowances & contribution to provident fund		
Basic salary	462,110,287	295,222,354
House rent expenses	291,199,829	185,381,094
Medical expenses	98,741,971	51,944,793
Conveyance expenses	38,594,494	32,606,911
Bonus	237,013,452	185,608,631
Bank contribution to provident fund	39,316,117	23,240,705
Utilities	72,496,966	35,499,521
Car allowances	30,641,387	22,088,475
Leave encashment expenses / leave fare	34,162,020	22,477,775
Gratuity	53,676,482	30,000,000
	1,357,953,006	884,070,258
26.A. Consolidated salaries, allowances & contribution to provident fund		
Al-Arafah Islami Bank Limited	1,357,953,006	884,070,258
AIBL Capital Market Services Limited	46,926,620	23,677,002
AIBL Capital Management Limited	3,370,168	-
	1,408,249,794	907,747,260
Less: Inter-company adjustment	-	-
	1,408,249,794	907,747,260
27. Director's & sharia council fees & expenses		
i. Directors fees for attending board/executive committee/other committee meeting	2,788,750	2,925,500
ii. TA/DA/ Hotel fare & foreign directors	2,354,528	2,752,230
iii. Others	1,572,545	1,437,550
	6,715,823	7,115,280
27.A. Consolidated director's & sharia council fees & expenses		
Al-Arafah Islami Bank Limited	6,715,823	7,115,280
AIBL Capital Market Services Limited	1,550,000	596,000
AIBL Capital Management Limited	-	-
	8,265,823	7,711,280
Less: Inter-company adjustment	-	-
	8,265,823	7,711,280
28. Shariah supervisory committee's fees & expenses		
i. Shariah fees for attending meeting	172,500	165,064
ii. Others	87,677	24,842
	260,177	189,906
29. Rent, taxes, insurance & lighting		
Office rent	120,334,771	95,041,671
Lighting & electricity	38,284,571	23,290,300
Insurance	62,550,462	42,267,806
	221,169,804	160,599,777
29.A Consolidated rent, taxes, insurance & lighting		
Al-Arafah Islami Bank Limited	221,169,805	160,599,777
AIBL Capital Market Services Limited	11,356,097	9,884,202
AIBL Capital Management Limited	-	-
	232,525,902	170,483,979
30. Postage, telegram, telephone & Stamp		
Stamps	5,890	155,125
Postages	11,189,703	3,526,729
Telegram	120	58
Fax & Internet	2,211,060	9,433,593
Swift	19,073,354	13,070,438
Telephone (Office)	4,215,000	4,040,044
Telephone (Residence)	864,127	620,707
Telephone (Mobile)	2,353,213	1,841,457
Online charge	31,962,866	25,036,108
	71,875,333	57,724,258

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012	2011
	Taka	Taka
30.A. Consolidated postage, telegram, telephone & stamp		
Al-Arafah Islami Bank Limited	71,875,333	57,724,259
AIBL Capital Market Services Limited	515,363	412,580
AIBL Capital Management Limited	14,800	-
	72,405,496	58,136,839
31. Stationary, printing & advertisement		
Printing & stationery	14,782,139	19,691,287
Paper & table stationery	21,948,730	10,365,798
Advertisement & publicity expenses	18,751,869	13,072,337
	55,482,737	43,129,421
31.A. Consolidated stationary, printing & advertisement		
Al-Arafah Islami Bank Limited	55,482,737	43,129,421
AIBL Capital Market Services Limited	827,756	783,551
AIBL Capital Management Limited	15,635	-
	56,326,128	43,912,972
32. Other expenses		
Charge & risk expenses	2,779,984	2,441,353
Wages	67,414,198	50,379,867
Saturday allowance	8,400,200	6,179,180
IT allowance	2,622,213	2,244,400
CDBL fee & charges	1,744,199	24,204,862
Car maintenance	5,318,644	4,016,899
Local conveyance expenses	6,611,725	3,861,708
Petroleum oil & lubricant	14,708,381	8,936,427
Entertainment	14,967,332	11,117,683
Travelling allowances	13,872,659	11,584,370
Bank charge	6,339,309	10,857,461
Liveries/Uniform	295,560	258,567
Donations	457,649	176,900
Honorarium	79,000	93,010
Subscription	5,566,400	12,236,063
Banks clearing house charge	3,333,132	269,304
Transportation charge	1,526,520	1,358,376
Evening banking expenses	593,258	492,056
News paper, journal & periodicals	707,713	622,458
WASA/Gas charge	2,989,924	2,507,555
Washing charges	907,297	717,906
Training expenses	4,081,760	3,607,832
Upkeep of branch (office premises)	3,156,622	1,185,156
Computer charges	12,625,677	10,292,016
CNG motor car	2,011,698	1,246,590
Registration expenses	12,220,392	4,452,259
Development	1,653,516	319,158
Photo copy chagre	1,445,153	1,604,101
AGM	9,885,188	13,747,457
Managers conference	2,261,505	1,647,651
Closing expenses	73,846	89,115
Crocarige	912,819	134,217
Right share issue cost	200,000	901,650
Card expense	3,244,123	72,000
Credit rating charge/Tax token	638,436	345,000
Hawla & LAGA charge	-	5,305,865
Excise duty	28,100	700
Misc. expenses	7,078,178	4,769,412
	222,752,311	204,276,584
32.A. Consolidated other expenses		
Al-Arafah Islami Bank Limited	222,752,311	204,276,584
AIBL Capital Market Services Limited	36,069,586	24,112,016
AIBL Capital Management Limited	17,313	-
	258,839,210	228,388,600

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012 Taka	2011 Taka
33. Provision against Investments & off-balance sheet exposures		
On Classified Investment as per Bangladesh Bank Circular	506,331,070	200,000,000
On Un-classified Investment as per Bangladesh Bank Circular	154,693,576	161,946,132
On Off-balance sheet as per Bangladesh Bank Circular	7,180,265	-
	668,204,911	361,946,132
33.A. Provision against Investments & off-balance sheet exposures		
Al-Arafah Islami Bank Limited	668,204,911	361,946,132
AIBL Capital Market Services Limited	-	8,052,207
AIBL Capital Management Limited	-	-
	668,204,911	369,998,339
34. Paid for other operating activities		
Directors and shariah council fees and expenses	6,976,000	7,305,186
Rent, taxes, insurance, lighting etc.	221,169,805	160,599,777
Postage, telegram, telephone and stamp etc.	71,875,333	57,724,259
Legal charges	2,242,004	3,494,413
Audit fee	646,540	651,340
Repairs to the banks properties	24,838,361	16,662,720
Advertisement	18,751,869	13,072,337
Other expenses	222,752,311	204,351,380
	(569,252,223)	(463,861,411)
34.A. Paid for other operating activities		
Al-Arafah Islami Bank Limited	(569,252,223)	463,861,411
AIBL Capital Market Services Limited	(1,035,469)	39,775,256
AIBL Capital Management Limited	(239,090)	-
	(570,526,782)	(503,636,667)
35. Changes in other assets		
Adjusting a/c debit balance	(34,743,642)	(764,858)
Suspense account	46,317,463	19,655,898
DD paid without advice	132,399,031	(128,459,112)
Stock of stationery	(5,252,525)	2,584,699
Stamp in hand	(917,096)	(57,313)
Advance deposit	(250,796)	(481,317)
Advance rent	(43,281,597)	(26,918,509)
Capital work in progress	(80,622,237)	(63,140,378)
Investment for subsidiary companies	(825,000,000)	-
Protested bills	-	1,500,000
Prepaid expenditure	(1,290,659)	(721,587)
Brac Bank eldorado settement a/c	(30,000,000)	-
AIBL CMSL dividend receivable	(427,400,000)	42,286,064
Accrued income	(566,841,049)	(197,270,732)
AIB.general a/c (Dr.Cr.)	-	(65,067)
	(1,836,883,107)	(351,852,212)
35.A. Changes in other assets		
Al-Arafah Islami Bank Limited	(1,836,883,107)	(351,852,212)
AIBL Capital Market Services Limited	1,425,266	(3,178,055)
AIBL Capital Management Limited	-	-
	(1,835,457,841)	(355,030,267)
36. Changes in other liabilities		
Gratuity paid	23,676,482	(18,498,530)
AIBL CMSL payable account	-	(3,151,645,894)
Adjusting account credit balance	32,356,072	(607,643)
Outstanding expenses	(158,191)	(163,387)
Profit/Rent suspenses	76,234,867	11,465,678
Compensation receivable	67,946,547	5,598,374
AIBL general account	266,330,996	80,252,764
Write off recovery	(10,000)	10,000
CIB collection charge	387,440	40,410
	466,764,213	(3,073,548,228)

Notes to the Financial Statements for the Year Ended 31 December 2012

	2012 Taka	2011 Taka
36.A. Changes in other liabilities		
Al-Arafah Islami Bank Limited	466,764,213	(3,073,548,228)
AIBL Capital Market Services Limited	332,560,046	2,892,237,071
AIBL Capital Management Limited	-	-
	(799,324,259)	181,311,157
37. Cash and cash equivalents at the end of the year		
Cash in hand	1,082,941,132	809,438,237
Balance with Bangladesh Bank & Sonali Bank Limited	11,601,779,123	6,527,355,409
Balance with other banks	2,312,975,317	1,230,336,993
Bangladesh Government Islamic Investment Bond	4,200,000,000	3,000,000,000
	19,197,695,572	11,567,130,638
37.A. Consolidated cash and cash equivalents at the end of the year		
Al-Arafah Islami Bank Limited	19,197,695,572	11,567,130,639
AIBL Capital Market Services Limited	5,000	-
AIBL Capital Management Limited	-	-
	19,197,700,572	11,567,130,639
38. Calculation of Earning Per Share		
Earnings per share (EPS) has been computed by dividing the profit after tax (PAT) by the weighted average number of ordinary shares outstanding as on 31 December 2012 as per BAS-33 "Earnings Per Share". Bonus share issued during 2012 has been treated as if they had been in issue from the beginning of 2011 as per BAS-33. Diluted earnings per share was not required to calculate as there were no dilution possibilities during the year.		
Net profit after tax (numerator)	1,919,529,161	1,772,056,340
Weighted average number of ordinary shares outstanding 2012	713,098,010	713,098,010
Earnings per share (EPS) as per share	2.69	2.49
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 during the year.		
38.A Consolidated Earnings Per Share (CEPS)		
Net profit after tax	1,694,144,703	1,992,871,080
Weighted average number of ordinary shares outstanding 2012	713,098,010	713,098,010
Earnings per share (CEPS) as per share-attributable to equity holders of the parents	2.38	2.79
39. Events after the balance sheet date		
i) The Board of Directors in its 237th meeting held on 4 April, 2013 has approved the audited financial statements for the year ended 31 December 2012 and recommended for bonus shares as the ratio of 17% (17 Bonus shares for every 100 shares) subject to approval of the shareholders at the 17th Annual General Meeting (AGM).		

Consolidated Schedule of Fixed Assets as on 31 December 2012

Annexure- A1

Sl No	Particulars	Cost / Revaluation				Depreciation/Amortization				Written down value as on 31.12.12
		Balance at 1st January 2012	Revaluation	Addition during the year	Transfer/ Disposal during the year	Balance at 31st December 2012	Charge for the year	Transfer/ Disposal during the year	Balance at 31st Dec. 2012	
A. Fixed Assets										
1	Land	355,003,352	912,945,000	300,914,000	-	1,568,862,352	-	-	-	1,568,862,352
2	Building	105,353,474	-	91,923	-	105,445,397	2,681,038	5,483,198	-	8,164,236
3	Furniture & fixture (wood)	59,419,811	-	78,260,113	1,207,523	136,472,401	22,661,189	7,649,018	431,643,000	29,878,564
4	Furniture & fixture (steel)	49,372,098	-	12,234,823	1,897,341	59,709,580	21,347,602	4,350,600	1,023,204,000	24,674,998
5	Computer	126,741,629	-	15,112,648	449,234	141,405,043	76,681,251	17,364,044	388,886,000	93,656,409
6	Computer accessories	17,799,658	-	5,745,002	138,850	23,405,810	5,207,249	3,509,577	120,850,000	8,595,976
7	Motor car	91,635,920	-	19,293,927	1,298,000	109,631,847	41,897,942	15,409,755	1,110,853,000	56,196,844
8	Machine equipment & appliance	223,688,624	-	91,109,557	3,101,989	311,696,192	75,664,910	45,553,820	2,245,314,000	118,973,416
9	Books & library	8,657,200	-	77,321	-	8,734,521	7,793,470	343,520	-	8,136,990
10	Online hardware	108,829,742	-	19,932,540	-	128,762,282	49,827,277	23,498,150	-	73,325,427
11	Interior decoration	123,116,063	-	47,312,942	974,003	169,455,002	15,666,105	13,645,620	250,454,000	29,869,936
Sub-Total		1,269,617,571	912,945,000	590,084,796	9,066,940	2,763,580,427	319,428,033	136,807,302	5,571,204	451,472,796
12	Online software	31,639,838	-	77,612,773	-	109,252,611	13,697,347	13,850,721	-	26,739,403
Sub-Total		31,639,838	-	77,612,773	-	109,252,611	13,697,347	13,850,721	-	26,739,403
Total		1,301,257,409	912,945,000	667,697,569	9,066,940	2,872,833,038	333,125,380	150,658,023	-	478,212,199
December 31, . 2011		901,744,144		399,513,265	-	1,301,257,409	246,355,883	86,769,498	-	333,125,381

Schedule of Fixed Assets as on 31 December 2012

Annexure- A

SL No	Particulars	Cost / Revaluation					Depreciation				Written down value as on 31.12.12	
		Balance at 1st January 2012	Revaluation	Addition during the year	Transfer/ Disposal during the year	Balance at 31st December 2012	Balance at 1st January 2012	Charge for the year	Transfer/ Disposal during the year	Balance at 31st Dec. 2012		
A. Fixed Assets												
1	Land	355,003,352	912945000	300,914,000	-	1,568,862,352	-	-	-	-	-	1,568,862,352
2	Building	105,353,474		91,923	-	105,445,397	2,681,038	5,483,198	-	8,164,236	-	97,281,161
3	Furniture & fixture (wood)	56,791,940		78,187,369	1,207,523	133,771,786	22,445,758	7,407,774	431,643	29,421,889	-	104,349,897
4	Furniture & fixture (steel)	49,215,850		12,228,739	1,897,341	59,547,248	21,332,717	4,336,464	1,023,204	24,645,977	-	34,901,271
5	Computer	122,736,534		15,112,648	449,234	137,399,948	75,995,242	16,700,227	388,886	92,306,583	-	45,093,365
6	Computer accessories	1,633,166		5,728,402	138,850	22,222,718	5,013,659	3,314,997	120,850	8,207,806	-	14,014,912
7	Motor car	75,498,120		19,293,926	1,298,000	93,494,046	38,670,382	12,827,707	1,110,853	50,387,236	-	43,106,810
8	Machine equipment & appliance	216,003,556		89,897,894	3,101,989	302,799,461	74,363,087	44,277,171	2,245,314	116,394,944	-	186,404,517
9	Books & library	8,657,200		77,321	-	8,734,521	7,793,470	343,520	-	8,136,990	-	597,531
10	Online hardware	106,116,443		19,744,605	-	125,861,048	49,619,328	22,997,080	-	72,616,408	-	53,244,640
11	Interior decoration	115,747,552		45,410,038	974,003	160,183,587	14,964,078	13,787,636	250,454	28,501,260	-	131,682,327
	Sub-Total	1,227,757,187	912,945,000	586,686,865	9,066,940	2,718,322,112	312,878,759	131,475,774	5,571,204	438,783,329		2,279,538,783
B. Intangible Assets												
12	Online software	31,282,396		77,026,661	-	108,309,057	13,655,330	12,978,971	-	26,634,301	-	81,674,756
	Sub-Total	31,282,396	-	77,026,661	-	108,309,057	13,655,330	12,978,971	-	26,634,301		81,674,756
	Total	1,259,039,583	912,945,000	663,713,526	9,066,940	2,826,631,169	326,534,089	144,454,745	5,571,204	465,417,630		2,361,213,539
	December 31., 2011	864,125,986		394,913,597	-	1,259,039,583	246,355,883	80,178,207	-	326,534,090		932,505,493

Investment in Shares & Securities Stock at hand as on 31-12-2012

Annexure- B

Sl No.	Name of Company	No. of Share	Amount (at cost)	Market rate	Market Value
1	Islami Bank Bangladesh Limited	528,800	22,776,615	42.80	22,632,640
2	Shahjalal Islami Bank Limited	603,550	17,424,565	28.50	17,201,175
3	Social Islami Bank Limited	101,500	2,259,695	19.40	1,969,100
4	BSRM Steel Mills Limited	1,236,500	122,372,996	67.90	83,958,350
5	Islami Insurance Bangladesh Limited	925,750	36,308,463	33.30	30,827,475
6	Titas Gas Limited	630,000	53,227,303	65.30	41,139,000
7	First Security Islami Bank Limited	77,080	1,657,848	18.50	1,425,980
8	Beximco Limited	125,000	9,836,859	64.40	8,050,000
9	Bexmico Pharma	531,800	41,325,302	55.90	29,727,620
10	Jamuna Oil Limited	70,200	12,906,275	178.50	12,530,700
11	Mobile Jamuna Bangladesh Limited	216,500	20,502,905	79.70	17,255,050
12	Meghna Petroleum	244,200	43,869,683	158.50	38,705,700
13	Fareast Life Insurance Co. Limited	8,125	1,219,636	106.20	862,875
14	Grameen Phone	478,000	95,836,028	175.00	83,650,000
15	Prime Life Insurance Co. Limited	681,022	108,316,987	116.00	78,998,552
16	MI Cement Limited	20,800	1,761,703	82.90	1,724,320
17	Dhaka Electric Supply Company Limited	740,250	70,164,791	72.10	53,372,025
18	Confidence Cement Limited	251,840	31,839,036	104.90	26,418,016
19	Summit Power Limited	1,210,400	82,852,609	53.30	64,514,320
20	Apex Adelchi Footwear Limited	66,800	19,205,623	231.10	15,437,480
21	Square Pharmaceuticals Limited	582,540	112,855,490	168.60	98,216,244
22	Square Textiles	73,030	7,824,991	102.80	7,507,484
23	GPH Ispat Limited	33,000	1,675,994	50.10	1,653,300
24	Padma Oil Company Limited	23,895	5,500,632	187.50	4,480,313
25	GQ Ballpen Limited	450	82,699	155.50	69,975
26	Bangladesh Submarine Cable Company Limited	5,000	771,155	132.90	664,500
	Total	9,466,032	924,375,882		742,992,194

Highlight on the Overall Activities of the Bank for the year - 2012

Sl No.	Particulars	2012	2011
1	Paid-up capital	7,130,980,100	5,893,371,990
2	Total capital	13,179,777,862	10,641,902,360
3	Capital surplus / (deficit)	1,426,817,862	1,310,542,360
4	Total assets	146,334,812,318	103,518,725,257
5	Total deposits	119,380,245,882	82,447,188,444
6	Total investment	101,567,035,153	73,433,810,827
7	Total contingent liabilities	22,165,726,419	21,482,781,684
8	Investment deposit ratio (%)	85.08%	89.07%
9	Ratio of classified investment to total investment (%)	2.26%	1.02%
10	Profit after tax & provision	1,919,529,161	1,772,056,340
11	Amount of classified investment	2,297,546,000	751,100,000
12	Provision kept against classified investment	706,329,000	305,935,000
13	Provision surplus / (deficit)	253,265	-
14	Cost of fund (%)	12.34%	11.08%
15	Profit earning assets	123,372,525,241	88,093,066,722
16	Profit non-earning assets	22,962,287,076	15,425,658,535
17	Return on investment (ROI)	12.51%	12.22%
18	Return on assets after tax (ROA)	1.31%	1.71%
19	Income from investment in shares / securities	772,218,821	105,394,687
20	Earnings per share (Taka)	2.69	2.49
21	Net income per share (Taka)	2.69	2.49
22	Price earnings ratio (Times)	9.02	12.57

Corporate Tax Status as on 31 December 2012

Annexure - C

Income Year	Assessment Year	Net Profit as per Accounts	% of Income Tax	Tax Provision	Tax Assessed/undere process 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	601,673,861	18,028,750	435,550,808	Final
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	2,789,842,969	42.5	845,882,642	779,655,163	66,227,479	791,245,152	Assessment is to be done
2011	2012-2013	3,291,741,277	42.5	1,501,239,915	1,507,686,980	(6,447,065)	959,610,813	Assessment is to be done
2012	2013-2014	3,646,224,047	42.5	1,709,802,603	1,709,802,603	-	1,918,110,777	Assessment is to be done
	Total	15,353,347,686		6,605,081,306	6,577,019,827	28,061,479	5,896,510,957	

Related Party Disclosure

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and operating decision. Related party information are given below:

SL	Name and address	Status with the bank	Name of the firm/companies in which interested as Proprietor, partner, Director, Managing Director, Guarantor, Employee etc.	Status	Percentage of holding/interest in the concerned
1	Jb. Baidur Rahman	Chairman	M/s Oceanlink Services	Proprietor	100%
			Central Hospital Ltd.	Director	2.45%
			Human resources Dev Co. Ltd.	Director	2%
			AIBL Capital Market Services Ltd.	Chairman/Director	1.25%
2	Jb. Sarker Mohammad Shameem Iqbal	Vice Chairman	KDS Accessories Ltd.	Chairman	7%
			KDS Poly Industries Ltd.	Chairman	7%
			Dominox Technologies	CEO/Managing Director	5%
			Dominox IM Ltd.	CEO/Managing Director	50%
			KDS Information Tech. Ltd.	Managing Director	20%
			SKYS Securities Ltd.	Managing Director	3.61%
			Dominox Realty (BD) Ltd.	Managing Director	80.20%
			Vortex Multi Ind Ltd.	Managing Director	25%
			Gous Fashion Industires Ltd.	Managing Director	40%
			KDS Textiles Mills Ltd.	Director	0.45%
3	Alhajj Md. Harun-ar-Rashid Khan	Director	AIBL Capital Market Services Ltd.	Director	0.63%
			Canadian Trillinium School (Ltd)	Director	
4	Alhajj Nazmul Ahsan Khaled	Director	Moonlight Garments Ltd.	Managing Director	20%
			Eshan Garments Ltd.	Managing Director	10%
			Khalid Shipping Lines Ltd.	Managing Director	50%
			Engineers Enterprise Ltd.	Managing Director	67%
			Nourish Poultry Hatchery Ltd.	Managing Director	25%
			NourishAgro Ltd.	Managing Director	20%
			Artisun Enterprise Ltd.	Managing Director	25%
			Telnet Communication Ltd.	Managing Director	20%
			Nourish Grand parents Ltd.	Managing Director	20%
			Nourish Feeds Ltd.	Managing Director	20%
			Mohammadi Navigation Ltd.	Director	46.15%
			Peoples Insurance Co. Ltd.	Director	0.83%
			Popular Life Insurance Co. Ltd.	Director	2%
			AIBL Capital Market Services Ltd.	Director	0.50%
5	Alhajj Abdul Malek Mollah	Director	The Mollah Trading Ltd.	Managing Director	60%
			AIBL Capital Market Services Ltd.	Shareholder	1%
6	Hafez Alhajj Md. Enayet Ullah		M/s Hadyet & Brothers	Active Owner	100%
7	Alhajj Abdul Moktadir	Director	Al-Haramain Travel & Trade Co. Ltd.	Managing Director	49%
			AIBL Capital Market Services Ltd.	Director	0.25%
8	Alhajj Ahamedul Hoque	Director	M/s A.H. Syndicate	Proprietor	100%
			AIBL Capital Market Services Ltd.	Shareholder	0.25%
9	Alhajj Abdus Samad	Director	AIBL Capital Market Services Ltd.	Director	0.50%
			Samad Trading Agency	Proprietor	100%
10	Alhajj Abu Naser Mohammad Yeahea	Director	Purbachal Steel Mills Ltd.	Managing Director	71.43%
			Purbachal Exclusive Ltd.	Managing Director	75%
			Purbachal Drillers Ltd.	Managing Director	50%
			Beco Feeds Ltd.	Managing Director	42.50%
			AIBL Capital Market Services Ltd.	Director	4.50%
			Purbachal Gas Fillings	Proprietor	100%
Beco Electronics	Proprietor	100%			

SL	Name and address	Status with the bank	Name of the firm/companies in which interested as Proprietor, partner, Director, Managing Director, Guarantor, Employee etc.	Status	Percentage of holding/interest in the concerned
11	Alhajj Engr. Kh. Mesbahuddin Ahmed	Director	M/s Aqua Consultant and Associates Ltd.	Managing Director	47%
			Takaful Islam Insurance Ltd.	Director	8%
			Human resources Development Co. Ltd. (HURDCO)	Director	5%
			Central Hospital Ltd.	Director	5%
			AIBL Capital Market Services Ltd.	Director	1.75%
12	Alhajj Mohammed Abdus Salam	Director	Mir Pulp & Paper Industries Ltd.	Managing Director	25%
			Mir Filling Station Ltd.	Managing Director	100%
			Karnafully Filling Station Ltd.	Director	15%
			AIBL Capital Market Services Ltd.	Director	1.50%
			M/s Hajee Mir Ahmed Sowdagar	CEO	30%
			M/s M.A. Salam & Co.	Proprietor	100%
13	Alhajj Niaz Ahmed	Director	Golden Oil Mills Ltd.	Managing Director	70%
			Golden Emporium Ltd.	Managing Director	77%
			AIBL Capital Market Services Ltd.	Director	0.75%
			Diganta Media Corporation	Director	1%
			Islami Commercial Insurance Co. Ltd	Director	5%
			South East University	Director	N/A
			Bangla Tel Limited.	Director	10%
			BD Link Communication Limited	Director	5%
			Jibondhara Solution Limited	Director	10%
			Golden Trading Corporation	Proprietor	
Khaja Corporation	Proprietor				
14	Md. Ashik Hossain	Director	Dubai Bangladesh Bag Factory Ltd.	Managing Director	80%
			Dubai Bangladesh Cement Mills Ltd.	Director	44%
			Islamic Commercial Insurance Company Co.	Director	10%
			Vestfire	Proprietor	100%
			Stark Textile Mills	Proprietor	100%
			AIBL Capital Market Services Ltd.	Shareholder	0.50%
15	Alhajj Badsha Meah	Director	AIBL Capital Market Services Ltd.	Shareholder	1.75%
16	Jb. Mohammed Emadur Rahman	Director	Al-Harmani Perfumes L.L.C	Director	33.33%
			Hamidia Tea Company Limited	Managing Director	
			AIBL Capital Market Services Ltd.	Shareholder	0.75%
17	Alhajj Mihammad Haroon	Director	Rising Star Trading Est (U.A.E)	Proprietor	100%
			AIBL Capital Market Services Ltd.	Shareholder	2%
18	Jb. Brig. Gen. M.A. Malek (retd)	Director	Nil		Nil
19	Jb. Kazi Badruddin Ahmed	Director	Mohona Upashara Prakaipa Ltd	Managing Director	27%
			Mohona Holdings Ltd	Managing Director	27%
20	Jb. Ekramul Hoque	Ex-Officio Director	Nil		Nil

Name of the Directors and their Shareholdings in the year 2012

Sl. No.	Name of Directors	Status	Ending position on 31/12/2012	Opening position on 01/01/2012	Remarks
1	Badiur Rahman	Chairman	19891070 shares of Tk. 10/- each Tk 19,89,10,700/-	16438902 shares of Tk. 10/- each Tk 16,43,89,020/-	
2.	Sarker Mohammad Shameem Iqbal	Vice-Chairman	17495940 shares of Tk. 10/- each Tk 17,49,59,400/-	163800 shares of Tk. 10/- each Tk 16,38,000/-	Appointed as Director w.e.f 29/04/12 against vacant post
3.	Al-hajj Md. Harun-ar-Rashid Khan	Director	14262307 shares of Tk. 10/- each Tk 14,26,23,070/-	6390531 shares of Tk. 10/- each Tk 6,39,05,310/-	
4.	Al-hajj Nazmul Ahsan Khaled	Director	14286037 shares of Tk. 10/- each Tk 14,28,60,370/-	4369044 shares of Tk. 10/- each Tk 4,36,90,440/-	
5.	Al-hajj Abdul Malek Mollah	Director	14301748 shares of Tk. 10/- each Tk 14,30,17,480/-	10073627 shares of Tk. 10/- each Tk 100,736,270/-	
6.	Al-hajj Hafez Md. Enayetullah	Director	14265866 shares of Tk. 10/- each Tk 14,26,58,660/-	7164972 shares of Tk. 10/- each Tk 7,16,49,720/-	
7.	Al-hajj Abdul Moktadir	Director	14266519 shares of Tk. 10/- each Tk 14,26,65,190/-	5066958 shares of Tk. 10/- each Tk 5,06,69,580/-	
8.	Al-hajj Ahamedul Hoque	Director	14262233 shares of Tk. 10/- each Tk 14,26,22,330/-	11381970 shares of Tk. 10/- each Tk 11,38,19,700/-	
9.	Al-hajj Abdus Samad	Director	16047932 shares of Tk. 10/- each Tk 16,04,79,320/-	13262754 shares of Tk. 10/- each Tk 13,26,27,540/-	
10.	Al-Hajj Engr. Kh. Mesbah Uddin Ahmed	Director	14262781 shares of Tk. 10/- each Tk 14,26,27,810/-	11232423 shares of Tk. 10/- each Tk 11,23,24,230/-	

Name of the Directors and their Shareholdings in the year 2012

Sl. No.	Name of Directors	Status	Ending position on 31/12/2012	Opening position on 01/01/2012	Remarks
11.	Abu Naser Mohammad Yeahia	Director	17611992 shares of Tk. 10/- each Tk 17,61,19,920/-	14555366 shares of Tk. 10/- each Tk 14,55,53,660/-	
12.	Mohammed Abdus Salam	Director	14463088 shares of Tk. 10/- each Tk 14,46,30,880/-	8481891 shares of Tk. 10/- each Tk 8,48,18,910/-	
13.	Niaz Ahmed	Director	14335543 shares of Tk. 10/- each Tk 14,33,55,430/-	10497557 shares of Tk. 10/- each Tk 10,49,75,570/-	
14.	Md. Ashik Hossain	Director	14264524 shares of Tk. 10/- each Tk 14,26,45,240/-	17921095 shares of Tk. 10/- each Tk 17,92,10,950/-	
15.	Alhajj Mohammed Haroon	Director	16378328 shares of Tk. 10/- each Tk 16,37,83,280/-	13535809 shares of Tk. 10/- each Tk 13,53,58,090/- (As Sponsor)	Appointed as Director w.e.f 19/04/12 against vacant post
16.	Mohammed Emadur Rahman	Director	14279554 shares of Tk. 10/- each Tk 14,27,95,540/-	2007401 shares of Tk. 10/- each Tk 2,00,74,010/-	
17.	Alhajj Badsha Meah	Director	14262336 shares of Tk. 10/- each Tk 14,26,23,360/-	7743841 shares of Tk. 10/- each Tk 7,74,38,410/- (As Sponsor)	Appointed as Director w.e.f 29/04/12 against vacant post
18.	Kazi Badruddin Ahmed	Independent Director	Nil	Nil	Appointed as Independent Director on 28/08/2012
19.	Birg. General M. A. Malek (Retd.)	Independent Director	Nil	Nil	
20.	Ekrumul 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, 2012 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.

Subsidiary Companies:

Al-Arafah Islami Bank Ltd has two subsidiary companies. The financial Statements of these subsidiary companies are included in the consolidated financial Statements according to BAS-27. Inter-company transaction, balances and intergroup gains on transaction between group companies are eliminated.

a) AIBL Capital Market Services Ltd.

A brief description of AIBL Capital Market Services Ltd.

Name	:	AIBL Capital Market Services Limited
Date of Incorporation	:	21st September, 2010
Date of Commencement	:	21st September, 2010
Authorised Capital	:	Tk. 10,000 million
Paid up Capital	:	Tk. 4,000 million
Ownership	:	Tk. 2,405 million (60.125%)

b) AIBL Capital Management Ltd.

A brief description of AIBL Capital Management Ltd

Name	:	AIBL Capital Management Limited
Date of Incorporation	:	25th October 2011
Date of Commencement	:	25th October 2011
Authorised Capital	:	Tk. 2,000 million
Paid up Capital	:	Tk. 500 million
Ownership	:	Tk. 490 million (98%)

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 General provision, revaluation reserves etc are part of Tier 2 capital.

Tier-1 capital of the bank as of December 31, 2012 is Tk. 13,073.14 million which is 88.30% of total eligible capital Tk. 14,804.73 million and out of Tier 1 capital 54.55% is paid up capital & 23.75% is statutory reserve.

Tier-2 capital of the bank Tk. 1,731.59 crore which is constituting 11.70% of total eligible capital and the major contributors are general provision 71.77% & asset revaluation reserves 28.23%.

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

Quantitative Disclosures:

Figures in million taka

b) The total amount of Tier-I capital	13,073.14
Paid-up capital	7,130.98
Non- repayable share premium account	-
Statutory Reserve	3,102.08
General Reserve	-
Retained earnings	1,238.38
Non-controlling interest in subsidiaries	1,601.70
Non cumulative irredeemable preference shares -	-
Dividend equalization account	-
c) The total amount of Tier-2 and Tier-3	1,731.59
d) Other deductions from capital	-
e) Total eligible capital	14,804.73

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 million taka
b) Credit Risk	111,229.00
c) Market Risk	5,090.60
d) Operational Risk	9,660.70
Total Risk Weighted Assets (RWA)	125,980.30
e) Total and Tier 1 capital ratio:	
o For the consolidated group:	
- CAR	11.75%
- Tier- 1 Capital Ratio	10.37%
o For stand alone	
-CAR	10.93%
-Tier-1 Capital Ratio	9.49%

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 02 (Two) months 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:

- a) Substandard : 20%
- b) Doubtful : 50%
- c) 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-07 dated June 14, 2012; 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 million taka

a) Funded:

General Investment	
i) In Bangladesh	
Murabaha Investment	28,949.88
Bai-Muajjal Investment	50,020.08
Hire Purchase Investment	19,774.80
Pre shipment Investment	1,769.98
Quard	2,835.36
Sub Total	103,350.10
ii) Out side Bangladesh	-
Total	103,350.10
Less Unearned Profit on Investment	7,529.89
	<u>95,820.21</u>

Bill Purchased & Discount

Payable in Bangladesh	10,375.12
Payable out side Bangladesh	455.09
Sub Total	10,830.21
Total Funded	106,650.42

b) Total Non Funded:

c) Geographical distribution of exposures

Region Based

Dhaka	84,298.80
Chittagong	17,548.51
Sylhet	874.69
Rajshahi	6,902.15
Khulna	3,213.76
Barisal	1,342.40
	<u>114,180.31</u>
Less Unearned Profit on Investment	7,529.89
Total	106,650.42

d) Country based funded

Domestic	106,650.42
Overseas	-

e) Country based Non-funded

Domestic	22,165.73
Overseas	-

e) Major Industry wise distribution of exposures

Agriculture, Fishing and Forestry	1,382.00
Industry	27,983.42
Construction	4,658.54
Water works & Sanitary Service	552.48
Transport & communication	3,894.49
Storage	745.10
Trade Finance	73,806.08
Miscellaneous	1,158.20
	<u>114,180.31</u>
Less Unearned Profit on Investment	7,529.89
Total	106,650.42

g) Distribution of risk exposure by claims

a) Claims on sovereigns and central banks	15,220.30
b) Claims on PSE	-

c) Claims on banks and securities firms	19,689.20
d) Claims on corporate	45,667.00
e) Claims included in the retail portfolio & small enterprises	27,360.90
f) Claims secured by residential property	3,251.00
g) Claims secured by commercial real estate	5,812.50
h) Consumer Investment	426.00
i) Off-balance sheet items	21,792.70
h) Credit risk mitigation	
Claims secured by financial collateral	9,061.70
Net exposure after the application of haircuts	2,334.40
Claims secured by eligible guarantee	1,310.40
i) Residual contractual maturity breakdown of the whole portfolio	
Repayable on demand	-
Up to 1 month	38,280.27
More than 1 month but less than 3 months	25,313.27
More than 3 months but less than 1 year	21,788.97
More than 1 year to less than 5 year	12,560.48
More than 5 year	8,707.43
Total	106,650.42
j) Gross Non Performing Assets- (NPAs)	1,783.60
Non performing assets to outstanding Investment (loans and advances)	1.63
k) Movement of Non Performing Assets (NPAs)	
Opening balance	751.10
Additions	2,528.57
Reductions	1,496.07
Closing balance	1,783.60
l) Movement of specific provisions for NPAs	
Opening balance	305.94
Fully provision debt written off	(114.79)
Recoveries of amount previously written off	14.15
Specific provision for the year	506.33
Closing balance	711.63

E) Equities: Disclosures for Banking Book Positions

Qualitative Disclosures:

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 million taka
Name of the Scrip	value
Central Depository Bangladesh Ltd.	3.14
Total	3.14

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.

1. Interest rate risk in the banking book can be measured on the basis of:
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, 2012**

Figure in Million 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	12,684.72	-	-	-	-	12,684.72
Balance with other banks & Financial Institute	2,312.98	-	-	-	-	2,312.98
Placement with other banks & Financial Institute	2,100.00	4,200.00	5,000.00	-	-	11,300.00
Investment in Sharia & Securities (only HTM)	1,508.10	500.00	1,600.00	1,900.00	3.14	5,511.24
Investment (Loans and Advances)	38,280.27	25,313.27	21,788.97	12,560.48	8,707.43	106,650.42
Fixed Assets	-	-	-	380.94	2,013.68	2,394.62
Other Assets	1,508.45	204.63	179.05	127.89	6,446.36	8,466.38
Total	58,394.52	30,217.90	28,568.02	14,969.31	17,170.61	149,320.36
Liabilities						
Placement from other banks & Financial Institute	1,230.00	4,400.00	600.00	-	-	6,230.00
Deposits	54,249.49	31,032.91	20,805.19	7,990.61	4,605.19	118,683.39
Provision and other liabilities	505.70	76.82	67.22	48.01	9,609.64	10,307.39
Deferred Tax Liabilities/Assets	-	-	48.88	-	-	48.88
Total	55,985.19	35,509.73	21,521.29	8,038.62	14,214.83	135,269.66
GAP	2,409.33	(5,291.83)	7,046.73	6,930.69	2,955.78	14,050.70
Cumulative Gap	2,409.33	(2,882.50)	4,164.23	11,094.92	14,050.70	-

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

Figure in Million taka

Particular/ shock	Minor	Moderate	Major
Increase in interest rate	1.00%	2.00%	3.00%
Period	Up to 1 month		
Gap	2,409.33	2,409.33	2,409.33
Impact on Nil (Net Interest Income)	2.01	4.02	6.02
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	0.85	1.71	2.56
Period	1 to 3 month		
Gap	(5,291.83)	(5,291.83)	(5,291.83)
Impact on Nil(Net Interest Income)	(8.82)	(17.64)	(26.46)
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	(3.75)	(7.50)	(11.25)
Period	3 to 12 month		
Gap	7,046.73	7,046.73	7,046.73
Impact on Nil(Net Interest Income)	52.85	105.70	158.55
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	22.46	44.92	67.38

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	Up to 1 month		
Gap	2,409.33	2,409.33	2,409.33
Impact on Nil (Net Interest Income)	(2.01)	(4.02)	(6.02)
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	(0.85)	(1.71)	(2.56)
Period	1 to 3 month		
Gap	(5,291.83)	(5,291.83)	(5,291.83)
Impact on Nil (Net Interest Income)	8.82	17.64	26.46
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	3.75	7.50	11.25
Period	3 to 12 month		
Gap	7,046.73	7,046.73	7,046.73
Impact on Nil (Net Interest Income)	(52.85)	(105.70)	(158.55)
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	(22.46)	(44.92)	(67.38)

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	4,164.23	4,164.23	4,164.23
Period (Year)	1 Year		
Impact on Nil (Net Interest Income)	41.64	83.29	124.93
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	17.70	35.40	53.09

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	4,164.23	4,164.23	4,164.23
Period (Year)	1 Year		
Impact on Nil (Net Interest Income)	(41.64)	(83.29)	(124.93)
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	(17.70)	(35.40)	(53.09)

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 Market Risk :**

Figures in million taka

Interest rate risk	-
Equity position risk	1,989.00
Foreign exchange risk	3,101.60
Commodity risk	-
Total	5,090.60

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 million taka

b) The capital requirements for operational risk 9,660.70

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

Year	Gross Income (GI)	Average GI	15% of Average GI
December 2012	80,395.50	64,404.67	9,660.70
December 2011	63,212.20		
December 2010	49,606.30		
Total GI	193,214.00		

Auditors' Report
on the Financial Statements
of
AIBL Capital Market Services Limited
For the period ended December 31, 2012



AUDITORS' REPORT

We have audited the accompanying Financial Statements of **AIBL Capital Market Services Ltd.** for the year ended 31st December, 2012 which comprises the Statement of Financial Position as at 31st December, 2012, the Statement of Comprehensive Income for the year ended 31st December, 2012, the Statement of Changes in Equity, the Statement of Cash Flows and a summary of significant accounting policies and other explanatory information for the year ended on that date. The financial statements of the company as of 31 December, 2011, were audited by another auditor whose report dated 26 January, 2012, expressed a qualified opinion due to charging profit on non performing loan and taken as income, credit facilities for the approved clients were extended 2 times of clients deposits and accounting software related issues.

Management's Responsibility for the Financial Statements:

Management is responsible for the preparation of the financial statements that gives a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS), the Company Act 1994, the Securities and Exchange Commission (Amendment) Act, 2012 and other applicable laws and regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error ; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility:

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risk of material misstatement of the 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 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 financial statements.

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

Opinion:

In our opinion, the annexed financial statements present fairly in all material respect the financial position of AIBL Capital Market Services Ltd as at 31st December, 2012 and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRSs) and comply with the company Act 1994, the Securities and Exchange Commission (Amendment) Act, 2012 and other applicable rules and regulations.

We also report that:

- i. 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;
- ii. in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- iii. the statement of financial position and the statement of comprehensive income dealt with by this report are in agreement with the books of accounts and returns.

Dhaka, January 19, 2013.


Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Statement of Financial Position As at 31st December 2012

Particulars	Notes	31.12.2012 Taka	31.12.2011 Taka
ASSETS:			
Non - Current Assets			
Property, Plant & Equipment	4	33,407,300	35,626,536
Current Assets:			
Accounts Receivable	5	5,559,127	12,268,583
Investment	6	7,125,460,247	6,129,808,847
Membership Cost	7	700,000,000	700,000,000
Advance, Deposits & Prepayment	8	6,420,474	7,845,740
Advance Income Tax	9	372,456,084	139,661,458
Cash and Cash Equivalent	10	291,518,809	260,211,675
Total Assets		8,534,822,041	7,285,422,839
EQUITY AND LIABILITIES:			
Capital and Reserve			
Paid -up Capital	11	4,000,000,000	4,000,000,000
Retained Earning		18,401,141	465,839,762
Current Liabilities			
Borrowing from Bank	12	2,950,000,000	2,405,755,505
Accounts Payable	13	975,381,601	145,459,555
Provision for Investments	14	70,459,806	16,694,065
Provision for taxation	15	520,579,493	251,673,952
Total Equity and Liabilities		8,534,822,041	7,285,422,839

The annexed notes form an integral part of these financial statements



Director



Director



Managing Director

Signed as per annexed report on even date

Dhaka, January 19, 2013.



Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Statement of Comprehensive Income For the year ended December 31, 2012

Particulars	Notes	31.12.2012 Taka	31.12.2011 Taka
Operating Income		1,328,823,569	903,872,695
Investment Income	16	1,083,591,662	745,610,062
Brokerage Commission	17	225,134,083	136,608,980
Documentation & Maintenance Fess	18	3,503,500	3,126,000
Other Operating Income	19	16,594,324	18,527,653
Less: Operating Expenses	20	28,208,300	19,819,366
Net Income from Operation		1,300,615,269	884,053,329
Less: Office and Administrative Expenses	21	75,863,948	51,117,534
		1,224,751,321	832,935,795
Less: Profit paid on Borrowing	22	349,518,660	161,359,397
Profit before Provision		875,232,661	671,576,398
Less: Provision for Investment		53,765,741	16,694,065
Profit/(loss) before Tax		821,466,920	654,882,333
Provision for Taxation	23	268,905,541	228,187,183
Net Profit after Tax		552,561,379	426,695,150
Retained Earning Brought forward		465,839,762	39,144,612
		1,018,401,141	465,839,762
Interim Dividend Paid		1,000,000,000	-
Retained earning Carried forward		18,401,141	465,839,762
Earning per Share (EPS) (Tk. 10)		1.38	1.07

The annexed notes form an integral part of these financial statements


Director


Director


Managing Director

Signed as per annexed report on even date

Dhaka, January 19, 2013.


Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Statement of Changes in Equity For the year ended December 31, 2012

Particulars	Share Capital	Retained Earning	Total
Balance as on 1st January, 2012	4,000,000,000	465,839,762	4,465,839,762
Net profit for the year	-	552,561,379	552,561,379
Interim Dividend Paid	-	(1,000,000,000)	(1,000,000,000)
Balance as at 31st December , 2012	4,000,000,000	18,401,141	4,018,401,141

The annexed notes form an integral part of these financial statements


Director


Director


Managing Director

Statement of Cash flows For the period ended December 2012

Particulars	31.12.2012 Taka	31.12.2011 Taka
A. Cash flows from operating activities		
Net profit during the year	552,561,379	426,695,150
Add: Amount considered as non cash items:	96,166,934	117,119,775
Depreciation & amortization charged	6,203,278	11,158,976
Provision for income tax	36,110,915	89,166,734
Provision for Investment	53,765,741	16,694,065
Provision for expenses	87,000	100,000
Changes in working capital components	(110,712,137)	(489,398,280)
(Increase)/Decrease in Investment	(995,651,400)	(3,034,444,818)
(Increase)/Decrease of Accounts receivable	6,709,456	44,013,282
Increase/(Decrease) of Borrowing	544,244,495	2,405,755,505
Net Increase/(Decrease) of Accounts payable	332,560,046	103,023,491
(Increase)/Decrease of other assets (item-wise)	1,425,266	(7,745,740)
Net cash flows from operating activities	538,016,176	54,416,645
B. Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,984,042)	(4,599,668)
Net cash used for investing activities	(3,984,042)	(4,599,668)
C. Cash flows from financing activities		
Increase in Share Capital	-	-
Interim Dividend Paid	(502,725,000)	-
Net cash used for financing activities	(502,725,000)	-
D. Net increase in cash and cash equivalent (A+B+C)	31,307,134	49,816,977
G. Cash & Cash Equivalents at the beginning of the year	260,211,675	210,394,698
H. Cash & Cash Equivalents at the end of the year	291,518,809	260,211,675

The annexed notes form an integral part of these financial statements


Director


Director


Managing Director

Notes to the financial statements

For the year ended 31 December, 2012

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 share namely AIBL Capital Market Services Limited on 21st September 2010. The company was entitled to commence the business 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 is to act as a member of Dhaka Stock Exchange and Chittagong Stock Exchange to carry on the business of broker, or dealers in stocks, shares and secure commercial papers, bonds, debentures stock, foreign currencies, treasury bills and/or any 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 DFIM circular no 11 dated 23 December 2009 and requirement of the Financial institution Act 1993, the companies act 1994, the Securities and Exchange Commission (Amendment) Act 2012, the listing rules of Dhaka stock and Chittagong Stock Exchange, guideline from BB, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) 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) Statement of Financial Position
- ii) Statement of comprehensive income
- iii) Statement of changes in equity
- iv) Statement of cash flows
- v) Notes, comprising a summary of significant accounting policies and other explanatory information

3. Principal Accounting Policies:

a) Statement of Cash Flows: Statement of Cash Flows is prepared in accordance with Bangladesh Accounting Standard (BAS) 7: Statement of Cash Flows and the cash flows from operating activities have been presented under the indirect method as prescribed by the Securities and Exchange Rules, 1987.

b) Investment in security: Investment in securities are classified broadly in two categories and accounted for as follows:

Investment in listed securities: Investment in listed security is accounted at the lower of cost or market value in accordance with BAS 25; accordingly for investment, adequate provision is being made at the end of each calendar year considering each individual investment (where cost is less than market price). Unrealized gain is not recognized in the Comprehensive Income Statement.

c) Margin Investment: AIBL capital market service Ltd extended margin loan to the portfolio investor as at an agreed ratio (between investor deposit and loan amount) of purchases securities against the respective investor account. The investor are to maintain the margin as per set rules & regulation. The margin is monitored on daily basis as it changes due to change in market price of shares.

If the margin falls below the minimum requirement, the investor are required to deposit additional fund to maintain the margin as per rules otherwise the securities are sold to bring the margin to the required level normally but this time due to continuous bearish trend of market, this policy could not be maintained strictly.

d) Revenue Recognition:

i) Income from margin loan: Income from margin loan is recognized on accrual basis. Such income is calculated considering daily margin loan balance of respective parties. Income is recognized on monthly rest.

ii) Income from gain on sale of securities: Capital gain or loss on disposal of security listed in the stock exchange is recorded on realized basis i.e, only when the securities are sold in the market. Unrealized capital gain or loss are not accounted for in the Comprehensive Income Statement.

e) Event after balance sheet date (BAS 10): Events after the reporting period, dividend declared after the reporting period should not be classified as a liability at the reporting period as the proposed dividend does not represent an Obligation under BAS 37: Provision, Contingent Liabilities and Contingent Assets.

f) Cash & Cash equivalent : Cash and cash equivalent includes cash in hand, cash at bank and fixed deposits which are held and are available for use by the company without any restriction. There is insignificant risk of change in the value of the above items.

g) Provision of Tax: Provision for income tax has been calculated on the income other than brokerage commission. The Company's trading income is subject to deduction of tax at source which is treated as final discharge from tax liability as informed by the DSE vide its letter No.DSE -236/2013/462 dated 13.01.2013. Whereas, in terms of section 82 (c) (6), any income shown or assessed in excess of the amount determined in sub-section (4) shall be liable to tax at rates applicable for assessment year. Few companies have filed cases in honorable High Court against this provision, which is still pending in court. If this provision continues in future, additional tax liability may arise for the company. The shortfall amount, if any arises, will be provided in the financial statements of next year.

h) Provision for expenses: Provision for expenses is recognized when the company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefit will be required to settle the obligations and reliable estimate of the amount can be measured.

i) Fixed assets and depreciation: Fixed assets and depreciation:

Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on the cost less accumulated depreciation of fixed assets in order to write off such amounts over the estimated useful lives, using the reducing balance method in accordance with BAS 16. No depreciation is charged for the year in which the assets is purchased and depreciation is charged upto the previous month of disposal in respect of disposing the assets.

The rates of depreciation used to write off are given bellow:

Interior Decoration	10%
Computer Accessories	20%
Online Hardware	20%
Motor Car	20%
Furniture Fixture - Steel	10%
Office Equipment	20%
Furniture Fixture - wood	10%
Online Software	20%

j) 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.

k) Provident Fund Scheme: On our scrutiny, it is revealed that the company has introduced Provident Fund Scheme in which the company itself and the employees contributed to the fund equally. The existing balance of the fund is amounting Tk. 4,344,312 including bank interest of Tk. 116,694. No separate Trustee Body in respect of the management of this fund is yet formed. The amount of total fund has been kept in separate Bank Account with Al-Arafah Islami Bank Ltd.

Particulars	31.12.2012 Taka	31.12.2011 Taka	
4.00 Fixed Assets: Tk. 33,407,300			
a) Property, Plant & Equipment			
Interior Decoration	7,902,740	6,666,485	
Computer accessories	794,922	972,903	
Online Hardware	2,192,215	2,505,350	
Motor Car	10,328,192	12,910,240	
Furniture fixture steel	133,311	141,363	
Machine equipment	6,318,259	6,383,245	
Computer	2,655,269	3,319,085	
Furniture fixture wood	2,243,940	2,412,440	
	32,568,848	35,311,111	
b) Integiable assets			
Online Software	838,452	315,425	
	838,452	315,425	
	33,407,300	35,626,536	
Details have been shown in Annexure-A			
5.00 Account Receivable : Tk. 5,559,127			
Receivable from DSE	4,385,127	6,508,050	
Receivable from CSE	-	5,483,597	
Investment Deler A/C	-	936	
Dividend Receivable	1,174,000	276,000	
	5,559,127	12,268,583	
6.00 Investments : Tk. 7,125,460,247			
Margin Investment	6,903,390,528	5,986,901,675	
Investment to Dealer A/C (6.01)	212,069,719	142,907,172	
Investment In AIBL Capital Management Ltd.	10,000,000	-	
	7,125,460,247	6,129,808,847	
6.01 Portfolio of investment to dealer A/C (As at 31,December 2012) : Tk. 212,069,719			
Instrument	No of Share	Cost price	Market price
Bsrmssteel	414,500	47,510,727	28,144,550
Desco	142,600	14,745,633	10,281,460
Fareast life	167,750	26,475,145	17,815,050
First security islami bank	55,000	1,404,227	1,017,500
GPH Ispat	301,800	20,631,604	15,120,180
Islami Bank	278,675	12,026,667	11,927,290
Islami Insurance	72,600	3,454,973	2,417,580
MJLbd.	115,000	10,722,385	9,165,500
Shahjalal Islami Bank Ltd	365,187	9,723,309	10,407,830
SIBL	555,750	14,598,536	10,781,550
SQUARE TEXT	33,960	4,105,299	3,491,088
SQUARE PHARMA	78,120	15,514,951	13,171,032
Titas Gas	367,500	29,822,789	23,997,750
Exim Bank	62,100	1,200,606	1,291,680
Cash Balance		132,866	
Total		212,069,719	159,030,040

Particulars	31.12.2011 Taka	31.12.2010 Taka
7.00 Membership cost : Tk. 700,000,000		
Membership of DSE	525,000,000	525,000,000
Membership of CSE	175,000,000	175,000,000
	700,000,000	700,000,000
8.00 Advance, Deposit & Prepayments : Tk. 6,420,474		
Advance against for Office Space at Nikunja, Dhaka.	100,000	100,000
Advance against for Office Space at Gulsan, Dhaka.	4,739,000	5,903,000
Advance against for Office Space at Amborkhana Sylhet	1,377,450	1,000,000
Advance against for Interior Decoration at Sylhet	-	800,000
Advance withdraw from Suspense A/C	204,024	42,740
	6,420,474	7,845,740
9.00 Advance Income tax : Tk. 372,456,084		
Tax deducted at source DSE	27,474,820	26,674,368
Tax deducted at source CSE	1,262,718	900,032
Tax deducted at source Bank	9,115,225	7,565,582
Tax deducted at source Dividend	179,129	-
Tax paid 2012 through challan	91,456,550	-
Tax paid 2011 through challan	222,821,166	84,375,000
Tax paid 2010 through challan	20,146,476	20,146,476
	372,456,084	139,661,458
10.00 Cash and Cash Equivalent : Tk. 291,518,809		
Al-Arafah Islami Bank Limited (10.01)	291,513,809	260,206,675
Shajalal Islami Bank Limited IBL	5,000	5,000
	291,518,809	260,211,675
10.01 Balance at Bank: Tk. 291,513,809		
Al-Arafah Islami Bank Limited. Motijheel Br.Dhaka	13,011	290,522
Al-Arafah Islami Bank Limited. Motijheel Br.Dhaka	191,086,240	176,966,185
Al-Arafah Islami Bank Limited. Motijheel Br.Dhaka	6,846,464	5,360,437
Al-Arafah Islami Bank Limited. Motijheel Br.Dhaka	89,083,094	36,351,531
Al-Arafah Islami Bank Limited. Uttara Br.Dhaka	-	238,000
Al-Arafah Islami Bank Limited. Amborkhana Br.Sylhet	-	30,500,000
Al-Arafah Islami Bank Limited. B. Baria Br	2,310,000	-
Al-Arafah Islami Bank Limited. Khulna Br	275,000	10,500,000
Al-Arafah Islami Bank Limited.Dhanmondi Br	1,900,000	-
	291,513,809	260,206,675
11.00 SHARE CAPITAL:		
Authorized Capital : Tk.10,000,000,000		
The authorized Capital of the Company is 100,00,00,000 Ordinary Share of TK. 10 each.	10,000,000,000	10,000,000,000
Issued, Subscribed and fully Paid-up Capital : Tk. 4,000,000,000		
Issued, Subscribed and fully Paid-up Capital is 40,00,00,000 share of TK. 10 each.	4,000,000,000	4,000,000,000

Particulars

31.12.2012
Taka31.12.2011
Taka

11.03 Share Holding Position :

Name of the Share Holder	% of Shareholdings	No of Shares	Taka
Al-Arafah Islami Bank Limited	60.13%	240,500,000	2,405,000,000
Badiur Rahman	1.25%	5,000,000	50,000,000
KYCR Coils Industries Ltd.	0.50%	2,000,000	20,000,000
Alhaj Abdul Malek Mollah	1.00%	4,000,000	40,000,000
Al- haj Md. Harun-ar-Rashid Khan	0.63%	2,500,000	25,000,000
Alhaj Nazmul Ahsan Khaled	0.50%	2,000,000	20,000,000
KDS Garment industries Ltd.	5.00%	20,000,000	200,000,000
Alhaj Abdus Samad	0.50%	2,000,000	20,000,000
Alhaj Abu Naser Mohammad Yeahea	4.50%	18,000,000	180,000,000
Alhaj Abus Salam	1.50%	6,000,000	60,000,000
Niaz Ahmed	0.75%	3,000,000	30,000,000
Badshah Meah	1.75%	7,000,000	70,000,000
Alhaj Kazi Md. Mofizur Rahman	2.00%	8,000,000	80,000,000
Alhaj Eng. Kh. Mesbahuddin Ahmed	1.75%	7,000,000	70,000,000
Md. Ashik Hossain	0.50%	2,000,000	20,000,000
Farid Ahmed	0.50%	2,000,000	20,000,000
Mohammed Mahtabur Rahman	1.75%	7,000,000	70,000,000
Alhaj Abdul Muktadir	0.25%	1,000,000	10,000,000
Mohammed Haroon	2.00%	8,000,000	80,000,000
A S M Mainuddin Monem	0.50%	2,000,000	20,000,000
Ahmedul Haque	0.25%	1,000,000	10,000,000
Sarker Mohammad Shameem Iqbal	0.25%	1,000,000	10,000,000
Mohammed Emadur Rahman	0.75%	3,000,000	30,000,000
Kazi Abu Kauser	0.50%	2,000,000	20,000,000
Master Abul Kashem	0.25%	1,000,000	10,000,000
Naba knit Composite Limited	0.25%	1,000,000	10,000,000
Jainul Abedin Jamal	0.25%	1,000,000	10,000,000
Kamal Uddin	0.25%	1,000,000	10,000,000
N.Nasir Uddin	0.25%	1,000,000	10,000,000
Majbura Begum	0.25%	1,000,000	10,000,000
Asma Begum	0.25%	1,000,000	10,000,000
Afroza Sultana	0.25%	1,000,000	10,000,000
Shajjad Mustafa	0.25%	1,000,000	10,000,000
Azad Mustafa	0.25%	1,000,000	10,000,000
Farhana Irin	0.25%	1,000,000	10,000,000
Tanveer Nawaz	0.25%	1,000,000	10,000,000
Sk. Md. Samiul Islam	0.25%	1,000,000	10,000,000
Mohammad Jahangir	0.25%	1,000,000	10,000,000
Mollah Mahmood Malek	0.50%	2,000,000	20,000,000
Mollah Mazharul Malek	0.25%	1,000,000	10,000,000
Norrish Poultry and Hatchery Ltd.	1.00%	4,000,000	40,000,000
Galco Steel Bangladesh Ltd.	0.50%	2,000,000	20,000,000
Mohammed Oheidul Alam	0.25%	1,000,000	10,000,000
Sahana Ferdous	0.25%	1,000,000	10,000,000
Islamic Commercial Insurance Co. Ltd.	1.25%	5,000,000	50,000,000

Particulars		31.12.2012 Taka	31.12.2011 Taka
11.03	Share Holding Position :		
	Name of the Share Holder	No of Shares	Taka
	Faisal Ahmed	2,000,000	20,000,000
	Mohammed Oliur Rahman	3,000,000	30,000,000
	Md.Nurul Hoque	1,000,000	10,000,000
	Kh Sakib Ahmed	2,000,000	20,000,000
	Mrs. Shamsun Nahar Begum	1,000,000	10,000,000
	Md. Rafiqul Islam	1,000,000	10,000,000
	Reliance Brokerage Services Ltd.	4,000,000	40,000,000
	TOTAL	400,000,000	4,000,000,000
12.00	Borrowing From Bank : Tk. 2,950,000,000		
	Borrowing from Al-Arafah Islami Bank limited	1,820,000,000	1,705,755,505
	Borrowing from Shajalal Islami Bank Limited	1,130,000,000	700,000,000
		2,950,000,000	2,405,755,505
13.00	Accounts Payable : Tk. 975,381,601		
	Al - Arafah Islami Bank Limited	772,906	772,906
	Profit Payable for borrowings	263,056,921	13,209,325
	VAT, Salary Tax , AIT & Dividend tax Payable	34,038,167	50,412
	Payable to clients	176,663,280	131,326,912
	Payable to CSE	3,266,650	-
	Audit fees Payable	100,000	100,000
	Entertainment Expenses Payable	87,000	-
	Security Money	121,677	-
	Dividend Payable	497,275,000	-
		975,381,601	145,459,555
14.00	Provision for Investment : Tk. 70,459,806		
	Opening Balance	16,694,065	-
	Add : Provision for Investment	53,765,741	16,694,065
	Closing Balance	70,459,806	16,694,065
15.00	Provision for taxation : Tk. 520,579,493		
	Opening Balance	251,673,952	23,486,769
	Add Income tax provision during the year	268,905,541	228,187,183
	Closing Balance	520,579,493	251,673,952
16.00	Investment Income : Tk. 1,083,591,662		
	Margin Profit Income	1,059,895,693	585,824,927
	Profit on Investment	-	90,539,399
	MTDRProfit	10,561,410	69,245,736
	Profit on MSND	13,134,559	-
		1,083,591,662	745,610,062
17.00	Brokerage commission : Tk. 225,134,083		
	DSE	216,017,116	132,406,722
	CSE	9,116,967	4,202,258
		225,134,083	136,608,980
18.00	Documentation & Maintenance Fess : Tk. 3,503,500		
	BO Documentation fees	252,500	130,500
	BO Maintenance fees	2,881,000	2,777,500
	Margin documentation fees	370,000	218,000
		3,503,500	3,126,000
19.00	Other Operating Income : Tk. 16,594,324		
	CDBL Income	2,042,302	16,681,972
	Cheque dishonour Charge	184,000	171,000
	Dividend income	3,166,226	300,000
	Realized Capital gain	11,144,997	1,336,967
	Others	56,799	37,714
		16,594,324	18,527,653
20.00	Operating Expenses : Tk. 28,208,300		
	Hawla charge	2,157,946	1,384,270
	Laga charge	11,431,760	6,976,115
	CDBL Charges	14,618,594	11,458,981
		28,208,300	19,819,366

Particulars	31.12.2012 Taka	31.12.2011 Taka
21.00 Office and Administrative Expenses: Tk. 75,863,948		
Salary allowances & Contribution to P.F Note-21.01 4	46,926,620	23,677,002
Rents, Taxes, Insurance, Lighting etc. Note-21.02	11,356,097	9,884,202
Honorarium & Meeting Expense Note-21.03	1,550,000	596,000
Law Charges	56,418	3,000
Postage, Telegram, Telephone & Stamps etc Note-21.04	515,363	412,580
Depreciation, Amortization & Repairs to Properties Note-21.05	6,620,408	11,368,549
Stationary, Printing, Advertisement etc.	827,756	783,551
Computer Charge	284,025	174,590
Bank Charge	20,464	78,230
Petroleum Oil, Lubricant & WASA/ Gas.	501,978	427,529
Entertainment	1,240,431	865,182
Traveling, Local conveyance & Saturday Allowance	163,112	78,913
Internet & Online Charge	4,673,049	2,437,527
Registration Expenses	6,500	-
Training Expenses	134,164	-
Audit Fees	150,000	100,000
Utilities bill	106,945	-
Vat	25,279	-
Accrued Expenses	87,000	-
Other Expenses Note-21.06	618,339	230,679
	75,863,948	51,117,534
21.01 Salary Allowances & Contribution to P.F : Tk. 46,926,620		
Salary allowances & Contribution to P.F	45,447,736	22,929,504
Wages	1,092,286	538,444
Security Services	386,598	209,054
	46,926,620	23,677,002
21.02 Rents, Taxes, Insurance, Lighting etc : Tk. 11,356,097		
Rent	10,335,144	9,440,467
Insurance	65,529	100,533
Lighting	928,870	332,702
Tax	26,554	10,500
	11,356,097	9,884,202
21.03 Honorarium & Meeting Expense : Tk. 1,550,000		
Honorarium	1,274,000	596,000
Meeting	276,000	-
	1,550,000	596,000
21.04 Postage, Telegram, Telephone & Stamps etc : Tk. 515,363		
Postage	413,700	369,640
Stamps	72,730	42,940
Photocopy	323	-
Cookeries	28,610	-
	515,363	412,580
21.05 Depreciation & Repairs to Properties : Tk. 6,620,408		
Depreciation	6,203,278	6,591,291
Repair & Maint.	417,130	209,573
Amortization of Preliminary Exp.	-	4,567,685
	6,620,408	11,368,549
21.06 Other Expenses : Tk. 618,339		
Subscription Renewal	59,700	19,905
News paper	42,603	1,668
Upkeep	13,979	3,300
Misce.	66,927	53,971
Investors Protection	27,930	-
AR License	4,700	6,000
Bank guarantee	402,500	145,835
	618,339	230,679
22.00 Profit paid on Borrowing : Tk. 349,518,660		
Borrowing from Al-Arafah Islami Bank limited	214,690,271	148,150,073
Borrowing from Shajalal Islami Bank Limited	134,828,389	13,209,324
	349,518,660	161,359,397
23.00 Provision for Current Tax : Tk. 268,905,541		
Operating profit Before tax	875,232,661	671,576,398
Less Brokerage Income	225,134,083	136,608,980
Less : Gain on Sale of Securities	11,144,997	-
Less : Dividend Income	3,166,226	-
Total Business Income	635,787,355	534,967,418
Income Tax @ 37.50 % on estimated Businesses Income	238,420,258	200,612,782
Add: Tax on Brokerage Income		
Deducted DSE	27,474,820	26,674,369
Deducted CSE	1,262,718	900,032
Add: Tax on Gain on Sale of Securities	1,114,500	-
Add : Tax on Dividend Income	633,245	-
	268,905,541	228,187,183


Director


Director


Managing Director

AIBL Capital Market Services Ltd.
Fixed Assets Schedule
As on December 31, 2012

Annex-A

Particular	Cost			Rate	Description				
	Balance as at 1st Jan-2012	Addition during the year Taka	Disposal during the year Taka		Balance as at 31-December-12 Taka	Charge for the year Taka	Adjustment during the year Taka	Balance at 1st Jan-2012	Written Down Value as at 31-December-12 Taka
Fixed assets									
Interior Decoration	7,368,511	1,902,904	-	10%	9,271,415	666,648		1,368,675.4	7,902,740
Computer Accessories	1,166,492	16,600	-	20%	1,183,092	194,580		388,170.0	794,922
Online Hardware	2,713,299	187,935	-	20%	2,901,234	501,070		709,019.0	2,192,215
Motor Car	16,137,800	-	-	20%	16,137,800	2,582,048		5,809,608.0	10,328,192
Furniture Fixture - Steel	156,248	6,084	-	10%	162,332	14,136		29,021.0	133,311
Office Equipment	7,685,068	1,211,663	-	20%	8,896,731	1,276,649		2,578,472.0	6,318,259
Computer	4,005,095	-	-	20%	4,005,095	663,817		1,349,826.0	2,655,269
Furniture Fixture - Wood	2,627,871	72,744	-	10%	2,700,615	241,244		456,675.0	2,243,940
	41,860,384	3,397,930			45,258,314	6,140,193		12,689,467	32,568,848
Intangible Assets									
Online Software	357,442	586,112	-	20%	943,554	63,085		105,102	838,452
	357,442	586,112			943,554	63,085		105,102	838,452
Total	42,217,826	3,984,042	-		46,201,868	6,203,278		12,794,569	33,407,300

Report on the Financial Statements
of
AIBL Capital Management Limited
For the period ended 31st December, 2012



Auditors' Report

To the Shareholders of
AIBL Capital Management Limited

Introduction

We have audited the accompanying financial statements of AIBL Capital Management Limited, which comprise of the Statement of Financial Position as at 31st December 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash flow for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Bangladesh Bank DFIM circular no 11 dated 23 December 2009 and requirement of the Financial institution Act 1993 the companies act 1994 the security exchange rules 1987 the listing rules of Dhaka stock exchange 1987 the listing rules of Dhaka Stock Exchange (DSE) and Chittagong guide line from BB, Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), Company Act 1994 and other applicable laws and regulations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS). Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedure that are appropriate in the circumstance, 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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view as at 31st December 2012 and of the results of its operations for the period then ended.

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 as required by law have been kept by the Trust Deed and Rules of the Fund so far as it appeared from our examination of these books ;
- (c) the Statement of Financial Position (Balance Sheet), Statement of comprehensive Income (Profit and Loss Account), Statement of changes in equity and Statement of Cash flows dealt with by the report are in agreement with the books of account ; and
- (d) The expenditure incurred was for the purposes of the business.

Dated: Dhaka
January 16, 2013


(S. H. KHAN & CO.)
Chartered Accountants

Statement of Financial Position as at 31st December 2012

Particulars	Notes	31.12.2012 Taka
ASSETS:		
Non - Current Assets		
Investment in Shares & Securities	Annexure- A	101,658,425
Current Assets:		
Cash and Bank Balance	4.00	405,337,239
Balance with AIBL CMSL		1,072,888
Accounts Receivable	5.00	311,450
Advance Tax	6.00	1,156,941
Preliminary Expenses	7.00	1,146,680
Total Assets		510,683,623
EQUITY AND LIABILITIES:		
Capital and Reserve		
Paid Up Capital	8.00	500,000,000
Retained Earning		7,556,655
Total Equity		507,556,655
Current Liabilities		
Provision for Taxation	9.00	3,095,333
Salary Tax Payable	10.00	6,000
Accounts Payable	11.00	25,635
Total Liabilities		3,126,968
Total Equity and Liabilities		510,683,623

NAV

The annexed notes form an integral part of these financial statements


Director


Director


Managing Director

Sign subject to our separate report of even date annexed.

Dated: Dhaka
January 16, 2013


(S. H. Khan & Co.)
Chartered Accountants

Comprehensive Income Statement for the period ended 31st December ,2012

Particulars	Notes	31.12.2012 Taka
Investment Income	12.00	10,515,313
Profit paid on Borrowing		-
Net Investment Income		10,515,313
INCOME FROM COMMISSION, EXCHANGE & OTHERS		
Brokerage Commission		-
Income from Investment in Shares & Securities	13.00	3,574,590
Other Operating Income		-
		3,574,590
Total operating Income (A)		14,089,903
Salary allowances & Contribution to P.F	14.00	3,370,168
Rents, Taxes, Insurance, Lighting etc.		-
Honorarium & Meeting Expense		-
Audit fees		20,000
Postage, Telegram, Telephone & Stamps etc	15.00	14,800
Depreciation, Amortization & Repairs to Properties		-
Stationery, Printing, Advertisement etc.	16.00	15,635
Other Expenses	17.00	17,313
Total operating expenses (B)		3,437,916
Profit/(loss) before provision and Tax C = (A - B)		10,651,988
Provision for Investment		-
Provision for Taxation	9.00	3,095,333
Net Profit after Tax		7,556,655
Retained Earning Brought forward		-
Retained earning Carried forward		7,556,655
Earning per Share (EPS)		0.1511

The annexed notes form an integral part of these financial statements


Director


Director


Managing Director

Sign subject to our separate report of even date annexed.

Dated: Dhaka
January 16, 2013


(S. H. Khan & Co.)
Chartered Accountants

Statement of Changes in Equity for the period ended 31st December ,2012

Particulars	Share Capital	Retained Earning	Total
Balance as at 1st April, 2012	500,000,000	-	500,000,000
Resated Balance			
Profit & Loss Account	-	7,556,655	7,556,655
Balance as at 31st December, 2012	500,000,000	7,556,655	507,556,655


Director


Director


Managing Director

Sign subject to our separate report of even date annexed.

Dated: Dhaka
January 16, 2013


(S. H. Khan & Co.)
Chartered Accountants

Statement of Cash flows for the period ended 31st December, 2012

Particulars	31.12.2012 Taka
Cash flows from operating activities	
Investment income receipt in Cash	10,515,313
Profit paid on deposits and borrowing	-
Dividend Received	527,050
Fees & Commission received in cash	-
Cash payments to employees	(3,364,168)
Cash payments to suppliers	-
Received from other operating activities (item-wise)	-
Paid for other operating activities (item-wise)	(239,090)
Paid for Preliminary Expenses	(944,925)
Advance income tax paid	(1,156,941)
Operating profit before changes in operating assets and liabilities	5,337,239
Changing in Operating assets & liabilities	
Increase/Decrease Investment	(100,000,000)
Increase/Decrease of Accounts receivable	-
Increase/Decrease of Borrowing	-
Increase/Decrease of Accounts payable	-
Increase/Decrease of other assets (item-wise)	-
Increase/Decrease of other liabilities (item-wise)	-
Cash receipt from operating activities	(100,000,000)
A. Net Cash from operating activities	(94,662,761)
Cash flows from investing activities:	
Purchase of property, plant and equipment	-
B. Net cash flows from investing activities	-
Cash flows from financing activities	
Increase in Share Capital	-
C. Net cash flows from financing activities	-
D. Net increase in cash and cash equivalent (A+B+C)	(94,662,761)
E. Effects of exchange rate changes on cash and cash-equivalents	
F. Net increase in cash and cash equivalent D+E	(94,662,761)
G. Cash & Cash Equivalents at the beginning of the year	500,000,000
H. Cash & Cash Equivalents at the end of the year	405,337,239

The annexed notes form an integral part of these financial statements


Director


Director


Managing Director

Sign subject to our separate report of even date annexed.

Dated: Dhaka
January 16, 2013


(S. H. Khan & Co.)
Chartered Accountants

Notes to the financial statements for the period ended 31st December, 2012

1. Significant Accounting Policies and other materials information

a) Legal Form of the Enterprise:

The Company has been incorporated under the companies act (Act XVIII) of 1994 as a Private limited Company by share namely AIBL Capital Management Limited on 25th October 2011. The company was entitled to commence the business also from 25th October 2011. 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 carry out the activities of a full-fledged merchant banker like Issue Management, Portfolio Management, Underwriting, Corporate Advisory services etc. as per Securities exchange Commission (Merchant Banker and Portfolio Manager) Regulation, 1996.

2. Basis for preparation of financial statements:

a) Statement of Compliance :

The financial statements of AIBL Capital Management Limited have been prepared in accordance Bangladesh with the DFIM circular no 11 dated 23 December 2009 and requirement of the Financial institution Act 1993 the companies act 1994 the security exchange rules 1987 the listing rules of Dhaka stock exchange 1987 the listing rules of Dhaka stock exchange and chittagong guide line from BB, Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), 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) Statement of Financial Position
- ii) Statement of Profit and Loss account
- iii) Statement of changes in equity
- iv) Statement of cash flows
- v) Notes, comprising a summary of significant accounting policies and other explanatory information

Notes to the financial statements for the period ended 31st December, 2012

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) Revenue Recognition:

Income is recognized on accrual basis such income is calculated considering daily margin loan balance of respected such as is calculated considering daily margin loan balance of the respective parties. Income is recognized on quarterly rest

c) Event after balance sheet dated: BAS 10:

Events after the reporting period, dividend declared after the reporting period should not be classified as a liability at the reporting period as the proposed dividend does not represent an Obligation under BAS 37: Provision, Contingent Liabilities and Contingent Assets.

d) Cash & Cash equivalent :

Cash and cash equivalent includes cash in hand, cash at bank and fixed deposits which are held and are available for use by the company without any restriction. There is insignificant risk of change in the value of the above items.

e) Provision on expenses:

Provision for expenses is recognize when the company has a present obligation as a result of a Past event and it is probable that an outflow of resources embodying economic benefit will be required to settle the obligations and reliable estimate of the amount can be measured.

f) 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.

Statement of Financial Position as at 31st December 2012

		31.12.2012
		Taka
4.00	Cash at Bank	
	AL - Arafah Islami Bank Ltd. - 3350	405,337,239
		405,337,239
5.00	Accounts Receivable	
	PADMAOIL	1,950
	OLYMPIC	8,500
	DESCO	301,000
		311,450
6.00	Advance Tax	
	Tax on Profit from Cash at Bank	1,051,531
	Tax on Dividend Income	105,410
		1,156,941
7.00	Preliminary Expenses	
	Registration Fees	944,925
	Legal Expenses	47,200
	Fees paid to SEC for capital raising	140,000
	TIN Certificate Expenses	1,000
	Trade licence Renewal Fees	13,555
	Closing Balance	1,146,680
8.00	Share Capital	
8.01	Authorised Capital	
	The authorised Capital of the Company is 20,00,00,000 Ordinary Share of TK. 10 each.	2,000,000,000
8.02	Issued, Subscribed and fully Paid-up Capital	
	Issued, Subscribed and fully Paid-up Capital is 5,00,00,000 share of TK. 10 each.	500,000,000
		500,000,000

Share Holding Position :

Name of the Share Holder	% of Shareholdings	No of Shares	Amount in Tk.
Al-Arafah Islami Bank Limited	98.00%	49,000,000	490,000,000
AIBL Capital Market services Limited	2.00%	1,000,000	10,000,000
TOTAL	100.00%	50,000,000	500,000,000

Statement of Financial Position as at 31st December 2012

	31.12.2012
	Taka
9.00 Provision for Current Tax	
Operating Profit Before Tax	10,651,988
Less : Gain on Sale of Securities	2,736,090
Less : Dividend Income	838,500
Total Business Income	<u>7,077,397</u>
Income Tax @ 37.50 % on estimated Business Income	2,654,024
Add: Gain on Sale of Securities	273,609
Add : Dividend Income	167,700
	<u>3,095,333</u>
10.00 Salary Tax Payable	
December, 2012	6,000
	<u>6,000</u>
11.00 Accounts Payable	
CMSL- ID Card Expenses	15,635
Audit fees	10,000
	<u>25,635</u>
12.00 Investment Income	
Profit from Cash at Bank	10,515,313
	<u>10,515,313</u>
13.00 Income from Investment in Shares & Securities	
Capital Gain	2,736,090
Dividend Income:	
Padma Oil	2,950
Mobil jamuna	120,000
Fareast Life	181,250
OLYMPIC	8,500
DESCO	301,000
GP	136,800
GPHISPAT	88,000
	<u>3,574,590</u>
14.00 Salary Allowances & Contribution to P.F. & B.F.	
Salary and Allowance	2,239,976
Incentive Bonus	595,784
Eid Ul Fitre	132,150
Eid Ul Azha	155,200
TDS for Salary	41,040
Contribution to PF (Both)	195,638
Contribution to SSBF	10,380
	<u>3,370,168</u>
15.00 Postage, Telegram, Telephone, Mobile & Stamps etc.	
Mobile Allowances	14,800
	<u>14,800</u>
16.00 Stationery, Printing, Advertisement etc.	
ID Card	15,635
	<u>15,635</u>
17.00 Other Expenses	
Bank Charges	1,150
Excise Duty	10,000
Petty Cash Exp.	1,385
Charges & Fees	4,778
	<u>17,313</u>

Investment in Shares & Securities Stock at hand as on 31st December, 2012

SL	Name of Company	No. of Shares	Amount (at cost)	Market Rate	Market Amount
	Marginable:				
1	MJLBD	97,000	10,461,691	80	7,730,900
2	GPHISPAT	105,600	7,530,964	50	5,290,560
3	GP	15,200	3,393,095	175	2,660,000
4	BXPHERMA	96,800	7,910,103	56	5,411,120
5	FAREASTLIF	180,000	29,228,612	106	19,116,000
6	DESCO	346,150	35,500,003	72	24,957,415
7	PADMAOIL	405	105,343	188	75,938
8	BSCCL	16,000	2,737,635	133	2,126,400
9	OLYMPIC	12,750	1,516,559	98	1,254,600
10	BSRMSTEEL	10,000	897,890	68	679,000
11	NAVANACNG	9,000	754,470	80	718,200
12	RNSPIN	36,500	1,622,060	34	1,244,650
	Grand Total	925,405	101,658,425		71,264,783

BRANCHES OF AIBL

DHAKA DIVISION

Banani Branch (AD)

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

Motijheel Corporate Branch (AD)

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

Dhanmondi Branch (AD)

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 (AD)

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

Joydebpur Chowrasta Branch

Joydebpur Chowrasta, Gazipur
9256196, 01819-261297

Kapasias Branch

Kapasias Bazar, Kapasias, 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 (AD)

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

New Elephant Road Branch (AD)

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

Narayanganj Branch

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

Pagla Branch

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

Progati Sharani Branch

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

Uttara Model Town Branch (AD)

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 (AD)

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, BIDC 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 Golchattar 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

Ati Bazar Branch

Manik Plaza, Ati Bazar, Keranigonj, Dhaka
7769168, 7769169, 01833-330274

Dakkhin Khan Branch

L.K. Plaza, Dakkhin Khan Bazar, Dakkhin Khan, Dhaka
01972-582013

Notun Bazar Branch

Notun Bazar, Baridhara, Dhaka
01811-487861

Panthapath Branch

F R Tower, 8C Sukrabad, Panthapath, Dhaka-1207
01811-410072

Kolafia SME Branch

Kolafia Bazaar, Keranigonj, Dhaka
7769157, 01760-938299, 01817-112883

Shyamoli Branch

13/1 Ring Road, Shyamoli, Dhaka
01680-067911, 01711-386891, 8115098 (R)

Bhelanagar Branch

Jailkhanar mor, Bhelanagar, Narshingdi
9452295, 9452296

Kathgora Bazar Branch

Kathgora Bazar, Ashulia, Savar, Dhaka
7792573, 01711-111292

Nayapur Branch

Nayapur Bazar, Narayanganj
01811-487863

Rampal Branch

Shipahipara, Rampal, Munshigonj
7611855, 7610066

Ruhitpur Branch

Ruhitpur Bazar, Keranigonj, Dhaka
7766882-3, 01920-997483

Sonargaon Janapath road Branch

Plot#30, Sector#11, Sonargaon Janapath road, Uttara, Dhaka
8991109,7914470

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.Baria
08522-56155, 01740-619012

Bashurhat SME Branch

34, Main Road, Bashurhat, Noakhali
01815-375806

Tantarbazar SME Branch

Tantar Bazar, Akhaura, Brahmanbaria
01743-244344

Station Road Branch, Ctg

108, Station Road, Chittagong
01552-435734

Hajigonj Branch

Hajigonj Tower, 762 Hajigonj, Chandpur
01834-838435, 01819-457729 (R)

Kutibazar Branch

Kutibazar, Kasba, B.Baria
01730-970400

Halishahar Branch

Plot#1, Block#A, H.S. Road, Foillatoli Bazar, Halishahar, Chittagong
031-715662-3, 01833-149150

Rahimanagar Branch

Rahimanagar Bazar, Kachua, Chandpur
01811-487870

Teknaf Branch

Teknaf, Cox's Bazar
034-2675120, 034-2675121

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, 01711-431173

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

Gallamari Branch

219/1, Sher-E-Bangla Road, Gallamari, Khulna
01741301916

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

407 Kapuria Patti, 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)

Talukder Mansion, Barogola Bogra
051-69994-5, 01713-203754

Mohadevpur Branch

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

Shahjadpur Branch

Chowdhury Plaza, Dariapur Bazaar
Shahjadpur, Shirajgonj
07527-64052, 07527-64053,
01762-331990, 01557-718828

Pabna Branch

Plot#355, Sonapotti, Pabna
0731-62047, 0731-62057

RANGPUR DIVISION**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

Rangpur Branch

15, Central Road, Payrachattar, Rangpur
0521-55830, 01773-268000



Head Office : 36, Dilkusha C/A, Dhaka-1000

PROXY FORM

I/We of (address)
..... being shareholder(s) of Al-Arafah Islami Bank Limited
hereby appoint Mr./Mrs.
of (address)
as my PROXY, to attend and vote for me on my behalf at the 18th Annual General Meeting of the Company to be held on Tuesday the 14 May 2013, at 10.30 a.m. at the '**Hall of Fame, Bangabandhu International Conference Centre**', **Agargaon, Sher-e-Bangla Nagor, Dhaka** and at any adjournment thereof.

Signed this in my/our presence on.....day of2013

Revenue
Stamp of
Tk. 20/-

Signature of the Proxy

Signature of the Shareholder

Folio No.

BO A/C. No.

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No. of shares held

Notes :

1. This form of proxy, duly completed with a revenue stamp of Tk. 20/- only, must be deposited at least 48 hours before the meeting at the Company's Share Department, Rahman Mansion (1st floor), 161 Motijheel C/A, Dhaka-1000, proxy will be invalid if not signed and stamped as shown above.
2. Signature of the shareholder should agree with the specimen signature registered with the Company.



Head Office : 36, Dilkusha C/A, Dhaka-1000

ATTENDANCE SLIP

I do hereby record my attendance of the 18th Annual General Meeting of the Company to be held on Tuesday the 14 May 2013, at 10.30 a.m. at the '**Hall of Fame, Bangabandhu International Conference Centre**', **Agargaon, Sher-e-Bangla Nagor, Dhaka**

Name of the Shareholder/Proxy

Folio No. BO A/C. No.

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No. of shares held

Signature of the Shareholder/ proxy

Dated :

Note : Shareholders attending the meeting in person or by proxy are requested to deposit the attendance slip duly filled in at the entrance of the meeting Hall. Seats in the Auditorium are reserved only for the Shareholders/Proxies.

