

Annual Report 2013



*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

- 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 hopping 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 Abdus Salam

Alhajj Niaz Ahmed

Md. Ashik Hossain

Mohammed Emadur Rahman

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

Anwar Hossain (Alternative Director of Alhajj Mohammed Haroon)

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

Kazi Badruddin Ahmed

Ex Officio Director

Md. Habibur Rahman

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. Nazmul Ahsan Khaled
Hafez Alhajj Md. Enayet Ullah
Alhajj Ahamedul Haque
Alhajj Abu Naser Mohammad Yeahea
Alhajj Engr. Kh. Mesbahuddin Ahmed

Audit Committee

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

Member

Alhajj Mohammed Abdus Salam
Alhajj Md. Harun-ar-Rashid Khan
Sarker Mohammad Shameem Iqbal
Alhajj Niaz Ahmed

Risk Management Committee

Badiur Rahman
Chairman

Sarker Mohammad Shameem Iqbal
Vice Chairman

Member:

Alhajj Nazmul Ahsan Khaled
Alhajj Abdus Samad
Alhajj Engr. Kh. Mesbahuddin Ahmed

Shariah Supervisory Committee

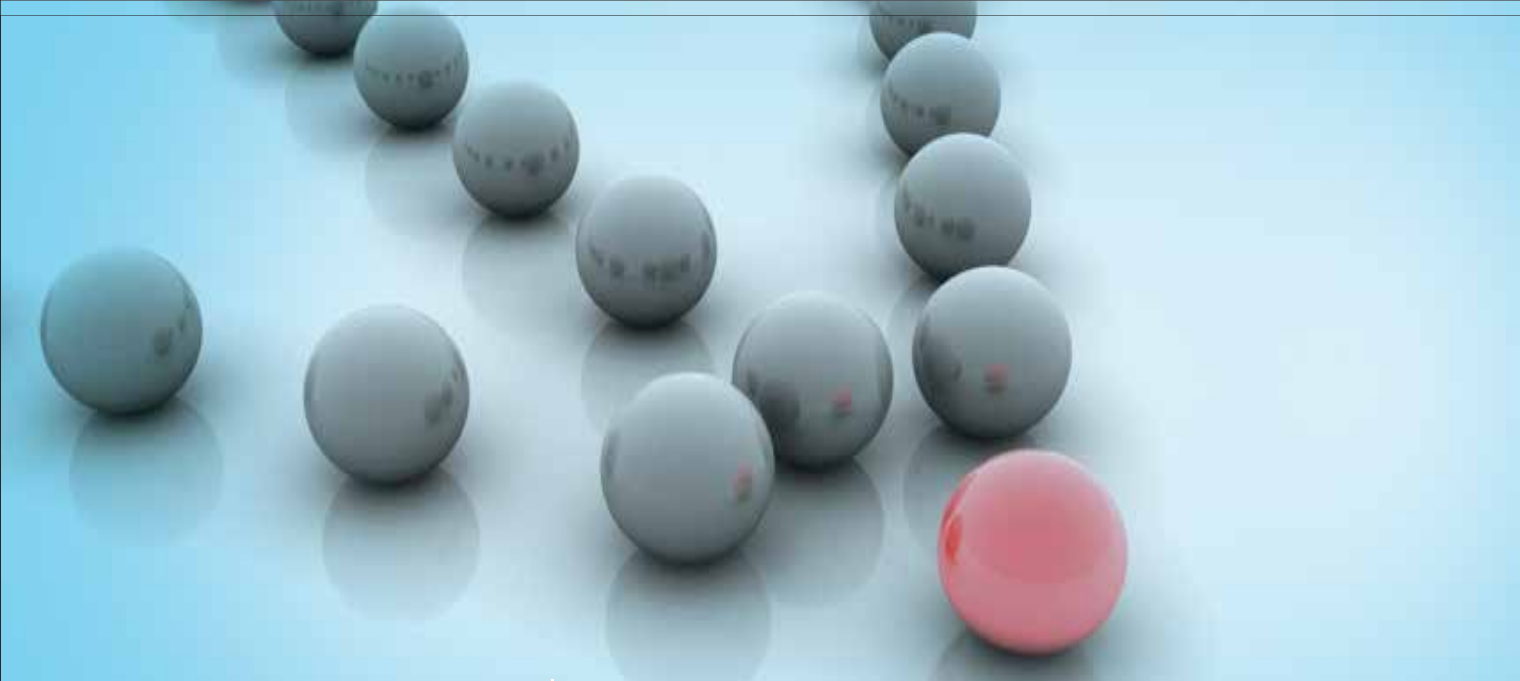
Mufti Abdur Rahman
Chairman

Member

Mufti Ruhul Ameen
Mawlana Abdul Basit Barkatpuri
Mufti Muinul Islam
Alhajj A. Z. M. Shamsul Alam
Badiur Rahman

Secretary

Md. Abdur Rahim Khan



Management Team

Managing Director

Md. Habibur Rahman

Deputy Managing Director

Md. Mofazzal Hossain

Kazi Towhidul Alam

Md. Golam Rabbani

Mohammad Abdul Jalil

Executive Vice President

Md. Mominul Haque Bhuiyan

Md. Fazlul Karim

Muhammed Nadim FCA

Muhammad Mahmoodul Haque

Syed Masodul Bari

Borhanuddin Ahmed Chowdhury

Abul Hossain Md. Rafique

Senior Vice President

Md. Nazmus Saadat

M. Atiqur Rahman

Manir Ahmad

Md. Abdur Rahim Duary

Md. Zakir Hossain

A.N.M. Mofidul Islam

Engr. Md. Habib Ullah

Md. Abdullah Al-Mamun

Abed Ahmed Khan

Md. Abduz Zaher

Md. Abul Hossain

A.K.M. Amzad Hossain

Md. Manjur Hasan

Md. Badruzzaman Bhuiyan

Md. Monjurul Alam

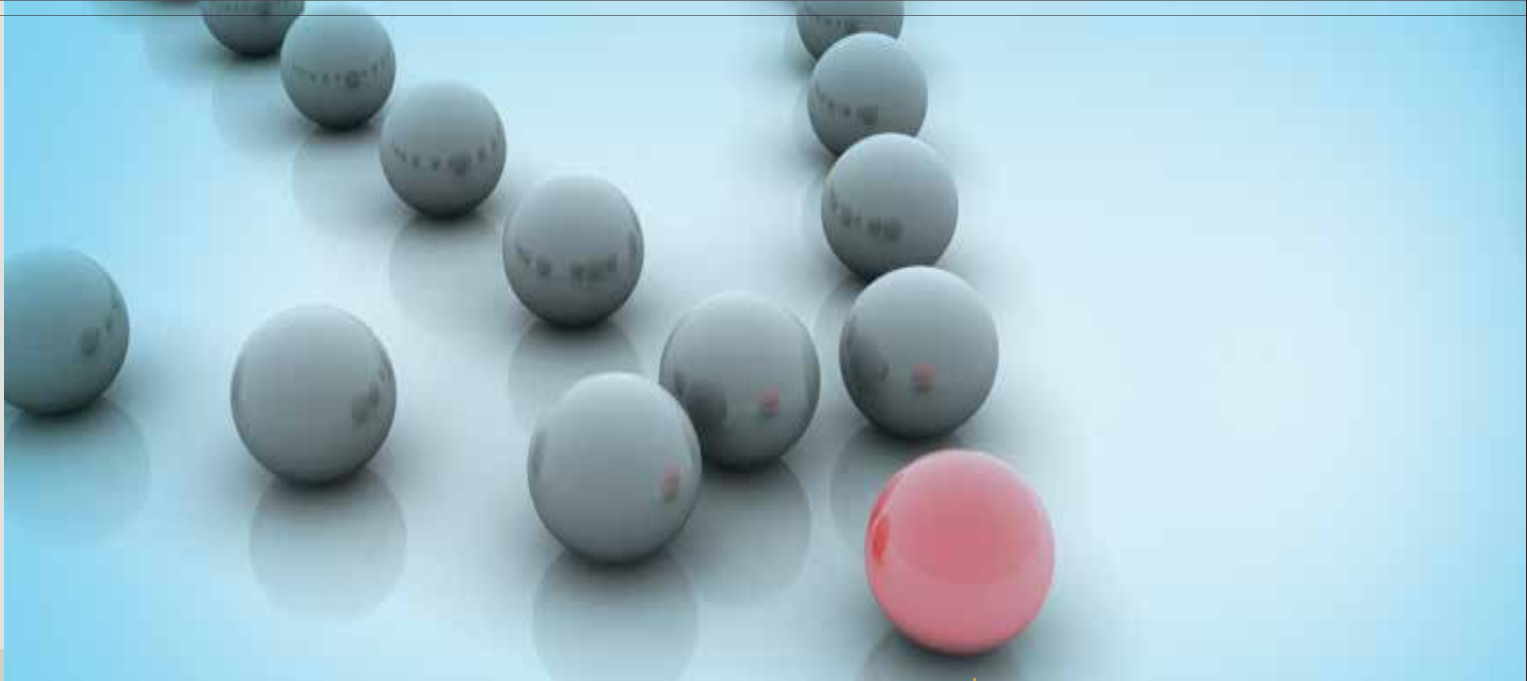
M. Abul Quassem

Md. Fazlur Rahman (Ashrafi)

Md. Aminul Islam Bhy.

Md. Majibar Rahman

A.T.M. Mostafizur Rahman



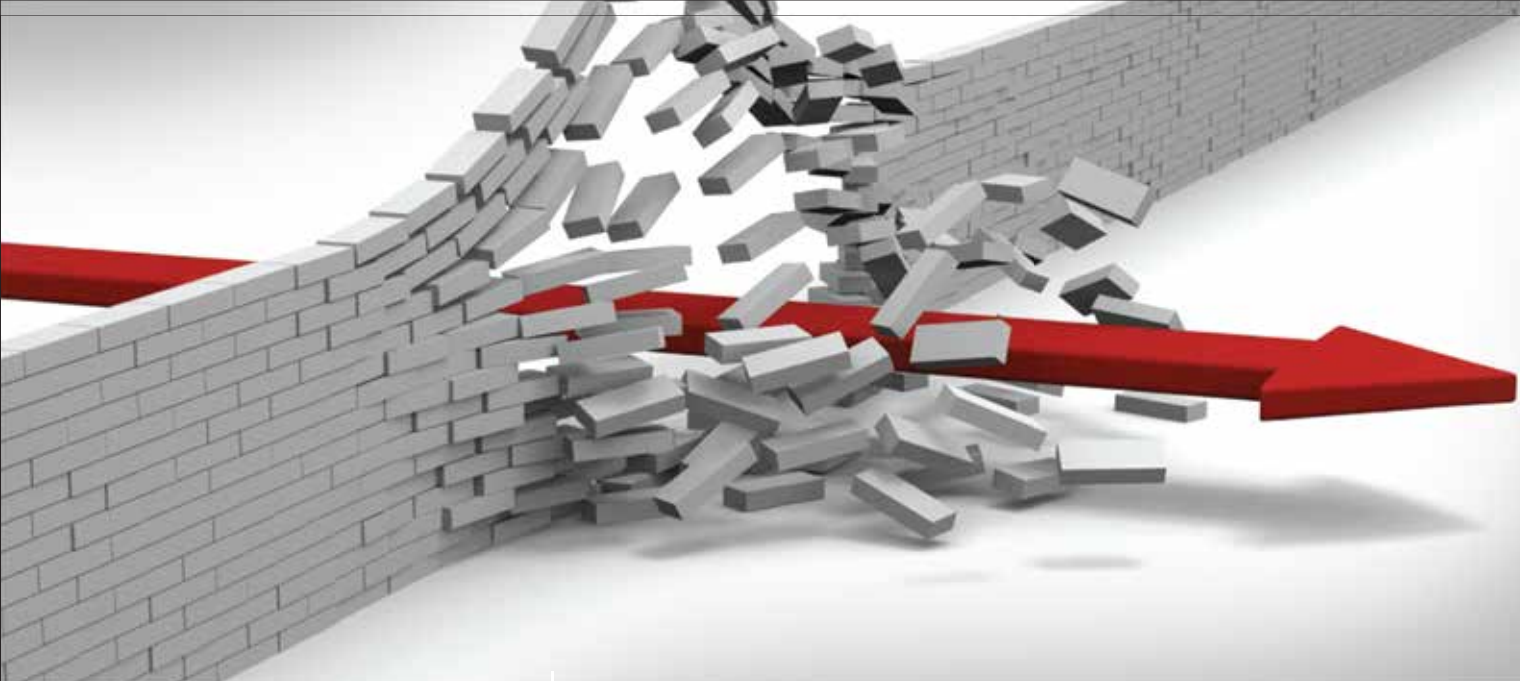
Vice President

Mohammad Jafar Ullah
 Mohammad Yahya
 Iqbal Hossain Ahmed FCMA
 Md. Harunoor Rashid
 S. M. Kowsar
 Md. Abul Basher
 Aktar Kamal
 Md. Rajibul Islam Bhuiyan
 Md. Mazharul Islam
 Mohammed Hossain
 Md. Azharul Islam
 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
 Md. Mizanur Rahman
 Md. Sultan Mahmud
 Md. Golam Sarwar
 Munshi Amanul Haque
 Md. Idris Ali
 Md. Obaydul Islam
 Md. Mujahid Khalid
 Majibur Rahman
 M. A. S. Jalal Azad
 Monir Ahammad
 Md. Soheb Ahmed
 Md. Showkat Islam

Assistant Vice President

M. Anisur Rahman
 Md. Nizamul Hoque Chy.
 C. G. M. Asaduzzaman
 Md. Hedayatul 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
 Md. Hasim Uddin
 Md. Lokmanur Rahman
 Mohammad Ullah
 Mohammad Azmal Haque
 Md. Abdul mannan Akhond
 S.M. ZabidulHaque
 Md. Ferdous Hasan
 Md. Majiber Rahaman
 Mirza Mohidul Islam
 Mohammad Abdul Mobin
 Md. Rafiqul Islam
 Ashik Ahmed Siddikey
 Imroz Chowdhury
 Abdul Malek
 Md. Shamsul Kabir
 Md. Alamgir



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.

Date of Registration	18 June 1995
1st Branch	Motijheel Branch, Dhaka
Opening Ceremony	27 September, 1995
Authorized Capital	15,000.00 Million
Paid-up Capital	8,343.25 Million
Local Partnership of Capital	100%
Equity	16,091.17 Million
Number of Branches	110
Deposit	140,980.55 Million
Investment	125,715.39 Million
Number of Employees	2,387
Number of Shareholders	58,466

Corporate Information



Honorable Chairman, Directors & Managing Director of AIBL are seen on the dais at the 18th Annual General Meeting

Corporate Information

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 18th Annual General Meeting of AIBL



NOTICE OF THE 19TH ANNUAL GENERAL MEETING (AGM)

Notice is hereby given that the 19th Annual General Meeting of the Shareholders of Al-Arafah Islami Bank Limited will be held on Sunday the 30th March, 2014 at 10.00 a.m. at "Ichamati Hall, Hotel Agrabad, Chittagong" to transact the following businesses:

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, 2013
- 2 To declare Dividend for the year 2013
- 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 Hon'ble Shareholders of the company are requested to make it convenient to attend the meeting in time.

Date: Dhaka
27th February, 2014

By order of the Board

(Md. Mofazzal Hossain)
DMD & Company Secretary
Phone: 7116486

NOTES:

- 1 Shareholders whose names appear in the Register of members as at the close of business on the "Record Date" i.e. 13 March, 2014 will be eligible to attend the Annual General Meeting (AGM) and vote there at.
- 2 A member will be 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 at the Registered Office of the Company 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 the Share Department, Rahman Mansion (1st floor), 161, Motijheel C/A, Dhaka-1000 before 7 days of AGM.
- 4 Attendance of the Members/Shareholders/Attorney/Proxy's will be recorded up to 10.00 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 at 161, Rahman Mansion, Motijheel C/A (1st floor), Dhaka-1000

বি.দ্রঃ বিএসইসি নটিফিকেশন নং SEC/SRMI/2000-953/1950 dated 24th October, 2000 এবং Circular No. এসইসি/ সিএমআরসিডি/ ২০০৯-১৯৩/১৫৪, তারিখ ২৪ অক্টোবর, ২০১৩ এর পরিপালনার্থে বার্ষিক সাধারণ সভায় কোন প্রকার উপহার/খাবার/কুপন প্রদানের ব্যবস্থা থাকবে না।

5 Year Financial Highlights

(Figure in Million)

Particulars	2009	2010	2011	2012	2013	Growth %
Income Statement						
Investment Income	4,004.54	4,306.62	9,481.01	14,998.60	17,966.32	19.79
Profit paid on Deposit	2,667.34	3,133.69	5,466.12	9,710.48	12,107.71	24.69
Net Investment Income	1,337.20	1,172.93	4,014.89	5,288.12	5,858.61	10.79
Non Investment Income	1,301.10	3,378.95	1,851.58	1,693.98	1,757.09	3.73
Non Investment Expenses	908.47	1,328.61	1,539.69	2,226.56	2,667.14	19.79
Net Non Investment Income	392.63	2,050.34	311.89	(532.58)	(910.05)	70.88
Profit Before Tax & Provision	1,729.83	3,223.27	4,326.78	4,755.54	4,948.56	4.06
Provision For Investment	140.59	370.80	380.16	811.44	588.15	(27.52)
Profit Before Tax	1,589.24	2,852.47	3,946.62	3,944.10	4,360.41	10.56
Provision For Tax (including Deferred Tax)	730.25	893.43	1,747.87	1,998.69	2,083.73	4.25
Profit After Tax	858.99	1,959.04	2,198.75	1,945.40	2,276.68	17.03
Balance Sheet						
Authorized Capital	5,000.00	5,000.00	10,000.00	10,000.00	15,000.00	50.00
Paid up Capital	1,798.95	4,677.28	5,893.37	7,130.98	8,343.25	17.00
Reserve Funds & Other Reserve	1,223.18	1,779.08	2,437.43	4,079.63	4,827.20	18.32
Shareholders' Equity (Capital & Reserve)	3,564.73	9,790.36	11,989.11	14,050.69	16,091.17	14.52
Deposits	38,355.50	53,882.96	82,186.98	118,683.39	140,980.55	18.79
Investment	36,134.08	53,582.96	77,714.95	106,650.42	125,715.39	17.88
Investment in Shares & Securities	1,502.00	2,078.83	3,771.83	5,511.24	7,138.93	29.53
Fixed Assets	466.30	655.39	968.13	2,394.62	2,517.22	5.12
Total Assets (Excluding off-balance sheet items)	48,515.79	74,005.01	106,768.18	149,320.36	173,161.63	15.97
Foreign Exchange Business						
Import Business	34,074.80	55,934.10	76,112.10	71,931.70	85,915.00	19.44
Export Business	23,546.10	32,042.40	52,202.10	58,476.60	68,980.30	17.96
Guarantee Business	2,841.32	3,081.15	1,812.38	1,955.72	2,006.61	2.60
Inward Foreign Remittance	2,832.28	4,431.90	6,876.20	23,120.40	7,042.50	(69.54)
Capital Measures						
Core Capital (Tier-I)	3,498.07	9,582.85	11,924.50	13,073.14	15,113.62	15.61
Supplementary Capital (Tier-II)	567.89	929.96	1,123.40	1,731.59	1,511.75	(12.70)
Tier-I Capital Ratio	9.68	13.21	12.31	10.38	13.33	28.43
Tier-II Capital Ratio	1.57	1.28	1.16	1.37	1.33	(3.02)
Total Capital	4,065.96	10,512.81	13,047.90	14,804.73	16,625.37	12.30
Total Capital Ratio	11.25	14.49	13.47	11.75	14.66	24.75
Investment Quality						
Volume of Non-Performing investment	608.14	610.48	751.10	2,297.55	3,598.83	56.63
% of NPLs to Total investment	1.68	1.14	0.95	1.63	2.77	69.94
Provision for Unclassified investment	409.19	666.95	866.46	1,021.15	749.60	(26.59)
Provision for Classified investment	173.13	137.58	305.93	706.33	1,128.03	59.70
Provision for Off Balance sheet Exposures	124.35	230.71	214.48	221.66	273.37	23.33
Share Information						
Number of Shares Outstanding	179,895,360	467,727,936	589,337,199	713,098,010	834,324,671	17.00
Earning per Share (Taka)	2.00	4.14	3.73	2.30	2.46	21.18
Book Value per Share (Taka)	19.82	16.47	16.69	20.19	19.29	(2.12)
Market Price per Share (Taka)	53.63	66.88	37.80	24.29	19.10	(21.37)
Price Earning Ratio (Times)	11.23	13.24	10.13	10.21	7.76	(23.92)
Price Equity Ratio (Times)	2.71	4.06	2.26	1.20	0.99	(19.67)
Dividend per Share						
Cash Dividend (%)	-	-	-	-	-	-
Bonus Share	30	26	21	17	13.50	(20.59)
Operating Performance Ratio						
Net Profit Margin%	4.11	2.22	5.55	5.88	5.70	(3.03)
Investment /Deposit Ratio	94.21	93.43	89.07	90.56	88.74	(2.01)
Return on Equity (ROE)%	24.10	20.01	18.34	13.51	14.15	2.19
Return on Assets (ROA)%	1.77	2.65	2.06	1.30	1.20	(7.89)
Cost of fund %	11.08	9.72	11.08	12.34	11.02	(10.70)
Cost /Income ratio in operating business (%)	67.40	58.06	61.82	71.51	74.91	4.75
Other Information						
Number of Branches	60	78	88	100	110	10.00
Number of Employees	1,296	1,711	1,807	2,110	2,387	13.13
Number of Shareholders	11,382	49,386	54,267	52,739	58,466	10.86



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 bank's 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 mobilizing 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 2013, total value added by AIBL was BDT 5,985.57 million as against BDT 5,262.70 million in 2012. Bank's direct contribution to the economy was BDT 2,083.73 million in the form of corporate income tax. The Bank distributed BDT 1,658.05 million for its total 2,387 officials in 2013 as against that of BDT 1,419.21 million in 2012.

At the end of 2013, the Bank mobilized total deposits of BDT 140,980.55 million and aided the economy in meeting its growth target by deploying BDT 125,715.39 million as investment to different sectors of the economy. Apart from these, the Bank performed significant import and export business.

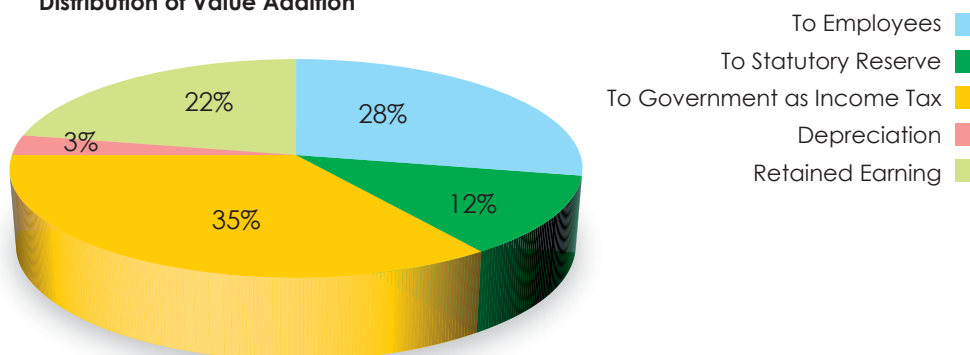
Value Added Statement

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	2013	2012
Income from Banking Service	19,723.41	16,692.58
Cost of Services & Supplies	(13,149.69)	(10,618.44)
Value added by Banking Services	6,573.72	6,074.14
Provisions for Investment & Off-Balance Sheet Items	(588.15)	(811.44)
Total Value Addition	5,985.57	5,262.70
Value Distributed		
To Employees	1,658.05	1,419.21
To Statutory Reserve	747.57	729.24
To Government as Income Tax	2,083.73	1,998.69
Depreciation	194.13	150.66
Retained Earning	1,302.09	964.90
Total	5,985.57	5,262.70

Distribution of Value Addition

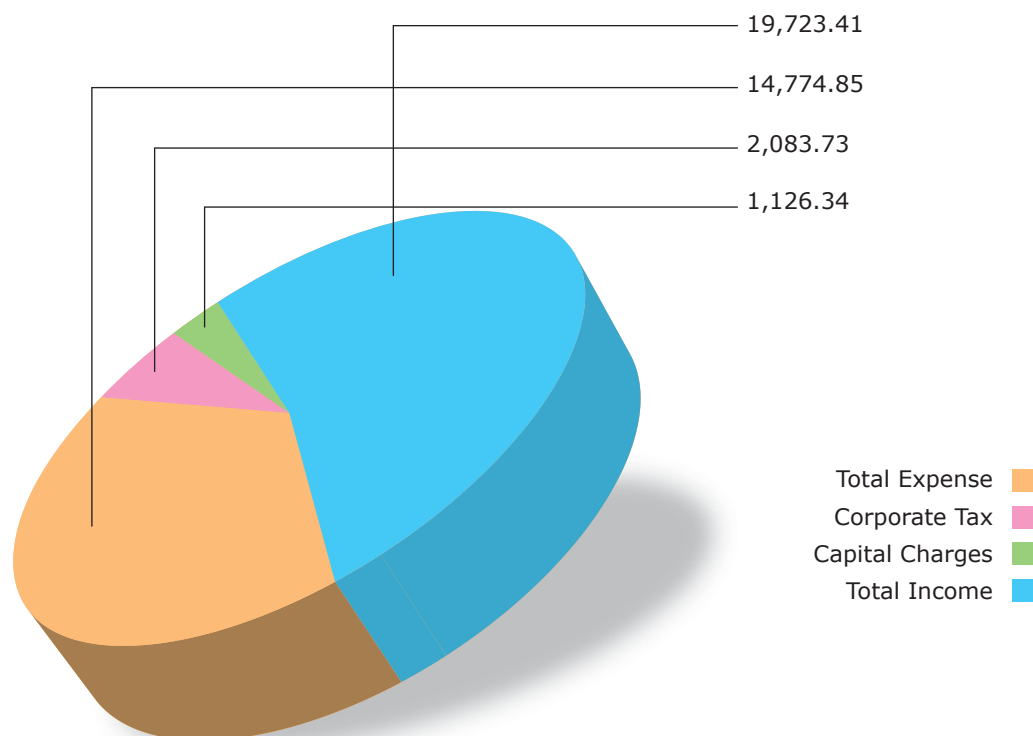


Economic Value Added Statement

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 1,738.49 million as on 31 December 2013 as against that of BDT 1,544.58 million in 2012.

(BDT in million)

Particulars	2013	2012
Shareholders Equity	16,091.17	14,050.69
Total Income	19,723.41	16,692.58
Total Expense	(14,774.85)	(11,937.04)
Corporate Tax	(2,083.73)	(1,998.69)
Capital Charges*	(1,126.34)	(1,212.27)
Economic Value Addition	1,738.49	1,544.58



* Capital Charges = Paid up capital X percentage of Dividend

Market Value Added Statement

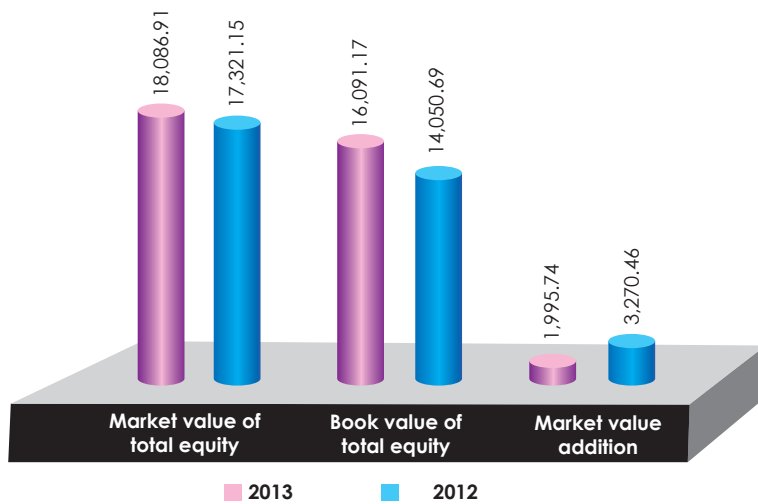
Market Value Added (MVA) is the difference between the equity market value of the company and the book value of equity invested in that company. Market Value Added Statement indicates how much wealth has been created for the capital providers in a particular period of time. A high market value addition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

(BDT in million)

Particulars	2013	2012
Market value of total equity	18,086.91	17,321.15
Book value of total equity	16,091.17	14,050.69
Market value addition	1,995.74	3,270.46



Donation to the Honorable Prime Minister's Fund for the victims of Rana Plaza tragedy



Market Value Addition

Total number of share outstanding: 834,324,671 (713,098.01)*

Market value per share: BDT 19.10 (24.29)*

* Previous Year's figures in brackets.



The Bank reached the milestone of 110 branch by opening Tangail Branch at Tangail



Chairman'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 Wa Rahmatullahi Wa Barakatuh.

It is my great pleasure to welcome you all to the 19th 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 to run the Bank. Alhamdulillah, We have successfully closed the books & accounts of the company for the year 2013.

All of us know that due to some unavoidable circumstances, the business in the year 2013 was not good enough for any of the banks and financial institutions in the country. In spite of that we have tried our best to have a good result and I believe that our achievement has been recognized.

As trusted by you with the great responsibility to take care of this institution, the Board of Directors is always keen and active to take actions in favour of the Bank. This year we are focusing on developing the quality of our human resources, increasing the amount of low cost deposit which will ultimately enhance the deposit mix and also on the SME sectors. We are working to implement "Branchless Banking" concept that requires less human resource. Consequently, we are concentrating to make our human resources more capable and technologically developed so that they can cope with the changing environment and serve our valued clients efficiently and effectively.

Sensing the upcoming threats and adverse business situation, I as the Chairman of the Board of Directors have strictly advised our Management to be cautious in all areas of business including quality of

investments, recovery process as well as overhead expenses.

Trusting upon Almighty Allah, believing our Shareholders confidence on us and knowing our abilities to achieve the goal, I have declared the year, the year when we start our mission, to be "The Best Islami Bank" in the country. I believe with all our honesty, integrity, efficiency and most of all with our strictness to comply with Shari'ah and Regulatory directions in every point, Insha Allah we shall be able to reach our goal to be recognized as the best Islamic Bank in Bangladesh.

Overall Performance

By the grace of Almighty Allah (SWT) Al-Arafah Islami Bank has overcome the challenges of 2013 and made satisfactory profit and growth in most of the areas of business. The Bank took a strategy of quality growth of its assets by adhering to compliance in all spheres of operation particularly in respect of Shari'ah and regulatory laws and guidelines. As a continued policy, the Bank remained focused in all the key areas covering capital adequacy, good asset quality, sound management, good earnings and strong liquidity.

The Bank's operating profit stood at Tk. 4,948.56 million during the year registering an increase by Tk. 193.02 million over the previous year. The return on equity recorded at 14.15% while earnings per share (EPS) stood at Tk. 2.46.

Total assets of the Bank rose to Tk. 173,161.63 million during the year showing a growth of 15.97% over the previous year.

Deposits of the Bank increased by Tk. 22,297.16 million during 2013 registering a growth rate of 18.79%.

Our Bank always maintained investment-Deposit Ratio (IDR) at required level throughout the year and thus the Bank maintained its risk free liquidity ensuring maximum earnings from the deployed fund.

We have tried our best to make investment

maintaining its quality and ensuring well diversification to mitigate the potential risks. Investment portfolio of the Bank has grown by 17.88% during the year and thus the books of accounts have showed a positive growth in our operating profit.

Overdue investment of the Bank reduced by Tk. 28.61 million from Tk. 317.30 million to Tk. 288.69 million while classified investment showed an increase to 2.77% from 1.63%.

We have handled export business of Tk. 68,980.30 million during the year 2013, marking a growth of 17.96% over the achievement of 2012. On the other hand, our import business stood at Tk. 85,915.00 million registering a growth of 19.44%.

SME & Retail Banking

Our Bank is now focusing on investment to SME and Retail sector in line with the policies and guidelines of Bangladesh Bank. During the year we have achieved above 100% of our set target in this area by providing investment to major three categories of enterprises viz. Industry, Trade and Services.

Off-Shore Banking Unit (OBU)

Our best efforts had been being continued since 2012 to obtain permission from Bangladesh Bank for introducing Off-Shore Banking Unit (OBU) in our Bank. The necessary formalities, in this regard, were also done earlier. Finally, we got approval of Bangladesh Bank to operate one Off-Shore Banking Unit (OBU) at Motijheel Branch, Dhaka. Operations of the Unit have already been started.

Risk Mitigation

Risk-taking is an inherent element of the banking business and indeed profit is the reward for successful risk-taking i.e. mitigating the risk to a tolerable limit. Considering the above, Bangladesh Bank has issued necessary guidelines to all the scheduled banks and in line with that guideline we have taken necessary steps and measures including establishment of a separate division with skilled manpower.

Subsidiary Companies

As part of diversification of our business, we have established the following 3 (three) subsidiary companies, in addition to our normal banking business:

AIBL Capital Market Services Limited

AIBL Capital Market Services Limited was incorporated as subsidiary company of Al-Arafah Islami Bank Limited with an authorized capital of Tk. 10 billion and paid-up capital of Tk. 4 billion of which AIBL holding is 60.50%. The main objectives of the company are to carry out the business of Stock Broker and Dealer in the Capital Market. During the year 2013 the company earned Operating Profit (Before provision for investment & taxation) of Tk. 1,060.49 Million with Earning per Share (EPS) Tk. 1.41.

AIBL Capital Management Limited

AIBL Capital Management Limited, a subsidiary company of Al-Arafah Islami Bank Limited, was incorporated with an authorized capital of Tk. 2 billion and paid-up capital of Tk. 500 million. The main objectives of the company are to carry out the business of Merchant Banking in all its aspects including Issue Management (IPO, Right Share Issue, Bond Issue etc.), Portfolio Management, Underwriting, Corporate Advisory Services, Pre-IPO Placement, Investment Analysis and Research etc. During the year 2013 the company earned Operating Profit (Before provision for investment & taxation) of Tk. 12.04 Million.

AIBL Asset Management Co. Ltd.

Another subsidiary company in the name of AIBL Asset Management Co. Ltd. has already been incorporated with Authorized Capital of Tk. 500 million and Paid up Capital of Tk. 100 million to carry out the business of Asset Management, Portfolio Management, Capital Market Operation and other financial services. The shareholding ratio of AIBL and its another subsidiary AIBL Capital Market Services Limited is 9:1. We hope that the company will start its functioning very soon.

Concluding Appreciation

We would now like to extend our sincere thanks and appreciation to all the regulatory authorities, our depositors, investment clients, Shareholders and all other Stakeholders for their unbound confidence.

Our deepest gratitude to our fellow Board Members, members of the Shari'ah Supervisory Committee, all the Bank officials for their continuous and consistent support, encouragement, wisdom, input, guidance for development and progress.

Finally, we would like to offer our whole hearted commitment that we are accountable to Almighty Allah (SWT) and answerable to our Stakeholders and to the people of our beloved country.

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

Allah Hafiz.



(Badiur Rahman)

Chairman

Date: 30 March 2014



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.

Respected Shareholders,

Assalamu Alaikum Wa Rahmatullahi Wa Barakatuh.

It is my great pleasure and opportunity to present the performance and future aspirations of your esteemed Bank. At the beginning I would like to convey my heartfelt gratitude to Bangladesh Bank for their time-befitting policies, guidance and supports. Now, I would like to express my sincere thanks to the valued stakeholders for their endless support in the Bank's continued success. I take this chance to thank the members of the Board and Management of the Bank for extending me and my predecessor the opportunity to steer toward the Bank's mission and vision. I also place my appreciation of the dedicated and committed service put in by all the officials of the Bank.

Global Economy

Despite improved global financial conditions and reduced short-term risks, the world economy continues to expand at a subdued pace. After a marked downturn over the past two years, global economic activity is expected to slowly gain momentum in the second half of 2013. Most world regions are likely to see a moderate strengthening, but growth will still remain below potential. In the baseline outlook, global growth has been revised slightly downward from the forecasts presented in the World Economic Situation and Prospects 2013.

National Economy

National Output growth slowed marginally in FY13 compared to the previous year and relative to the 10-year historical average. Gross Domestic Product (GDP) growth at constant market price, using the 1995/96 base, is estimated at 6.03 percent in FY13, lower than 6.23 percent growth of FY12 and 6.2% average for the previous decade. Slower growth in agriculture and services sector contributed to slower GDP growth.

Achievement and Progress 2013

By the grace of Allah (SWT), Al-Arafah Islami Bank Limited passed the Year 2013 successfully posting usual growth in all the indices of business facing various challenges and risks. Our activities and performances in some major areas are depicted below:

Financial Management

The Bank earned operating profit of Tk. 4,948.56 million during the year 2013 as against Tk. 4,755.54 million during the year 2012 representing an increase by Tk. 193.02 million and thus the Bank attained growth of 4.06% in respect of operating profit. Profit before tax during the year 2013 stood at Tk. 4,360.41 million with earning per share of Tk. 2.46 as against Tk. 2.03 in the previous year. The total assets of the Bank stood at Tk. 173,161.63 million recording an increase by Tk. 23,841.27 while Equity of the Bank increased from Tk. 14,050.69 million to Tk. 16,091.17 million with 14.52% growth and 14.66% Capital Adequacy Ratio (CAR).

Deposits

The total deposit of the Bank mounted to

Tk. 140,980.55 million as on 31st December 2013 as against Tk. 118,683.39 on 31st December 2012 recording a growth of 18.79% amounting to Tk. 22,297.16 million. Our present strategy is to mobilize the deposit base from the mass people through competitive profit rates with special attention to low and no cost deposit to keep the Bank risk free with better spread.

Investment

The investment of the Bank stood at Tk. 125,715.39 million as on 31st December 2013 as against Tk. 106,650.42 million in the previous year showing an increase by 17.88%. 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 quality of our investment and thus it is our success to keep the classified investment at 2.77% which is below the national average.

International Trade

We are quite lively in conducting international trade through the activities of Import, Export and Foreign Remittances. Up to December 2013, 22 Branches out of total 110 are authorized to deal in Foreign Exchange Business. Our total exposure in export business during the year 2013 stood at Tk. 68,980.30 million as against Tk. 58,476.60 million in the previous year recording a growth of 17.96%. On the other hand, the volume of import business has increased from Tk. 71,931.70 million in 2012 to Tk.85,915.00 million in 2013 showing a growth of 19.44%.

Ancillary Business

As ancillary business contributes a lot in the overall profitability of a Bank, our objective is to maximize non-funded income through undertaking more ancillary business.

Shari'ah Compliance

It is our prime responsibility to uphold the Shari'ah principles, the core value of Islamic Banking, in our day to day business activities. The activities to create awareness among the entire human resources for compliance of Shari'ah in each and every affair of the Bank are given top most priority. We have the pleasure to inform that during the year 2013, percentage of doubtful income decreased to 0.85%

from 4.50% which is the lowest in the history of AIBL.

Financial Inclusion

Initiatives have been taken in reaching the unbanked people and poorest segments in remote areas through innovative products and observing special programs, in particular 'Garments Industry Workers Saving Account', a new product having a minimum initial deposit, has already, inter alia, been introduced.

Branch Network

At present we have 110 branches all over the country. In a bid to expand our network of Branches, we have got Bangladesh Bank approval to open 8 (eight) new branches in the year 2014.

Welfare Activities

Welfare 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 customers and in the same way we are also helping different social areas through 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 without realizing any Account Maintenance Fee. 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. During the year 2013 we accomplished different humanitarian and social activities which include allocation of fund Tk. 45.50 million. Besides, we have taken a program to develop manpower and make them employed as well as assisting them for employment in abroad.

Corporate Governance

Organizational and structural changes have been made for working corporate governances excellently. Separate organs are functioning to look after the issues of, inter alia, branding, public relations and CSR activities of the Bank.

Branding & Public Relations

We brought new dimension in our branding and publicity for establishing positive image of the Bank. We could bring national attention to AIBL by news covered in TV Channels. Besides, a number of Billboards in different places all over the country including Cox's Bazar are being displayed and 34 advertisements took place in 11 different websites

during 2013. More than 20 Interviews of Senior Executives of the Bank were published on several leading periodical publications. Name and Logo of the Bank is being displayed constantly during the news in Channel-I, Banglavisión and ATN News.

We sponsored different national events, fairs, exposition & conferences. Our activities, events & programs were much publicized in the media. We strengthened good relationship with print & electronic media that published features, interviews or news referring AIBL or noting Managing Director on many instances.

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 40 ATM booths in prime locations and another 10 ATMs are in pipe line. Moreover we have connected OMNIBUS share network from which our customers can avail 1400+ ATM facility of other banks all over the country.

Off-Shore Banking Unit (OBU)

Bangladesh Bank approved operation of one Off-Shore Banking Unit (OBU) of our Bank at Motijheel Branch, Dhaka which has already started its functioning.

Risk Management

During operations, banks are invariably faced with different types of risks that may have a potentially negative effect on their business. Risk Management in banking operations includes risk identification, measurement and assessment and its objective is to minimize negative effects on Bank's financial results by efficient management. Considering the above, a separate unit has started functioning with skilled manpower.

Green Banking

Being an ethical Bank and in compliance to Bangladesh Bank guidelines AIBL has formed Green Banking Unit, headed by a senior executive and supervised by Board Audit Committee. The Bank has

taken the following initiatives:

Green Branch

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.

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 including Debit Cards have already been extended to the clients. Credit Cards will be launched very soon. We are collecting utility bills through Mobile Phone By m-pay system.

Green Financing

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 Guideline.

Concluding Remarks

Finally, I would recall the valuable suggestions and support of all concerned for which we are able to take the Bank to this state of stratum and again offer my heartfelt thanks to all of them.

Let us pray to Almighty Allah (SWT) to give us courage and strength to achieve our set vision and mission and hope that our sailing through success shall continue in the years to come Insha Allah.



(Md. Habibur Rahman)

Managing Director

Date: 30 March 2014

Board of Directors' Report

Bismillahir Rahmanir Rahim,

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

Dear Shareholders,

Assalamu Alaikum Wa Rahmatullahi Wa Barakatuhu.

The Board of Directors of the Bank takes the privilege to welcome you all to the 19th 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 2013.

Global Economy

The global economy is growing more slowly than anticipated, and growth is projected to remain subdued at 2.9 percent in 2013. The growth in advanced economies is expected to pick up gradually following a weak 1.2 percent growth in 2013. In emerging market and developing economies, the growth rate is expected to slow to 4.5 percent in 2013. However, global activity is expected to strengthen moderately, but downside risks to global growth prospects still dominate the outlook. IMF's latest World Economic Outlook Update (WEO Update October 2013) anticipated that average growth rate of world economy (2.9 percent) will be lower than the July 2013 WEO Update projections of 3.1 percent. The WEO forecast was revised downward mainly because of slower growth in China and in a growing number of emerging market economies, for both cyclical and structural reasons. Growth rate of the United States is projected to decline from 2.8 percent in 2012 to 1.6 percent in 2013. However, activity in the US is regaining pace, helped by a recovering real estate sector, higher household wealth, easier bank lending conditions, and more borrowing. In Japan, growth is projected to pick up at 2.0 percent in 2013, the same as in 2012, in

response to the Bank of Japan's Quantitative and Qualitative Monetary Easing and the government's fiscal stimulus. In the euro area, economic growth is expected to contract by 0.4 percent in 2013, dampened by still tightening credit conditions in the periphery. In emerging market economies, the reasons for weaker growth may include tightening capacity constraints, stabilizing or falling commodity prices, less policy support, and slowing credit. The forecast for growth rate for China is reduced to 7.6 percent in 2013, which will affect commodity exporters among the emerging market and developing economies. In advanced economies, consumer prices are anticipated to ease from 2.0 percent in 2012 to 1.4 percent in 2013. In the United States, the CPI inflation is projected to fall from 2.1 percent in 2012 to 1.4 percent in 2013. Moreover, in the euro area, inflation is projected to fall from 2.5 percent in 2012 to 1.5 percent in 2013. In emerging and developing economies, inflation is projected to increase slightly from 6.1 percent in 2012 to 6.2 percent in 2013. The growth rate of world trade volume is projected to rise from 2.7 percent in 2012 to 2.9 percent in 2013 (WEO, October 2013). This is lower than the projection of WEO Update, July 2013. The growth rates of exports and imports for the advanced economies are expected to increase to 2.7 and 1.5 percent in 2013 from 2.0 and 1.0 percent in 2012 respectively. However, the projected growth rates of exports and imports for emerging market and developing economies are expected to decline to 3.5 and 5.0 percent in 2013 from 4.2 and 5.5 percent in 2012 respectively. According to the IMF Global Financial Stability Report (GFSR, October 2013), financial stability risks are broadly under control. Accommodative monetary policies and precautionary policy measures have eased monetary and financial conditions and reduced near-term stability risks. Commitments by the European Central Bank (ECB) to provide additional debt relief for Greece have greatly decreased redenomination risk. Moreover, initiatives by the ECB have reduced sovereign liquidity risk, which helped boost the resilience in economies of Italy and Cyprus. Overall, financial market conditions have improved and

are benefiting the broader economy; however, the transmission is slow and incomplete. Despite global growth projected to recover from slightly below 3.0 percent in 2013 to 3.6 percent in 2014, the overall balance of risks to near and medium global growth outlook is still dominated by downside risks. Although near term tail risks in advanced economies have diminished, key advanced economies should maintain a supportive macroeconomic policy mix, anchored by credible plans for medium term public debt sustainability. The main downside risks are related to the possibility of a longer growth slowdown in emerging market economies, especially given risks of lower potential growth, slowing credit and weak external conditions.

National Economy

According to provisional Bangladesh Bureau of Statistics (BBS) data, Bangladesh economy grew by 6.03 percent in FY13, missing the targeted 7.2 percent GDP growth. The BBS attributes the lower GDP growth to the deceleration mainly in agriculture and also in manufacturing and services sector growth. However, given that the growth experience of all developed countries and most emerging and developing economies, including the once-fast-growing China and India, has been far lower than before due to global economic and financial crises, Bangladesh economy can be said to have performed reasonably well during FY13. The agriculture sector recorded a relatively low growth of 2.17 percent in FY13, compared to 3.11 percent in FY12. The industrial sector managed to sustain the previous year's growth, growing by 8.99 percent in FY13, compared to 8.90 percent in FY12. However, the largest sub-sector, manufacturing the previous fiscal. Low disbursements of industrial term loans, a drastic decline in private sector credit growth, political chaos, and erratic supply of power and gas were the major constraints faced by the manufacturing sub-sector, which prevented it to perform up to its potential. 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 (FY14) will hinge upon the government's success in this area.

Economic Growth:

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

Sector	2010-11	2011-12	2012-13
Agriculture:	5.13	3.11	2.17
Agriculture and Forestry	5.09	2.46	1.18
Fishing	5.25	5.39	5.52
Industry:	8.20	8.90	8.99
Mining and Quarrying	4.80	7.79	11.12
Manufacturing:	9.45	9.37	9.34
Large and medium scale	10.94	10.52	10.32

Sector	2010-11	2011-12	2012-13
Small scale	5.84	6.45	6.76
Electricity, Gas and Water:	6.63	12.03	8.57
Construction:	6.51	7.57	8.05
Services:	6.22	5.96	5.73
Wholesale and Retail Trade	6.31	5.63	4.69
Hotel and Restaurants	7.55	7.58	7.63
Transport, Storage & Communication	5.69	6.62	6.70
Financial Intermediation	9.64	11.04	8.99
Real-estate, Renting & Other Business Activities	3.96	4.05	4.07
Public Administration & Defence	9.67	5.81	5.07
Education	9.36	7.21	9.66
Health and Social Works	8.35	7.91	7.51
Community, Social & Personal Services	4.70	4.76	4.86
GDP at producer prices:	6.59	6.28	6.06
Import duty	10.04	4.82	5.32
GDP growth rate at constant (1995-96) market prices	6.71	6.23	6.03

In terms of US dollar, the value of GDP in current prices increased by 11.89 percent to US\$129,878 million in FY13 from US\$116,074 million in the previous year. Per capita GDP stood at US\$846 in FY13 compared to US\$766 in FY12, showing an increase of 10.44 percent. Measured in CPI, the annual average inflation was 7.70 percent in FY13 compared to 10.62 percent in FY12. The GDP deflator rose by 6.22 percent in FY13 compared to 8.70 percent in FY12. The Taka depreciated by 1.05 percent in FY13, compared to 11.13 percent depreciation in FY12, implying a strong appreciation of the Taka in recent months vis-à-vis the US dollar.

Agriculture

The agriculture sector employs about 47.5 percent of the country's total labor force and accounts for about 19 percent of its GDP. The agriculture sector provides the much-needed food and nutritional security and plays a big role in income generation and poverty reduction. Its importance in poverty reduction is evident from the fact that agriculture is primarily a rural activity, and 83 percent of the country's poor live in rural areas. The sector also contributes significantly to the country's export earnings. Agricultural exports fetched US\$535.74 million FY13, registering a 33 percent growth over the previous fiscal year.

According to preliminary BBS data, the sector recorded a low growth of 2.17 percent in FY13, compared to 3.11 percent in FY12. The BBS attributes the decline to the high base in the previous few years. According to the BBS, crop production growth rate was a very low 0.15 percent in FY13, while fisheries, livestock and forestry sub-sectors performed reasonably well.

The Department of Agricultural Extension (DAE) set the domestic food grains production target for FY13 at 35.46 million metric tons (mmt), which is 1.84 percent higher than the actual production in FY12 (34.82 mmt). The latest data of the BBS reveals that

actual production of aus, aman, boro, and wheat in FY13 was 2.158 mmt, 12.897 mmt, 18.778 mmt, and 1.255 mmt, respectively. Thus, production of total food grains in FY13 was 35.088 mmt, which is about 0.77 percent higher than previous year's production, even though it is 1.07 percent short of the year's target. The shortfall in production was mainly due to lower acreage and some natural disasters including flood, flash flood and cyclones.

Because of improved domestic supplies, total food grains import in FY13 was lower at 1.89 mmt, compared to 2.29 mmt in the past fiscal. In the total food grains import, 0.03 mmt was rice and 1.86 mmt was wheat. Domestic food grains procurement target in FY13 was set at 1.60 mmt, of which 1.50 mmt was rice and 0.10 mmt was wheat. Ultimately, 1.40 mmt was procured, of which 1.27 mmt was rice and 0.13 mmt wheat. The government initially planned to distribute a total of 2.77 mmt food grains among poor households in FY13. The actual distribution was, however, lower at 2.10 mmt in FY12, of which 2.09 mmt was distributed through public food distribution system (PFDS). According to the Directorate General of Food, the public food grain stock (including transit) stood lower at 1.02 mmt at the end of June 2013, compared to 1.25 mmt at the end of the previous fiscal.

Industry:

The growth of the broad industrial sector was virtually stagnant in FY13, growing by just 8.99 percent, compared to 8.90 percent in the preceding fiscal year. Experts attribute this stagnation to an unfavorable business environment caused by the political unrest and also by the BB's 'contractionary' monetary policy pursued during the last one and a half years. All industrial imports declined sharply, and also the settlement of letters of credit (LCs) for industrial raw materials and capital machinery registered a negative growth in FY13 compared to the previous fiscal. In spite of some improvements, power and gas supplies still remained inadequate. However, despite this unfavorable situation, the share of the broad industrial sector in the country's GDP, according to BBS estimates, increased to 31.99 percent in FY13 from 31.13 percent in FY12. Experts believe that if there were no political unrest and energy and infrastructural constraints, the sector could have occupied a higher share in GDP.

Within the industry sector, the performance of different sub-sectors was mixed. The manufacturing industries, in particular, depicted a lower growth of 9.34 percent in FY13, compared to 9.37 percent in FY12 but its share in GDP rose to 19.54 percent in FY13 from 18.96 percent in FY12. Within manufacturing, the growth of large and medium industries decelerated from 10.52 percent in FY12 to 10.32 percent in FY13, but small industries recorded a slightly higher growth of 6.76 percent in FY13 as against 6.45 percent in FY12. Among other industry sub-sectors, the performance of mining and

quarrying and construction was relatively better than in the previous fiscal.

Services:

As per BBS estimates, the services sector recorded a slightly lower growth of 5.73 percent in FY13 compared to 5.96 percent in the previous fiscal. The lower growth was mainly due to lower growth in agriculture and large-scale industry, and slower expansion in trade activities. The broad services sector has nine sub-sectors, data on which are yet insufficient to enable an understanding of how they have fared in the fiscal. In fact, services sector in the country is perhaps one of the grey areas where information and data are the most chaotic in the absence of any methodical attempt to put on record the scope and operation of the service providers in a vast array of activities. Nevertheless, there are indications that activities of most sub-sectors, viz., wholesale & retail trade, financial intermediation hotels & restaurants, and health and social work suffered due to political unrest. A much faster growth of the overall services sector is possible in the present fiscal (FY14) if the heightened political tensions can be stopped and production in real sectors increases at a greater pace.

Investment and Saving:

Investment has traditionally been low in Bangladesh. It is in fact far below the level of 35-40 percent of GDP, which is deemed necessary to achieve a GDP growth of 8-10 percent. Gross investment as proportion of GDP increased slightly to 26.84 percent in FY13 from 26.54 percent in FY12. Public investment as proportion of GDP increased to 7.85 percent in FY13 from 6.50 percent in FY12 while private investment decreased to 18.99 percent in FY13 from 20.04 percent in FY12. Though the share of private investment stood at about 75 percent of total investment in FY13, it constitutes only 19 percent of GDP. The low level of private investment, which has been largely due to the lack of infrastructure and power and an enabling environment, and also partly due to the present confrontational and volatile political situation, 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 2 to 3 percent between national savings and investment rates would indicate. The national savings as proportion of GDP increased to 29.51 percent in FY13 from 29.18 percent in FY12, while the domestic savings ratio decreased slightly to 19.25 percent in FY13 from 19.26 percent in FY12.

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 FY13 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.

The broad money (M2) recorded a 16.71 percent increase at the end of June, 2013 compared to the increase of 17.39 percent at the end of June, 2012. Of the sources of broad money, net domestic assets rose by 11.83 percent and net foreign assets increased by 43.83 percent. Increase in net foreign assets eased pressure on external sector as well as on liquidity position. Reserve money recorded an increase of 15.01 percent at the end of June 2013 compared to the increase of 8.99 percent in the corresponding period of the previous fiscal. Of the sources of reserve money, net domestic assets of Bangladesh Bank (BB) declined by 67.94 percent, mainly due to lower demand for borrowing of government and DMBs from BB while net foreign assets of BB increased by 49.75 percent in June 2013 compared to the increase of 12.28 percent in the same period of the last fiscal mainly because of purchase of large amount of US dollar by BB from the market.

Domestic credit recorded an increase of 13.49 percent at the end of June 2013 against the increase of 19.56 percent in the corresponding period of the previous fiscal (y-o-y basis). Credit to private sector registered a growth of 11.04 percent during July-June, 2012-13, which was lower than the much higher growth of 19.72 percent recorded in the same period of FY12. Private sector credit growth slowed during the year mainly because of the slowdown in import growth emanating from uncomfortable global as well as domestic situation. Credit to public sector, however, increased at a higher rate of 22.57 percent in FY13 compared to the increase of 18.99 percent in FY12. Net credit to government increased at a lower by 19.89 percent in FY13 as against 25.32 percent in the previous year, and credit to other public sector increased by 35.94 percent as against a negative growth of 5.01 percent in the previous year. Total liquid assets of scheduled banks stood higher at Tk.174,171 crore as of end June, 2013 as against Tk.125,444 crore as of end June, 2012. Required liquidity of scheduled banks also stood higher at Tk.94,731 crore as of end June, 2013, compared to Tk.79,768 crore as of end June, 2012.

Exports:

The overall exports during July-June of FY13 registered an increase of 11.22 percent to US\$27,027 million, over the corresponding period of FY12 despite the economic crisis in EU and US and political unrest in the country. However, the export

earnings missed the target by 3.47 percent. According to Exporters, the growth is 'satisfactory' considering the domestic political turbulence, financial meltdown in major export destinations and series of tragic incidents that hit the country's RMG sector. They, however, fear that the country's exports might bear the brunt of the ongoing political impasse in the months ahead, especially in this election year.

Of the major products, Bangladesh exported knitwear worth US\$10,476 million and woven products worth US\$11,040 million in FY13, a 10.43 percent and 14.96 percent year-on-year rise, respectively. Earnings from knit products failed to meet the target by 1.27 percent while the woven products surpassed the target by 1.03 percent during the period. Diversification of products and markets, especially in Japan, China, Russia, Latin America and Africa, played the major role behind the growth of exports during the fiscal. Among other products, export earnings from jute and jute goods marked a mild 6.54 percent growth during the fiscal, but exports of agricultural products, pharmaceuticals, leather and leather products, handicrafts, footwear, furniture, carpets, ceramic products, copper wire, computer services and optical, photographic, medical instruments etc. increased significantly. On the other hand, the frozen food sector faced a negative export growth of nearly 9.12 percent during FY13 compared to the previous fiscal, and it also fell 22.31 percent short of the target. The frozen fish sector was severely affected by the global recession that hit the major export markets in the EU and USA. Exports of home textile also registered a negative growth of 12.64 percent in FY13 and fell 31.17 percent short of the target.

Bangladesh Export Processing Zones Authority (BEPZA) achieved good growth in exports during FY13 despite political unrest and the global meltdown. According to the BEPZA statistics exports increased by 15.44 percent in FY13, compared to 13.88 percent in FY12. The companies inside the EPZs exported goods worth US\$4.86 billion in FY13, compared to US\$4.21 billion in FY12. The contribution of EPZs to the total national export is increasing every year. Export earnings from EPZs accounted for about 18 percent of total export in FY13, while the amount was 17.31 percent in the previous fiscal. Readymade garments and garment accessories, towels, footwear and leather goods, sweater, bag, electronic goods, lance, golf shaft, weaving, yarn, paper converting, under garments, embroidery, power generating sets, bicycles, tent, cap, padding and auto spare parts are the leading foreign exchange earner from the country's 8 EPZs.

Imports:

Because of lower demand for most of the importable items, import payments in FY13 fell by 4.32 percent to US\$33,981 million from US\$35,516 million in the previous fiscal. The import of essential commodities

and capital machinery fell significantly in FY13 as political turmoil gripped the country. However, in June 2013, imports stood 13.98 percent higher at US\$2,927 million, compared to US\$2,568 million in June, 2012. Imports in June, 2013 were also 1.99 percent higher than in the immediate past month, i.e., US\$2,870 million in May, 2013. According to BB data, the settlement of import Letters of Credit (LCs) witnessed a negative growth of 7.06 percent during FY13 compared to the previous fiscal. The opening of fresh import LCs, too, registered a negative growth of 2.84 percent during FY13. The falling trend in both opening and settlement of import LCs might continue unless the root causes behind political violence, blockades and shutdowns are resolved.

Balance of Payments:

The country's trade deficit declined to US\$7.01 billion in FY13 from US\$9.32 billion in the previous fiscal year mainly due to lower imports by the private sector. In particular, the import of industrial raw materials, capital machinery and intermediate goods declined significantly in FY13. According to BB data, the trade deficit went down by 24.79 percent in FY13 compared to a 20.41 percent increase in FY12. Besides, the trade deficit was the lowest in the last three years, as the deficit was US\$7.74 billion in FY11.

In contrast with the decline in the trade balance deficit, the service sector deficit increased by 5.26 percent to US\$3.16 billion in FY13. In FY13, the country received US\$2.83 billion from the service sector but it paid foreign sources US\$5.99 billion. Net foreign direct investment increased by 9.24 percent to US\$1.30 billion in FY13 from US\$1.19 billion in FY12. Because of the large inflow of worker remittances during the period, the current account surplus increased to US\$2.53 billion during July-June of FY13 compared to the deficit of US\$447 million during the corresponding period of the previous fiscal. Added to the higher capital account surplus of US\$588 million, a still higher financial account surplus of US\$2.78 billion resulted in a much larger surplus of US\$5.13 billion in the overall balance during July-June of FY13 as against the surplus of US\$494 million during July-June of FY12.

Remittances:

Remittance inflows to Bangladesh crossed US\$14 billion for the first time in FY13. Apart from the increase in manpower export in 2012, the higher value of dollar against the taka in most of the months of the fiscal was a major factor behind the rise in remittances. In FY13, remittance inflows to Bangladesh increased by 12.60 percent to US\$14,338 million from US\$12,734 million of the previous fiscal. Moreover, the inward remittance has increased in FY13 as the BB had organized a number of remittance fairs in different countries in a bid to encourage the expatriates to send more remittances through the banking channel. Also, the BB permitted banks to open their exchange houses in different countries that pushed up the remittance inflow.

The increased remittance inflow is a positive sign for the economy that would help maintain a healthy balance of payments position of the country.

In June 2013, the private commercial banks (PCBs) channeled US\$659 million of remittances, state-owned commercial banks US\$372 million, foreign commercial banks US\$15 million and specialized banks US\$12 million. Among the PCBs, Islami Bank Bangladesh Limited received the highest remittance (US\$260 million), while Agrani Bank Limited received the highest remittance (US\$129 million) among the SCBs.

Foreign Aid:

In FY13, the government received record US\$2.78 billion in foreign aid, compared to US\$2.12 billion in FY12 as some major donors, including the World Bank (WB), the Asian Development Bank (ADB) and Japan disbursed quite impressive amounts of funds, according to the Economic Relations Division (ERD). The WB alone disbursed US\$901.99 million, while the ADB and Japan government disbursed US\$670.45 million and US\$360.43 million, respectively. Also, foreign aid disbursements by bilateral donors like China, the UK's Department for International Development (DFID) and India marked an impressive increase during FY13. The US\$2.78 billion foreign aid also exceeded the FY13 annual target by US\$100 million. The government had earlier set the foreign assistance target for the fiscal at US\$2.68 billion.

Of the total amount of US\$2.78 billion received by the government in FY13, US\$2.13 billion came as loans and US\$651.79 million came in grants. During the period, Bangladesh repaid US\$1.12 billion in both accrued interests and principal amounts against the total outstanding loans up to June 2013. Of the US\$1.12 billion repaid, the principal amounts of outstanding loans accounted for US\$919.19 million and interest amounts were US\$202.19 million.

Foreign Direct Investment (FDI):

Despite a major decline in global inflow of foreign direct investment (FDI), Bangladesh achieved a significant growth in FDI inflows in 2012, according to the UNCTAD's World Investment Report (WIR), 2012. Bangladesh received FDI worth about US\$1.292 billion in 2012, the highest ever investment from overseas. The amount was also 13.7 percent higher than that in the previous year (US\$1.136 billion). The flow of FDI would increase further if there were no difficulties in getting access to land, and other problems like the lack of continuity in policies, bureaucratic red tape, weak governance, political instability, inadequate utilities, including gas, electricity and water, and so on.

According to the UNCTAD report, Bangladesh was one of the top five recipients of FDI in 2012 and the second highest FDI recipient among SAARC countries after India. However, only US\$498 million or 38.5 percent of the total FDI in 2012 came as fresh equity investment and US\$588 million or 45.5 percent was reinvested earnings while US\$206 million or 16 percent came as intra-companies loan.

The manufacturing sectors attracted the highest amount of FDI equivalent to US\$515 million, followed by transport, storage and communication that fetched US\$376 million while the power, gas and petroleum sector attracted only US\$127 million. As regards the source countries, the highest amount of FDI amounting to US\$247 million came from Malaysia, followed by US\$137 from UK, US\$127 from Egypt, US\$98 from South Korea, US\$80 from the Netherlands, US\$55 from Thailand, US\$54 from Hong Kong, US\$46 from British Virgin Island, US\$44 from USA, US\$38 from Switzerland, and US\$360 million from other countries.

The recent suspension of US trade benefits to Bangladesh may have some adverse effects on its future FDI inflows. Although the US's decision will have very limited immediate implications for export growth, the move may have negative signaling effects, since it could further deter investors who are already faced with the frequent occurrence of strikes and uncertainty over the future labor environment in the country.

Foreign Exchange Reserve:

Bangladesh Bank's foreign exchange reserves stood at a record high of US\$15.315 billion as of end June, 2013. The reserves were US\$14.531 billion at the end of May, 2013. The reserves increased mainly due to the rise in inward remittances and foreign aid as well as lower import pressure. The BB has continued purchasing US dollars from the commercial banks directly, which has also contributed to the increase in the foreign exchange reserve. The latest available information indicates that the foreign exchange reserves rose to US\$15.332 billion on 2 July 2013.

Price Situation:

Calculated by using 1995-96 as base year, the 12-month average annual inflation rate declined by 2.92 percentage point to 7.70 percent in FY13 from 10.62 percent in FY12 due to a fall in commodity prices and weak domestic demand. Food and non-food inflation also came down to 7.35 percent and 8.42 percent in FY13 from 10.47 percent and 11.15 percent, respectively, in the previous fiscal year.

The BBS data, however, showed that the general point-to-point inflation rose by 0.11 percentage point to 7.97 percent in June, 2013 from 7.86 percent in May, 2013 because of a rise in prices of some food items ahead of Ramadan. The point-to-point average annual inflation in June, 2013, despite a systematic decline since June, 2012, was, however, slightly higher than the government's target of 7.50 percent. According to BBS data, the point-to-point food and non-food inflation were 8.53 percent and 6.99 percent in June, 2013 while these were 8.40 percent and 6.93 percent in May, 2013. The point-to-point food inflation increased mainly due to a rise in prices of food items like flour, pulses, fish, meat, spices, milk, and other food items, while the rise in prices and costs of various non-food items, including clothing, house rent, household items, transport cost, education and health services,

pushed up the rate of non-food inflation.

Calculated by using 2005-06 as base year, the point-to-point general inflation and the food inflation increased in June, 2013, compared to May, while the non-food inflation slightly decreased. The general inflation rose to 8.05 percent, and the food inflation rose to 8.26 percent but the non-food inflation went down to 7.75 percent in June. In May 2013, the respective rates were 7.98 percent, 8.13 percent, and 7.76 percent. However, the average annual inflation rate in FY13 came down to 6.78 percent, which was 8.69 percent in FY12. The stable price of rice and some other food items helped control the annual average inflation.

Public Finance:

The NBR tax revenue collection grew by 14.26 percent in FY13. In the period, total tax revenue collection (NBR and non-NBR) was Tk.112,743 crore, as against Tk.98,691 crore in FY12. Income tax receipts soared 27.62 percent in FY13, compared to 24.54 percent in FY12. 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.

Some Tk.500.26 billion or 95.5 percent of the revised ADP of Tk.523.66 billion was implemented in FY13. This was the highest rate of ADP implementation in the past 17 years. In the previous fiscal (FY12), the implementation rate was 93 percent. According to the Implementation, Monitoring and Evaluation Division (IMED), all major government ministries performed better, their average rate of utilization of ADP funds being 98 percent. The performance of other implementing agencies was, however, less satisfactory. The performance of the Power Division was the best with 104 percent progress among the 10 large ministries and divisions, followed by the Roads Division (100% progress), the Ministry of Education (98% progress), the Ministry of Water Resources (98% progress) and the Ministry of Primary and Mass Education (96% progress). The Ministry of Housing and Public Works was evaluated as the least performer with only 47 percent progress.

Earlier, the government in FY13 undertook an ambitious Tk.550 billion ADP, Tk.139.20 billion higher than the revised ADP of FY12. In the last quarter of FY13, the original ADP was revised downward to Tk.523.66 billion, and some 1,318 projects were included. Out of the 1,318 projects, 385 were foreign-aided, and the rest were implemented with internal resources.

Meanwhile, the IMED for the first time in FY13 started monitoring the implementation status of development expenditure of the autonomous bodies as well. Here the implementation record was poor as the autonomous bodies managed to utilize only 45 percent of their allocation in FY13.

Budget for 2013-14:

The outlay of the FY14 national budget is Tk.2,224.91 billion, which is 17.52 percent higher

than that of the last year's revised budget, and within it a Tk.722.75 billion development budget, which is 25.15 percent bigger than in the revised FY13 budget, and Tk.1,344.49 billion non-development budget, which was Tk.1,106.27 in the revised FY13 budget. The ADP size is Tk.658.70 billion in the FY14 budget, which is 25.79 percent larger than that of the past year's revised ADP. The budget sets a 19.90 percent revenue growth to Tk.1,674.59 billion over the revised revenue estimate of Tk.1,396.70 billion in the outgoing fiscal. The revenue receipts will comprise of Tk.1,412.19 billion as tax revenue and Tk.262.40 billion as non-tax revenue. In the total tax revenue, Tk.1,360.90 billion will come from NBR and Tk.51.29 billion from non-NBR taxes.

The overall fiscal deficit in the FY14 budget is Tk.550.32 billion, which is 4.60 percent of GDP. The domestic borrowing - Tk.259.93 billion, or 47.23 percent of the deficit, from banks and Tk.79.71 billion, or 14.48 percent of the deficit, from non-bank sources. The remainder, or 38.29 percent, of the deficit is to be financed with foreign borrowing.

In the ADP allocations, 24.38 percent is for the transport and communication, 19.00 percent for local government and rural development, 13.77 percent for education and technology, 13.74 percent for power sector, 5.47 percent for health sector, 4.82 percent for social security and welfare and 4.08 percent for industrial and economic services.

The budget seeks to attain a 7.2 percent GDP growth in FY14 and 8.0 percent GDP growth by FY15, reduce poverty, develop physical infrastructure, solve power and energy sector problems, create opportunities for employment generation, increase social sector expenditure to address inadequacies in education and health, and implement social safety net programs for 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 8 full fledged Islamic Banks are working successfully. And other traditional banks have Islami Banking Wings conducting Shariah based banking activities. Recent Development of Bangladesh Government Islamic Investment Bond (BGIIIB) is the milestone for shariah based banking practices in Bangladesh.

Al-Arafah Islami Bank Limited

With the objective of achieving success in life here & 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 authorized capital of the Bank is Tk. 15,000.00 million and the paid up capital is Tk. 8,343.25 million as on 31.12.2013.

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.

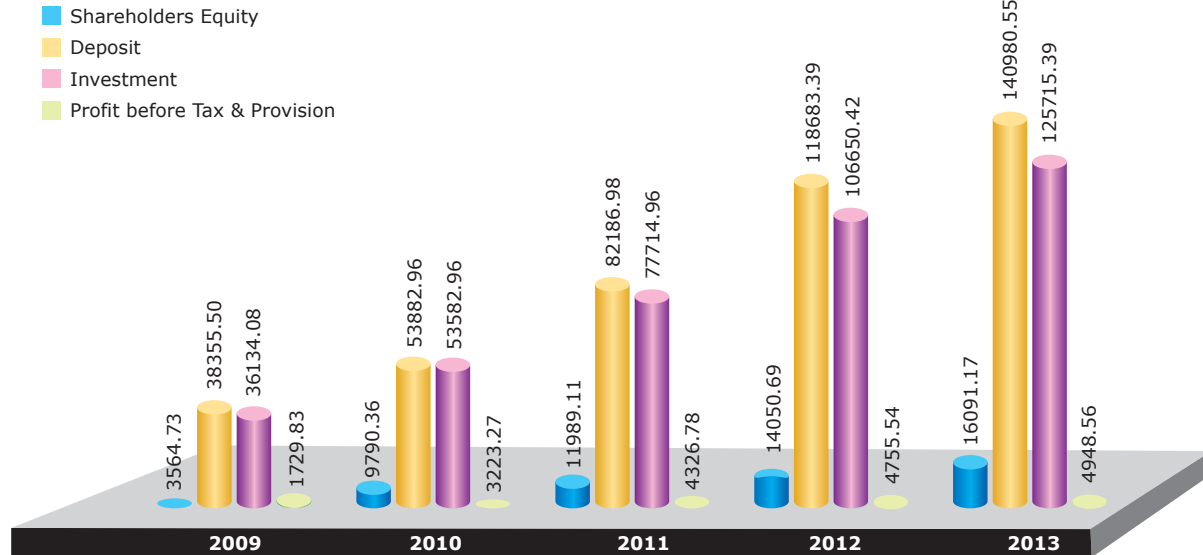
The equity of the bank has stood at Tk. 16,091.17 million as on 31 December 2013, the manpower was 2,387 and the number of shareholders was 58,466. It has achieved a continuous profit and declared a good dividend over the years. High quality customer service through the integration of modern technology 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 110 branches of which 22 is AD throughout the country.

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

Special Features of Al-Arafah Islami Bank Ltd. :

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

Performance at a glance (in Million taka)



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 2013

Al-hamdulillah, Shariah Supervisory committee consists of 6 members specialized in Fiqhul Muamalat (Islamic Commercial Law) according to guidelines given by the Bangladesh Bank to ensure whether all banking operations are transacted in accordance with Islami Shariah i.e. Qur'an, Sunnah, Ijma and Iztihad.

Shariah Supervisory committee has by the grace of Almighty Allah managed to contribute a lot to run all the business activities of the Bank according to Shariah guidelines. During the year 2013 with some unavoidable circumstances our Honorable Members of the Shariah Supervisory Committee sat in 2(two) General Meetings and 1(one) Emergency Meeting to discuss the matters of the Bank to give opinions & directives and given solutions thereof from the view point of Shariah Principles.

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. 51.24 million as doubtful income of the branches of the Bank.

Besides, after analysing balance sheet, the Supervisory committee identified Tk. 249.53 million as compensation realised in different branches and Tk. 0.60 million, Tk. 2.99 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 2013 keeping doubtful income amounting to Tk. 129.81million apart from basic income and spend after tax the same on the basis of Shariah prescribed modes.

At Last, as per Shariah Inspection Report of 2013, the Doubtful Income of the Bank has been reduced comparatively and we hope that this reducing figure will be continued and necessary steps would be taken time to time, Insha-Allah.

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

AIBL Capital Market Services Ltd.

AIBL Capital Market Services Limited is a subsidiary company of Al- Arafah Islami Bank Limited. The Company is incorporated under the company's Act, 1994 as a public limited company by shares with an authorized Capital of BDT 10 billion (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 60.50:39.50. In the year 2013, the company paid 14% 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.

AIBL Assets Management Limited

AIBL Assets Management Limited (AIBLAML), a Subsidiary of Al-Arafah Islami Bank Limited, was incorporated under the companies Act, 1994 on January 01, 2014 with a view to run and manage the operations of Assets Management services with an authorized Capital of BDT 500 million (50 Crore) and paid up capital of BDT 100 million (10 Crore). It aims to be one of the leading Assets Management Services of the country by rendering quality Management Services with a high level of professional expertise and integrity.

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 25.40 highest in 2013. The market trend of our bank's share in Dhaka Stock Exchange from January 2013 to December 2013 is stated in the list:

SHARE PRICE LIST

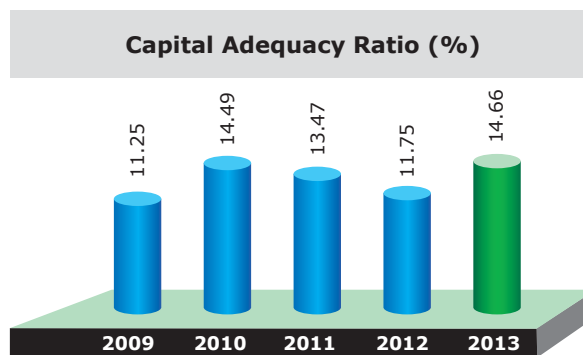
Month	Opening	High	Low	Closing
January	25.10	26.10	22.50	25.40
February	25.40	26.60	21.90	23.70
March	23.70	25.00	21.70	22.20
April	22.20	23.50	15.00	16.60
May	16.60	18.40	15.50	17.30
June	17.30	18.00	15.50	15.90
July	15.90	16.50	13.00	15.10
August	15.10	16.00	13.40	14.60
September	14.60	14.80	12.70	14.00
October	14.00	17.10	12.50	15.40
November	15.40	21.50	15.20	18.80
December	18.80	21.10	17.00	19.10

Progress Analysis

At the end of 2013, the number of depositors stood at 907,277 and the accumulated deposit was Tk. 140,980.55 million. The total number of investors stood at 101,510 and total investment extended to them was Tk. 125,715.39 million. During the year 2013 the total income was Tk. 19,723.41 million and total expenditure was Tk. 14,774.85 million. At the end of the year the profit before tax and provision stood Tk. 4,948.56 million.

Capital Adequacy & Reserve Fund

According to BRPD Circular the Bank will have to maintain Tk. 4,000.00 million Capital by 1st July 2011. In compliance with the new provision, the bank has raised its Capital from Tk. 14,804.73 million to Tk. 16,625.37 million (Consolidated Basis) and Tk 13,179.78 million to Tk. 15,012.26 million (Solo Basis) in the year 2013 by declaring 17% stock dividend out of the profit of the year 2012. The paid up capital of the bank has stood at Tk 8,343.25 million at 31st December 2013.

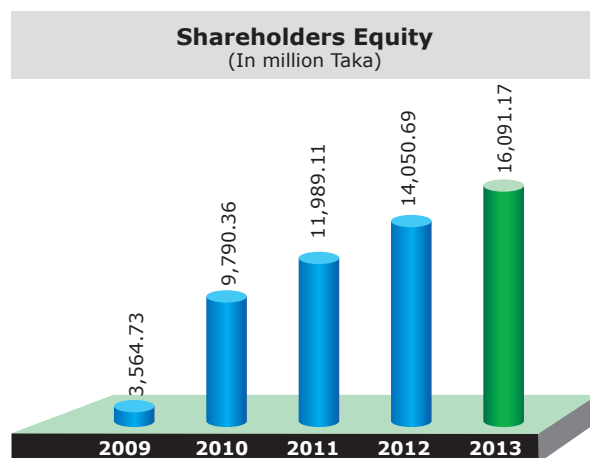


The total reserve fund has stood at Tk 4,827.20 million in the current year against Tk. 4,079.63 million at 31st December 2012. In this account, the bank experienced a growth of 18.32%. The Bangladesh Bank has fixed the ratio of minimum capital adequacy (MCR) against Risk-Weighted Assets at 10% or Tk. 4,000 million whichever is higher.

The Consolidated and Solo Basis capital adequacy ratio of the Bank as on 31.12.2013 are appended below:

Consolidated Basis	
a) Core Capital (Tier-I)	Tk. in million.
Paid up Capital	8,343.25
Statutory Reserve	3,849.65
Retained Earnings	1,328.20
Non-controlling Interest	1,592.52
Total Core Capital	15,113.62
b) Supplementary Capital (Tier-II)	
Provision for Unclassified Investment	1,022.97
Assets Revaluation Reserve	488.78
Total Supplementary Capital	1,511.75
Total Capital (a+b)	16,625.37
c) Capital Adequacy Ratio	14.66%

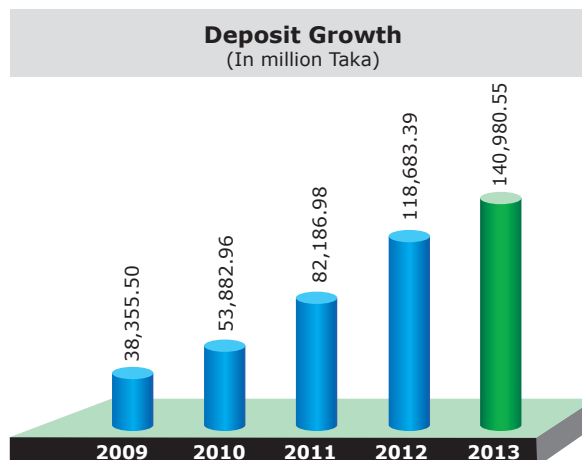
Solo Basis	
a) Core Capital (Tier-I)	Tk. in million.
Paid up Capital	8,343.25
Statutory Reserve	3,849.65
Retained Earnings	1,307.61
Total Core Capital	13,500.51
b) Supplementary Capital (Tier-II)	
Provision for Unclassified Investment	1,022.97
Assets Revaluation Reserve	488.78
Total Supplementary Capital	1,511.75
Total Capital (a+b)	15,012.26
c) Capital Adequacy Ratio	13.52%



Deposits

The total deposit of the bank was Tk. 140,980.55 million at 31st December 2013 as against Tk. 118,683.39

million at 31st December 2012 recording a growth of 18.79% of which Tk. 9,750.00 million was bank deposit and Tk. 131,230.55 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 deposit mix of the bank on December 31, 2013 was as follows:

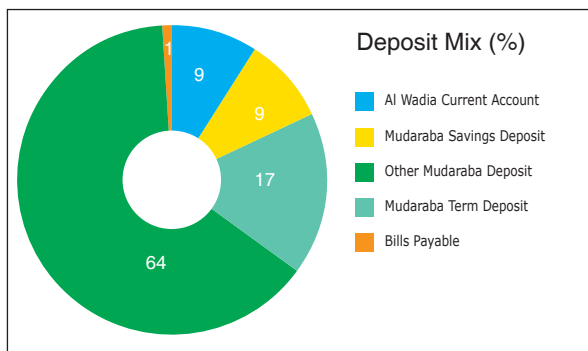


Deposit Mix 2013

Products	Taka in Million
a) Al Wadia Current Account	13,566.06
b) Mudaraba Savings Deposit	12,267.38
c) Other Mudaraba Deposit	90,041.40
d) Mudaraba Term Deposit	24,152.50
e) Bills Payable	953.22
Total	140,980.55

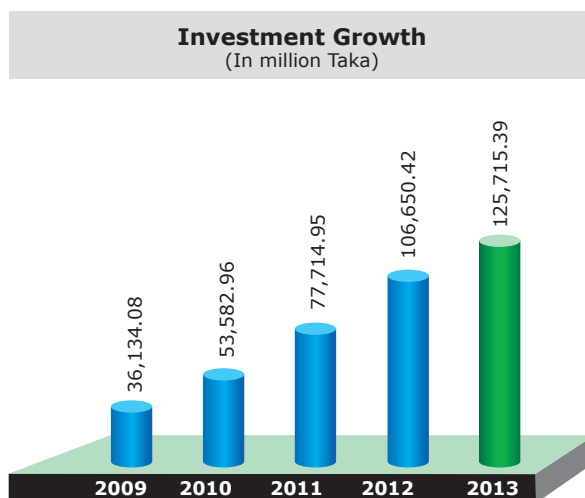


Inside view of a re-rolling industry financed by Al-Arafah Islami Bank Ltd.



Investment

The investment of the bank has stood at Tk. 125,715.39 million as on 31st December 2013 as against Tk.106,650.42 (Net off PR) million in the previous year showing an increase by 17.88 %. 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 2.77% in our bank as on 31 December 2013. The bank gives top-most priority to the creation of quality assets and does appropriate risk grading while approving commercial, trade and project investment to different clients.

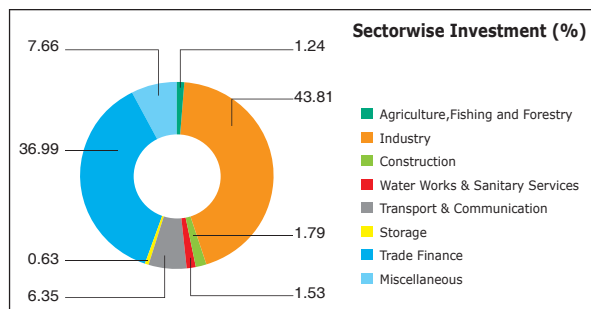


Sector wise Investment 2013

Sectors	Taka in million
Agriculture, Fishing and Forestry	1,617.08
Industry	57,003.70
Construction	2,334.40
Water works & Sanitary Service	1,984.80
Transport & communication	8,262.50
Storage	831.20
Trade Finance	48,128.20
Miscellaneous	14,369.01
Total (Including Profit Receivable)	134,530.88
Less Unearned Profit on Investment	8,815.49
Total	125,715.39



Inside view of a spinning mill financed by Al-Arafah Islami Bank Ltd.



Classified investment ratio:

In the year 2013 bank's classified investment ratio increased to 2.77% which was to 1.63% in the previous year. In the year 2014 our target is below 2.77%.



Micro, Small & Medium Enterprises (MSME) Investment

Micro Small & Medium Enterprise (MSME) plays a pivotal role in the economic growth and development of a country. MSME works as the platform for job creation, income generation, and development of forward and backward industrial linkages. MSMEs occupied a unique position in the economy of Bangladesh.

Micro, Small and medium enterprises (MSMEs) make up the largest portion of the employment base in many developing countries and, indeed, are often the foundation of the local private sector. Now the MSMEs are not only concentrated to low-tech,

traditional, and agro-based economic activities; these are spread over other non-traditional manufacturing and service sector as well. To achieve high and sustained economic growth, a triggering force is mandatory to exit from endemic poverty and socio-economic deprivation.

MSMEs constitute the dominant source of industrial employment in Bangladesh (80%), and about 90% of the industrial units fall into this category. The actual performance of MSMEs, however, varies depending on the relative economic efficiency, the macro-economic policy environment and the specific promotion policies pursued for their benefit.

To ensure proper manifestation and rapid advancement of Micro, Small & Medium Enterprises, a number of schemes are running in this Bank. In the light of a unique definition of Bangladesh Bank, our bank is giving a priority over financing to three categories of enterprises viz. Industry, Trade & Services. Based on December 2013, total MSME investment portfolio is 68,913.60 million, which is 52.96% of Total Investment portfolio. Among them 28949.30 million is under Small Enterprises and 39964.30 million is under Medium Enterprises. Participation of Small Enterprises is 42% of Total MSME Investment. We prior Area Approach Method when MSME financing.

To speed up MSME investment flow and to include in people who are beyond the range of banking facilities, schemes named 'Small Enterprise Investment Scheme (SEIS)' and Micro Enterprise Investment Scheme (MEIS) are running in the Bank. With these schemes, operation of collateral security free SEIS & MEIS investment is continuing in all 110 branches. Skilled and experienced staffs are recruited in different branches to ensure proper expansion of collateral security free SEIS & MEIS investment.



A woman entrepreneur at her boutique-shop financed by the Bank

The report as on 31 December, 2013 is shown in the table:

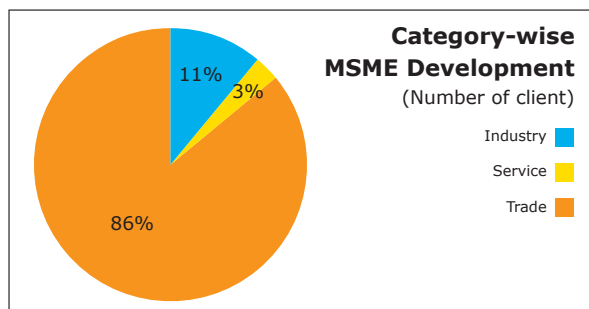
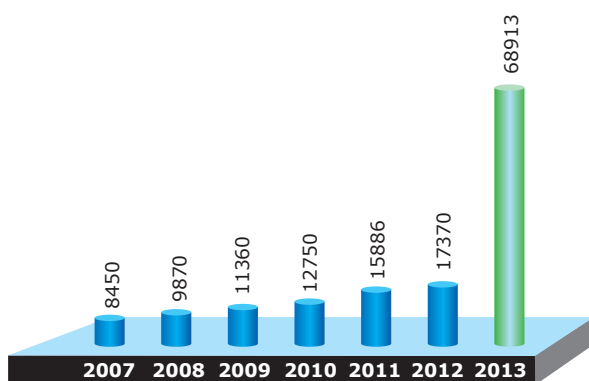
Micro, Small & Medium Enterprise Investment

Portfolio	Tk. 68,913.60 Million
Terms & Conditions	Stipulated by the Bank

SEIS & MEIS (Collateral Security Free Investment, included MSME)

Portfolio	Tk. 582.52 Million
Minimum Investment	Tk. 50,000.00
Maximum Investment	Tk. 700,000.00
Number of Branches under the scheme	110
Rate of Profit	9%-10 %
Maximum Duration	3 years
Repayment system	Monthly Installment
Recovery Rate	99.77 %
Terms & Conditions	Soft

MSME Portfolio of AIBL (In million Taka)



MSME Cluster Development by Al-Arafah Islami Bank Ltd.

Cluster development has already been recognized as perhaps the most suitable approach for the development of Micro, Small and Medium (MSME) sector across the globe. The MSME sector contributes substantially to the economy of many countries in terms of its share in manufacturing GDP as well as in generating employment. It is an important segment in the manufacturing value chain both for domestic markets and international markets. Establishment and growth of these MSMEs followed by a pattern of

agglomeration and mostly it tended to be product specific. Clusterisation, thus, generally had been a natural phenomenon until induced development of clusters occurred through policy interventions. Therefore, cluster development achieves immense relevance now than ever before.

In Al-Arafah Islami Bank, we have a cluster development participation in 2013 on Handloom 35 Million of 70 enterprises, Hosiery 30 Million of 65 enterprises, Small Trading 30 Million of 75 enterprises, Crop Production 25 Million of 70 enterprises, Fisheries 25 Million of 60 Enterprise, Poultry Business 20 Million of 60 enterprises etc. In 2013, we have developed different clusters by investing Tk. 350 Million among 1050 number of enterprises. We have about 250 number of permanent field officials to work with the MSME Cluster development program.

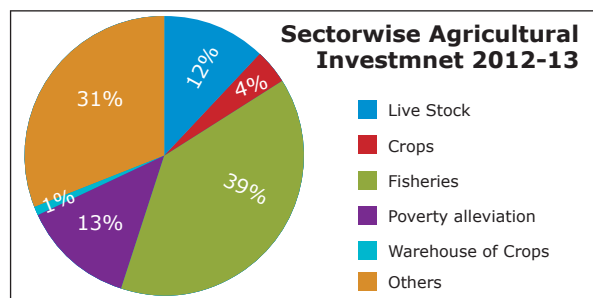
Agricultural Investment

To encourage the marginal farmers of Bangladesh, 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 2013, total agricultural investment portfolio is Tk. 1650.65 million of the fiscal year 2013-2014. With collateral and without collateral both are practiced in agricultural investment.

The report as on 31 December, 2013 is shown in the table:-

Agricultural Investment

Portfolio	Tk. 1650.65 Million
Fisheries	Tk. 650.25 million
Poverty alleviation	Tk. 217.25 million
Livestock Development	Tk. 199.93 million
Warehouse of corps	Tk. 14.75 million
Crops	Tk. 68.85 million
Others	Tk. 499.62 million
Number of Clients	37,141 Persons
Rate of Profit	7.2% -13%
Recovery Rate	99.82%
Terms & Conditions	Stipulated 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, 2013 the report is shown below:-

Name of Crops Investment	Amount
Pulse, Oil-seed, Spice and Maize	1.80 million

Al-Arafah Khamerbari Investment Scheme

To make a priority to invest in the crop sector of Bangladesh, we have launched a new product named: "Al-Arafah Khamerbari Investment Scheme (Khamerbari)". With this product, we work for a farmer's community around the Branch area. Our field officials motivate farmers to grow the potential crops based on their previous farming experience. This scheme has an innovative action to develop the crop sector of Bangladesh. We have 34.28 Million of investment portfolio among 2574 farmers under this scheme so far.

Investment on Women Entrepreneurs

About 50% of the populations of Bangladesh are women. Women participation in the mainstream of economic activities especially in the productive sectors is crucial for attaining sustainable economic growth, poverty reduction and women's empowerment. But women participation in economic sector is inadequate and the number of women entrepreneurs is very low compared to that of their male counterparts. 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 give priority to women entrepreneurs to invest on various productive sectors. By the side of collateral secured investment, collateral security free investment is also considered in the question of women development.

The report as on 31 December, 2013 is shown in the table:-

Women Entrepreneur Investment

Portfolio	Tk. 5802.30 Million
Terms & Conditions	Stipulated by the Bank

Grameen Small Investment Scheme (GSIS)

Bangladesh has achieved the richest experience on poverty alleviation through rapid expansion of microfinance activities in the last one and a half decade. This experience has made important contributions to the emergence of this concept globally. Grameen Small Investment Scheme (GSIS) is very much related to Cottage Industry/Enterprise defined by Bangladesh Bank.

Definition of Cottage Industry/Enterprise

As per Bangladesh Bank SMESPD Instruction Circular No. 1, Dated: 19 June, 2011, Cottage Industry/Enterprise means as follows:

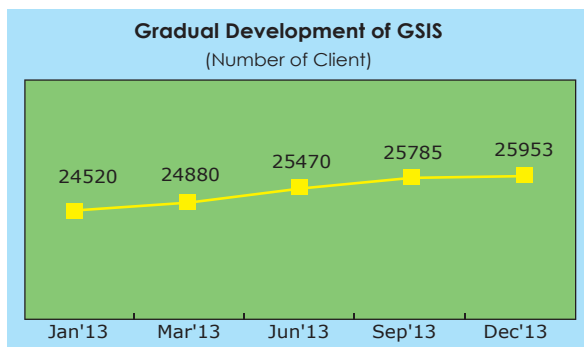
Cottage Industry/Enterprise	Attributes under the categories	Fixed Assets Value in Taka Excluding Land & Building (Including Replacement Cost)	And/or Total Number of employees
	Manufacturing	Less Than 5 Lac	Less Than 10
	Service	Less Than 5 Lac	Less Than 10
	Trade	Less Than 5 Lac	Less Than 10

On the focus of socio-economic development of rural poor, our 'Grameen Small Investment Scheme (GSIS)' is running from the year 2001. At present, 66 rural branches are included for this scheme and the number of clients is increasing rapidly. Functioning on the basis of Group and Samity, this scheme helps farmers, labours, fishermen, micro-businessmen and small entrepreneurs. Another important objective of this scheme is to give priority to make economically self-dependent of rural women entrepreneur. To get investment under this scheme, no collateral security is required. Repayment system is weekly installment basis. Basically, this scheme is one kind of supervised investment system and skilled personnel are working in different branches to ensure continuous supervision.

The report as on 31 December, 2013 is shown in the table:-

Grameen Small Investment Scheme (GSIS)

Portfolio	Tk. 297.58 Million
Number of Villages Covered	1062
Minimum Investment	Tk. 5000.00
Maximum Investment	Tk. 35,000.00
Number of Clients	25,953 Persons
Savings by the Clients	Tk. 189.17 Million
Number of Branches under the scheme	66
Number of Samity	1114
Number of Group	5664
Rate of Return	10%
Repayment system	Weekly Installment
Recovery Rate	99.96%
Terms & Conditions	Soft



Al-Arafah Solar Energy Investment Scheme

A Pioneer investment scheme named 'Al-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. Actually, solar energy is a renewable, efficient, and non-polluting energy source. Homeowners, who install solar systems, are helping to reduce the emission of green house gases which have a direct relation to global warming. This scheme also has unveiled the wide field of Green Banking concept, the burning issue.

'Solar Energy Investment Scheme' is running under the control of SME & Promotional Programs Division. Skilled Electric Engineers & Solar Technicians are recruited in order to ensure the perfect technical support.

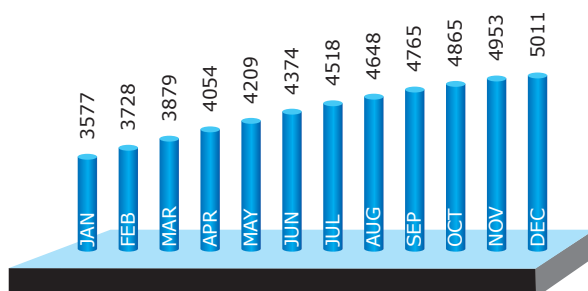
We have already established 2,50,740 Watt Peak of electricity among 5,011 families through 21 Rural Branches so far. We are running this program with own funding as well as permanent skilled personnel.

The report as on 31 December, 2013 is shown in the table:-

Al-Arafah Solar Energy Investment Scheme

Portfolio	Tk. 62.18 Million
Electricity Provided	2,50,740 Watt Peak
Number of privileged Family	5,011
Number of Branches under the scheme	21
Rate of Return	9%-11%
Repayment system	Down payment & Monthly Installment Basis
Recovery Rate	99.42%
Terms & Conditions	Soft

Gradual Development solar Energy Investment Clinet (Number) Year-2013



Finally, cottage, micro and small enterprises, rural based agricultural investment and solar Energy investment are the part of supervisory investment programs. A good number of rural people are being beneficiaries with this program. SME & Promotional Programs' Division deals those schemes through strict monitoring and supervision. We are increasing our portfolio with our own staff and own fund contribution. Besides this, those sectors are the part of developing rural entrepreneurship, enhancing green banking concept and taking a part of poverty alleviation in Bangladesh. About 250 field level staffs (Field supervisor, Field Assistant etc.) and about 50 technical experts (Solar technician, Assistant Unit Supervisor etc.) are working in various branches under the direct supervision of SME & Promotional Programs Division. All the schemes are applauded by Bangladesh

Bank and various national/ international institutions. For this, we are paying more priority to invest to Micro, Small and Medium enterprises than larger industries.

INTERNATIONAL DIVISION

Foreign Trade Performances of -2013 at a glance

Al Arafah Islami Bank Ltd, since its inception, has been conducting Foreign Exchange Business through International Division with prudently and successfully. This division has added values to the organization facing hard market competitions through all dedicated work forces of AD Branches by generating significant revenue and profit maximization.

International Division of the Bank has been contributing to establish unique relationship with a good number of world reputed Foreign Banks having wide banking network throughout the globe for en-routing and effecting the Foreign Exchange business of the Bank.

All the divisional works are conducted through the following departments of this Division.

1. Foreign Trade Support Department.
2. Compliance & Monitoring Department
3. Foreign Trade, Policy & Planning Department
4. Foreign Trade Processing Centre
5. Correspondent Banking
6. SWIFT Department
7. Treasury Department: i) Front Office, ii) Mid Office and iii) Back Office
8. Foreign Remittance Department

International Division is quite dynamic in operating Import, Export and Remittance business under the efficient leadership and prudent guidance of the Board of Directors as well as the Management of the Bank. Presently, International Division has a network of 22 Authorized Dealer Branches to deal in Foreign Exchange Business. This division has 26 Nostro Accounts and 296 Relationship Management Application (RMA) with different renowned Foreign Banks/Foreign Correspondents in 49 countries globally to en-route Bank's overseas business with the world's trade community. International Division of AIBL always tries to cope up with the changing and challenging business Trends complying with Islamic Shariah.

With a view to globalize the treasury functions, AIBL has signed agreements with Mashreq Bank, Dubai and Commerz Bank, Germany and already procured direct dealing system under the said agreements. AIBL Treasury has introduced Total Quality Management and transparent policy to maximize revenue and to minimize risks in its field of activities.

The important achievements, ongoing product / services and performance of International Division during the year 2013 are mentioned below:

A. Achievements in 2013:

1. SWIFT up gradation and commencement of Foreign Exchange Transactions in online system with AD Branches.
2. Treasury has established online trading platform named with Commerzbank, Germany & ICICI Bank.
3. This year International Division of AIBL has provided banking services to the 2000 Hajj Pilgrims and sold SAR 805,000 through its Hajj Booth.
4. Initiated various reporting on Foreign Exchange transactions to Bangladesh Bank through Online Monitoring System.

B. Ongoing products/services:

1. Processing of automation of Nostro reconciliation,
2. Obtained permission to operate 03 (three) Off Shore banking units from BEPZA, which will be started very soon after having license from Bangladesh Bank.
3. Made arrangement with Bangladesh Bank for obtaining Export Development Fund under Islamic Shariah which will be effect from January-2014.
4. Steps taken to introduce of Foreign Trade Processing Centre (FTPC) for operating centralized Foreign Exchange Business.
5. Approached to the Bangladesh Bank for 9 new Authorized Dealer Branches for their approval.
6. Proposal for permission to conducting cross border Trade with Myanmar has been submitted to the concerned authority.
7. Steps taken for Automation of Treasury Dealing System

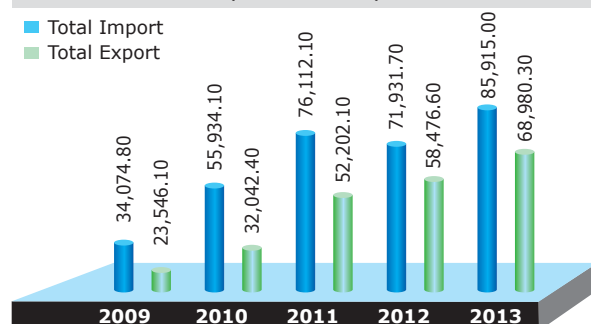
C. Foreign Exchange Business Performance of the Bank in-2013

Despite negative growth of maximum local Commercial Banks in core areas of banking business and country's unfavorable economic situation, our Bank has been able to achieve positive growth in import and export business which is appreciable. Position of foreign exchange business performance for the year 2013 is presented here under:

(In Million Taka)

Business	Achieved in 2012	Achieved as on 31 Dec, 2013	Growth (%)
Import	71,931.70	85,915.00	19.44%
Export	58,476.60	68,980.30	17.96%
Remittance	23,120.40	7,042.50	-69.54%

Total Import & Export
(In million Taka)



i) Performance of Remittance procurement of AIBL through drawing arrangements, sub-agent arrangement with banks and ELDORADO network for the year 2013

(In Million BDT)

Year	Drawing Arrangement		Sub Agent Arrangement		Grand Total		Growth Rate
	Amount	Number of Transaction	Amount	Number of Transaction	Amount	Number of Transaction	
2012	22,748.70	364,053	170.20	5,181	22,918.90	369,234	168%
2013	5,940.50	113,797	1,101.90	31,478	7,042.50	145,275	-69%

N.B.: Negative growth of remittance due to closure of relationship of maximum UK based Exchange Companies with Barclays Bank, UK. Which got relationship with us and allowing competitive rate to the Exchange Houses considering market scenario.

Profit of ID, Treasury:**Gross Income of Treasury from January to Dec, 2013**

(In Million Taka)

SL	Income Head	
a.	Gross Income of ID, Treasury from January to December, 2013	436.90
b.	Less: Loss amount (Incurred due to converting of notional rate into regular rate and others)	334.30
c.	Add: Commissions from Exchange Houses	3.30
d.	Net Income	105.90

A. Foreign Remittance Department

International Division has got foreign remittance arrangement with the following exchange houses/Banks/companies:

1. AN Express Limited, UK
2. Transmit International Inc., USA
3. Money Gram International Payment Inc., USA
4. Bangladesh Money Transfers (UK) Limited
5. K.S Enterprises Limited, UK
6. Orchid Money Transfer Limited, UK
7. Placid NK Corporation, USA
8. KMB Money Transfers Limited, UK

Sub-Agent Arrangements:

1. Xpress Money with Southeast Bank Limited
2. RIA Financial Services with Southeast Bank Limited
3. AFTAB Currency Exchange with Southeast Bank Limited
4. Western Union with Mercantile Bank Limited

Eldorado:

AIBL is also a member of the ELDORADO platform of the nine (09) member banks for inland and foreign remittance distribution; we can use all the branches of the member banks for remittance procurement and disbursement through this web-based network. Presently, the member banks are Bank ASIA, EXIM, SIBL, FISBL, SEBL, MBL, BRAC, EBL and AIBL.

- ii) Share of AIBL foreign remittance procurement in Bangladesh in the year 2012 was 2% and 2013, 0.70%.
- ii) Commission earned during Jan-2012 to Dec -2013

Year	Drawing Arrangement	Sub Agent Arrangement	Grand Total	Growth Rate
	(In Million BDT)	(In Million BDT)	(In Million BDT)	
2012	3,34	0.32	3,66	38%
2013	3,27	0.20	5.28	44%

E. Action Plan/Target of International Division for -2014

1. To introduce Off-Shore Banking Unit.
2. To build up a talent pool in Foreign Exchange lines/2nd line of defense by training and job rotation.
3. To introduce new product for expansion of Foreign Exchange Business.
4. To get at least 04 Authorized Dealer Licenses.
5. To increase drawing arrangement with the exchange houses, preferably in Middle East.
6. To introduce remittance software for more efficient and cost effective operation.
7. To attend remittance fair in home and prospective countries in abroad.
8. To increase the market share of remittance business
9. To increase Foreign Trade customer base for sustainable development of AIBL
10. Introduction of remittance card and other utility services for the beneficiaries of remittance.
11. Acquisition /establishment of own Exchange Houses in abroad or appointment of representative in abroad on behalf of AIBL
12. To increase CDCS officials for improving the service quality of Foreign Exchange operations.
13. To train foreign exchange & money market dealers from local & international reputed training

institutions about Islamic Treasury products.

Correspondent Relationship

The Bank has continued efforts and endeavor to develop relationship with foreign correspondents worldwide to facilitate the International Trade operation of the Bank. As on 31st December 2013, the number of foreign correspondents is 298 Banks in 52 countries and number of Nostro accounts with foreign correspondent banks stood 26 (twenty six) in 5 major international currencies. The bank also enjoys substantial credit lines from the correspondent banks for adding confirmation to letter of credit as and when needed which is facilitating our international trade.

Treasury operations

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 Treasury operation on those products

permissible under Islamic Shariah to cope up with the changing & challenging market situation. Treasury of the Bank includes both Local currency & Foreign currency and operates under the norms of Islami Shariah and guideline of Bangladesh Bank which is



A livestock farm financed under Agriculture Investment Scheme

one of the best earning units of the Bank. Treasury is involved in inter-connected Local and Foreign exchange market for management of overall fund position of the bank complying with regulatory obligations. The year was a challenging one for bank's treasury particularly for excess liquidity pressure in money market over the year.

Foreign Exchange Treasury

Under the Foreign Exchange Treasury the Bank has separated Treasury front Office, Mid office & Back office with reporting lines each of the offices as per international practices of Treasury Management. Front Office is responsible for dealing activities while Back Office is for settlement of transaction. Between the two, our Mid Office performs to monitor Front and Back Office activities to confirm accuracy and aptness. In line with global system Al-Arafah Bank Treasury is well-equipped with up to date facilities. We have independent dealing room befitting by SWIFT, Reuters, On-line dealing system, Internet, Television with reputed financial channels, Voice Recorder, Digital World Time Display and so on. We have established on-line foreign exchange dealing platform with Mashreq Bank psc (Dubai), Commerzbank AG ,Germany and ICICI Bank (India) for foreign exchange dealing. 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 foreign currency liquidity, day to day 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 & control key issues like Counterparty limit, Stop-Loss

limit, overnight Limit, Management Action Triggers (MAT), Open Position/Overnight limit, time limit for reconciliation of Nostro Accounts and ensure adherence/compliance of these limits. During 2013, treasury was very active in Foreign Exchange market to manage Net Open Position set by Bangladesh Bank and earned substantial amount of profit by taking the advantage of market trend.

Assets Liability Management

Assets Liability Management (ALM) is an integral part of Bank Management that manages the banks on- and off-Balance sheet position to offer competitively priced products and services to customers. Asset Liability Committee-ALCO, comprising the senior management chaired by the Managing Director taking strategic decisions on fixation of asset liability pricing and also responding to ever changing market scenarios. In monthly ALCO meetings, relevant issues like economic forecast, market status, peer group analysis, projections on profit rate and exchange rate and spreads; balance sheet gap in liquidity structure & profit rate sensitivity of gap, pertinent ratio analysis, internal transfer pricing, contingency funding plan, stress testing, liquidity coverage ratio (LCR), transfer pricing mechanism for internal funding and investments in Government securities, regulatory & other audit compliance are discussed on continuous basis. When needed special ALCO meetings are held to respond to the unusual or seasonal market behavior or other volatile market scenarios.

Income

Investment income : The investment income was Tk. 17,966.32 million during the year 2013 which registered a growth of 19.79% over the previous year. Investment income is 91.09% of the total income of Tk. 19,723.41 million.



Honorable Chairman, Directors, Managing Director and other top executives during the Business Development Conference 2014

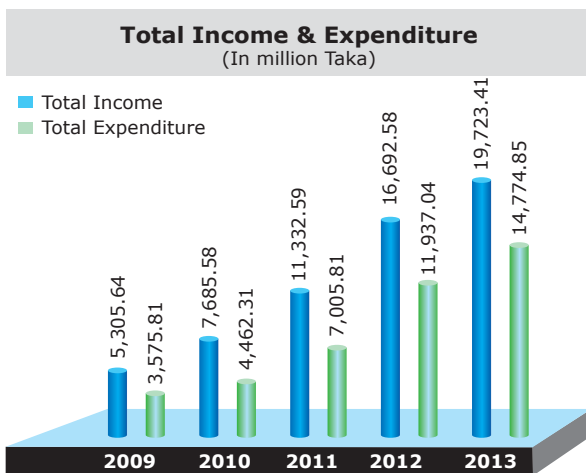
Income from other than investment : The bank has earned Tk.1,757.09 million from sources other than investment like commission income, exchange income, locker rent etc. in the current year which is 8.91% of the total income. It indicates 3.73% growth over the year 2012.

Expenditure

Profit paid to depositors: The Bank has paid the depositors Tk. 12,107.71 million which is 67.39% of the investment income and 81.95% of the total expenditure for the year 2013. It indicates 24.69% growth over the year 2012.

Administrative and Other Expenses

The administrative and other expenses were Tk. 2,667.14 million during the year showing 19.79% growth over the year 2012. It is 18.05% of the total expenditure.



Various deposit product of the Bank in 2013 :

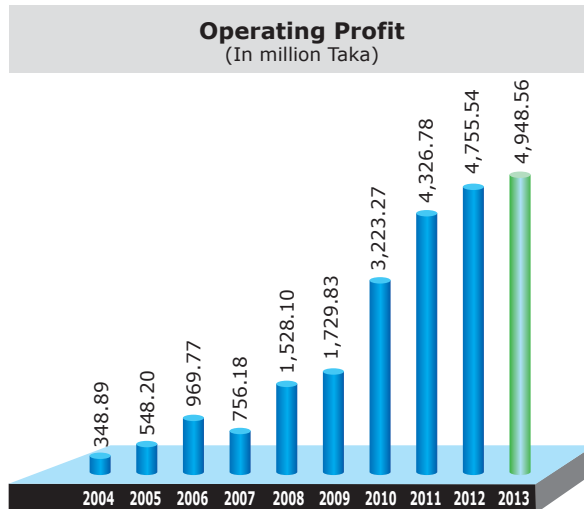
Sl.No Types of Deposit

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 Deposit A/C

Operating Profit

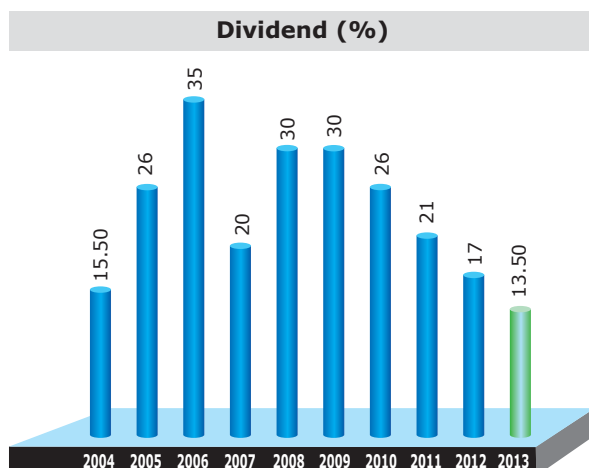
The bank earned operating profit of Tk. 4,948.56 million during the year 2013. The operating profit of the Bank during the year 2012 was Tk 4,755.54 million and thus the Bank attained Positive growth of 4.06% in respect of operating profit. The provision for income tax for the year amounted to Tk. 1,685.54 million and divisible profit available for appropriation amounted to Tk.1,307.62 million.



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 13.50% stock dividend in the year 2013. Table of Historical Dividend Payment Percentage are as follows:

Year	% Dividend
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
2013	13.50% Bonus



Information & Communication 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.

Alhumdulillah, over 7 years AIBL's ICT Division has been providing/facilitating all core business processes and components, and served to support, sustain and grow transformation and the realization of Bank's strategic objectives. ICT also played a pivotal role in ensuring that bank's business is better able to meet regulatory compliance requirements. Several IT projects were completed during the year, bearing in mind the requirements of customers, availability of latest technologies and trends of the market. Al-Arafah Islami Bank Ltd. continued to benefit from technological innovation, improve Bank's ability to meet evolving business needs and deliver on customer service expectations and efficiency demands. ICT Division of the bank kept Considering all the social and environmental/ ecological factors with an aim to protect the environment and conserve natural resources ICT Division of the Bank implemented Document Processing System avoiding as much paper work as possible and rely on online/electronic transactions for processing. The migration required redesigning forms to machine readable format and in other cases reengineering many of banking processes. A giant leap in the direction of Green Banking the step resulted in significantly reduced operational costs due to less consumption of office stationeries and energy at the same time enhancing productivity as well as

efficiency of the employees through skilled & optimum usage of technology. The emphasis in terms of the e-archiving of documentation is on the rationalization of paper operations at branches and the introduction of e-archiving for the documentation of customers.

The data warehouse is a crucial element of the Bank's information system, which will undergo upgrades to ensure data for managing all types of risks, to ensure a comprehensive approach to money laundering, to calculate the total exposure of groups of customers and the collateral associated with their investments etc.

In wake of AIBL's pledge to constantly upgrade technology solutions ICT division implemented industry standard Human Resource Management System incorporating talent management - the features for attracting, retaining and developing staff along with other core Human Resource Management features.

2013 also saw implementation of data warehouse project that serves as the single integrated source of data for processing information. It collects and stores integrated sets of historical data from multiple operational systems and feeds them to one or more data marts to help make informed decisions and offering advanced analytics & visualizations for analysis and forecasting. The project will cater to the needs of central banks EDW and RIT projects.

In line with directives from the central bank, AIBL Solutions to support Electronic payment systems (BACH) are functioning stably, while the Bank has successfully achieved the majority of its objectives from the migration to Bangladesh Electronic Fund Transfer Network (BEFTN). The bank also successfully tested with the NATIONAL PAYMENT GATEWAY switch allowing to become operational any time as and when directed by the central bank.

Also worthy of noting was the purchase of Unedified Computing System (UCS) and active equipment for the core computer network, and all preparatory steps required to begin the upgrading of the core computer center. The aforementioned upgrading of the IT infrastructure will improve the reliability of the functioning of the data center at the primary and back-up locations in the long-term.

Transition from traditional banking to automated banking as opened up gateway to threats as well, where Security is topping the list. Anticipating and adopting to the rapidly emerging/changing technologies best suited for our industry a consumers has always been a challenge. There's no denying the compelling advantages to moving to the cloud -- reduced cost, greater flexibility and scalability, increased mobility, and faster deployment however the requirement to protect customer information is still a barrier for many. Banks are warming to cloud computing after nearly a decade of hesitation about trusting their data to outsiders. 2014 might prove vital in growth of cloud computing in the financial sector, AIBL's ICT division is keeping vigil on the convenience/quicker/cheaper aspect Vs balance against the security aspect as well as regulations at

allowing for the use of new technology.

2014 Activities in the ICT infrastructure aim at the consolidation and virtualization of the server infrastructure, while upgrading the firewall and other networking/system components. Projects like IP Telephony, Industry Standard Call center are in the pipeline.

Mobile Banking Technology

INTRODUCTION

The way we live today is so much influenced by computing technologies. Computers control the economy, transportation, banking and many other functions. Internet and mobile technologies are increasingly being adopted and utilized in the banking industry; this has reshaped the consumption of financial services. Electronic banking is considered a way of delivering banking services through the internet to the consumer at a reduced cost to the banking industry and improved convenience to the customer. However there exists a low internet connectivity in the developing countries given the costs of connection especially in rural areas and yet banking services need to be brought closer to the population to enhance development. A viable solution here is mobile banking.

Mobile Banking Business Models:

A wide spectrum of mobile/branches banking models is evolving. These models differ primarily on the question that who will establish the relationship (account opening, deposit taking, lending etc.) to the end customer, the bank or non-bank/telecommunication company. Another difference lies in the nature of agency agreement between bank and the non-bank models of branches banking can be classified into three broad categories: bank-focused, bank-led and non-bank led. As per Bangladesh Bank guideline we have to follow the Bank-led model.

Bank-led model

The bank-led model offers a distinct alternative to conventional branch-based banking in that customer conducts financial transactions at a whole range of retail agents (or through mobile phone) instead of at bank branches or through bank employees. This model promises the potential to substantially increase the financial services outreach by using a different delivery channel (retailers/mobile phones), a different trade partner (Telco/Chain Store) having experience and target market distinct from traditional banks, and may be significantly cheaper than the bank-based alternatives. The bank-led model may be implemented by either using correspondent arrangements or by creating a JV between Bank and Telco/non-bank. In this model customer account relationship rests with the bank.

Mobile banking services:

Account information:

- Mini-statement and checking of account history

- Alerts on account activity or passing of set thresholds
- Monitoring of term deposits
- Access to loan statements
- Access to card statements
- Mutual funds/equity statement
- Insurance policy management
- Pension plan management
- Status on cheque, stop payment on cheque.

Payment and transfers:

- Domestic and international fund transfers
- Micro-payment handling
- Mobile recharging
- Commercial payment processing
- Bill payment processing
- Peer to peer payment

Investment:

- Portfolio management service
- Real-time stock quotes
- Personalized alerts and notification on security prices

Support:

- Status of request for credit including mortgage approval, and insurance
- coverage
- check (cheque) book and card requests
- Exchange of data messages and email, including complaint submission and tracking
- ATM location

Content service:

- General information such as weather up-dates, news
- Loyalty-related offers
- Location-based services

Technologies Behind Mobile Banking

Technically speaking most of these services can be deployed using more than one channel. Presently, Mobile Banking is being deployed using mobile applications developed on one of the following four channels.

1. IVR (Interactive Voice Response)
2. SMS (Short Messaging Service)
3. WAP (Wireless Access Protocol)
4. Standalone Mobile Application Clients

Al Arafah Islami Bank Ltd. would like to introduce Mobile Banking technology and business solution to our respective organization in the name of "Hello Cash". Please note that we, along with our technology partners, are able to provide the most secure, robust and full featured Mobile Banking technology, enabling our organization to reduce cost, increase revenue and extend new value added services to our respective customers.

Please find the salient features:-

- Al-Arafah Islami Bank Ltd. and Technology partner jointly launch mobile banking services in the name of

"Hello Cash" in Bangladesh.

- Al-Arafah Islami Bank Ltd. will be the lead settlement Bank.
- Al-Arafah Islami Bank Ltd. will enroll existing customers for Mobile Banking Services "Hello Cash"
- Technology partner & Al Arafah Islami Bank Ltd. will establish and operate the Mobile Banking Platform "Hello Cash" Jointly.
- Technology partner will establish Cash In/Out Points throughout Bangladesh,
- A Technology partner will sign-up new customers, merchants and utilities,
- Al Arafah Islami Bank Ltd. and Technology partner will jointly market the services of "Hello Cash"
- Al Arafah Islami Bank Ltd. and Technology partner will share revenues generated from the Mobile Banking Services

Market Opportunity

Maintain Cost Competitiveness: - Our technology can reduce the cost of doing business thus making you more efficient and competitive. New Growth Driver - Increase retail customer base by extending banking services to the UNDERBANKED and UNBANKED in the urban and rural segment of the market without having to establish cost intensive branches in target areas. Increase market share in inward foreign remittance via extending services to bank customers living overseas via our mobile banking solution.

Technology Overview

- Proven Technology for the Banking Industry
- Mobile banking:
- SMS - Encrypted menu driven application
- IVR - Secure voice prompt driven menu
- WAP - Secure mobile internet access driven menu (i.e. GPRS/EDGE/CDMA 1X)
- Internet - Secure web driven menu
- Lowest Cost Solution
- Mobile Network Operator (MNOs) Independent
- Only use Mobile network for transport of encrypted SMS/WAP data

Bank Benefit:

- **Increase Footprint:-** Instant Nationwide coverage and ability for customers to engage in secure transactions from the convenience of their home; enabling customers to go to nearest Cash In/Out Point to do cash transactions without going into bank branches
- **Cost Reduction:-** Cut customer service cost by automating it and reducing the need for customers to go to branch for doing transactions
- **Efficiency Improvements:-** Instant automated service & transaction processing without using up expensive frontend resources
- **Capacity Enhancement:-** Free up existing resources for sales instead of customer service at front end

- **Service Enhancement:-** New Products and Services available, helps retain customers and attract new ones
- **Increased quality:-** No errors
- Increased Security - Multi-layer security combining access control, passwords & AES128 bit encryption
- Information Risk Control - Airtight Confidentiality
- Operational Risk Control and Transparency
- Low cost effective and Interactive Advertising and Promotions channels - Boosts Return on Marketing Investments

Customer Benefit

- Convenience of transacting from anywhere
- Banking services available 24/7 year round , never closes for holidays
- Cost and time Reduction in doing banking transactions
- Enhanced Security
- Payment to other account holders, non-account holders and merchants with instant confirmation
- Receive payment from other account holders with instant confirmation of receipt of funds
- Deposit money into account via electronic top up at participating agents or prepaid cards
- Ability to en-cash money from authorized bank agents in nearest Cash In/Out Points without having to go to bank branches

Conclusion

The biggest advantage that mobile banking offers to banks is that it drastically cuts down the costs of providing service to the customers. Additionally, this new channel gives the bank ability to cross-sell up-sell their other complex banking products and services such as vehicle loans, credit cards etc.

Similarly, the bank could remind customers of outstanding loan repayment dates, dates for the payment of monthly installments or simply tell them that a bill has been presented and is up for payment. The customers can then check their balance on the phone and authorize the required amounts for payment.

The customers can also request for additional information. They can automatically view deposits and withdrawals as they occur and also pre- schedule payments to be made or cheques to be issued. Similarly, one could also request for services like stop cheque or issue of a cheque book over one's mobile phone.

There are number of reasons that should persuade banks in favor of mobile phones. They are set to become a crucial part of the total banking services experience for the customers. Also, they have the potential to bring down costs for the bank itself. Through mobile messaging and other such interfaces, banks provide value added services to the customer at marginal costs. Such messages also bear the virtue of being targeted and personal making the services offered more effective. They will also carry better results on account of better customer profiling.

Yet another benefit is the anywhere/anytime characteristics of mobile services. A mobile is usually with the customer. As such, it can be used over a vast geographical area. The customer does not have to visit the bank ATM or a branch to avail of the bank's services. Research indicates that the number of footfalls at a bank's branch has fallen down drastically after the installation of ATMs. As such with mobile services, a bank will need to hire even less employees, as people will no longer need to visit bank branches apart from certain occasions.

With telecom operators working on offering services like money transaction over a mobile, it may soon be possible for a bank to offer phone based credit systems. This will make credit cards redundant and also aid in checking credit card fraud apart from offering enhanced customer convenience. The use of mobile technologies is thus a win-win proposition for both the banks and the bank's customers.

The banks add to this personalized communication through the process of automation. For instance, if the customer asks for his account or card balance after conducting a transaction, the installed software can send him an automated reply informing of the same. These automated replies thus save the bank the need to hire additional employees for servicing customer needs. Banks will attain higher levels of customer satisfaction and increased loyalty by providing anywhere, anytime banking. They will benefit further from lower administrative costs, lesser number of branches, reduced headcount, streamlined call centers and lower handling charges savings that, hopefully, will be passed onto customers.

Moreover, it is not just a factor in retaining customers. Mobile banking has become a selling point in attracting new ones as well. According to a study 50 percent of 18-to-25-year-olds said that mobile banking was an important factor in choosing a bank.

Marketing

Marketing and Business Development Division (MBDD) was established in 2010 with a vision to survive in the competition and to continuously improve business of our bank using different marketing tools. Main focus of this division is to identify business opportunities, overcome business threats and all other activities related to marketing and business development of the Bank.

This division builds and maintains a long term relationship with its investment clients; provides assistance to the branches regarding prospective investment clients, assist branches for deposit mobilization and to contribute in overall business growth of the bank. MBDD also fix-up annual business target for all branches and follow-up, monitor; supervise to achieve the target by the branches. Marketing Division Schedule and coordinate regular Business Development Conference/Meeting. It also provides assistance/advice/guideline to the branches regarding new investment client for business development.

The year 2013 was very much important for MBDD as in this year this Division has done a number of important works that was gradually developed on time to time since the inception of this Division. Most remarkable works done by MBDD in 2013 are as follows:

- ▼ With an aim to render efficient services to existing and new clients of the bank, retaining existing business growth, maintaining business portfolio efficiently and effectively, finally to take effective control, monitoring, supervision of overall activities of the branches, we have divided all branches of the Bank into 4 corporate branches and 7 zones in July 2013.
- ▼ A detailed "Zone Operation Policy" has been prepared and approved thereof by the Board of Directors of the Bank.
- ▼ Marketing Division hold "Business Development Conference" in 4 Corporate Branches and 7 Zones to keep a close contact by newly joined Managing Director of the Bank with bank's all officials and valued business clients of the Bank in July 2013.
- ▼ To build long term client-bank relationship as well as to promote business of the Bank, Marketing Division arranged Iftre Mahfil centrally in the month of Holy Ramadan where all valued clients of the Bank were invited. This Iftre Mahfil also worked as Brand Development Program for the Bank. Iftre Mahfil was also arranged in all branches of the Bank throughout the month of Holy Ramadan.
- ▼ With a view to increase number of new account, expedite deposit mobilization, expansion of investment, recovery of written-off investment this division started "30 days Special Service Campaign" for the month of November 2013.
- ▼ Different promotional/gift item like Mug, Key Ring were procured to distribute among valued clients of all branches and for acquisition of new account holder.

Plan for 2014:

In every bank Marketing Division plays an important role to achieve overall business target of the Bank. Acquiring new investment, fresh deposit mobilization, new account opening is the main focus of Marketing Division for the year 2014 along with building long term customer-bank relationship. To reach business target of 2014, Marketing Division is going to take following initiatives:

- ✓ Considering fruitful result of "30 days Special Service Campaign" November 2013, Marketing Division has planed for one "60 Days Special Service Campaign" in the 1st half of 2014 and another "60 Days Special Service Campaign" in the 2nd half of 2014.
- ✓ Under new Product Development the Bank will launch SMS banking, Mobile Banking and Agent Banking including other products in 2014.
- ✓ Marketing Division will launch special campaign on "School Banking" throughout the country with

the help of 110 branches of the Bank. This campaign will help to increase the number of account of the Bank and will also develop relationship with students, guardian, teachers and member of School Committee with the Bank.

- ✓ As a part of Business Development activities Marketing Division will take initiative to find out emerging or growing business sector throughout the Country where our Bank will have investment opportunities.
- ✓ Marketing Division with the help of Card Division will take initiative to increase ATM booth throughout the country. Because now a days ATM booth is a major criteria to increase customer base.
- ✓ To maintain customer relationship with the existing business clients of the Bank, Marketing Division will do Zone-wise Business Development conference in the year of 2014.

From the very beginning Marketing Division is trying to contribute significantly in overall business growth of the Bank. With the constant support from our new Managing Director this Division has passed a very successful year 2013. We believe that MBDD will be able to do much better in 2014 by contributing overall business growth of the Bank and it will bring a positive impression and create brand value towards the existing and potential customers of the Bank.

ICC Risk Management: Internal Control & Compliance System of Al-Arafah Islami Bank Limited.

Significance of Internal Control & Compliance:

Internal control is the process, effected by a Bank's Board of Directors, Management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws, regulations, and internal policies.

Internal control is vital to ensure that resources are properly managed and that accountability is maintained. The competent authority is responsible to establish and organize internal audit as a "supervisory function" within the organization's internal control system and connection between management, stakeholders and external audit., Internal audit also has a role in risk management and can help in achievement of the basic goals of the Bank. Once established internal control and risk management systems need to be regularly reviewed and updated to ensure their continuing effectiveness.

Objectives of Internal Control:

The main objectives of Internal Control 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 & taking appropriate measures to overcome the weakness. There are mainly 3 (three) types of objectives:

- a) Performance Objective:** To ensure Bank's

operations are efficient and Risk Management systems are effective.

- b) Information objective:** To ensure Reliability, completeness & timeliness of financial & management information.

- c) Compliance objective:** To ensure compliance with the regulatory laws & regulations, internal policies and procedures.

Internal Control & Compliance (ICC) Environment

The internal control environment is the framework under which internal controls are developed, implemented and monitored. The main components, which together comprise the control environment, are:

- (a) Board of Directors:** One of the responsibilities of the Board of Directors is the financial stewardship. Financial stewardship involves the directors being the guardians of the Bank's assets and being predisposed to act in the shareholders/stakeholders best interests. The Board is actively concerned with sound corporate governance, risk management and that understands and diligently discharges its responsibilities by ensuring that the bank is appropriately and effectively managed and controlled;

To fulfill the oversight responsibilities of the Board including implementation of the objectives, strategies and overall business plans for effective functioning of the bank, the Board shall have the following Committees: (a) Executive Committee, (b) Audit Committee & (c) Risk Management Committee. All the above committees are also the element of Internal Control of the bank

- (b) Board Audit Committee:** The Audit Committee have particular responsibility to evaluate the adequacy and appropriateness of internal control, internal audit and risk management, evaluate compliance with laws and regulations etc.

- (c) Management:** Management actively manages and operates the bank in a sound and prudent manner as per policy & guidelines of Board of Directors and regulatory authorities.

- (d) Shariah Supervisory Committee:** To ensure whether the Shariah Principles are followed in all the transactions & procedures of any activities.

- (e)** All the Zonal/Divisional/Departmental Heads/Branch Managers & Executive/Officials have to play a few role in implementing Internal Control & Compliance of the Bank.

- (f) Independent Internal audit mechanism:** Independent Internal & External Audit have scope of providing bias free reports to the competent authority, so that the authority can maintain integrity standard of its financial operation and goal of the bank can be achieved in long run.

- (g) Standard Policy/guidelines** on Risk Management & all the important aspects of the bank, well designed Organizational Structure, Concurrent Audit, Auto Information/Whistle Blowing System, healthier

use of Information Communication & Technology (ICT), well designed Management Information System (MIS) etc. also ensure the smooth Internal Control & Compliance of the bank.

Types of Internal & External Audit & inspection carrying out in AIBL

Risk Based Comprehensive Internal Audit Inspection, Quarterly Foreign Exchange & Investment Audit, Core Risk Management (CRM) System Inspection, Surprise Inspection, Special Inspection, Shariah Audit, Management Audit, Concurrent Audit, External Audit, Regulatory/Bangladesh Bank Inspection etc. are carried out effectively and efficiently.

Categorization of Lapses in audit report:

The findings/lapses/objections are categorized as Very Serious Lapses (VSL), Serious Lapses (SL) and General Lapses (GL).

Monitoring System of Audit & Inspection Reports & other functionaries:

Monitoring/follow-up of Audit & Inspection Report:

Audit Monitoring Division of ICC Wing has to monitor/follow-up the various types of Audit & Inspection reports & other related vital functions stated below:

(i) Internal Audit & Inspection Report (Comprehensive Audit & Inspection, Special Audit, Surprise Inspection & Quarterly Foreign Exchange Inspection), Bangladesh Bank Inspection Report as well as External Audit Report etc.

(ii) Concurrent Audit Report, Departmental Control Function Checklist (DCFCL), Quarterly Operation Report (QOR) and Investment Documentation Checklist.

(iii) Preparing and placing memo to the Board/Board Audit Committee (BAC) on the irregularities detected by Auditors / Inspectors and its compliance within the time frame approved by Board Audit Committee (BAC).

An extract of the above functions of the year 2013 is given below:

- Effective follow-up of Comprehensive Internal Audit & Inspection Reports of 100 (One Hundred) Branches.
- Effective follow-up of 63 (Sixty three) Branches details Inspection Report of Bangladesh Bank & 12 (Twelve) Branches Inspection Report of Foreign Exchange portfolio.
- Follow-up to implement the observations/directions of Bangladesh Bank consolidated Inspection Report.
- To submit Memos before the Board Audit Committee on Audit Report of 50 (Fifty) Branches (based on Risk Category approved by Board Audit Committee) and 16 (Sixteen) Divisions / Departments of Head Office.

- To submit 15 (Fifteen) Memos on miscellaneous important issues to the Board /Board Audit Committee.

Regulatory Compliance

Regulatory Compliance Division (RCD) is responsible for monitoring of compliance of instructions/guidelines of any regulatory bodies like Bangladesh Bank, SEC etc. Maintaining of close liaison with the regulatory bodies. This division is to mainly obtain regular information on regulatory changes and distribute among the concerned departments/divisions and branches, so that they can take necessary action on the changes.

Preparation of "Self-Assessment sheet of Anti-Fraud Internal Control" of the bank on quarterly basis and submit the same to Bangladesh Bank after signing the paper by Chairman, Board Audit Committee & Managing Director. Any kind of Fraud/Forgeries etc. traced by Internal Auditor or Line Management or External Auditor etc. have to report through this paper.

Annual Health Report: This Division will prepare Annual Health Report of the Bank under the guidance of the Head of Internal Control & Compliance Wing (ICCW) that will submit to the MD and the Board Audit Committee (BAC) for onward submission to the Board of Directors. The Annual Health Report must contain the following matters: Available Equity, Investment Quality, Financial Performance Analysis, "CAMELS" Rating made by Bangladesh Bank, Internal Control and Compliance, Corporate Governance, Shariah Compliance, Training & Motivation, others.

Risk Based Annual Audit Plan: As per Internal Control & Compliance (ICC) Risk Management Guideline of Bangladesh Bank & ICC policy of AIBL, the Head of Internal Control & Compliance Wing has to set out an audit plan for each calendar year for smooth conducting of Audit & Inspection of all the branches and departments & divisions of Head Office of the bank. As per Audit Plan approved by the Board Audit Committee, risk based audit & inspection were conducted where sensitive areas addressed with priority basis.

Completion of Audit & Inspection, Surprise Inspection etc. in the year, 2013:

As per Audit Plan, 2013, Audit & Inspection Department of the Bank undertook the following Audit & Inspection, Surprise Inspection during the year, 2013:

Sl. No.	Nature of Internal Audit/Inspection	Number of Branches & Division/Department
01	Comprehensive & Risk Based Audit & Inspection	100 (One hundred) branches i.e. 100% as per Audit Plan
02	Head Office Audit & Inspection	18 Division/Department i.e. 100% as per Audit Plan
03	Surprise Inspection at the branches	28 branches i.e. 100% as per Audit Plan
04	Special Inspection	13 branches

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

Overall Risk Gradation of the branches as per Business Risk & Control Risk prepared for conducting of Risk Based Internal Audit:

(a) Inherent Business Risk: In order to trace out the inherent business risks of all the branches due consideration has been given on the volume and growth of the business in different fields. Inherent Business Risk of the branches have been measured on the basis of 08 (eight) parameters based on the position of 30th September of the previous year. These measuring sticks are Deposit, Investment, CL, Profit, Import, Export, Foreign Remittance and others. The business risk measuring sticks may further be developed for more accurate evaluation of the risk in future.

(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 field like reducing of irregularities/lapses, repetition of irregularities, lapses / gap of other control risks etc. traced by Internal Audit & Inspection Team and Regulatory/Bangladesh Bank Inspection Teams. The format which was introduced earlier for regular assessing of Control Risks is hereby revised & proposed to use in the next year for approval of Board Audit Committee.

Overall Risk Grade/Category of the branches:

For audit purpose, we have segregated the branches into 05 risk categories as per level of Composite Risk Matrix by fixing of a reasonable Business & Control Risk Score and Category. Risk gradation/category of the branches have been segregated as Extremely High Risk (EHR), Very High Risk (VHR), High Risk (HR), Medium Risk (MR) and Low Risk (LR).

Core Risk Management System (CRM) Inspection.

To comply the Core Risk Management (CRM) Guidelines issued by Bangladesh Bank, a systematic inspection were conducted in the branches & concerned Divisions/ Departments of Head Office.

The auditors have to check/verify the following 6-Core Risks Management System of the Branches & Divisions/Departments of Head Office by separate questionnaire/Checklist awarded proper marks and a separate Para to be placed in Audit Report. (1) Investment(Credit) Risk Management, (2) Foreign Exchange Risk Management, (3) Asset Liability Risk Management, (4) Internal Control & Compliance(ICC) Risk Management, (5) Anti-Money Laundering Risk Management and (6) Information & Communication Technology(ICT) Risk Management.

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 transactions and its internal checking / examination. The main objectives of Concurrent Audit is to strengthen Internal Control System of the Branches/Divisions by timely detecting of irregularities and taking appropriate measures to prevent errors/lapses, fraud/forgery etc. immediately after occurrences and/or shortage possible time.

Concurrent Auditor/Authorized Officer(s) of the branches have to examine thoroughly of the transactions/ operations of the Branches/Divisions on daily basis as per our Instruction Circular/ Circular Letter and in line with ICC policy, Audit Operations Manuals etc of the Bank. To prevent incidence of errors and their recurrences, Concurrent Auditors should make maximum 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/uncertified over the month then Concurrent Auditor have to submit a monthly report mentioning the irregularities to the Manager with a copy to the Head of ICCW for necessary action.

The Internal Audit & Inspection Teams examine the implementation of Concurrent Audit whether it is in force in the branch as per Instruction Circulars/guidelines of the Bank during their inspection as a part of their routine work. A separate Para is to be included in the Audit Report in this regard.

Credit Rating

Credit Rating Agency of Bangladesh (CRAB) Limited has adjudged AA 3 (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 2012
Date of Rating	: 30 June, 2013
Validity	: 30 June, 2014

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 2013 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 312 fresh entrants and 48 experienced Bankers during the year 2013 through a transparent recruitment process to fulfill the manpower requirement in the Bank. The Bank also sent 156 employee to BIBM, no employees abroad, 33 employees to Bangladesh Bank and 05 other places for training in different fields to upgrade themselves with the latest techniques of modern banking. We have 2,387 staff in the Bank of whom 115 are executives, 1,780 are officers and 492 other staffs as on December 31st 2013.

Sl. No	Designation Category	Number
1	Executives	115
2	Officers	1,780
3	Others	492
Total		2,387

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 772 students from different renowned universities for doing internship program in our Bank during the year 2013. The Bank has recruited experienced new manpower to strengthen its large scale operations. Total manpower employed in the Bank including Managing Director is 2,387 at 31 December 2013 which was 2,110 at the end of the last year.

Training & Motivation:

AL-Arafah Islami Bank Training & Research Academy (AIBTRA) is operating need based, result- oriented & effective training Programs aimed at building professionalism at different levels in AIBL. The purpose is to create efficient and innovative, responsive and accountable, honest and committed Human Resources to meet the challenges of the 21st century complying vision and mission of AIBL.

Objectives:

(I) Enhance the capacity of the employee to analyse, develop and implement policies, plans & programs of AIBL.

(II) Build an effective & innovative, accountable and transparent, honest and committed employee capable of delivering quality and effective services to the customers

(III) Equip Human Resources at all levels with requisite knowledge, skills and techniques to enable them to make effective use of their potentials and to ensure balanced and sustainable growth and development of the bank.

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/ Executive Development Programs(EDP) simultaneously at Dhaka as well as outside Dhaka. Training courses, Workshops, EDP, 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 2013, the total numbers of 2334 trainees were trained by AIBTRA through 48 training courses /workshops consisting of 116 working days. A total 203 executives/officials have been trained on different subjects through 6 outreach. 477 officers/ Executives have been trained on IT operation in ICT Lab of AIBL through 26 workshops under the supervision of ICT Division. Moreover, an special Program arranged by AIBTRA for enhance the skill of Executive through Executive Development Program (EDP) in AIBL Board Room. In this program, training sessions were conducted by Mr. Khondkar Ibrahim Khaled, Dr. Muzaffer Ahmed Chair Professor Bangladesh Institute of Bank Management (BIBM). 156 (One hundred fifty six) officers and executives have received training from Bangladesh Institute of Bank Management (BIBM). At the same time, 39 officers and executives have been trained in several training institutes including Bangladesh Bank Training Academy. Moreover, 1 executives of the Bank participated in training workshops/Seminars in UAE in the year 2013.

Besides these, in order to prepare Documentary Credit Specialist, AIBTRA has taken initiative to train selected AIBL officials in International Trade & Foreign Exchange for qualifying in the Certified Documentary Credit Specialist (CDCS) examination, 2014.

A list of training courses, seminar, workshops & EDPs

conducted during the year 2013 is given below:

S/L	Subjects	Number	Participants
A. Training Courses:			
01	Training Course on "Capacity Development in Banking Operation For ICC Officials"	1	32
02	Training Course on "ICC Publications & Their Application"	1	42
03	Orientation Course on Banking	3	148
04	Banks Legal Issues & Auditing Thereof	1	36
05	Foreign Exchange & International Trade	1	43
06	Induction Course on Islamic Banking	2	88
07	ICC Publications & Their Applications	1	40
08	Capacity Development in Banking for ICC Officials	1	32
B. Workshops:			
01	Concurrent Audit : Review Workshop	3	142
02	Stress Management for Job Performance	1	40
03	Money Laundering Prevention Act, 2012 & Anti Terrorism (Amendment) Act, 2012 (Batch-I)	7	346
04	Artho Rin Adalat Ain-2003	1	32
05	Creating Awareness on Circulars-2012 Issued by AIBL	1	32
06	Investment Need Assessment	1	30
07	MIS Components for ICC	1	30
08	Shariah Implementation in AIBL (Venue: Dhaka)	1	43
09	Receipt, Payment & Collecting value of Mutilated, Torn, Burnt, & Soiled Notes	1	54
10	Readymade Garments (RMG) Industries Financing in AIBL	1	53
11	CIB on-line Operation	2	118
12	Auditing Shipping Documents at Branches	1	31
13	Renewable Solar Energy Investment Scheme under SME Financing in AIBL	1	59
14	Audit, Inspection, Investigation & Inquiry in Banking	1	30
15	Shariah Implementation in AIBL (Venue: AIBTRA)	1	43
16	Classification of Loan/Investment-Bangladesh Bank Master Circular-2012 and it's Amendments	2	101
17	Poverty Alleviation through SME Investment	2	165
18	Six Core Risk Management System Audit	1	31
19	Introducing Special Service Month Campaign Program	1	59
20	Anti Money Laundering & Bangladesh Bank Inspection	1	31
21	Green Banking and Environment Risk Rating (EnvRR)	1	56
22	Centralized Trade Processing	1	48
C. Executive Workshops:			
01	Leadership Skills in Banking for Senior Executives	1	54
02	Core Risk Management, Classification & Rescheduling of Investment (Venue: Head Office)	1	46
D. Executive Development Program (EDP):			
01	Management Principles & Corporate Governance	1	46
E. Outreach Workshops:			
1.	Capacity Development in Banking Operation (Venue : Rangpur)	1	60
2.	Shariah Implementation in AIBL (Venue: Agrabad, Zindabazar, Comilla, Khulna, Bogra Branch)	5	143
Sub Total= (A+B+C+D+E)		54	2334
F. IT Training (ICT Lab)		26	477
Grand Total= (A+B+C+D+E+F)		79	2861

Staff Welfare Project

The Bank always keep a careful eye on the economic security and benefit of its staffs & officers. The Bank

operates a contributory provident fund, a social security & benevolent fund and a gratuity fund for its employees.

Al-Arafah Islami Bank Foundation

The Bank has a foundation performing philanthropic activities. Al-Arafah 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 ie 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 is not only generates profit, but also contributes significantly in the field of providing good source of knowledge by establishing a public library at 32, Topkhana Road, Chittagong Bhaban (1st floor), Dhaka, thus strengthening social development. It harbours 22,000 books of reference for the researchers, students, professionals, bankers, physicians, engineers, politicians, writers or journalists, even for the kids. It is open to all throughout 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 has established an International Standard Kidney Dialysis Center to deliver the dialysis therapy to kidney patients at low cost. It is situated at Chattagram Bhaban (1 st Floor), 32 Topkhana Road, Dhaka- 1000. National Professor Dr. M. R. Khan inaugurated this philanthropic Dialysis Center on December 04, 2010. This center is capable to deliver the dialysis therapy to ten kidney patients daily. Extension program has been taken for dialysis therapy to forty patients daily.

Another Kidney Dialysis Center started its journey on March 12, 2013 at Firingi Bazar, Chittagong. The capacity of this center is twenty patients daily including four positive patients.

Al-Arafah Islami Bank Foundation authority is committed to deliver the health care service to the underprivileged people of Bangladesh in near future.

Risk Management

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

Like Other Bank, to minimize potential risks, Al-Arafah Islami Bank has also taken different steps as per direction of Bangladesh Bank. As a part of those initiatives our Bank has established a division named Risk Management Division whose main objective is to identify, measure and control of various risks prevailing over various operation of our Bank. Risk Management Division (RMD) generally cover six core risk areas of Banking, viz;

Investment (Credit) Risk, Foreign Exchange Risk, Money Laundering Risk, Asset Liability Management Risk, Internal Control & Compliance Risk and IT Risk. These divisions are functioning independently according to guideline of Bangladesh Bank and required to report directly to the Managing Director of our Bank.

Implementation of Basel-II

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

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

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

Branch Network

At present we have 110 branches all over the country. In a bid to expand our network of Branches we got approval to open 8 (Eight) new branches in 2014.

Card & ATM

Over the past couple of years the usage of Debit/ATM Cards has increased dramatically. People now feel safer and comfortable in carrying plastic cards rather than bundles of money with them. Nowadays, remarkable transactions occur in our ATMs. We have issued about 20,000 (twenty thousand) Debit/ATM Cards. Considering this scenario our Bank has intended to expand the ATM network and increase card facility among the customers. Meanwhile we have deployed 40 ATM booths in various location and another 10 ATMs are in process. We have already completed testing with NPSB (National Payment Switch of Bangladesh) and the network will be open very soon. The introduction of the common switch has greatly enhanced the efficiency of the ATM system since our account holders will be able to use all the ATM booths of other banks located countrywide. 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

We are aware that global warming is an issue that calls for a global response. The rapid change in climate will

be too great to allow many eco-systems to suitably adapt, since the change have direct impact on biodiversity, agriculture, forestry, dry land, water resources and human health. Due to unusual weather pattern, rising greenhouse gas, declining air quality etc. society demands that business also take responsibility in safeguarding the planet. Green finance as a part of Green Banking makes great contribution to the transition to resource-efficient and low carbon industries i.e. green industry and green economy in general. Green banking is a component of the global initiative by a group of stakeholders to save environment.

Green banking is a simple word but its magnitude is significantly wide covering social environment and economical aspects. Green banking is a device that considers social and ecological factors to protect environment and conserve natural resources. If we protect environment, we protect ourselves. Green bankers think to protect environment and conserve power and energy in order to ensure a safer world for the next generation.

Al-Arafah Islami Bank Ltd. Being a 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 :-

- ▼ Formulated a Green Banking Policy Phase-I & II of AIBL duly approved by its Board of Directors & circulated to all Branches & Divisions of Head Office.
- ▼ Sector Specific Environment Policy (SSEP):
- ▼ Formulated a Sector Specific Environmental Policies of AIBL duly approved by its Board of Directors & circulated to all Branches & Divisions of Head Office.

● In-house activities:

- ▼ Introduced "Green Office Guide" for In-house Environmental Management & circulated to all branches, Zonal Offices & Divisions of Head Office.

● 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.

● Online Banking:

- ▼ Online banking facilities already extended to the clients.
- ▼ Debit Cards.
- ▼ Credit Cards will be launched very soon.
- ▼ All Branches with online coverage.

● Green Financing:

- ▼ Bank has already financed 10 (ten) no. of ETP projects amounting to 1,468.50 million BDT.
- ▼ Bank also financed 12 Brick fields using HHK/ & Zigzag technology amounting to 322.60 million BDT as project loan & working capital.
- ▼ Bank has already financed 1552 no. of solar panels amounting to 39.70 million BDT.
- ▼ Environment Risk Management (ERM):

- ▼ Environment risk rating is done on the relevant proposal under Environment Risk Management Guide Line.

- ▼ Employee Training, Consumer awareness and Green Events:

- ▼ Conducted 3 workshops on Green Banking & Environmental Risk Management in 2013 With the Participation of total 214 Executives and Officers of our Bank at AIBL Training Institute.

Appointment of Statutory Auditor

In the 18th 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 19th Annual General Meeting. The Board has approved M/S Khan Wahab Shafique Rahman & Co. and Syful Shamsul Alam & Co. Chartered Accountants for appointment as External Auditors by the shareholders till the 20th 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 2013 we accomplished different humanitarian and social activities which include allocation of fund Tk.45.50 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 2013, 18 regular and no emergency Board Meeting had been held. Besides, 48 meetings of Executive Committee and 13 meetings of Audit Committee of the Board had also been held during the year.



The Board of Directors of the Bank recommended 13.5% Stock Dividend subject to the approval of the AGM



Board Executive Committee Meeting



Board Audit Committee Meeting



Business Development Conference for 4 corporate branches and 3 zones of Dhaka



Executive Development program arrange at Head Office



Seminar and Iftar Mahfil arranged by Head Office



Opening ceremony of Muradpur Branch, Chittagong



The Bank provided Computers to Bangladesh Supreme Court Bar Association



Inauguration of Special Service Campaign at AIBL Motijheel Branch



Workshops, seminars and training sessions were arranged regularly at the Training and Research Academy



Seminar on Islamic Banking arranged at Head office



Training course on Shariah Implementation arranged by Training and Research Academy



The Bank donated Computers to the students under Corporate Social Responsibility



Blankets were donated to the poor under Corporate Social Responsibility of the Bank



The 4th Annual General Meeting of AIBL Capital Market Services Limited



The 2nd Annual General Meeting of AIBL Capital Management Limited

**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 26-32
- ii. Segment-wise or product-wise performance. Page No. 35-40
- iii. Risks and concerns. Page No. 89-90
- iv. A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin. Page No. 58
- 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. 118-120

- 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	2013	2012	Growth %
Investment income	16,988.63	14,119.19	20.32%
Profit paid to depositors	12,052.49	9,575.65	25.87%
Net Investment Income	4,936.14	4,543.54	8.64%
Commission, Exchange & Brokerage and other Income	1,827.08	1,979.41	(7.70)%
Total Operating Income	6,763.22	6,522.95	3.68%
Total Operating Expense	2,548.35	2,119.05	20.26%
Profit before Tax and provision	4,214.87	4,403.90	(4.29)%
Provision on Investment and others	477.01	757.68	(37.04)%
Profit Before Tax	3,737.86	3,646.22	2.51%
Provision for Taxation	1,685.54	1726.69	(2.38)%
Net Profit after Tax	2,052.32	1,919.53	6.92%
EPS	2.46	2.30	6.96%

Investment income increased by 20.32% compared to previous year due to increase investment Tk 19,731.96 million in 2013 and optimum utilization of surplus fund. On the other hand profit paid on deposits and borrowings increased by 25.87% compared to previous year due to increase deposits and borrowings Tk 20,646.67 million in the year 2013. During the year 2013 Net Profit after tax increased by 6.92% compared to previous year 2012.

- x. Remuneration to directors including independent directors. Page No. 107
- 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. 58
- 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. 59
- 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. 118-120
 - 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. 59-60
 - 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. 118-120
 - b. Nature of his/her expertise in specific functional areas; Page No. 118-120
 - c. Name of the companies in which the person also holds the directorship and the membership of committees of the board. Page No. 118-120

Directors' Attendance in the Board Meeting for the year 2013

Sl No.	Name of the Directors	Designation	Meeting held	Attended	Remarks
1	Jb. Badiur Rahman	Chairman	18	18	
2	Jb S.M. Shameem Iqbal	Vice-Chairman	18	15	
3	Alhajj Md. Harun-ar-Rashid Khan	Director	18	17	
4	Alhajj Nazmul Ahsan Khaled	Director	18	16	
5	Alhajj Abdul Malek Mollah	Director	18	16	
6	Hafez Alhajj Md. Enayet Ullah	Director	18	17	
7	Alhajj Abdul Moktadir	Director	18	10	
8	Alhajj Ahamedul Haque	Director	18	14	
9	Alhajj Abdus Samad	Director	18	13	
10	Alhajj A.N.M. Yeahea	Director	18	13	
11	Alhajj Engr. Kh. Mesbahuddin Ahmed	Director	18	18	
12	Alhajj Mohammed Abdus Salam	Director	18	15	
13	Alhajj Niaz Ahmed	Director	18	18	
14	Jb. Md. Ashik Hossain	Director	18	8	
15	Jb. Mohammed Emadur Rahman	Director	18	7	
16	Alhajj Badsha Meah	Director	18	2	
	Dr. Md. Shafiul Haider Chowdhury	Alternative Director	18	12	Appointed w.e.f. from 230th meeting
17	Alhajj Mohammed Haroon	Director	18	2	
	Jb. Anwar Hossain	Alternative Director	18	8	Appointed w.e.f. from 230th meeting
18	Jb. Brig. Genneral M.A. Malek	Director	18	15	
19	Jb. Kazi Badruddin Ahmed	Director	18	13	
Total			342	267	

Statement of Shares held by Directors and their Spouses & Minor Children (as on 31 December 2013)

Sl no	Name of the Directors	Status	No of Shares
1	Jb. Badiur Rahman	Chairman	23,272,550
	Mrs. Syeda Rashida Yasmin	Spouse	4,079,663
2	Sarker Mohammad Shamim Iqbal	Vice Chairman	20,470,249
3	Alhajj Md. Harun-ar-Rashid Khan	Director	16,686,899
4	Alhajj Nazmul Ahsan Khaled	Director	16,714,663
5	Alhajj Abdul Malek Mollah	Director	16,733,044
	Mrs. Alhajj Laila Begum	Spouse	263
6	Alhajj Hafez Md. Enayetullah	Director	16,691,063
7	Alhajj Abdul Moktadir	Director	16,691,827
8	Alhajj Abdus Samad	Director	18,776,080
	Mrs. Shahana Ferdous	Spouse	602,917
9	Alhajj Ahamedul Haque	Director	16,686,812
10	Alhajj Kh. Mesbah Uddin Ahmed	Director	16,687,453
	Mrs. Ajmeri Ahmed	Spouse	7,383,333
11	Jb. Abu Naser Mohammad Yeahea	Director	20,606,030
	Mrs. Nahreen Siddiqua	Spouse	7,429,915
12	Jb. Abdus Salam	Director	16,921,812
13	Jb. Niaz Ahmed	Director	16,772,584
	Mrs. Shabana Niaz	Spouse	6,879,758
14	Jb. Ashik Hossain	Director	16,689,493
15	Alhajj Mohammed Haroon	Director	19,162,643
16	Mohammad Emadur Rahman	Director	16,707,078
17	Alhajj Badsha Meah	Director	16,686,933
	Mrs. Feroza Begum	Spouse	258,935
18	Brig. General. M. A. Malek (Retd)	Independent Director	Nil
19	Kazi Badruddin Ahmed	Independent Director	Nil
20	Md. Habibur Rahman	Managing Director	62,273

**Statement of Shares held by Chief Executive Officer, Company Secretary, Chief Financial Officer,
Head of Internal Control & Compliance Division and their spouses and Minor Children
(as on 31st December, 2013)**

Sl no	Name of the Executives	Status	No. of Shares
1	Md. Habibur Rahman	Chief Executive Officer	62,273
	Fatema Zohra	Spouse	2,407
2	Md. Mofazzal Hossain	Company Secretary	16
	Mahfuza Khatun	Spouse	49
3	Mohammed Nadim FCA	Chief Financial Officer	Nil
4	Md. Abdur Rahim Duary	Head of Internal Control & Compliance 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 2013)**

Sl no	Name of the Executives	Status	No. of Shares
1	Kazi Towhidul Alam	Deputy Managing Director	Nil
2	Md. Golam Rabbani	Deputy Managing Director	Nil
3	Mohammed Abdul Jalil	Deputy Managing Director	4085
4	Md. Mominul Haque Bhuiyan	Executive Vice President	1170
5	Syed Masodul Bari	Executive Vice President	Nil



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

Date: February 23, 2014

The Managing Director
Al-Arafah Islami Bank Limited
36, Dilkusha C/A, Dhaka-1000

Sub: Audit opinion on the implementation of conditions of Corporate Governance guidelines implemented for the period from 07 august 2012 to 31 December 2013.

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 2013.

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 2013, except the followings:

Appointment of independent director:

AIBL has total number of directors are 19 (nineteen) out of which 02 (two) are independent directors but as per SEC guideline at least 03 (three) independent directors are required. But as per Bank Company Act 02 (two) independent directors are required.

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,

(S. H. KHAN & 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 ✓ Pin the appropriate column)		Explain for non-compliance with the condition
		Yes	No	
1.1	Board's size	✓		
1.2 (i)	Number of independent directors		✓	Three independent directors are required, but currently there are two. Appointment of remaining independent director under process
1.2 (ii) a)	The independent director 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)		Explain 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 director 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 (NBFI);	✓		
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, Chartered Secretaries. The independent director must have a least 2(twelve) years of corporate management /professional experiences.	✓		
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.	✓		

Compliance Report on SEC Notification

Condition No.	Title	Compliance Status (Put mark ✓ Pin the appropriate column)		Explain for non-compliance with the condition
		Yes	No	
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.	✓		
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	✓		

Compliance Report on SEC Notification

Condition No.	Title	Compliance Status (Put mark ✓ in the appropriate column)		Explain for non-compliance with the condition
		Yes	No	
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,	✓		
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	✓		
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.	✓		
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	✓		

Condition No.	Title	Compliance Status (Put mark ✓ in the appropriate column)		Explain for non-compliance with the condition
		Yes	No	
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.	✓		
5 (ii)	At least I (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.		✓	Under Process
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 2013. 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 2014. 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: 30 March 2014

On behalf of the Board of Directors

শরীয়াহ সুপারভাইজরী কমিটি-এর বার্ষিক প্রতিবেদন

(৩১ ডিসেম্বর, ২০১৩ ঈসাবী তারিখে সমাপ্ত বছরের জন্য)

বিস্মিল্লাহির রাহমানির রাহীম

আসসালামু আলাইকুম ওয়া রাহমাতুল্লাহি ওয়া বারাকাতুহু

আল-আরাফাহ্ ইসলামী ব্যাংক লিমিটেড-এর সম্মানিত শেয়ারহোল্ডারবৃন্দ !

আল-আরাফাহ্ ইসলামী ব্যাংক লিমিটেড তাদের যাবতীয় ব্যাংকিং কার্যাবলীতে ব্যাংকের শরীয়াহ সুপারভাইজরী কমিটি (শরীয়াহ কাউন্সিল) প্রদত্ত দিক নির্দেশনা, সিদ্ধান্ত এবং সুনির্দিষ্ট ফতওয়াসমূহ ও শরীয়াহর বিধিবিধান যথাযথভাবে বাস্তবায়ন করেছে কিনা সে সম্পর্কে মতামত প্রকাশের জন্য আমরা পর্যালোচনায় মিলিত হয়েছি।

আল-আরাফাহ্ ইসলামী ব্যাংক লিমিটেড-এর ব্যাংকিং কার্যক্রমের ক্ষেত্রে ইসলামী শরীয়াহর নীতিমালা ও বিধিবিধান মোতাবেক সার্বিক ব্যবসা পরিচালনার দায়িত্ব মূলতঃ ব্যাংকের ব্যবস্থাপনা কর্তৃপক্ষের। আমাদের দায়িত্ব হলো ব্যাংকের কার্যাবলী পরিচালনায় শরীয়াহসম্মত দিকনির্দেশনা ও সিদ্ধান্ত প্রদান এবং তার ভিত্তিতে ব্যাংকের ব্যবস্থাপনা কর্তৃপক্ষ তাদের যাবতীয় কার্যক্রম পরিচালনা করেছে কি না-তা যাচাই ও পর্যালোচনাপূর্বক একটি স্বাধীন মতামত প্রস্তুত করে আপনাদের নিকট উপস্থাপন করা।

আল-আরাফাহ্ ইসলামী ব্যাংক লিঃ-এর শরীয়াহ সুপারভাইজরী কমিটি ও শরীয়াহ সুপারভাইজরী সচিবালয় কর্তৃক বিগত বছরে (২০১৩ ঈসাবী) প্রধান কার্যালয়সহ ব্যাংকের সকল (১১০টি) শাখায় অনুসৃত কার্যক্রম পর্যবেক্ষণ, সংশ্লিষ্ট নথিপত্র এবং লেনদেন যাচাই বাছাইসহ ব্যাংক কর্তৃপক্ষ কর্তৃক উপস্থাপিত বার্ষিক ব্যালেন্সশীট পর্যালোচনা করে নিম্নোক্ত অভিমত ও পরামর্শ প্রদান করেছে :

অভিমত :

- বিগত অর্থবছরে আল-আরাফাহ্ ইসলামী ব্যাংক লিঃ কর্তৃক ব্যাংকিং কার্যক্রমে অনুসৃত ও পরিচালিত কার্যাবলী, লেনদেন এবং চুক্তিসমূহ-যা আমরা পর্যালোচনা করেছি, তা ইসলামী শরীয়াহর নীতিমালা ও বিধিবিধান অনুযায়ী করা হয়েছে।
- ব্যাংকের বিভিন্ন শ্রেণীর মুদারাবা ডিপোজিটরদের মাঝে যে লাভ বন্টন করা হয়েছে তা শরীয়াহর মুদারাবা নীতিমালা ও সাহিবুল মাল তথা ডিপোজিটরদের সাথে ব্যাংকের ওয়াদা মোতাবেক করা হয়েছে।
- ব্যাংক ডিপোজিটর ও শেয়ারহোল্ডারদের হিসাব থেকে যেহেতু কোন যাকাত কেটে রাখেনা তাই ডিপোজিট ও শেয়ারের টাকার উপর যাকাত প্রদেয় হলে-তা প্রদান করা যথাক্রমে ডিপোজিটর ও শেয়ারহোল্ডারদের নিজ নিজ দায়িত্ব।
- কেন্দ্রীয় ও আন্তর্জাতিক ব্যাংকের বিধিগত বাধ্যবাধকতা এবং ব্যাংকের বিভিন্ন শাখায় বিনিয়োগ সংশ্লিষ্ট কিছু অসতর্কতার ফলে শরীয়াহ অননুমোদিত উপায়ে বা পন্থায় অর্জিত সূদ ও সন্দেহজনক আয় (Doubtful Income) সতর্কভাবে চিহ্নিত করা হয়েছে এবং উক্ত অর্থ যাতে ডিপোজিটর ও শেয়ারহোল্ডারদের মাঝে লভ্যাংশ হিসেবে বন্টনযোগ্য আয়ের অন্তর্ভুক্ত না হয় সে জন্য ব্যাংকের মূল আয় থেকে তা পৃথক করে শরীয়াহ নির্ধারিত পন্থায় খরচের জন্য সিদ্ধান্ত প্রদান করা হয়েছে।

পরামর্শ :

- ১। ব্যাংকের সর্বস্তরের জনশক্তিকে ইসলামী ব্যাংকিং বিষয়ে প্রশিক্ষিত করে গড়ে তোলার লক্ষ্যে ইসলামী অর্থনীতি ও ব্যাংকিং বিষয়ে পর্যাপ্ত প্রশিক্ষণের ব্যবস্থা গ্রহণ করা।
- ২। ইসলামী ব্যাংকিং-এর মূল বিনিয়োগ পদ্ধতি তথা মুদারাবা ও মুশারাকা পদ্ধতিতে বিনিয়োগ কার্যক্রম চালু করার সক্রিয় ও কার্যকরী পদক্ষেপ গ্রহণ এবং বাই-মুয়াজ্জাল ও বাই-মুরাবাহা বিনিয়োগে গ্রাহককে 'ক্রয়-প্রতিনিধি' নিযুক্তকরণসহ বিনিয়োগ পদ্ধতির যথাযথ অনুশীলনের ব্যবস্থা গ্রহণ করা।
- ৩। ব্যাংকের ডিপোজিট ও বিনিয়োগ গ্রাহকসহ দেশের সাধারণ মানুষকে ইসলামী ব্যাংকিং-এর সাথে সম্পৃক্তকরণে এবং ব্যাংকের দুনিয়াবী ও পরকালীন কল্যাণের বিষয় তাদের নিকট তুলে ধরার নিমিত্তে প্রধান কার্যালয়, জোন ও শাখা পর্যায়ে নিয়মিতভাবে ইসলামী অর্থনীতি ও ব্যাংকিং বিষয়ক সেমিনার ও গ্রাহক সমাবেশ-এর আয়োজন করা।
- ৪। আল-আরাফাহ্ ইসলামী ব্যাংক ফাউন্ডেশনের কার্যক্রম জোরদার করে দেশের দরিদ্র জনগোষ্ঠীর মাঝে জনকল্যাণমূলক যাবতীয় কার্যক্রম আরো জোরদার করা। এক্ষেত্রে শরীয়াহ পরিপালনে আরো অধিক সতর্কতা অবলম্বন করা প্রয়োজন।
- ৫। দেশের অপেক্ষাকৃত গরীবদের আর্থ-সামাজিক উন্নয়নের লক্ষ্যে ক্ষুদ্র বিনিয়োগ প্রকল্প জোরদার করা এবং বিভিন্ন উন্নয়নমূলক প্রকল্প চালু করার যথাযথ ব্যবস্থা গ্রহণ করা।

আল্লাহ তা'আলা আমাদের যাবতীয় কাজ তাঁর সন্তুষ্টির জন্য করার তাওফীক দান করুন, আমীন।



(মোঃ আব্দুর রহীম খান)

সচিব



(মুহতী আব্দুর রহমান)

চেয়ারম্যান

Auditors' Report and Financial Statements

for The Year Ended 31 December 2013

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Al-Arafah Islami Bank Limited and its subsidiaries (the "Group") as well as the separate financial statements of Al-Arafah Islami Bank Limited Bank Limited (the "Bank"), which comprise the consolidated balance sheet and the separate balance sheet as at 31 December 2013, and the consolidated and separate profit and loss accounts, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements and Internal Controls

Management is responsible for the preparation of consolidated financial statements of the Group and also separate financial statements of the Bank that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in note 3c and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements of the Group and also separate financial statements of the Bank that are free from material misstatement, whether due to fraud or error. The Bank Company Act, 1991 and the Bangladesh Bank Regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Bank. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements of the Group and separate financial statements of the Bank. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and separate financial statements of the Bank, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements of the Group and separate financial statements of the Bank that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. 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 of the Group and also separate financial statements of the Bank.

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 consolidated financial statements of the Group and also separate financial statements of the Bank give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Bank as at 31 December 2013, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in note 3c.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, Securities and Exchange Rules 1987, the Bank Company Act, 1991 and the rules and regulations issued by Bangladesh Bank, we also report the following:

- (a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (b) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the consolidated financial statements of the Group and the financial statements of the Bank and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Control:
- i) internal audit, internal control and risk management arrangements of the Group and the Bank as disclosed in note 3.A, 3.A.iv, 3.A.v and Annexure-D of the financial statements appeared to be materially adequate;
- ii) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities [other than matters disclosed in these financial statements];
- (c) financial statements of the Bank's two subsidiaries namely, AIBL Capital Market Services Limited and (AIBL-CMSL) and AIBL Capital Management Limited (AIBL-CM) have been audited by Khan Wahab Shafique Rahman & Co, and S. H. Khan & Co, and have been properly reflected in the consolidated financial statements;
- (d) in our opinion, proper books of account as required by law have been kept by the Group and the Bank so far as it appeared from our examination of those books;
- (e) the consolidated balance sheet and consolidated profit and loss account of the Group and the separate balance sheet and separate profit and loss account of the Bank dealt with by the report are in agreement with the books of account;
- (f) the expenditure incurred was for the purposes of the Bank's business;
- (g) the consolidated financial statements of the Group and the separate financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- (h) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- (i) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (j) the information and explanation required by us have been received and found satisfactory; and
- (k) We have reviewed over 80% of the risk weighted assets of the Bank and we have spent around 8,500 person hours for the audit of the books and accounts of the Bank.



MASIH MUHITH HAQUE & CO.
Chartered Accountants
Place : Dhaka
Date : 27 February 2014



SYFUL SHAMSUL ALAM & CO.
Chartered Accountants

Consolidated Balance Sheet as at December 31, 2013

PROPERTY AND ASSETS	Notes	2013 Taka	2012 Taka
Cash in hand	5		
Cash in hand (including foreign currencies)	5.a	1,532,281,100	1,082,941,132
Balance With Bangladesh Bank and its Agents Banks	5.a.i	16,046,314,177	11,601,779,123
(including foreign currencies)		17,578,595,277	12,684,720,255
Balance with other Banks and Financial Institutions	6.A		
In Bangladesh	6.a	3,136,879,134	1,055,597,113
Outside Bangladesh	6.b	1,561,507,535	1,257,383,205
		4,698,386,670	2,312,980,318
Placement with Banks & Other Financial institutions	7	5,400,000,000	11,300,000,000
Investment in Share & Securities	8.A		
Government	8.a	5,480,000,000	4,200,000,000
Others	8.A.ii	1,658,935,368	1,311,242,916
		7,138,935,368	5,511,242,916
Investments	9.A		
General Investments etc.	9.h	117,501,184,858	95,820,214,960
Bills purchased and discounted	9.b	8,214,210,561	10,830,210,720
		125,715,395,419	106,650,425,680
Fixed assets including Premises	10.A	2,517,217,793	2,394,620,839
Other Assets	11.A	10,113,096,083	8,466,374,155
Non-Banking Assets		-	-
Total Assets		173,161,626,610	149,320,364,162
LIABILITIES AND CAPITAL			
Liabilities			
Placement from Banks & Other Financial institutions	12.A	3,400,000,000	6,230,000,000
Deposits and other Accounts	13.A		
Mudaraba Savings Deposits		12,267,376,580	9,998,519,808
Mudaraba Term Deposits	13.A.ii	90,041,393,769	76,618,032,206
Other Mudaraba Deposits	13.i	24,152,503,796	18,208,830,719
Al-Wadia Current Accounts and Others Accounts etc.	13.ii	13,566,062,046	12,898,844,570
Bills Payable		953,220,429	959,167,532
		140,980,556,620	118,683,394,835
Other Liabilities	14.A	12,625,221,747	10,307,395,261
Deferred tax Liabilities/ (Assets)	15	64,678,238	48,885,051
Total Liabilities (12+13+14+15)		157,070,456,605	135,269,675,146
Capital/Share holders Equity			
Paid up Capital	16	8,343,246,710	7,130,980,100
Statutory Reserve	17	3,849,648,168	3,102,076,966
Other Reserve	18	977,548,248	977,548,248
Retained Earnings	19.A	1,328,205,351	1,238,380,901
Total Equity attributable to equity holders of the Bank		14,498,648,477	12,448,986,215
Non-Controlling Interest	16.A	1,592,521,523	1,601,702,801
Total equity		16,091,170,000	14,050,689,016
Total Liabilities and Share holders equity		173,161,626,610	149,320,364,162

Consolidated Balance Sheet as at December 31, 2013

	Notes	2013 Taka	2012 Taka
OFF BALANCE SHEET ITEMS			
Contingent Liabilities			
Acceptance and endorsement		11,479,081,930	9,057,403,774
Letters of Guarantee	20	4,006,609,306	1,955,716,112
Letters of Credit		10,953,924,250	10,259,719,879
Bills for Collection		897,260,264	892,886,654
Other Contingent Liabilities		-	-
Total		27,336,875,749	22,165,726,419
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		27,336,875,749	22,165,726,419

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


Executive Vice President



Managing Director


Director


Director


Chairman

Signed in terms of our report of event date.


MASIH MUHITH HAQUE & CO.
Chartered Accountants
Place : Dhaka
Date : 27 February 2014


SYFUL SHAMSUL ALAM & CO.
Chartered Accountants

Consolidated Profit & Loss Account For the Year ended December 31, 2013

	Notes	2013 Taka	2012 Taka
Investment Income	21.A	17,966,328,508	14,998,602,041
Profit paid on deposits & Borrowing	22.A	(12,107,715,073)	(9,710,478,209)
Net Investment Income		5,858,613,435	5,288,123,831
Income from Investment in Shares /Securities	23.A	277,946,526	252,688,408
Commission, Exchange and Brokerage	24.A	1,230,268,108	1,237,218,574
Other Operating Income	25.A	248,878,996	204,068,737
		1,757,093,630	1,693,975,719
Total operating income		7,615,707,065	6,982,099,551
Salaries and allowances & contribution to P.F	26.A	1,648,327,204	1,408,249,794
Directors' fees & expenses	27.A	11,297,361	8,265,823
Shariah Supervisory Committee's fees & expenses	28	204,421	260,177
Rent, taxes, insurance, lighting etc.	29.A	299,702,926	232,525,902
Postage, telegram, telephone and stamp etc.	30.A	75,403,373	72,405,496
Legal charges		2,718,203	2,298,422
Auditors' fee		1,267,000	816,540
Salary & Allowances to the Managing Director		11,030,000	10,660,000
Depreciation and repairs to the bank's properties		225,559,152	175,913,514
Stationery, printing, advertisement etc.	31.A	66,447,715	56,326,128
Other expenses	32.A	325,187,952	258,839,210
Total operating expenses		2,667,145,307	2,226,561,006
Profit/(Loss) before Tax & provision		4,948,561,757	4,755,538,545
Provision against Investments & Contingent Liabilities	33.A	383,911,072	668,204,911
Provision for diminution in value of investment	14.4.A	203,006,653	143,240,680
Other Provision		1,230,000	-
Total provision		588,147,725	811,445,591
Profit/(Loss) before Tax		4,360,414,032	3,944,092,954
Current tax	14.A.I	2,067,939,861	1,981,803,477
Deferred tax	15	15,793,187	16,892,283
Provision for Taxation		2,083,733,048	1,998,695,760
Net Profit/(Loss) after tax		2,276,680,985	1,945,397,193
Net Profit Attributable to:			
Equity Holders of the bank		2,049,662,264	1,694,144,703
Non-Controlling Interest		227,018,721	251,252,490
		2,276,680,985	1,945,397,193
Appropriation			
Statutory Reserve		747,571,202	729,244,809
Non-Controlling Interest		227,018,721	251,252,490
		974,589,923	980,497,299
Transferred to Retained Earnings		1,302,091,062	964,899,894
Earnings per Share	38.A	2.46	2.03

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


Executive Vice President



Managing Director


Director


Director


Chairman

Signed in terms of our report of event date.


MASIH MUHITH HAQUE & CO.
Chartered Accountants
Place : Dhaka
Date : 27 February 2014


SYFUL SHAMSUL ALAM & CO.
Chartered Accountants

Consolidated Cash Flow Statement For The Year Ended December 31, 2013

	Notes	2013 Taka	2012 Taka
Cash flows from Operating Activities			
Investment income receipt in Cash		18,191,437,207	14,499,575,043
Profit paid on deposits		(12,107,715,073)	(7,907,151,745)
Dividend recieved		27,934,878	10,076,279
Fees & Commission received in cash		1,230,268,108	1,177,218,244
Recoveries from write off investments		2,631,154	14,154,626
Cash payments to employees		(1,658,053,204)	(1,395,233,312)
Cash payments to suppliers		(66,447,715)	(37,574,259)
Received from other operating activities (item-wise)		239,250,475	919,069,819
Paid for other operating activities (item-wise)	34.A	(938,625,097)	(570,526,782)
Advance income tax paid		(1,484,312,475)	(1,925,630,084)
Operating profit before changes in operating assets and liabilities		3,436,368,258	4,783,977,829
Changing in Operating assets & liabilities			
Increase/Decrease of trading securities		(447,692,452)	(539,416,843)
Increase/Decrease of investment and advances to other banks		5,900,000,000	(1,500,000,000)
Increase/Decrease of investment and advances to customers (other than Banks)		(19,064,969,739)	(29,363,278,545)
Increase/Decrease of other assets (item-wise)	35.A	250,018,739	(1,835,457,841)
Increase/Decrease of Deposits from other banks		(2,830,000,000)	630,000,000
Increase/Decrease of Deposits from customers (other than Banks)		22,319,433,579	37,383,529,660
Increase/Decrease of Other liabilities account of customers		-	-
Increase/Decrease of Trading liabilities (item-wise)	36.A	(657,958,901)	(799,324,259)
Cash receipt from operating activities		5,468,831,226	3,976,052,172
A. Net Cash from operating activities		8,905,199,484	8,760,030,002
Cash flows from investing activities:			
Proceeds from sale of securities		-	-
Payments for purchases of securities		-	-
Purchase of property, plant and equipment		(124,718,110)	(667,697,569)
Sales proceeds of Fixed assets		-	-
Purchase-sale of subsidiary		-	-
B. Net cash flows from investing activities		(124,718,110)	(667,697,569)
Cash flows from financing activities			
Increase in Exchange Equalization Account		-	-
Increase in Share Capital		-	3,987,501
Dividend paid		(221,200,000)	(465,750,000)
C. Net cash flows from financing activities		(221,200,000)	(461,762,499)
D. Net increase in cash and cash equivalent (A+B+C)		8,559,281,374	7,630,569,934
E. Effects of exchange rate changes on cash and cash-equivalents		-	-
F. Net increase in cash and cash equivalent (D+E)		8,559,281,374	7,630,569,934
G. Cash & Cash Equivalents at the beginning of the year		19,197,700,572	11,567,130,639
H. Cash & Cash Equivalents at the end of the year	37.A	27,756,981,946	19,197,700,572

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


Executive Vice President


Managing Director


Director


Director


Chairman

Annual Report 2013

Consolidated Statement Of Changes In Equity For The Year Ended December 31, 2013

Particular	Paid up Capital	Statutory Reserve	Retained Earnings	Asset Revaluation Reserve	Total	Non-controlling Interest	Total Equity
Balance at 1st January 2013	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
Changes in accounting policy	-	-	-	-	-	(15,000,000)	-
Buy back share	-	-	-	-	-	-	(15,000,000)
Issue of the share capital	1,212,266,610	-	-	-	1,212,266,610	-	1,212,266,610
Restated balance	8,343,246,710	3,102,076,966	1,238,380,901	977,548,248	13,661,252,825	1,586,702,801	15,247,955,626
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	-	-	2,049,662,263	-	2,049,662,263	227,018,721	2,276,680,984
Interim Dividend paid	-	-	-	-	-	(221,200,000)	(221,200,000)
Bonus Share - 2012(17.00 %)	-	-	(1,212,266,610)	-	(1,212,266,610)	-	(1,212,266,610)
Non-Controlling Interest	-	-	-	-	-	-	227,018,721
Issue of share capital	-	-	-	-	-	-	-
Transferred to retained earning	-	-	-	-	-	-	-
Appropriations during the year	-	747,571,202	(747,571,202)	-	-	-	-
Total shareholders' equity as on December 31, 2013	8,343,246,710	3,849,648,168	1,328,205,352	977,548,248	14,498,648,478	1,592,521,522	16,091,170,000
Add: General provision for unclassified Investments							1,022,974,265
Less: 50% of Assets Revaluation Reserve							(488,774,124)
Total equity as on December 31, 2013							16,625,370,141
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	14,050,689,016



Executive Vice President



Managing Director



Director



Director



Chairman

Consolidated Statement Of Liquidity For The Year Ended December 31, 2013

(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	8,241,995,277				9,336,600,000	17,578,595,277
	Balance with other bank and financial institution	3,043,386,670	1,655,000,000				4,698,386,670
	Placement with banks & other financial institutions	1,200,000,000	200,000,000	4,000,000,000			5,400,000,000
	Investments (in shares & securities)	2,535,796,478	800,000,000	2,000,000,000	1,800,000,000	3,138,890	7,138,935,368
	Investments	39,092,509,980	35,613,300,000	29,707,500,000	14,019,085,439	7,283,000,000	125,715,395,419
	Fixed assets including premises (land & building)					2,517,217,793	2,517,217,793
	Other assets	1,680,452,565	235,025,150	228,866,023	239,550,456	7,729,201,889	10,113,096,083
	Non banking assets						
	Total Assets	55,794,140,970	38,503,325,150	35,936,366,023	16,058,635,895	26,869,158,572	173,161,626,610
2	Liabilities :						
	Placement from banks & other financial institutions	500,000,000	1,500,000,000	1,400,000,000			3,400,000,000
	Deposits	56,145,495,000	33,875,112,049	34,897,249,705	10,545,562,589	5,517,137,276	140,980,556,619
	Other accounts						-
	Provision and other liabilities	1,044,800,000	102,400,000	214,700,000	11,263,321,749		12,625,221,749
	Deferred tax liabilities / (assets)				64,678,238		64,678,238
	Total Liabilities	57,690,295,000	35,477,512,049	36,511,949,705	21,873,562,576	5,517,137,276	157,070,456,605
	Net Liquidity Gap	(1,896,154,030)	3,025,813,101	(575,583,682)	(5,814,926,681)	21,352,021,296	16,091,170,000

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, 2013

PROPERTY AND ASSETS	Notes	2013 Taka	2012 Taka
Cash in hand	5		
Cash in hand (including foreign currencies)	5.a	1,532,281,100	1,082,941,132
Balance With Bangladesh Bank and its Agents Banks	5.a.i	16,046,314,177	11,601,779,123
(including foreign currencies)		17,578,595,277	12,684,720,255
Balance with other Banks and Financial Institutions	6		
In Bangladesh	6.a	3,136,874,134	1,055,592,112
Outside Bangladesh	6.b	1,561,507,535	1,257,383,205
		4,698,381,669	2,312,975,317
Placement with Banks & Other Financial institutions	7	5,400,000,000	11,300,000,000
Investment in Share & Securities	8		
Government	8.a	5,480,000,000	4,200,000,000
Others	8.b	1,047,885,560	997,514,772
		6,527,885,560	5,197,514,772
Investments	9		
General Investments etc.	9.a	113,084,774,878	90,736,824,432
Bills purchased and discounted	9.b	8,214,210,561	10,830,210,720
		121,298,985,439	101,567,035,153
Fixed assets less Accumulated Depreciation	10	2,489,986,536	2,361,213,539
Other Assets	11	12,941,766,116	10,911,353,281
Non-Banking Assets		-	-
Total Assets		170,935,600,596	146,334,812,318
LIABILITIES AND CAPITAL			
Liabilities			
Placement from Banks & Other Financial institutions	12	3,400,000,000	5,100,000,000
Deposits and other Accounts	13		
Mudaraba Savings Deposits		12,267,376,580	9,998,519,808
Mudaraba Term Deposits		90,765,477,773	77,314,883,253
Other Mudaraba Deposits	13.i	24,152,503,796	18,208,830,719
Al-Wadia Current Accounts and Others Accounts etc.	13.ii	13,566,062,046	12,898,844,570
Bills Payable		953,220,429	959,167,532
		141,704,640,623	119,380,245,882
Other Liabilities	14	11,288,222,271	9,379,937,665
Deferred tax Liabilities/ (Assets)	15	64,678,238	48,885,051
Total Liabilities (12+13+14+15)		156,457,541,132	133,909,068,598
Capital/Share holders Equity			
Paid up Capital	16	8,343,246,710	7,130,980,100
Statutory Reserve	17	3,849,648,169	3,102,076,966
Other Reserve	18	977,548,248	977,548,248
Retained Earnings	19	1,307,616,336	1,215,138,407
Total Share holders equity		14,478,059,464	12,425,743,721
Total Liabilities and Share holders equity		170,935,600,596	146,334,812,318

Balance Sheet as at December 31, 2013

	Notes	2013 Taka	2012 Taka
OFF BALANCE SHEET ITEMS			
Contingent Liabilities			
Acceptance and endorsement		11,479,081,930	9,057,403,775
Letters of Guarantee	20	4,006,609,306	1,955,716,112
Letters of Credit		10,953,924,250	10,259,719,879
Bills for Collection		897,260,264	892,886,654
Other Contingent Liabilities		-	-
Total		27,336,875,749	22,165,726,419
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		27,336,875,749	22,165,726,419

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


Executive Vice President



Managing Director


Director


Director


Chairman

Signed in terms of our report of event date.


MASIH MUHITH HAQUE & CO.
Chartered Accountants
Place : Dhaka
Date : 27 February 2014


SYFUL SHAMSUL ALAM & CO.
Chartered Accountants

Profit & Loss Account for the Year Ended 31 December 2013

	Notes	2013 Taka	2012 Taka
Investment Income	21	16,988,630,966	14,119,185,337
Profit paid on deposits & Borrowing	22	12,052,492,562	9,575,649,820
Net Investment Income		4,936,138,404	4,543,535,517
Income from Investment in Shares /Securities	23	607,225,060	772,218,821
Commission, Exchange and Brokerage	24	983,843,630	1,012,084,491
Other Operating Income	25	236,014,906	195,115,911
		1,827,083,596	1,979,419,221
Total operating income		6,763,222,000	6,522,954,739
Salaries and allowances & contribution to P.F	26	1,603,625,382	1,357,953,006
Directors' fees & expenses	27	9,054,361	6,715,823
Shariah Supervisory Committee's fees & expenses	28	204,421	260,177
Rent, taxes, insurance, lighting etc.	29	283,960,901	221,169,805
Postage, telegram, telephone and stamp etc.	30	74,916,171	71,875,333
Legal charges		2,607,444	2,242,004
Auditors' fee		1,127,000	646,540
Salary & Allowances to the Managing Director		11,030,000	10,660,000
Depreciation and repairs to the bank's properties		216,883,932	169,293,106
Stationery, printing, advertisement etc.	31	65,062,501	55,482,737
Other expenses	32	279,881,325	222,752,311
		2,548,353,439	2,119,050,842
Total operating expenses		4,214,868,562	4,403,903,897
Profit/(Loss) before Tax & provision			
Provision against Investments & Contingent Liabilities	33	374,282,551	668,204,911
Provision for diminution in value of investment	14.4	101,500,000	89,474,939
Other Provision	26	1,230,000	-
		477,012,551	757,679,850
Total provision			
Profit/(Loss) before Tax		3,737,856,011	3,646,224,047
Current tax	14.1	1,669,747,081	1,709,802,603
Deferred tax	15	15,793,187	16,892,283
		1,685,540,268	1,726,694,886
Provision for Taxation			
Net Profit/(Loss) after tax		2,052,315,743	1,919,529,161
Appropriation			
Statutory Reserve		747,571,202	729,244,809
		747,571,202	729,244,809
Transferred to Retained Earnings		1,304,744,541	1,190,284,352
Earning per Ordinary share (EPS)	38	2.46	2.30

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 : 27 February 2014

Signed in terms of our report of event date.


SYFUL SHAMSUL ALAM & CO.
Chartered Accountants

Cash Flow Statement for the Year Ended 31 December 2013

	Notes	2013 <u>Taka</u>	2012 <u>Taka</u>
Cash flows from Operating Activities			
Investment income receipt in Cash		13,659,057,932	13,620,158,339
Profit paid on deposits		(10,820,548,230)	(7,547,823,035)
Dividend received		366,734,878	10,076,279
Fees & Commission received in cash		983,843,630	952,084,161
Recoveries from write off investments		2,631,154	14,154,626
Cash payments to employees		(1,613,721,382)	(1,344,936,524)
Cash payments to suppliers		(42,969,265)	(36,730,868)
Received from other operating activities (item-wise)		476,505,089	772,218,821
Paid for other operating activities (item-wise)	34	(704,027,537)	(569,252,223)
Advance income tax paid		(1,180,364,848)	(1,691,678,517)
Operating profit before changes in operating assets and liabilities		1,127,141,421	4,178,271,059
Changing in Operating assets & liabilities			
Increase/Decrease of trading securities		(50,370,788)	(368,595,871)
Increase/Decrease of investment and advances to other banks		5,900,000,000	(1,500,000,000)
Increase/Decrease of Investment and advances to customers (other than Banks)		(17,279,888,234)	(27,264,653,833)
Increase/Decrease of other assets (item-wise)	35	(618,713,138)	(1,836,883,107)
Increase/Decrease of Deposits from other banks		(1,700,000,000)	200,000,000
Increase/Decrease of Deposits from customers (other than Banks)		22,346,666,537	35,244,375,999
Increase/Decrease of Other liabilities account of customers		-	-
Increase/Decrease of Trading liabilities (item-wise)	36	(724,268,086)	466,764,213
Cash receipt from operating activities		7,873,426,291	4,941,007,400
A. Net Cash from operating activities		9,000,567,712	9,119,278,459
Cash flows from investing activities:			
Proceeds from sale of securities		-	-
Payments for purchases of securities		-	-
Purchase of property, plant and equipment		(426,286,339)	(663,713,526)
Sales proceeds of Fixed assets		-	-
Purchase-sale of subsidiary		(15,000,000)	(825,000,000)
B. Net cash flows from investing activities		(441,286,339)	(1,488,713,526)
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)		8,559,281,373	7,630,564,933
E. Effects of exchange rate changes on cash and cash-equivalents		-	-
F. Net increase in cash and cash equivalent (D+E)		8,559,281,373	7,630,564,933
G. Cash & Cash Equivalents at the beginning of the year		19,197,695,572	11,567,130,639
H. Cash & Cash Equivalents at the end of the year	37	27,756,976,946	19,197,695,572

Accompanying notes from 1 to 39 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 2013

Particular	Paid up Capital	Statutory Reserve	Retained Earnings	Asset Revaluation Reserve	Total Taka
Balance at 1st January 2013	7,130,980,100	3,102,076,967	1,215,138,406	977,548,248	12,425,743,721
Changes in accounting policy	-	-	-	-	-
Issue of the share capital	1,212,266,610	-	-	-	1,212,266,610
Restated balance	8,343,246,710	3,102,076,967	1,215,138,406	977,548,248	13,638,010,331
Surplus/deficit on account of revaluation of properties	-	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	-	-	-	-
Currency translation differences recognized in the Income Statement	-	-	-	-	-
Net gain and losses not recognised in Income Statement	-	-	-	-	-
Net profit for the year	-	-	2,052,315,743	-	2,052,315,743
Cash Dividend	-	-	-	-	-
Bonus Share - 2012(17.00 %)	-	-	(1,212,266,610)	-	(1,212,266,610)
Issue of share capital	-	-	-	-	-
Transferred to retained earning	-	-	-	-	-
Appropriations during the year	-	747,571,202	(747,571,202)	-	-
Total shareholders' equity as on December 31,2013	8,343,246,710	3,849,648,169	1,307,616,336	977,548,248	14,478,059,464
Add: General provision for unclassified investments					1,022,974,265
Less: 50% of Assets Revaluation Reserve					(488,774,124)
Total equity as on December 31,2013					15,012,259,605
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 2013

(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	8,241,995,277	-	-	-	9,336,600,000	17,578,595,277
	Balance with other banks and financial institutions	3,043,381,669	1,655,000,000	-	-	-	4,698,381,669
	Placement with banks & other financial institutions	1,200,000,000	200,000,000	4,000,000,000	-	-	5,400,000,000
	Investments (in shares & securities)	1,924,746,670	800,000,000	2,000,000,000	1,800,000,000	3,138,890	6,527,885,560
	Investments	34,676,100,000	35,613,300,000	29,707,500,000	14,019,085,439	7,283,000,000	121,298,985,439
	Fixed assets including premises (land & building)					2,489,986,536	2,489,986,536
	Other assets	1,680,452,565	235,025,150	228,866,023	239,550,456	10,557,871,922	12,941,766,116
	Non banking assets						
	Total Assets	50,766,676,181	38,503,325,150	35,936,366,023	16,058,635,895	29,670,597,348	170,935,600,596
2	Liabilities :						
	Placement from banks & other financial institutions	500,000,000	1,500,000,000	1,400,000,000	-	-	3,400,000,000
	Deposits	56,869,579,005	33,875,112,049	34,897,249,705	10,545,562,589	5,517,137,275	141,704,640,623
	Other accounts						-
	Provision and other liabilities	1,044,800,000	102,400,000	214,700,000	9,926,322,271	-	11,288,222,271
	Deferred tax liabilities / (assets)	-	-	-	64,678,238	-	64,678,238
	Total Liabilities	58,414,379,005	35,477,512,049	36,511,949,705	20,536,563,098	5,517,137,275	156,457,541,132
	Net Liquidity Gap	(7,647,702,824)	3,025,813,101	(575,583,682)	(4,477,927,203)	24,153,460,073	14,478,059,464

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 2013

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 110 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 these 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.

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

Notes to the Financial Statements for the Year Ended 31 December 2013

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 is no evidence of impairment."

2.3 Cash flow statement

BFRS: The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per BRPD 14, cash flow is the mixture of direct and indirect methods.

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 2013.

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 equivalent

BFRS: Cash and cash equivalent items should be reported as cash item as per BAS 7.

Bangladesh Bank: Some cash and cash equivalent items such as 'money at call and on short notice', treasury bills, Bangladesh Bank bills and prize bond are not shown as cash and cash equivalents. Money at call and on short notice presented on the face of the balance sheet, and treasury bills, prize bonds are shown in investments.

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.

2.8.2.1 Investment in shares and securities

BFRS: As per requirements of BAS 39 investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value (as

Notes to the Financial Statements for the Year Ended 31 December 2013

measured in accordance with BFRS 13) at the year-end is taken to profit and loss account or revaluation reserve respectively.

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

2.8.2.2 Revaluation gains/losses on Government securities

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

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

2.8.2.3 Provision on loans and advances/investments

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

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

2.8.2.4 Investment in subsidiaries

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

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

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 Shahar 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

Notes to the Financial Statements for the Year Ended 31 December 2013

katha and total land valuation amount Tk. 136,62,00,000. Total asset revaluation gains amounting Tk. 912,945,000. 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

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.

vii) Presentation of intangible asset

BFRS: An intangible asset must be identified and recognised, and the disclosure must be given as per BAS 38.

Bangladesh Bank: There is no regulation for intangible assets in BRPD 14.

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 asset

BFRS: No indication of Non-banking asset is found in any BFRS.

Bangladesh Bank: As per BRPD 14, there must exist a face item named Non-banking asset.

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

Notes to the Financial Statements for the Year Ended 31 December 2013

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 and BRPD Circular No.05 dated 29 May 2013 . 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	0.25% to 1%
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%

ii) Loans and advances/Investments net of provision

BFRS: Loans and advances/Investments are presented should be net of provision (Note No.).

Bangladesh Bank: As per BRPD 14, provision on loans and advances/investments are presented separately as liability and can not be netted off against loans and advances.

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

iv) Off-balance sheet items

BFRS: There is no concept of off-balance sheet items in any BFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per BRPD 14, off balance sheet items (e.g. Letter of credit, Letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.

v) 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.

vi) 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)

vii) 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 2012 (Assessment year 2013-2014) has been filed but assessment is to be done by the tax authority.

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.

Notes to the Financial Statements for the Year Ended 31 December 2013

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.

viii) 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.

ix) 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.

x) 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

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.

d) Recognition of interest in suspense

BFRS: Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognised through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognised in profit and loss account on the same basis based on revised carrying amount.

Bangladesh Bank: As per BRPD circular no. 14 dated 23 September 2012, once a loan is classified, interest on such loans are not allowed to be recognised as income, rather the corresponding amount needs to be credited to an interest in suspense account, which is presented as liability in the balance sheet.

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) Other comprehensive income

BFRS: As per BAS 1 Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which will strictly be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to be included in a single Other Comprehensive Income (OCI) Statement. As such the Bank does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

iv) Dividend Income

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

Notes to the Financial Statements for the Year Ended 31 December 2013

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.

2.20.1 Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in BAS 39. As such full disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the financial statements.

2.20.2 Financial guarantees

BFRS: As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD 14, financial guarantees such as letter of credit, letter of guarantee will be treated as off-balance sheet items. No liability is recognised for the guarantee except the cash margin.

2.20.6 Balance with Bangladesh Bank: (Cash Reserve Requirement)

BFRS: Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per BAS 7.

Bangladesh Bank: Balance with Bangladesh Bank is treated as cash and cash equivalents.

2.21 Approval of the financial statements

The financial statements were approved by the board of directors on 27 February, 2014

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.

iii) 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

Notes to the Financial Statements for the Year Ended 31 December 2013

bank's capital, its financial resources and profitability from various risks. In this context, the bank took steps to implement the guidelines of Bangladesh Bank as under :

i) Credit Risk Management

Credit risk is one of the major risks faced by the bank. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the bank. The failure may result from unwillingness of the counter party of decline in his/her financial condition. Therefore, bank's credit risk management activities have been designed to address all these issues. The bank has an investment (Credit) risk management committee at head office. The committee reviews the investment risk issues on monthly basis. The bank has segregated the investment approval, investment administration, investment recovery and legal authority. The bank has segregated duties of the officers/executives involved in credit related activities. A separate business development (marketing) department has been established at head office, which is entrusted with the duties of maintaining effective relationship with the customer, marketing of credit products, exploring new business opportunities etc. In the branches of the bank separate officials are engaged as relationship manager, documentation officer, verification officer, disbursement officer and recovery officer. Their jobs have been allocated and responsibilities have been defined.

Investment (Credit) Risk Grading Manual

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

ii) Foreign exchange risk Management

Foreign exchange risk is defined as the potential change in earnings arising due to change in market prices. As per foreign exchange risk management guideline, bank has 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.

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 Senior 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, surprise inspection, auto information system, Quarterly Audited System, and mandatory leave policy to boost-up the functions of internal control and compliance."

v) Internal Audit

"As per Internal Control & Compliance (ICC) Risk Management Guideline of Bangladesh Bank, a 'Risk Based

Notes to the Financial Statements for the Year Ended 31 December 2013

Audit Plan'' is to prepared for each calendar year for smooth conducting of Audit & Inspection of all the branches and departments & divisions of Head Office of the bank. Besides the yearly Auditing, Internal Audit Department Conducts Special Audit, Quarterly Foreign Exchange & Investment Audit, Surprise Audit etc. To prevent incidence of errors and their recurrences, more emphasize are given on spot rectification of irregularities/lapses while auditing/inspecting of the branches. For Audit purpose, branches have been segregated into 05 risk categories (Extremely High, Very High, High, Medium & low risk). The regular Audit & Inspection Teams are also conducting Core Risks System Audit during their regular Audit & Inspections."

vi) "Fraud and Forgeries: During the year 2013, Audit and Inspection department of ICCD, have detected some incidents/irregularities as fraud-forgery relating to cash misappropriation and investment disbursement in 03 branches of the Bank, which is little in terms of Bank's overall financial transactions. In order to not jeopardize the bank's interest, all such irregularities were regularized/mitigated by recovery of the defalcated money through strong monitoring and close supervision by the ICC Division. Furthermore, administrative actions were also taken against the delinquent officers/persons involved. Compliances of these issues were duly reported to the Board Audit Committee and Bangladesh Bank in time as per regulatory guidelines."

During the year 2013, Audit and Inspection department of ICCD, have detected some incidents/irregularities as fraud-forgery relating to cash misappropriation and investment disbursement in 03 branches of the Bank, which is little in terms of Bank's overall financial transactions. In order to not jeopardize the bank's interest, all such irregularities were regularized/mitigated by recovery of the defalcated money through strong monitoring and close supervision by the ICC Division. Furthermore, administrative actions were also taken against the delinquent officers/persons involved. Compliances of these issues were duly reported to the Board Audit Committee and Bangladesh Bank in time as per regulatory guidelines.

vii) 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.

viii) 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 of 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 2013

Name of the standards	Ref.	Status
First-time Adoption of Bangladesh Financial Reporting	BFRS-1	Not applicable
Share-based Payment	BFRS-2	Not applicable
Business Combinations	BFRS-3	Applied
Insurance Contracts	BFRS-4	Not applicable
Non-current Assets Held for Sale and Discontinued	BFRS-5	Not applicable
Exploration for and Evaluation of Mineral Resources	BFRS-6	Not applicable
Financial Instruments: Disclosures	BFRS-7	Applied with some
Operating Segments	BFRS-8	Applied with some
Presentation of Financial Statements	BAS-1	Applied with some
Inventories	BAS-2	Not Applicable
Statement of Cash Flows	BAS-7	Applied with some
Accounting Policies, Changes in Accounting Estimates	BAS-8	Applied
Events after the Reporting Period	BAS-10	Applied
Construction Contracts	BAS-11	Not Applicable
Income Taxes	BAS-12	Applied
Property, Plant and Equipment	BAS-16	Applied
Leases	BAS-17	Applied
Revenue	BAS-18	Applied
Employee Benefits	BAS-19	At:wid
Accounting for Government Grants and Disclosure of	BAS-20	Not Applicable
The Effects of Changes in Foreign Exchange Rates	BAS-21	Applied
Borrowing Costs	BAS-23	Applied
Related Party Disclosures	BAS-24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS-26	Not Applicable
Consolidated and Separate Financial Statements	BAS-27	Applied
Investments in Associates	BAS-28	Not Applicable
Interests in Joint Ventures	BAS-31	Not Applicable
Financial Instruments: Presentation	BAS-32	Applied with some
Earnings per Share	BAS-33	Applied
Interim Financial Reporting	BAS-34	Applied
Impairment of Assets	BAS-36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS-37	Applied
Intangible Assets	BAS-38	Applied
Financial Instruments: Recognition and Measurement	BAS-39	Applied with some
Investment property	BAS-40	Not Applicable
Agriculture	BAS-41	Not Applicable

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 250th meeting held on 30th November, 2013 as under:

SL No	Name	Status with the Committee	Educational Qualification
1	Brig. Gen. M.A. Malek(Retd.)	Chairman	B.Sc. Engineering(Mechanical)
2	Abdus Salam	Vice Chairman	M.com
3	Md. Harun-ar-Rashid Khan	Member	M.A(Social Well Fair)
4	Sarker Mohammad Shameem Iqbal	Member	M.B.A(Marketing)
5	Al-hajj Naiz Ahmed	Member	M.com.(accounting),LLB

During the year 2013 the audit committee of the bank conducted 13 (Thirteen) 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, 2013.

Notes to the Financial Statements for the Year Ended 31 December 2013

			2013 Taka	2012 Taka
5. Cash				
a) Cash in hand				
In local currency			1,526,240,547	1,080,032,161
In Foreign currency (Note 5.a.ii)			6,040,553	2,908,971
			1,532,281,100	1,082,941,132
b) Balance with Bangladesh Bank				
In local currency			15,136,487,171	9,178,483,870
In Foreign currency			72,723,851	1,841,880,055
			15,209,211,022	11,020,363,926
c) Balance with Sonali Bank Ltd.				
In local currency			837,103,154	581,415,197
In Foreign currency			-	-
			837,103,154	581,415,197
5.a.i Total of Balance With Bangladesh Bank and its Agents Banks (including foreign currencies)			16,046,314,177	11,601,779,123
5.a.ii				
	Foreign Currency	Amount in F.C.	Amount in BDT	Amount in BDT
	US Dollar	77,692	6,040,553	2,908,971
	Great Britain Pound	-	-	-
	Euro	-	-	-
	Others	-	-	-
	Total		6,040,553	2,908,971
5.b Cash Reserve Requirments (CRR) and Statutory Liquidity Requirments (SLR)				
Cash Reserve Requirments(CRR) and Statutory Liquidity Requirments (SLR) have been calculated and maintained in accordance with Section 33 of Bank Companies Act.1991 & as per Bangladesh Bank Curcular No: MPD/05 Dated:01.12.10				
5.c Cash Reserve Requirments (CRR)				
Required Reserve(6 % of Average Demand and Time Liabilities)			7,730,401,000	6,503,331,000
Actual reseve held with Bangladesh Bank			15,112,351,000	9,190,007,000
Surplus/(Deficit)			7,381,950,000	2,686,676,000
Statutory Liquidity Requirments (SLR)				
Required Reserve(11.50 % of Average Demand and Time Liabilities)			14,816,603,000	12,464,718,000
Actual reseve held with Bangladesh Bank			23,024,193,000	15,094,952,000
Surplus/(Deficit)			8,207,590,000	2,630,234,000
6. Balance with other Banks and Financial Institutions				
a) In Bangladesh:				
Al-Wadia Current Accounts				
Islami Bank Bangladesh Ltd.			136,331,474	79,518,059
Dutch Bangla Bank Ltd.			25,381,168	6,630,510
National Bank Ltd.			48,753,095	2,665,015
Agrani Bank Ltd.			1,650	1,650
Pubali Bank Ltd.			-	-
			210,467,387	88,815,233
Mudaraba Saving Deposits				
Dhaka Bank Ltd.			338,293,530	10,320,288
Prime Bank Ltd.			14,708,688	47,850,047
Social Islami Bank Ltd.			794,270,772	565,537,306
Shahjalal Islami Bank Ltd.			13,913,428	237,402
EXIM Bank Ltd.			5,768,290	9,879,302
ICB Islamic Bank Ltd.			167,126,373	167,379,478
Jamuna Bank Ltd.			3,850,213	3,694,097
The City Bank Ltd.			288,059,018	5,187,737
Southeast Bank Ltd.			501,834,244	495,485
AB Bank Ltd.			762,951,149	112,511,010
			2,890,775,704	923,092,153
Short Term Deposits				
Social Islami Bank Ltd.			252,612	246,296
Rupali Bank Ltd.			35,378,431	43,438,431
			35,631,043	43,684,727
			3,136,874,134	1,055,592,112

Notes to the Financial Statements for the Year Ended 31 December 2013

b) Outside Bangladesh (NOSTRO ACCOUNTS)

Name of bank	Currency Name	Amount in Foreign Currency	Conversion rate per unit F.C	2013 Taka	2012 Taka
				Amount In BDT.	Amount In BDT.
Standard Chartered Bank, New York, USA	USD	3,403,177	77.75	264,596,992	118,737,173
Mashreq Bank, New York, USA	USD	2,176,300	77.75	169,207,363	43,617,451
Mashreq Bank, Mumbai, India	ACUD	216,884	77.75	16,862,736	(33,810,020)
Standard Chartered Bank, Kolkata, India	ACUD	55,764	77.75	4,335,665	11,489,273
Standard Chartered Bank, Mumbai, India	ACUD	476,205	77.75	37,024,946	(11,758,972)
Standard Chartered Bank, Karachi, Pakistan	ACUD	50,462	77.75	3,923,386	11,396,215
Sonali Bank, Kolkata, India	ACUD	91,377	77.75	7,104,600	23,486
ICICI Bank, Mumbai, India	ACUD	43,244	77.75	3,362,254	119,374,096
Bank of Bhutan, Bhutan	ACUD	45,504	77.75	3,537,932	15,248,974
Hong Kong Shanghai Banking Corp, Mumbai, India	ACUD	-	-	-	6,928,343
Standard Chartered Bank, London, UK	EURO	35,674	128.11	4,570,148	-
Standard Chartered Bank, London, UK	GBP	-	-	-	22,892,570
Al-Rajhi Banking Corp, Riyadh, KSA	SRL	251,746	20.57	5,179,418	5,493,723
Wachovia Bank NA, New York, USA	USD	5,620,681	77.75	437,007,973	219,806,914
Standard Chartered Bank, Tokyo, Japan,	YEN	2,545,644	0.74	1,878,685	8,710,377
Standard Chartered Bank, Frankfurt, Germany,	EURO	(145,257)	106.84	(15,518,716)	19,480,788
Union DE Banques Arabes Et Francaises	USD	-	-	-	(12,449,694)
Citibank NA	USD	6,047,121	77.75	470,163,636	593,939,157
ICICI HK	USD	117,754	77.75	9,155,404	40,392,786
Sonali Bank London USD	USD	788,313	77.75	61,291,334	43,230,785
Commerzbank AG Frankfurt	USD	510,559	77.75	39,695,925	16,354,325
United Bank of India	ACU	243,221	77.75	18,910,396	7,466,948
Habib Bank Pakistan	ACU	25,544	77.75	1,986,075	(2,743,214)
AB Bank Ltd., Mumbai	ACU	147,480	77.75	11,466,573	2,315,198
Sonali Bank London	GBP	6,833	128.11	875,384	1,282,690
United Bank of India	EURO	7,942	106.84	848,522	7,951,364
Sonali Bank London	EURO	13,735	106.84	1,467,369	1,331,293
Commerzbank AG Frankfurt	EURO	24,089	106.84	2,573,538	681,176
Total Balance outside Bangladesh				1,561,507,535	1,257,383,205
Grand Total				4,698,381,669	2,312,975,317

Notes to the Financial Statements for the Year Ended 31 December 2013

6.A. Consolidated Balance with other Banks and financial institutions

a) In Bangladesh:

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

Less: Inter-Company Adjustment

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 year but not more than 5 years
Over 5 years

7. Placement with Banks & Other Financial institutions

Shahjalal Islami Bank Ltd.
Social Islami Bank Ltd.
Southeast Bank Ltd.
Dhaka Bank Ltd.
Jamuna Bank Ltd.
First Security Islami Bank Ltd. CD
EXIM Bank Ltd.
AB Bank Ltd.

8. Investment in Shares & Securities

Bangladesh Govt. Islami Bond Fund (8.a)
Investment in Share (8.b)
Central Depository Bangladesh Limited (8.b)

8.a Investments in Share & Securities

Government Securities

Bangladesh Govt. Islami Bond Fund

Other/In shares (quoted and unquoted)

Quoted

Private (8.b)

Unquoted

Central Depository Bangladesh Limited

8.b Book value of share as on 31 December 2013 as follows

Quoted shares in (Schedule of Shares and Securities are given Annexure B)

Islami Bank Bangladesh Ltd.

Shahjalal Islami Bank Ltd.

Social Islami Bank Ltd.

BSRM STEEL

ISLAM Insurance

BDCOM

TITAS Gas

First Security Islami Bank Ltd.

Mobile Jamuna Bangladesh Ltd.

Meghna Petroleum

Fareast Life Insurance Co. Ltd.

BEXIMCO

Bexmico Pharma

JAMUNAOIL

Grameen Phone

Prime Life Insurance Co. Ltd.

2013
Taka

2012
Taka

3,136,874,135

378,776,448

345,312,557

3,860,963,140

(724,089,005)

3,136,874,135

1,561,507,535

4,698,381,670

210,467,387

2,832,914,282

1,655,000,000

-

-

-

-

4,698,381,669

200,000,000

800,000,000

1,400,000,000

400,000,000

2,500,000,000

-

-

100,000,000

5,400,000,000

5,480,000,000

1,044,746,670

3,138,890

6,527,885,560

5,480,000,000

1,044,746,670

3,138,890

1,047,885,560

1,044,746,670

-

3,138,890

1,047,885,560

-

29,870,522

18,971,386

156,638,812

40,981,889

1,404,986

22,824,259

1,256

30,249,203

34,861,165

2,858

25,304,663

64,208,892

40,567,015

-

129,074,186

1,055,592,113

291,518,809

405,337,239

1,752,448,161

(696,856,048)

1,055,592,113

1,257,383,205

2,312,975,318

88,815,233

126,763,021

2,097,397,064

-

-

-

-

2,312,975,318

200,000,000

3,300,000,000

2,400,000,000

600,000,000

3,900,000,000

500,000,000

300,000,000

100,000,000

11,300,000,000

4,200,000,000

994,375,882

3,138,890

5,197,514,772

4,200,000,000

994,375,882

-

3,138,890

997,514,772

994,375,882

-

3,138,890

997,514,772

22,776,615

17,424,565

2,259,695

122,372,996

36,308,463

-

53,227,303

1,657,848

20,502,905

43,869,683

1,219,636

9,836,859

41,325,302

12,906,275

95,836,028

108,316,987

Notes to the Financial Statements for the Year Ended 31 December 2013

	2013 Taka	2012 Taka
MICEMENT	-	1,761,703
DESCO	39,816,189	70,164,791
CONFIDECM	-	31,839,036
SUMITPOWER	115,692,931	82,852,609
APEXADELFT	-	19,205,623
SQURPHARMA	-	112,855,490
SQUARTEXT	640	7,824,991
GPHISPAT	-	1,675,994
PADMAOIL	112,141,525	5,500,632
GQBALLPEN	82,699	82,699
EXIM BANK	31,291,227	-
HEIDELBCEM	3,390,838	-
MEGHNACEM	8,872,002	-
POWERGRID	8,588,889	-
UNIQUEHRL	36,731,296	-
ORION PHARMA	23,177,344	-
Bangladesh Submarine Cable Com. Ltd.	-	771,155
AIBL 1st Mitual Fund	70,000,000	70,000,000
	1,044,746,670	994,375,882
Unquoted shares in		
Central Depository Bangladesh Limited	3,138,890	3,138,890
Total	1,047,885,560	997,514,772
8.A Investment in Shares & Securities		
Al-Arafah Islami Bank Ltd.	6,527,885,560	5,197,514,772
AIBL Capital Market Services Ltd.	255,586,817	212,069,719
AIBL Capital Management Ltd.	355,462,991	101,658,425
	7,138,935,368	5,511,242,916
8.A.i Maturity grouping of investments		
Payable on Demand	-	-
Not more than 3 months	-	-
Over 3 (three) months but not more than 1 (one) year	-	-
Over 1 year but not more than 5 years	6,527,885,560	5,197,514,772
More than 5 years	611,049,808	313,728,144
	7,138,935,368	5,511,242,916
8.A.ii Al-Arafah Islami Bank Ltd.	1,047,885,560	997,514,772
AIBL Capital Market Services Ltd.	255,586,817	212,069,719
AIBL Capital Management Ltd.	355,462,991	101,658,425
	1,658,935,368	1,311,242,916
9 Investments		
a) General Investment		
i. in Bangladesh		
Murabaha Investment	32,788,056,295	28,949,883,771
Bai-Muazzal Investment	58,639,163,522	44,936,692,931
Hire Purchase Investment	25,856,406,762	19,774,801,206
Pre shipment Investment	2,601,569,914	1,769,978,148
Quard	2,015,072,101	2,835,355,656
Uzrat Bill Wakala	-	-
	121,900,268,594	98,266,711,711
ii. Out side Bangladesh	-	-
	121,900,268,594	98,266,711,711
Less: Unearned profit on Investment	8,815,493,716	7,529,887,279
	113,084,774,878	90,736,824,432
b) Bill Purchased & Discounted		
Payable in Bangladesh	7,800,119,683	10,375,116,030
Payable out side Bangladesh	414,090,878	455,094,690
	8,214,210,561	10,830,210,720
	121,298,985,439	101,567,035,153

Notes to the Financial Statements for the Year Ended 31 December 2013

c) An analysis to disclose following Significant concentration :

i. Investment to Directors and others	2013 Taka	2012 Taka
ii. Investment to Managing Director and Cheif Executive	-	5,372,000
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)	-	-
	30,312,200,000	30,644,200,000
iv. Investments to customers for more than 10% of Bank's Total Capital		
Number of clients	21	33
Amount of outstanding Investment	30,312,200,000	30,644,200,000
Amount of Classified Investment	-	-

Outstanding Balance

(Taka in Crore)

SI No.	Name of Clients	Funded	Non-Funded	Total Amount	Total Amount
1	M/s Birds Garments Ltd. Unit-2 & its sister concern M/s Birds RNR Fashion Ltd.	16.00	27.00	43.00	-
2	M/s PHP Continuous Galvanizing Mills Ltd. & its sister concern			-	8.76
3	M/s Zaber Spinning Mills Ltd.			-	93.26
4	M/s Yeasmin Spinning Mills Ltd.			-	104.23
5	M/s Nitol Motors Ltd.			-	60.86
6	M/s Mashihata Sweaters Ltd.	78.79	139.18	217.97	112.04
7	M/s Aman Tex Ltd.	157.50	26.23	183.73	-
8	M/s Ibrahim Textile mills Ltd.			-	67.07
9	M/s Shovon Paper Shopping Bag ind. Ltd. & Shovon Woven Bag Mfg. Co. Ltd.			-	67.09
10	M/s Saad Musa Fabrics Unit-2 & 3	96.75	12.65	109.40	183.30
11	M/s Younus Paper mills Ltd.			-	113.13
12	M/s Runner Motors Ltd & its sister concern			-	98.64
13	M/sTrurag Garments & Hosiery Mills Ltd	119.26	50.24	169.50	66.73
14	M/s Bangladesh Steel Re-Rolling MillsLtd.	51.04	41.45	92.49	-
15	M/s Abul Khair Steel industries Ltd. & its sister concern	76.92	200.92	277.84	122.62
16	M/s Elhan Textile	0.44	0.70	1.14	50.47
17	AIBL Capital Market services Ltd		50.00	50.00	240.57
18	AIBL Capital Market Management Ltd	223.02		223.02	
19	T K Group	65.52	76.91	142.43	94.88
20	Kabir Steel Re-Rolling Mills Ltd	34.76	0.98	35.74	
21	R I Enterprise			-	16.70
22	Majumder Trading	123.67	31.80	155.47	91.27
23	Kader Compact spinning Mills	49.00	5.60	54.60	13.36
24	Birds Garments Ltd -Unit-2 & sister concern			-	55.04
25	Shahjalal Islami Bank Securities Ltd	137.10		137.10	137.95
26	Otobi Ltd			-	105.58
27	Abu Bakkar & Brothers			-	60.39
28	Masud Trading	22.00		22.00	31.21
29	Techno Electricals Ltd, SQ wear & Cable co. Ltd & Engineering & Global Marketing Services			-	70.04
30	Hasan Tanveer Fashion Wear Ltd, Al- Islam wear Ltd & Al- Islam Apparels Ltd			-	64.97
31	M/S R.S Syndicate			-	68.62
32	Islam Brothers & its Sister Concern: Aman Feed Ltd.			-	35.83
33	Partex Jute Mills Ltd.	163.90	24.77	188.67	149.99
34	Juma enterprise & its sister Concern	47.99		47.99	64.32
35	Thermax Group	292.14	67.86	360.00	291.99
36	Nasir Glass Ltd	218.09	0.56	218.65	
37	Jaj Bhuiyan Group	224.88	75.60	300.48	238.04
38	S & M Trading			-	67.38
39	M/S. JST Commodities			-	18.09
	Total	2,198.77	832.45	3,031.22	3,064.42

Notes to the Financial Statements for the Year Ended 31 December 2013

v) Industry/Sector wise Investments

Agriculture, Fishing and forestry
Industry
Construction
Water works & sanitary services
Transport & communication
Storage
Trade Finance
Miscellaneous

Total

Less: Unearned profit on Investment

vi) Geographical Location -wise Investment

Urban:

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

Rural:

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

Less: Unearned profit on Investment

d) Classification of Investment including bills purchased and discounted

Unclassified

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

Classified

Sub Standard
Doubtful
Bad / Loss

Less: Unearned profit on Investment

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

Unclassified

General provision on unclassified Investment	1%	154,275,000	782,445,000
General provision on small enterprise Investment	0.25. %	496,545,000	52,953,000
General provision on Housing financing Investment	2%	-	24,449,000
General provision on consumer financing Investment	5%	2,397,000	7,509,000
General provision on Micro Investment	5%	15,704,000	11,315,000
General provision on special mention Investment	"0.25%, '1%, '5%	14,397,000	63,978,000
General provision on BHS/MHS/SDS	2%	66,287,000	78,502,000

Classified

Specific provision on substandard Investment	20%	70,825,000	77,835,000
Specific provision on doubtful Investment	50%	107,032,000	200,024,000
Specific provision on bad/loss Investment	100%	950,171,705	428,470,000

Unclassified

General provision on Off-balance sheet	1%	273,369,265	221,404,000
--	----	-------------	-------------

2013 Taka

1,617,158,456
57,003,465,338
2,334,447,812
1,984,841,769
8,262,524,973
831,246,781
48,128,214,871
9,952,579,155

130,114,479,155

8,815,493,716

121,298,985,439

119,191,326,385

92,074,197,487
15,911,792,740
504,233,804
6,238,656,745
2,971,067,048
1,491,378,562

10,923,152,770

5,836,437,021
2,026,871,194
463,037,211
1,954,328,933
513,197,529
129,280,882

130,114,479,155

8,815,493,716

121,298,985,439

126,515,651,000

124,375,006,000
2,140,645,000

3,598,828,155

1,220,930,155
660,088,000
1,717,810,000

130,114,479,155

8,815,493,716

121,298,985,439

126,515,651,000

124,375,006,000
2,140,645,000

3,598,828,155

1,220,930,155
660,088,000
1,717,810,000

130,114,479,155

8,815,493,716

121,298,985,439

126,515,651,000

124,375,006,000
2,140,645,000

3,598,828,155

1,220,930,155
660,088,000
1,717,810,000

130,114,479,155

8,815,493,716

121,298,985,439

126,515,651,000

124,375,006,000
2,140,645,000

3,598,828,155

1,220,930,155
660,088,000
1,717,810,000

130,114,479,155

8,815,493,716

121,298,985,439

126,515,651,000

124,375,006,000
2,140,645,000

3,598,828,155

1,220,930,155
660,088,000
1,717,810,000

130,114,479,155

8,815,493,716

121,298,985,439

2012 Taka

1,382,001,256
27,983,420,499
4,658,540,679
552,481,017
3,894,489,667
745,100,500
68,722,692,777
1,158,196,036

109,096,922,431

7,529,887,279

101,567,035,152

100,847,329,099

75,313,323,373
15,775,263,431
445,816,233
5,197,957,704
2,877,281,368
1,237,686,990

8,249,593,333

3,902,087,423
1,773,255,233
428,868,466
1,704,194,982
336,479,033
104,708,195

109,096,922,431

7,529,887,279

101,567,035,152

106,799,376,000

105,365,509,000
1,433,867,000

2,297,546,431

677,807,431
649,975,000
969,764,000

109,096,922,431

7,529,887,279

101,567,035,152

106,799,376,000

105,365,509,000
1,433,867,000

2,297,546,431

677,807,431
649,975,000
969,764,000

109,096,922,431

7,529,887,279

101,567,035,152

106,799,376,000

105,365,509,000
1,433,867,000

2,297,546,431

677,807,431
649,975,000
969,764,000

109,096,922,431

7,529,887,279

101,567,035,152

106,799,376,000

105,365,509,000
1,433,867,000

2,297,546,431

677,807,431
649,975,000
969,764,000

109,096,922,431

7,529,887,279

101,567,035,152

1,021,151,000

77,835,000
200,024,000
428,470,000

706,329,000

221,404,000

1,948,884,000

Notes to the Financial Statements for the Year Ended 31 December 2013

		2013 Taka	2012 Taka
f) Provision made on Investment & Off-balance sheet exposures			
Unclassified			
General provision on unclassified Investment	1%	154,275,000	782,445,000
General provision on small enterprise Investment	0.25. %	496,545,000	52,953,000
General provision on Housing financing Investment	2%	-	24,449,000
General provision on consumer financing Investment	5%	2,397,000	7,509,000
General provision on Micro Investment	5%	15,704,000	11,315,000
General provision on special mention Investment	"0.25%, "1%, '5%	14,397,000	63,978,000
General provision on BHS/MHS/SDS	2%	66,287,000	78,502,000
		749,605,000	1,021,151,000
Classified			
Specific provision on substandard Investment	20%	70,825,000	77,835,000
Specific provision on doubtful Investment	50%	107,032,000	200,024,000
Specific provision on bad/loss Investment	100%	950,171,705	428,470,000
		1,128,028,705	706,329,000
Unclassified			
General provision on Off-balance sheet	01%	273,369,265	221,657,265
		2,151,002,970	1,949,137,265
		-	253,265
Provision Excess/(Shortfall)			
g) Particulars of Investments			
i) Investment considered good in respect of which of the bank company is fully secured;		117,361,775,257	5,089,021,988
ii) Investment considered good against which the banking company holds no security other then the debtors personal guarantee.		-	-
iii) Investment considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors;		3,937,210,182	973,227,396
iv) Investment adversely classified; provision not maintained thereagainst;		-	-
v) Investment due by directors or officers of the Banking company or any of these either separately or Jointly with any other persons;		-	-
vi) Investment due from companies or firms in which the directors of the banking company have interests as directors, partners or managing or in the case of private companies as members;		6,045,000	5,372,000
vii) Maximum total amount of Investments including temporary Investments made at any time during the year to directors or managers or officers of the banking companies or any of them either agents severally or jointly with any other persons;		-	-
viii) Maximum total amount of Investment including temporary Investment granted during the year to the companies or firms in which the directors of the banking company have interests as directors, partners or managing agents or in the case of private companies as members;		-	-
ix) Due from banking companies;			
x) Amount of Classified Investment on which profit has not been charge, are mentioned as follows;			
a) An amount of Bad Investment on which profit has not been charged		1,717,810,000	898,769,000
i) Decrease/Increase in provision (Specific)		442,037,000	-
ii) Amount of Investment written off;		180,352,000	114,787,696
iii) Amount realised against Investment previously written off;		2,631,154	14,154,626
b) Amount of provision kept against Investment classified as "bad/loss" on the date of preparing the balance sheet ;		1,048,363,705	711,633,000
c) Profit creditable to the profit suspense/Compensation A/c;		78,218,341	96,265,831
d) Cumulative amount of the written of Investment;		836,841,000	621,163,946
e) Amount written off during the current year;		180,352,000	114,787,696
f) The amount of written off Investment for which lawsuit has been field;		836,841,000	621,163,946
h) General Investment		113,084,774,877	90,736,824,432
AIBL Capital Market Services Ltd.		8,342,736,123	6,903,390,528
AIBL Capital Management Ltd.		1,738,673,857	
		123,166,184,857	97,640,214,960
Less : Inter company Adjustment		(5,665,000,000)	(1,820,000,000)
		117,501,184,857	95,820,214,960

Notes to the Financial Statements for the Year Ended 31 December 2013

	2013 Taka	2012 Taka
i) Maturity grouping of Investment Including bills purchased and discounted		
Payable on Demand	-	-
Up to 1 (one) month	34,676,100,000	38,280,274,539
Over 1 (one) month but not more than 3 (three) months	35,613,300,000	20,229,874,836
Over 3 (three) months but not more than 1 (one) year	29,707,500,000	21,788,968,454
Over 1 year but not more than 5 years	14,019,085,439	12,560,484,971
Over 5 years	7,283,000,000	8,707,432,352
	121,298,985,439	101,567,035,152
9.A. Investments		
Al-Arafah Islami Bank Ltd.	121,298,985,439	101,567,035,152
AIBL Capital Market Services Ltd.	8,342,736,123	6,903,390,528
AIBL Capital Management Ltd.	1,738,673,857	
	131,380,395,419	108,470,425,680
Less : Inter company Adjustment	(5,665,000,000)	(1,820,000,000)
	125,715,395,419	106,650,425,680
9.A.i Maturity grouping of Investment Including bills purchased and discounted		
Payable on Demand	-	-
Up to 1 (one) month	39,092,509,980	38,280,274,539
Over 1 (one) month but not more than 3 (three) months	35,613,300,000	25,313,265,365
Over 3 (three) months but not more than 1 (one) year	29,707,500,000	21,788,968,454
Over 1 year but not more than 5 years	14,019,085,439	12,560,484,971
Over 5 years	7,283,000,000	8,707,432,352
	125,715,395,419	106,650,425,681
10. Fixed Assets Less Accumulated Depreciation		
Land	1,446,974,352	1,568,862,352
Building	289,145,982	105,445,397
Furniture & Fixture (Wood)	201,293,165	133,771,786
Furniture & Fixture (Steel)	67,590,422	59,547,248
Computer	152,379,894	137,399,948
Computer Accessories	28,124,526	22,222,718
Motor Car	107,010,354	93,494,046
Machine Equipment & Appliance	380,021,463	302,799,461
Books & Library	8,771,326	8,734,521
Online Hardware	160,230,522	125,861,048
Interior Decoration	159,253,504	160,183,587
Online Software	117,806,814	108,309,057
	3,118,602,324	2,826,631,169
Less: Accumulated Depreciation	628,615,788	465,417,630
	2,489,986,536	2,361,213,539
Schedule of Fixed Assets are given in Annexure - A.i		
10.A. Fixed Assets		
Al-Arafah Islami Bank Ltd.	2,489,986,536	2,361,213,539
AIBL Capital Market Services Ltd.	26,935,209	33,407,300
AIBL Capital Management Ltd.	296,048	-
	2,517,217,793	2,394,620,839
Schedule of Fixed Assets are given in Annexure - A.ii		
11. Other Assets		
Adjusting A/c Debit Balance	504,490,703	78,731,402
Suspense Account	253,908,160	56,484,258
DD Paid without Advice	1,663,381	4,832,860
Stock of Stationery	16,558,723	19,974,132
Stamp in hand	2,779,241	1,846,003
Advance Deposit	2,765,579	3,035,382
Advance Rent	216,350,363	217,631,178
Capital Work In Progress	178,673,514	158,532,270
Sponsorship of AIBL 1st Islamic Mutual Fund	100,000,000	100,000,000
Investment for Subsidiary Companies	2,910,000,000	2,895,000,000
Advance Income Tax & TDS [Note 11.2]	7,303,549,305	5,896,510,957
Protested Bills	5,614,700	5,614,700
Prepaid Expenditure	2,924,680	3,445,016
Brac Bank Eldorado Settement A/C	20,000,000	40,000,000
AIBL General A/C (Computer)	458,329,921	427,400,000
Accrued Income	936,381,436	1,002,250,056
Dividend Receivable	5,255,484	-
Clearing Adjustment	22,520,927	65,067
	12,941,766,116	10,911,353,282

Notes to the Financial Statements for the Year Ended 31 December 2013

11.1 Classification of other Assets under the following categories

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

xiii) Others

- Brac Bank Eldorado Settlement A/C
- AIBL General A/C (Computer)
- Sponsorship of AIBL 1st Islamic Mutual Fund
- Advance Income Tax & TDS
- Clearing Adjustment

11.2 Advance Income Tax & TDS

- i) Beginning of the year
- Advance tax paid during the year
- Tax deducted at Source during the year

Advance income tax at the end of the year

11.A. Consolidated Other Assets

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

Less: Inter-Company Adjustment

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 2012 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.

	2013 Taka	2012 Taka		
11.1 Classification of other Assets under the following categories				
i) Investment in shares of subsidiary companies;	2,910,000,000	2,895,000,000		
ii) Stationery, Stamps, Printing materials etc.	19,337,964	21,820,135		
iii) Advance rent and advertisement;	216,350,363	217,631,178		
iv) Profit accrued on Investment but not collected, commision & brokerage receivable on shares and debenture and other income receivable	936,381,436	1,002,250,056		
v) Security deposit	2,765,579	3,035,382		
vi) Preliminary, formation and organization expenses, renovaiton development expenses and prepaid expenses	2,924,680	3,445,016		
vii) Adjustments A/C Debit Balance	504,490,703	78,731,402		
viii) Suspenses account	253,908,160	56,484,258		
ix) DD Paid without advice	1,663,381	4,832,860		
x) Protested Bills	5,614,700	5,614,700		
xi) Dividend Receivable	5,255,484	-		
xii) Capital Work In Progress	178,673,514	158,532,270		
xiii) Others	7,904,400,152	6,463,976,023		
	12,941,766,116	10,911,353,282		
xiii) Others				
Brac Bank Eldorado Settement A/C	20,000,000	40,000,000		
AIBL General A/C (Computer)	458,329,921	427,400,000		
Sponsorship of AIBL 1st Islamic Mutual Fund	100,000,000	100,000,000		
Advance Income Tax & TDS	7,303,549,305	5,896,510,957		
Clearing Adjustment	22,520,927	65,067		
	7,904,400,152	6,463,976,023		
11.2 Advance Income Tax & TDS				
i) Begining of the year	5,896,510,957	3,978,400,180		
Advance tax paid during the year	1,180,364,848	1,691,678,517		
Tax deducted at Source during the year	226,673,500	226,432,260		
Advance income tax at the end of the year	7,303,549,305	5,896,510,957		
11.A. Consolidated Other Assets				
Al-Arafah Islami Bank Ltd.	12,941,766,116	10,911,353,282		
AIBL Capital Market Services Ltd.	1,391,754,181	1,094,435,685		
AIBL Capital Management Ltd.	64,387,515	3,687,959		
	14,397,907,812	12,009,476,926		
	(4,284,811,729)	(3,543,102,771)		
	10,113,096,083	8,466,374,155		
	3,400,000,000	5,100,000,000		
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 2012 provisional rate was 4 %) for 60/90/120/150/180 days tenor which introduced by the Government for islami banks and financial institutes september 2004 through Bangladesh Bank. The borrowing has been secured by MTDR, Accepted bills and Demand Promissory Note.				
Name of the Bank Maturity	Date	Nature	Amount	Amount
a. In Bangladesh				
Jamuna Bank Ltd. (Islamic Banking Branch)	29-03-14	MTDR	500,000,000	500,000,000
Jamuna Bank Ltd. (Islamic Banking Branch)	02-05-14	MTDR	500,000,000	200,000,000
Jamuna Bank Ltd. (Islamic Banking Branch)	07-05-14	MTDR	500,000,000	500,000,000
Jamuna Bank Ltd. (Islamic Banking Branch)	08-01-14	MTDR	500,000,000	300,000,000
Social Islami Bank Ltd.	29-04-14	MTDR	200,000,000	500,000,000
Social Islami Bank Ltd.	-	MTDR	-	200,000,000
Social Islami Bank Ltd.	-	MTDR	-	200,000,000
Social Islami Bank Ltd.	-	MTDR	-	500,000,000
Social Islami Bank Ltd.	-	MTDR	-	200,000,000
Social Islami Bank Ltd.	-	MTDR	-	200,000,000
Southeast Bank Ltd. (Islamic Banking Branch)	26-03-14	MTDR	500,000,000	100,000,000
Southeast Bank Ltd. (Islamic Banking Branch)	28-03-14	MTDR	500,000,000	500,000,000
Southeast Bank Ltd. (Islamic Banking Branch)	03-04-14	MTDR	200,000,000	500,000,000
Dhaka Bank Ltd. (Islamic Banking Branch)	-	MTDR	-	200,000,000
Dhaka Bank Ltd. (Islamic Banking Branch)	-	MTDR	-	200,000,000
Shahjalal Islami Bank Ltd.	-	MTDR	-	200,000,000
AB Bank Ltd. (Islamic Banking Branch)	-	MTDR	-	100,000,000
		Total	3,400,000,000	5,100,000,000
b. Outside Bangladesh				
			-	-
			3,400,000,000	5,100,000,000

Notes to the Financial Statements for the Year Ended 31 December 2013

12.A. Placement from Banks & Other financial Institutions

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

Less: Inter company borrowing

13. Deposit and Other Accounts

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

13.i Other Mudaraba Deposits

Mudaraba Short Term Deposit
Mudaraba Hajj Deposits
Mudaraba Special Savings(Pension) Deposit
Mudaraba Monthly profit Deposit
Mudaraba Saving Bond
Mudaraba Waqf Cash Deposit
Others

13.ii Al-wadeeah Current Accounts and Other Accounts

Al-wadeeah Current Deposits
Foreign Currency Account(USD)
Sundry Deposit
Security Deposit :L C
Security Deposit : Foreign L C
Security Deposit : Bank Guarantee
Security Deposit :Foreign Bills Negotiation(FBN)
Security Deposit : Inland L C
Security Deposit : Inland Bills Purchased (IBP)
Profit Payable
F.C held against back to back L/C
F.C held against EDF
Compensation: Realised
Others

13.A. Consolidated Deposit and other Accounts

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

13.A.i Maturity-wise Classification of Deposits

i. Repayable on Demand
With a residual maturity of
ii. Repayable within 1 (one) month
iii. Over 1 (one) month but within 6 (six) months
iv. Over 6 (six) months within 1 (one) year
v. Over 1 (one) year within 5 (five) years
vi. Over 5 (five) years within 10 (ten) years
vii. Unclaimed Deposits 10 (ten) years and above

13.A.ii Mudaraba Term Deposits

Less: Inter-Company Transaction

	2013 Taka	2012 Taka
12.A. Placement from Banks & Other financial Institutions		
Al-Arafah Islami Bank Ltd.	3,400,000,000	5,100,000,000
AIBL Capital Market Services Ltd.	3,730,000,000	2,950,000,000
AIBL Capital Management Ltd.	1,935,000,000	
	9,065,000,000	8,050,000,000
Less: Inter company borrowing	(5,665,000,000)	(1,820,000,000)
	3,400,000,000	6,230,000,000
13. Deposit and Other Accounts		
Al-Wadia Current Accounts and Others Accounts etc.[Note: 13.iii]	13,566,062,046	12,898,844,570
Mudaraba Savings Deposits	12,267,376,580	9,998,519,808
Mudaraba Term Deposits	90,765,477,773	77,314,883,253
Other Mudaraba Deposits [Note :13.i]	24,152,503,796	18,208,830,719
Bills Payable	953,220,429	959,167,532
	141,704,640,623	119,380,245,882
13.i Other Mudaraba Deposits		
Mudaraba Short Term Deposit	5,038,205,682	3,971,054,651
Mudaraba Hajj Deposits	58,526,369	46,075,929
Mudaraba Special Savings(Pension) Deposit	1,763,105,972	959,828,507
Mudaraba Monthly profit Deposit	2,722,660,621	1,097,287,189
Mudaraba Saving Bond	146,004	132,785
Mudaraba Waqf Cash Deposit	5,419,612	4,941,192
Others	14,564,439,537	12,129,510,466
	24,152,503,796	18,208,830,719
13.ii Al-wadeeah Current Accounts and Other Accounts		
Al-wadeeah Current Deposits	5,359,651,706	4,620,976,021
Foreign Currency Account(USD)	286,033,092	534,188,202
Sundry Deposit	1,198,097,956	394,092,367
Security Deposit :L C	223,203,706	577,512,151
Security Deposit : Foreign L C	548,651,763	1,104,379,931
Security Deposit : Bank Guarantee	35,957,392	42,282,308
Security Deposit :Foreign Bills Negotiation(FBN)	59,194,131	30,414,834
Security Deposit : Inland L C	51,546,029	22,115,738
Security Deposit : Inland Bills Purchased (IBP)	13,577,393	173,363,082
Profit Payable	2,980,062,686	2,588,668,536
F.C held against back to back L/C	2,248,920,222	2,574,617,401
F.C held against EDF	24,766,292	22,179,176
Compensation: Realised	250,080,777	158,505,108
Others	286,033,092	55,549,714
	13,566,062,046	12,898,844,570
13.A. Consolidated Deposit and other Accounts		
Al-Wadia Current Accounts and Others Accounts etc.	13,566,062,046	12,898,844,570
Mudaraba Savings Deposits	12,267,376,580	9,998,519,808
Mudaraba Term Deposits [13.A.ii]	90,041,393,768	76,618,032,206
Other Mudaraba Deposits	24,152,503,796	18,208,830,719
Bills Payable	953,220,429	959,167,532
	140,980,556,619	118,683,394,835
13.A.i Maturity-wise Classification of Deposits		
i. Repayable on Demand	3,680,212,974	2,999,555,943
With a residual maturity of		
ii. Repayable within 1 (one) month	52,465,282,026	51,249,938,890
iii. Over 1 (one) month but within 6 (six) months	33,875,112,049	31,032,912,990
iv. Over 6 (six) months within 1 (one) year	34,874,977,910	20,805,187,011
v. Over 1 (one) year within 5 (five) years	10,545,562,589	7,990,612,945
vi. Over 5 (five) years within 10 (ten) years	5,539,409,071	4,605,187,055
vii. Unclaimed Deposits 10 (ten) years and above	-	-
	140,980,556,619	118,683,394,834
13.A.ii Mudaraba Term Deposits		
Less: Inter-Company Transaction	90,765,477,773	77,314,883,253
	(724,084,004)	(696,851,047)
	90,041,393,769	76,618,032,206

Notes to the Financial Statements for the Year Ended 31 December 2013

14. Other Liabilities

	2013 Taka	2012 Taka
Dividend Payable	-	459,000
Provision for Income Tax [Note-14.1]	8,274,828,387	6,605,081,307
Provision on Investment [Note-14.2]	2,151,002,970	1,954,441,265
Provision for diminution in value of investment [Note-14.3]	192,500,000	91,000,000
Other Provision [Note:14.2.b]	9,206,964	7,976,964
Provision for Gratuity [Note:14.2]	1,304,000	23,676,482
Cash Waqf Fund (Staff)	80,000	80,000
Hajj Foundation.	69,000	69,000
Provident fund	60,668	-
Adjusting Account Credit Balance	73,818,039	68,469,503
Outstanding Expenses	1,501,593	1,211,498
Profit/Rent Suspense [Note 14.4]	78,218,341	96,265,831
Compensation Receivable	172,386,683	94,656,124
BEFTN Adjustment	4,078,711	-
ALBL General A/C [Note:14.5]	-	436,021,642
Social Security and Benevolent Fund	2,200	-
Parking for NOSTRO sub G/L	328,022,327	-
CIB Collection Charge	1,142,390	529,050
	11,288,222,271	9,379,937,665

14.1 Provision for income Tax

Current tax

Provision held at the beginning of the year	6,605,081,306	4,895,278,703
Provision made during the year	1,669,747,081	1,709,802,603

Provision held at the end of the year

8,274,828,387	6,605,081,306
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14.1.a. Provision for Current Tax made during the year

Income Tax on Business income	1,591,535,201	1,590,929,600
Capital gain	4,864,905	10,007,748
Income u/s 82(c) [CMSD Commission]	-	-
Gain on sales of DSE,CSE Licences	-	-
Cash Dividend 73,346,976 108,865,256	-	-
Estimated Provision Required as at December 31,2011(i)	1,669,747,081	1,709,802,603

Provision held

Balance as at January 1, 2013	1,669,747,081	4,895,278,703
Tax for previous year (-)	1,669,747,081	4,895,278,703

Actual provision for tax held (II)

Estimated provision needs to be made (I-II)	1,639,284,075	1,690,315,294
Provision actually made during the year	1,639,284,075	1,690,315,294

A. Computation of Taxable Profit

Profit before tax	3,737,856,011	3,646,224,047
Add:Inadmissible expenditure	837,637,183	647,978,847
Less: Item of income for sparate Consideration	(415,383,928)	(644,403,754)
Less: Further allowable Expenditure	(415,320,559)	(297,008,172)

Estimated Business income other than 82(C)

Add:Gain on sales of DSE,CSE Licences	-	-
Add: Capital Gain	48,649,050	100,077,475
Add:Cash dividend	366,734,878	544,326,279
Add:Income u/s 82(c) [CMSD Commission]	-	-

Total Taxable Income

4,160,172,635	3,997,194,722
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14.2 Provision on Investment & Others

Provision against Classified Investments (Specific) [14.3.a.i]	1,128,028,705	711,633,000
Provision against Unclassified Investments (general) [14.3.a.ii]	749,605,000	1,021,151,000
Provision against Off-balance Sheet exposures [14.3.a.iii]	273,369,265	221,657,265

Total Provision Held (a)

2,151,002,970	1,954,441,265
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a) The movement in Specific provision on classified Investment :

i) Provision held at the begining of the year	711,633,000	305,935,000
Fully provision debt written off	(180,352,000)	(114,787,696)
Recoveries of amount previously written off	2,631,154	14,154,626
Specific provision for the year	322,570,551	506,331,070
Provision transferred to unclassified investment	271,546,000	-

Provision held at the end of the year

1,128,028,705	711,633,000
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Notes to the Financial Statements for the Year Ended 31 December 2013

	2013 Taka	2012 Taka
ii) The movement in general provision on unclassified Investment :		
Provision held at the beginning of the year	1,021,151,000	866,457,424
Provision during the year	-	154,693,576
Provision transferred to classified investment	(271,546,000)	-
Provision held at the end of the year	749,605,000	1,021,151,000
iii) The movement in provision against Off-balance sheet exposures		
Provision held at the beginning of the year	221,657,265	214,477,000
Provision during the year	51,712,000	7,180,265
Provision held at the end of the year	273,369,265	221,657,265
2,151,002,970	1,954,441,265	
b) Provision for Others		
Provision held at the beginning of the year	7,976,964	7,991,964
Provision during the year	1,230,000	-
Less, Adjustment during the year	-	(15,000)
Provision held at the end of the year	9,206,964	7,976,964
14.3 Provision for diminution in value of investment		
Provision held at the beginning of the year	91,000,000	1,525,061
Provision during the year	101,500,000	89,474,939
Provision held at the end of the year	192,500,000	91,000,000
14.4 Profit/Rent Suspense Account		
Balance held at the beginning of the year	96,265,831	20,030,964
Amount transferred to "Profit Rent Suspense" during the year	(18,047,490)	76,234,867
Balance at the end of the year	78,218,341	96,265,831
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 31.12.2013 are as under:		
	Number of unresponded entries	Unresponded
	Dr.	Cr.
Up to 3 Months	448	185
Over 3 Months but within 6 months	17	13
Over 6 months but within 1 year	-	-
Over 1 year but within 5 years	-	-
	465	198
		Amount
		(Figure in Crore)
		Dr.
		Cr.
		54.00
		.76
		-
		-
		2.18
		.69
		-
		-
		2.87
14.A.Consolidated Other Liabilities		
Al-Arafah Islami Bank Ltd.	11,288,222,272	9,379,937,665
AIBL Capital Market Services Ltd.	2,644,240,981	1,566,420,900
AIBL Capital Management Ltd.	61,520,226	3,126,967
	13,993,983,479	10,949,485,532
Less: Investment From Subsidiary Company	(1,368,761,729)	(642,090,271)
Less: Inter-company dividend payable	(97,797,492)	(427,400,000)
	12,625,221,749	10,307,395,261
14.A.I Consolidated Current tax		
Al-Arafah Islami Bank Ltd.	1,669,747,081	1,709,802,603
AIBL Capital Market Services Ltd.	395,840,243	268,905,541
AIBL Capital Management Ltd.	2,352,537	3,095,333
	2,067,939,861	1,981,803,477
14.4.A Provision for diminution in value of investment		
Al-Arafah Islami Bank Ltd.	101,500,000	89,474,939
AIBL Capital Market Services Ltd.	101,506,653	53,765,741
AIBL Capital Management Ltd.	-	-
	203,006,653	143,240,680
15. Deferred tax Liabilities/ (Assets)		
Opening balance	48,885,051	31,992,768
Add: Addition for the year	15,793,187	16,892,283
Closing Balance	-	-
Provision held at the end of the year	64,678,238	48,885,052
Presented after appropriate offsetting as follows:		
Deferred tax Liabilities(+)	48,885,051	31,992,768
Deferred tax Liabilities	15,793,187	16,892,283
Deferred Tax Liabilities(net)	64,678,238	48,885,051

Notes to the Financial Statements for the Year Ended 31 December 2013

16. Capital

a) Authorized Capital

The Authorized Capital of the Bank is 1500,000,000 Ordinary Share of Tk. 10 each.

b) Issued, Subscribed and Fully Paid - up Capital

Issued for Cash

Issued for other than Cash (Bonus Share)

c) Bank has increased its paid up capital by issuance of Bonus Shares during the year 2013

Description	2013		2013 Taka	2012 Taka
	No. of Shares	No. of Shares		
Sponsors / Promoters	359,187,512	307,487,184	3,591,875,120	3,074,871,840
Institution	84,011,564	90,189,215	840,115,640	901,892,150
General Public	391,125,595	315,421,611	3,911,255,950	3,154,216,110
Total	834,324,671	713,098,010	8,343,246,710	7,130,980,100

Note: Break-up of Shares Classification of shareholders by holding as on 31.12.2013

d) Break-up of Shares Classification of shareholders by holding as on 31.12.2013

Range of Holding	Number of Shareholders		No. of Shares	% of Shares
Less than 50,000	57637		141,331,688	16.94%
50,001 to 100,000	381		26,532,609	3.18%
100,001 to 200,000	169		23,409,319	2.81%
200,001 to 300,000	77		18,622,031	2.23%
300,001 to 400,000	40		13,890,791	1.66%
400,001 to 500,000	22		9,815,648	1.18%
500,001 to 1,000,000	41		27,111,652	3.25%
1,000,001 to 10,000,000	81		232,294,000	27.84%
10,000,001 to 20,000,000	20		341,316,933	40.91%
Total	58468		834,324,671	100.00%

e) Minimum Capital Requirement Capital Adequacy Ratio

1.Tier-I (Core Capital)

Paid-up Capital	8,343,246,710	7,130,980,100
Statutory Reserve	3,849,648,169	3,102,076,966
Retained Earnings	1,307,616,336	1,215,138,406
Total	13,500,511,216	11,448,195,472

2.Tier- II (Supplementary Capital)

General Provision	1,022,974,265	1,242,808,265
Assets Revaluation Reserves	488,774,124	488,774,124
Total	1,511,748,389	1,731,582,389

3.Tier- III

A. Total Eligible Capital (1+2+3)

Total	15,012,259,605	13,179,777,862
--------------	-----------------------	-----------------------

B. Total Risk weighted Assets (a+b+c)

Total	111,064,700,000	120,578,400,000
--------------	------------------------	------------------------

a. Credit Risk

Total	97,725,600,000	106,762,100,000
--------------	-----------------------	------------------------

i. Balance sheet Business

	93,132,300,000	103,154,600,000
--	----------------	-----------------

ii. Off-balance sheet Business

	4,593,300,000	3,607,500,000
--	---------------	---------------

b. Market Risk (From WS-3)

Total	4,009,600,000	5,090,600,000
--------------	----------------------	----------------------

c. Operational Risk (From WS-4)

Total	9,329,500,000	8,725,700,000
--------------	----------------------	----------------------

C. Capital Adequacy Ratio (CAR) (A / B)

Ratio	13.52%	10.93%
--------------	---------------	---------------

D. Core Capital to RWA

Ratio	12.16%	9.49%
--------------	---------------	--------------

E. Supplementary Capital to RWA

Ratio	1.36%	1.44%
--------------	--------------	--------------

F. Minimum Capital Requirement (MCR) 10.00% of RWA

Total	11,106,470,000	12,057,840,000
--------------	-----------------------	-----------------------

Capital surplus

Total	3,905,789,605	1,121,937,862
--------------	----------------------	----------------------

16.A. Non-Controlling Interest

Opening balance	1,601,702,802	2,154,767,685
less: Buy back of shares of AIBL CML	(15,000,000)	(342,554,874)
Add: added on acquisition AIBL CML	-	3,987,501
Add: Non-Controlling Interest in Profit for the year	227,018,721	251,252,490
Less: Dividend paid	(221,200,000)	(465,750,000)
Total	1,592,521,523	1,601,702,802

17. Statutory Reserve

Opening balance beginning of the year	3,102,076,966	2,372,832,157
Add. Reserve @ 20% (on pre-tax profit)	747,571,203	729,244,809
Balance at the end of the year.	3,849,648,169	3,102,076,966

18. Other Reserve

A) General Reserve	-	-
Sub total (i)	-	-
B) Asset revaluation Reserve	977,548,248	977,548,248
Grand total (i + ii)	977,548,248	977,548,248

Notes to the Financial Statements for the Year Ended 31 December 2013

19. Retained Earnings

Opening balance beginning of the year
Less : Bonus Share
Add: Net Profit / (loss) after tax during the year

Less : transfer to Statutory Reserve

19.A. Consolidated Retained Earnings

Al-Arafah Islami Bank Ltd.
Add: Net profit after tax during the year
Add: Gain on acquisition of subsidiary
Less: Stock dividend to equity holders of the bank
Less: Transfer to statutory reserve

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
ii. Government
iii. Bank and other financial institution
iv. Others

21. Investment Income

i. Income from General Investments

Murabaha
Mudaraba
Musharaka
Bai-Muazzal
Hire-Purchase
Others mode income

ii. Profit on Deposits with Other Islamic Banks in Bangladesh

Profit received from other Islamic Bank

Outside Bangladesh

Total (i + ii)

21.A. Consolidated Investment Income

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

Less : Inter company Adjustment

22. Profit paid on Deposits & Borrowing

Mudaraba Savings Deposit
Mudaraba Short Term Deposit
Mudaraba Term Deposit
Mudaraba Special Deposit
Mudaraba BD. Govt. Islamic Bond fund

22.A. Profit paid on Deposits & Borrowing

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

Less : Inter company Adjustment

23. Income from Investment in Share /Securities

Dividend income
Gain on sale of Shares/Securities
Profit received from other Islamic Bond

2013 Taka	2012 Taka
1,215,138,406	1,262,462,165
(1,212,266,610)	(1,237,608,110)
2,052,315,743	1,919,529,161
2,055,187,539	1,944,383,216
(747,571,203)	(729,244,809)
1,307,616,336	1,215,138,406
1,238,380,901	1,503,534,243
2,049,662,263	1,694,144,703
-	7,554,874
(1,212,266,610)	(1,237,608,110)
(747,571,202)	(729,244,809)
1,328,205,351	1,238,380,901
-	-
-	-
4,006,609,306	1,955,716,112
4,006,609,306	1,955,716,112
1,964,560,591	2,248,685,509
-	-
52,494	1,720
7,207,963,068	5,411,260,294
3,353,339,101	2,557,351,376
3,544,065,307	2,901,237,601
16,069,980,562	13,118,536,500
918,650,404	1,000,648,837
918,650,404	1,000,648,837
-	-
16,988,630,966	14,119,185,336
16,988,630,966	14,119,185,337
1,301,442,798	1,083,591,662
62,561,393	10,515,313
18,352,635,157	15,213,292,312
(386,306,649)	(214,690,271)
17,966,328,508	14,998,602,041
345,055,915	245,413,489
187,519,989	139,635,443
9,578,921,374	5,691,003,564
1,760,271,235	3,319,932,970
180,724,049	179,664,355
12,052,492,562	9,575,649,820
12,052,492,562	9,575,649,820
395,330,275	349,518,660
46,198,885	-
12,494,021,722	9,925,168,480
(386,306,649)	(214,690,271)
12,107,715,073	9,710,478,209
366,734,878	544,326,279
48,649,050	100,077,475
191,841,132	127,815,067
607,225,060	772,218,821

Notes to the Financial Statements for the Year Ended 31 December 2013

23.A. Income from Investment in Share /Securities

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

Less : Inter company Adjustment

24. Commission, Exchange & Brokerage Income

Commission
Exchange

24.A Commission, Exchange & Brokerage Income

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

25. Other Operating Income

Processing Fee on Investment
Supervision Fee
Telex Charge Recovered
Transfer/Redumsion Fee
Telephone/Fax Charges
P & T charge Recovered
Printing & Stationery
Capital Gain from Fixed Asset
Exchange Gain & Vat on Bach
Accounts Maintinance Fee
CARD Income
Legal expenses Recovered
Rent on Office Premissis
Application form sales (SEIS/SEF)
SWIFT Charge Recovered
Direct Expenses on Investment
Misc.Earning

25.A. Other Operating Income

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

Less : Inter company Adjustment

26. Salaries, Allowances & Contribution to P.F

Basic Salary
House Rent Expenses
Medical Expenses
Conveyance Expenses
Bonus
Bank Contribution to Provident Fund.
Utilities
Car Allowances
Leave Encashment Expenses/Leave Fare
Gratuity

2013
Taka

2012
Taka

607,225,060

772,218,821

-

11,144,997

9,521,466

3,574,590

616,746,526

786,938,408

(338,800,000)

(534,250,000)

277,946,526

252,688,408

752,627,260

671,559,293

231,216,370

340,525,198

983,843,630

1,012,084,491

983,843,630

1,012,084,491

246,424,478

225,134,083

1,230,268,108

1,237,218,574

252,300

3,660,815

1,140

42,300

12,144

24,764,545

32,519,594

1,829,324

759,762

101,359,700

3,942,724

224,470

624,602

295,485

64,177,814

1,492,843

55,345

236,014,906

639,445

1,593,050

20,000

110

16,175

24,207,659

21,075,715

(1,099,181)

100

94,154,920

2,058,849

35,100

71

240,346

46,106,608

2,652,975

3,413,968

195,115,911

236,014,907

195,115,910

12,901,590

8,952,827

-

248,916,497

204,068,737

37,501

-

248,878,996

204,068,737

520,213,176

462,110,287

344,922,999

291,199,829

114,553,607

98,741,971

45,245,339

38,594,494

303,698,821

237,013,452

44,896,051

39,316,117

82,504,282

72,496,966

37,433,465

30,641,387

43,402,785

34,162,020

67,064,859

53,676,482

1,603,625,382

1,357,953,006

Notes to the Financial Statements for the Year Ended 31 December 2013

26.A. Salaries, Allowances & Contribution to P.F

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

Less : Inter company Adjustment

27. Director & Sharia Council Fees & Expenses

i. Directors fees for attending Board/executive Committee/other committee meeting
ii. TA/DA/ Hotel fare & Foreign Directors
iii. Others

27.A. Director & Sharia Council Fees & Expenses

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

28. Sharia Supervisory Committee's Fees & Expenses

i. Sharia fees for attending meeting
iii. Others

29. Rent,Taxes,Insurance & Lighting

Rent Office
Lighting & Electricity
Insurance

29.A. Rent,Taxes,Insurance & Lighting

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

30. Postage,Telegram,Telephone & Stamp

Stamps
Postages
Telegram
Fax & Internet
Swift
Telephone (Office)
Telephone (Residence)
Telephone (Mobile)
Online Charge

30.A. Postage,Telegram,Telephone & Stamp

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

31. Stationary,Printing & Advertisement

Printing & Stationery
Paper & Table Stationery
Advertisement & Publicity Expenses

31.A. Stationary,Printing & Advertisement

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

2013 Taka	2012 Taka
1,603,625,382	1,357,953,006
35,101,177	46,926,620
9,600,645	3,370,168
1,648,327,204	1,408,249,794
-	-
1,648,327,204	1,408,249,794
4,206,365	2,788,750
2,954,825	2,354,528
1,893,171	1,572,545
9,054,361	6,715,823
9,054,361	6,715,823
2,039,000	1,550,000
204,000	-
11,297,361	8,265,823
175,800	172,500
28,621	87,677
204,421	260,177
143,792,294	120,334,771
48,118k,595	38,284,571
92,050,012	62,550,462
283,960,901	221,169,805
283,960,901	221,169,805
14,860,892	11,356,097
881,133	-
299,702,926	232,525,902
1,131,890	5,890
14,828,765	11,189,703
4,012	120
1,039,595	2,211,060
21,566,161	19,073,354
5,081,844	4,215,000
1,047,646	864,127
2,750,454	2,353,213
27,465,805	31,962,866
74,916,171	71,875,333
74,916,171	71,875,333
379,402	515,363
107,800	14,800
75,403,373	72,405,496
25,304,356	14,782,139
17,664,909	21,948,730
22,093,236	18,751,869
65,062,501	55,482,737
65,062,501	55,482,737
903,344	827,756
481,870	15,635
66,447,715	56,326,128

Notes to the Financial Statements for the Year Ended 31 December 2013

32. Other expenses

Charge & Risk Expenses
Wages
Saturday Allowance
IT Allowance
CDBL Fee & Charges
Car Maintenance
Local Conveyance Expenses
Petroleum oil & Lubricant
Entertainment
Travelling Allowances
Bank Charge
Liveries/Uniform
Donations
Honourarium
Subscription
Banks Clearing House Charge
Transportation Charge
Evening Banking Expenses
News paper, Jurnal & Periodicals
WASA/Gas Charge
Washing Charges
Training Expenses
Upkeep of Branch (Office Premises)
Computer Charges
CNG motor car
Registration Expenses
Development
Photo Copy Chagre
AGM
Managers Conferance
Closing Expenses
Crocarige
Right Share Issue
Card Expense
Credit rating charge/Tax Token
Excise Duty
Misc. Expenses

32.A. Consolidated Other expenses

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

33. Provision against Investments & Off-Balance sheet exposures

On Classified Investment as per Bangladesh Bank Circular
On Un-classified Investment as per Bangladesh Bank Circular
On Off-balance sheet as per Bangladesh Bank Circular

33.A. Provision against Investments & Off-Balance sheet exposures

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

34. Paid for other operating Activities

Directors and Shariah Council fees and expenses
Rent, taxes, insurance, lighting etc.
Postage, telegram, telephone and stamp etc.
legal charges
Audit fee
Repairs to the banks properties
Software Maintenance Fee
Hardware Maintenance Fee
Advertisement
Other expenses

2013

Taka

2,960,410
85,151,345
16,260,250
2,741,400
477,135
5,173,760
8,716,870
14,619,569
17,962,559
16,072,027
14,409,868
528,205
3,308,390
-
6,550,510
326,474
1,094,045
652,220
958,582
3,894,197
1,180,114
4,998,481
2,629,699
12,401,633
1,995,798
7,177,927
11,899,567
1,058,258
12,302,884
1,542,802
130,100
313,095
-
12,706,116
896,092
20,830
6,770,112

279,881,325

2012

Taka

2,779,984
67,414,198
8,400,200
2,622,213
1,744,199
5,318,644
6,611,725
14,708,381
14,967,332
13,872,659
6,339,309
295,560
457,649
79,000
5,566,400
3,333,132
1,526,520
593,258
707,713
2,989,924
907,297
4,081,760
3,156,622
12,625,677
2,011,698
12,220,392
1,653,516
1,445,153
9,885,188
2,261,505
73,846
912,819
200,000
3,244,123
638,436
28,100
7,078,178

222,752,311

325,187,952

258,839,210

374,282,551

668,204,911

383,911,072

668,204,911

9,258,782

6,976,000

283,471,151

221,169,805

74,811,786

71,875,333

2,607,444

2,242,004

1,127,000

646,540

17,777,767

14,922,548

10,858,055

8,127,427

2,140,990

1,788,386

22,093,236

18,751,869

279,881,325

222,752,311

704,027,537

569,252,222

Notes to the Financial Statements for the Year Ended 31 December 2013

	2013 Taka	2012 Taka
34.A. Paid for other operating Activities		
Al-Arafah Islami Bank Ltd.	(704,027,537)	(569,252,223)
Inter Company Adjustment	(234,597,560)	(1,274,559)
	(938,625,097)	(570,526,782)
35. Changes in other Assets		
Adjusting A/c Debit Balance	(425,759,302)	(34,743,642)
Suspense Account	(197,423,902)	46,317,463
DD Paid without Advice	3,169,479	132,399,031
Stock of Stationery	3,415,409	(5,252,525)
Stamp in hand	(933,238)	(917,096)
Advance Deposit	269,803	(250,796)
Advance Rent	1,280,816	(43,281,597)
Capital Work In Progress	(20,141,244)	(80,622,237)
Investment for Subsidiary Companies	(15,000,000)	(825,000,000)
Prepaid Expenditure	520,336	(1,290,659)
Brac Bank Eldorado Settlement A/C	20,000,000	(30,000,000)
ABL General A/C (Computer)	(31,524,056)	(427,400,000)
Accrued Income	65,868,620	(566,841,049)
Clearing Adjustment	(22,455,860)	-
	(618,713,138)	(1,836,883,107)
35.A. Changes in other Assets		
Al-Arafah Islami Bank Ltd.	(618,713,138)	(1,836,883,107)
Inter Company Adjustment	868,731,877	(1,425,266)
	250,018,739	(1,835,457,841)
36. Changes in other Liabilities		
Gratuity paid	(23,676,482)	23,676,482
Provident Fund	60,668	-
Adjusting Account Credit Balance	151,278	32,356,072
Outstanding Expenses	290,095	(158,191)
Dividend Payable	(459,000)	-
Profit/Rent Suspenses	(18,047,490)	76,234,867
Compensation Receivable	77,730,559	67,946,547
ABL General Account	(436,021,642)	266,330,996
Parking for Nostro Sub GL	(328,022,327)	-
Social Security & Benevolent Fund	2,200	-
BEFTN Adjustment	4,078,711	-
Write off recovery	-	(10,000)
CIB Collection Charge	(354,655)	387,440
	(724,268,086)	466,764,213
36.A. Changes in Other Liabilities		
Al-Arafah Islami Bank Ltd.	(724,268,086)	(466,764,213)
Inter Company Adjustment	66,309,185	(332,560,046)
	(657,958,901)	(799,414,259)
37. Cash and Cash Equivalent at the end of the year		
Cash in hand	1,532,281,100	1,082,941,132
Balance with Bangladesh Bank & Sonali Bank Ltd.	16,046,314,177	11,601,779,123
Balance with Other Banks	4,698,381,669	2,312,975,317
Bangladesh Government Islamic Investment Bond	5,480,000,000	4,200,000,000
	27,756,976,946	19,197,695,572

Notes to the Financial Statements for the Year Ended 31 December 2013

	2013 Taka	2012 Taka
37.A. Cash and Cash Equivalent at the end of the year		
Al-Arafah Islami Bank Ltd.	27,756,976,946	19,197,695,572
AIBL Capital Market Services Ltd.	5,000	5,000
AIBL Capital Management Ltd.	-	-
	27,756,981,946	19,197,700,572
38. Calculation of earning per Share		
The earning per share of the bank has been calculated in accordance with BAS-33 under basic Earning per share method as follows:		
Earning per Share	2.46	2.30
38.i Net profit after tax (Numerator)	2,052,315,743	1,919,529,161
Weighted average number of ordinary shares outstanding 2013	834,324,671	834,324,671
Earnings per share (EPS) as per share (2013)	2.46	2.30

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

38.A Consolidated earnings per share (CEPS)

Net profit after tax	2,049,662,263	1,694,144,703
Weighted average number of ordinary shares outstanding 2013	834,324,671	834,324,671
Consolidated earnings per share as per share (2013) (including Non-Controlling Interest)	2.46	2.03

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

39. Events after the balance sheet date

- i) The Board of Directors in its 254th meeting held on 27 February 2014 has approved the audited financial statements for the year ended 31 December 2013 and recommended for bonus shares as the ratio of 13.50% (13.50 Bonus shares for every 100 shares) subject to approval of the shareholders at the 19th Annual General Meeting (AGM).

Schedule of Consolidated Fixed Assets as on 31 December 2013

Annexure-Ai

SL No	Particulars	Cost / Revaluation					Depreciation				
		Balance at 1st January 2013	Revaluation	Addition during the year	Transfer/ Disposal during the year	Balance at 31st December 2013	Balance at 1st January 2013	Charge for the year	Transfer/ Disposal during the year	Balance at 31st Dec. 2013	Written down value as on 31.12.13
A. Fixed Assets											
1	Land	1,568,862,352	-	-	121,888,000	1,446,974,352	-	-	-	-	1,446,974,352
2	Building	105,445,397	-	189,745,832	6,045,247	289,145,982	8,164,236	6,875,669	6,153,914	8,885,991	280,259,991
3	Furniture & fixture (wood)	136,472,401	-	67,583,211	-	204,055,612	29,878,564	15,648,032	2,212,903	43,313,693	160,741,919
4	Furniture & fixture (steel)	59,709,580	-	8,043,174	-	67,752,754	24,674,998	5,176,085	471,714	29,379,369	38,373,385
5	Computer	141,405,043	-	15,237,994	-	156,643,037	93,656,409	16,840,046	1,681,223	108,815,232	47,827,805
6	Computer accessories	23,405,810	-	5,922,090	-	29,327,900	8,595,976	4,715,218	466,093	12,845,101	16,482,799
7	Motor car	109,631,847	-	18,968,162	5,451,854	123,148,155	56,196,844	18,792,559	3,513,835	71,475,568	51,672,587
8	Machine/equipment & appliance	311,696,192	-	77,731,292	-	389,427,484	118,973,416	59,957,064	5,710,963	173,219,517	216,207,967
9	Books & library	8,734,521	-	36,805	-	8,771,326	8,136,990	293,445	115,353	8,315,082	456,244
10	Online hardware	128,762,282	-	34,369,474	-	163,131,756	73,325,427	27,268,178	881,336	99,712,269	63,419,487
11	Interior decoration	169,455,002	-	1,001,444	930,083	169,526,363	29,869,936	17,271,383	1,060,668	46,080,651	123,445,712
Sub-Total		2,763,580,427	-	418,639,478	134,315,184	3,047,904,721	451,472,796	172,837,679	22,268,002	602,042,473	2,445,862,248
B. Intangible Assets											
12	Online software	109,252,611		9,497,757	-	118,750,368	26,739,403	21,296,378	640,959	47,394,822	71,355,546
Sub-Total		109,252,611	-	9,497,757	-	118,750,368	26,739,403	21,296,378	640,959	47,394,822	71,355,546
Total		2,872,833,038	-	428,137,235	134,315,184	3,166,655,089	478,212,199	194,134,057	22,908,961	649,437,295	2,517,217,794
December 31, 2012		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	2,394,620,840

Schedule of Fixed Assets as on 31 December 2013

Annexure- A ii

SL No	Particulars	Cost / Revaluation					Depreciation				
		Balance at 1st January 2013	Revaluation	Addition during the year	Transfer/ Disposal during the year	Balance at 31st December 2013	Balance at 1st January 2013	Charge for the year	Transfer/ Disposal during the year	Balance at 31st Dec. 2013	Written down value as on 31.12.13
A. Fixed Assets											
1	Land	1,568,862,352	-	-	121,888,000	1,446,974,352	-	-	-	-	1,446,974,352
2	Building	105,445,397		189,745,832	6,045,247	289,145,982	8,164,236	6,875,669	6,153,914	8,885,991	280,259,991
3	Furniture & fixture (wood)	133,771,786		67,521,379	-	201,293,165	29,421,889	15,377,970	2,212,903	42,586,956	158,706,209
4	Furniture & fixture (steel)	59,547,248		8,043,174	-	67,590,422	24,645,977	5,159,852	471,714	29,334,115	38,256,307
5	Computer	137,399,948		14,979,946	-	152,379,894	92,306,583	16,039,027	1,681,223	106,664,387	45,715,507
6	Computer accessories	22,222,718		5,901,808	-	28,124,526	8,207,806	4,478,600	466,093	12,220,313	15,904,213
7	Motor car	93,494,046		18,968,162	5,451,854	107,010,354	50,387,236	15,564,999	3,513,835	62,438,400	44,571,954
8	Machine equipment & appliance	302,799,461		77,222,002	-	380,021,463	116,394,944	58,177,718	5,710,963	168,861,699	211,159,764
9	Books & library	8,734,521		36,805	-	8,771,326	8,136,990	293,445	115,353	8,315,082	456,244
10	Online hardware	125,861,048		34,369,474	-	160,230,522	72,616,408	26,687,931	881,336	98,423,003	61,807,519
11	Interior decoration	160,183,587		-	930,083	159,253,504	28,501,260	16,344,241	1,060,668	43,784,833	115,468,671
Sub-Total		2,718,322,112	-	416,788,582	134,315,184	3,000,795,510	438,783,329	164,999,453	22,268,002	581,514,780	2,419,280,731
B. Intangible Assets											
12	Online software	108,309,057		9,497,757	-	117,806,814	26,634,301	21,107,667	640,959	47,101,009	70,705,805
Sub-Total		108,309,057	-	9,497,757	-	117,806,814	26,634,301	21,107,667	640,959	47,101,009	70,705,805
Total		2,826,631,169	-	426,286,339	134,315,184	3,118,602,324	465,417,630	186,107,119	22,908,961	628,615,788	2,489,986,536
December 31, 2012		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

Investment in Shares & Securities Stock at hand as on 31-12-2013

Annexure- B

Sl No.	Name of Company	No. of Share	Amount (at cost)	Market rate	Market Value
1	Shahjalal Islami Bank Ltd.	1,624,000	29,870,522	16.80	27,283,200
2	Social Islami Bank Ltd.	1,249,000	18,971,386	13.30	16,611,700
3	BSRM STEEL	1,769,125	156,638,812	68.70	121,538,888
4	ISLAMI Insurance	1,173,060	40,981,889	32.50	38,124,450
5	TITAS Gas	274,500	22,824,259	73.80	20,258,100
6	First Security Islami Bank Ltd.	88	1,256	15.10	1,329
7	BEXIMCO	447,325	25,304,663	32.20	14,403,865
8	Bexmico Pharma	1,013,672	64,208,892	47.20	47,845,318
9	JAMUNAOIL	173,000	40,567,015	210.98	36,499,540
10	Mobile Jamuna Bangladesh Ltd.	334,400	30,249,203	75.10	25,113,440
11	Meghna Petroleum	133,100	34,861,165	245.24	32,641,700
12	Fareast Life Insurance Co. Ltd.	25	2,858	107.52	2,688
13	Prime Life Insurance Co. Ltd.	994,580	129,074,186	101.60	101,049,328
14	DESCO	441,750	39,816,189	67.16	29,667,901
15	SUMITPOWER	2,193,940	115,692,931	38.40	84,247,296
16	SQUARTEXT	7	640	90.43	633
17	PADMAOIL	317,095	112,141,525	277.53	88,003,249
18	GQBALLPEN	540	82,699	142.50	76,950
19	Meghna Cement	53,200	8,872,002	142.80	7,596,960
20	Unique Hotel	377,700	36,731,296	78.00	29,460,600
21	Exim Bank	2,250,000	31,291,227	12.90	29,025,000
22	Orion Pharma	339,200	23,177,344	58.70	19,911,040
23	Bangladesh Online Company	51,000	1,404,986	30.40	1,550,400
24	Heidelberg Cement	8,250	3,390,838	380.70	3,140,775
25	Powergrid	156,000	8,588,889	52.80	8,236,800
	Total	15,374,557	974,746,672		782,291,150

Highlight on the Overall Activities of the Bank for the year - 2013

SL No.	Particulars	2013	2012
1	Paid -up Capital	8,343,246,710	7,130,980,100
2	Total Capital	15,012,259,604	13,179,777,862
3	Capital Surplus(Deficit)	3,905,789,604	1,121,937,862
4	Total Assets	170,935,600,596	146,334,812,318
5	Total Deposits	141,704,640,624	119,380,245,882
6	Total Investment	121,298,985,439	101,567,035,153
7	Total Contingent Liabilities	27,336,875,748	22,165,726,419
8	Investment Deposit Ratio (%)	85.60%	85.08%
9	Ratio of Classified Investment to Total investment (%)	2.97%	2.26%
10	Profit after Tax & Provision	2,052,315,744	1,919,529,161
11	Amount of Classified Investment	3,598,828,155	2,297,546,431
12	Provision kept against Classified Investment	1,128,028,705	706,329,000
13	Provision Surplus / (Deficit)	-	253,265
14	Cost of fund (%)	11.02%	12.34%
15	Profit earning Assets	137,925,252,667	123,372,525,241
16	Profit Non-earning Assets	33,010,347,929	22,962,287,076
17	Return on Investment (ROI)	13.01%	12.51%
18	Return on Assets After Tax (ROA)	1.20%	1.31%
19	Income from Investment in Shares	607,225,060	772,218,821
20	Earning per Share (Taka)	2.46	2.30
21	Net Income per share (Taka)	2.46	2.30
22	Price Earning Ratio (Times)	7.76	9.02

Corporate Tax Status as on 31 December 2013

Annexure- C

Income Year	Assessment Year	Net Profit as per Accounts	% of Income Tax	Tax Provision	Tax Assessed/ undre 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
2013	2014-2015	3,737,856,011	42.5	1,669,747,081	1,669,747,081	-	1,407,038,348	Assessment is to be done
	Total	19,091,203,697		8,274,828,387	8,246,766,908	28,061,479	7,303,549,305	

Status & Compliance Report on Bangladesh Bank's guidelines on ICC, Board Audit Committee.

BRPD Circular No. 17 Date - 07 October, 2003 & BRPD Circular No. 12 Date - 23 December, 2002

Sl. No.	BB Guidelines	Complied	Partial Complied	Not complied
1.	To frame policy/guidelines on ICC & other core risks management models	✓		
2.	To form Board Audit Committee to monitor the effectiveness of Internal Control System	✓		
3.	The Board of Directors have to have periodic review meetings with the Senior Management to discuss the effectiveness of the Internal Control System of the Bank & ensure that the Management has taken appropriate actions as per the recommendations of the Auditors & the head of Internal Control.	✓		
4.	An Independent Audit Mechanism to be introduced to monitor the effectiveness of the organizational and procedural controls.	✓		
5.	The Board of Directors & Management must establish a Compliance Culture within the bank that emphasis & demonstrates to all levels of personnel	✓		
6.	External Auditors by dint of their independence from the management of the bank can provide unbiased recommendation on the strength and weakness of the internal control system of the bank.	✓		
7.	The Board & the Management have to ensure that the internal Auditors are qualified and experienced enough relating to their responsibilities.	✓		
8.	To establish a "Code of Ethics" by Management and Board of Directors for all levels of personnel which is to be signed & adhere to by the personnel.	✓		
9.	To constitute MANCOM (Management Committee) by the Managing Director.	✓		
10.	The Management Committee (MANCOM) will review the overall effectiveness of the control system of the bank and provide a certification on a yearly basis to the Board of Directors on the effectiveness of Internal Control Policy, practice and procedure	✓		
11.	To constitute appropriate committee on Management Reporting System (MRS) to evaluate data for decision making by the Management	✓		
12.	To establish a new Division namely Internal Control & Compliance Division (ICCD) with 3 Department/Unit	✓		
13.	The ICCD should be adequately staffed so that it can perform its duty properly. In order to ensure that availability of efficient people with Internal Control the banks will make it mandatory for all middle to senior management staff to spend at least 2(two) years with Internal Control.	✓		
14.	The Head of ICCD/ICT shall submit Annual Report on the Health of the Bank to the MD/MC & Board Audit Committee for onward submission to the Board of Directors	✓		
15.	The Head of ICCD will set out an Audit Plan for each year which is to be approved by the Management & Board Audit Committee.	✓		
16.	To ensure appropriate segregation of duties and to ensure that personnel are not assigned conflicting responsibilities	✓		
17.	The Internal & external Audit/Inspection Reports to be submitted to the Board without any intervention of the Management	✓		
18.	The Head of Internal Control & Compliance Division have a reporting line with the bank's Board. The Audit Committee of the Board will be the contact point for the Internal Control & Compliance Division. This division must also have a reporting line with the Managing Director of the bank	✓		
19.	The Head of ICCD will report directly to the MD and also have an indirect reporting line to the Bank's Board/Board Audit Committee.	✓		
20.	Audit & Inspection Department have to conduct Annual Audit and risk based audit with priority to the sensitive areas.	✓		
21.	The ICT will prepare synopsis over the executive summary on individual inspection reports received from the Audit & Inspection reports and submit the same to the Head of ICCD. (a) For no high-risk items and less than 5 medium risk items will be reported to the MD/CEO; (b) More than 3 high-risk items identified in breach will trigger the report to be given to the MD/CEO and the Audit Committee of the Board; (c) However, any losses amounting to more than BDT 10 million will be directly reported to the MD and the Audit Committee of the Board through the Head of ICCD.	✓		

Sl. No.	BB Guidelines	Complied	Partial Complied	Not complied
22.	Audit & Inspection Department conducts special audit/surprise check of the branches/units as and when necessary.	✓		
23.	Audit & Inspection Department have to prepare a summary report(s) on audit findings and submits it to MD/CEO as well as Audit Committee on the Board.	✓		
24.	Departmental Control Functions Checklist (DCFCL) to be prepared and to be reviewed by Departmental In charge/ Branch Manager at the prescribed frequencies i.e. daily, weekly, monthly & quarterly basis. The DCFCL should be retained with the Department/Branch for future inspection by regular/special Audit & Inspection Team and/or Senior Management.	✓		
25.	Quarterly Operation Report (QOR) relating to operational function of the branches to be prepared in duplicate copies by each branch/office in the prescribed format out of which one copy to be sent to the line management and another copy to the Monitoring Department/ICT by 10 th of the month of each quarter end i.e. 10 th April, July, Oct. & January each year which will be reviewed by line management and Audit & Inspection Department as & when they visit the branches	✓		
26.	The ICT will monitor the function of various department/branches of the bank periodically on regular basis. Depending on the requirement the Audit & Inspection Department of ICCD will carry out inspection, surprise inspection.	✓		
27.	Risk Analysis of Control Functions (DCFCL): Individual items in the DCFCL need to be assigned a risk rating in terms of (a) impact and (b) probability	✓		
28.	ICT will suggest the Head of ICC to send Audit & Inspection team to branches/departments to carry out sample checks on DCFCLs according to the prescribed frequency.	✓		
29.	Regulatory Compliance Department have to obtain clarifications on various issues from regulatory authorities.	✓		
30.	Regulatory Compliance Department maintains all relevant circulars and regulatory guidelines.	✓		
30.	Disaster Recovery System (DRS) exists in the bank.	✓		
32.	The Board Audit Committee meeting will be held at least 3/4 months in a year and it can seat any times as it deem fit	✓		
33.	The Board Audit Committee will have to place compliance report before the board on quarterly basis regarding regularization of the errors & omissions, fraud and forgeries and other irregularities as detected by the internal and external auditors and inspectors of regulatory authorities.	✓		
34.	The Board Audit Committee will review the corrective measures taken by the management as regards the reports relating to fraud-forgery, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authority and inform the board on a regular basis.	✓		
35.	The Board Audit Committee will review the activities and organizational structure of the internal audit function and ensure that no unjustified restrictions or limitations is made.	✓		
36.	The Board Audit Committee will review the laws & regulations framed by the regulatory authorities (Central Bank and other bodies) and internal regulations approved by the Board have been complied with.	✓		

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:

SI	Name and Address	Status with the bank	Name of the firms/companies in which interested as Proprietor, Partner, Director, Managing Director, Guarantor, Employees etc.	Percentage (%) of holding/interest in the concerned	Remarks
1	Jb. Badiur Rahman M/s. Ocean Trade Limited Priya Prangon, Building no. -A, Flat No. 0506, 2, Paribagh, Dhaka	Chairman	Proprietor:		
			a. M/S Oceanlink Services	100%	
			Director :		
			b. Central Hospital Ltd.	4.72%	
			c. Human Resources Dev Co. Ltd.	2%	
2	Jb. Sarker Mohammad Shameem Iqbal 191-192, Baizid Bostami Road, Nasirabad I/A, Chittagong.	Vice Chairman	Chairman/Director :		
			d. AIBL Capital Market services Ltd.	0.88%	
			Chairman:		
			a. KDS Accessories Ltd.	7%	
			b. KDS Poly Industries Ltd.	7%	
			CEO/Managing Director:		
			c. Dominox Technologies	5%	
			d. Dominox IM Ltd.	50%	
			Managing Director:		
			e. KDS Information Tech. Ltd.	20%	
			f. SKYS Securities Ltd.	3.61%	
			g. Dominox Realty (BD) Ltd.	80.20%	
			h. Vortex Multi Ind. Ltd.	25%	
			i. Gous Fashion Industries Ltd.	40%	
			Director:		
3	Alhajj Md. Haroon-ar-Rashid Khan House-19/A, Road-18, Banani, Dhaka	Director	j. KDS Textiles Mills Ltd.	0.45%	
			Shareholder:		
			k. AIBL Capital Market Services Ltd.	0.25%	
4	Alhajj Nazmul Ahsan Khaled 760, Satmasjid Road, Dhanmondi R/A, Dhaka	Director	Director:		
			a. AIBL Capital Market services Ltd.	0.63%	
			b. Canadian Trillinium School (Ltd)		
			Managing Director :		
			a. Moonlight Garments Ltd	20%	
			b. Ehsan Garments Ltd.	10%	
			c. Khalid Shipping Lines Ltd.	50%	
			d. Engineers Enterprise Ltd.	67%	
			e. Nourish Poultry Hatchery Ltd.	25%	
			f. Nourish Agro Ltd.	20%	
			g. Artisun Enterprise Ltd.	25%	
			h. Telnet Communication Ltd.	20%	
			i. Nourish Grand Parents Ltd.	20%	
			j. Nourish Feeds Ltd.	20%	
			Director :		
5	Alhajj Abdul Malek Mollah House-12-14, Road-6, Block-E, Niketon, Gulshan-1, Dhaka	Director	k. Mohammadi Navigation Ltd.	46.15%	
			l. Peoples Insurance Co. Ltd.	0.83%	
			m. Popular Life Insurance Co. Ltd.	2%	
			n. AIBL Capital Market Services Ltd.	0.50%	
6	Hafez Md. Enayet Ullah 2, Mukim Katra, Moulvi Bazar, Dhaka.		Managing Director :		
			a. The Mollah Trading Ltd.	60%	
			Shareholder:		
			b. AIBL Capital Market Services Ltd.	0.50%	
			Active Owner:		
			a. M/S Hadayet & Brothers	100%	
			Chairman:		
			Insuf food Agro Base Industries Ltd.	70%	

7	Alhajj Abdul Moktadir 6/11, Sukumvit SOI-3/1, Sukumvit Road, Bangkok-10110, Thailand.	Director	Managing Director:		
			a. Al-haramain Travel & Trade Co. Ltd.	49%	
			Director:		
8	Alhajj Ahamedul Hoque M/s. A.H. Syndicate 16/1, Amir Market, Khatungonj, Chittagong.	Director	Proprietor:		
			a. M/S. A.H. Syndicate	100%	
			Shareholder:		
9	Alhajj Abdus Samad S.Alam Bhaban, 2119, Asadgonj, Chittagong.	Director	Director:		
			a. AIBL Capital Market Services Ltd.	0.50%	
			Proprietor:		
10	Alhajj Abu Naser Mohammad yeahea 232-234, Tejgoan Industrial Area, Dhaka-1208.	Director	Managing Director:		
			a. Purbachal Steel Mills Ltd.	71.43%	
			b. Purbachal Exclusive Ltd.	75%	
11	AlHajj Engr. Kh. Mesbahuddin Ahmed APTT # A9 -B9 HOAUSE # 13, Siddique ROAD # 7, GULSHAN-1, DHAKA.	Director	Managing Director		
			a. M/S Aqua Consultant and Association Ltd.	47%	
			Director :		
12	Alhajj Abdus Salam Mir Ahmed Building 234, Khatungong, Chittagong.	Director	b. Takaful Islami Insurance Ltd.	8%	
			c. Human Resources Development Co. Ltd (HURDCO)	5%	
			d. Central Hospital Ltd.	5%	
13	Alhajj Niaz Ahmed House # 24, Road # 1, Block # i, Chairman Bari, Banani, Dhaka.	Director	e. AIBL Capital Market services Ltd.	1.75%	
			Managing Director		
			a. Mir Pulp & Paper Industries Ltd.	25%	
14	Alhajj Niaz Ahmed House # 24, Road # 1, Block # i, Chairman Bari, Banani, Dhaka.	Director	b. Mir Filling Station Ltd.	100%	
			Director:		
			c. Karnafuly Filling Station Ltd.	15%	
15	Alhajj Niaz Ahmed House # 24, Road # 1, Block # i, Chairman Bari, Banani, Dhaka.	Director	d. AIBL Capital Market Services Ltd.	1.50%	
			CEO:		
			e. M/S. Hajee Mir Ahmed Sowdagar	30%	
16	Alhajj Niaz Ahmed House # 24, Road # 1, Block # i, Chairman Bari, Banani, Dhaka.	Director	Proprietor:		
			f. M/S M.A. Salam & Co.	100%	
			Managing Director:		
17	Alhajj Niaz Ahmed House # 24, Road # 1, Block # i, Chairman Bari, Banani, Dhaka.	Director	a. Golden Oil Mills Ltd.	70%	
			b. Golden Emporium Ltd.	77%	
			Director:		
18	Alhajj Niaz Ahmed House # 24, Road # 1, Block # i, Chairman Bari, Banani, Dhaka.	Director	c. AIBL Capital Market Services Ltd.	0.75%	
			d. Diganta Media Corporation	1%	
			e. Islami Commercial Insurance Co. Ltd.	5%	
19	Alhajj Niaz Ahmed House # 24, Road # 1, Block # i, Chairman Bari, Banani, Dhaka.	Director	f. South East University	N/A	
			g. Bangla Tel Limited	10%	
			h. BD Link Communication Limited	5%	
20	Alhajj Niaz Ahmed House # 24, Road # 1, Block # i, Chairman Bari, Banani, Dhaka.	Director	i. Jibondhara Solution Limited	10%	
			Proprietor:		
			j. Golden Trading Corporation		
21	Alhajj Niaz Ahmed House # 24, Road # 1, Block # i, Chairman Bari, Banani, Dhaka.	Director	k. Khaja Corporation		

14	Jb. Md. Ashik Hossain House # 6, Road # 1, Dhanmondi, Dhaka-1205.	Director	Managing Director:		
			a. Dubai Bangladesh Bag Factory Ltd.	80%	
			Director:		
			b. Dubai Bangladesh Cement Mills Ltd.	44%	
			c. Islami Commercial Insurance Company Ltd.	10%	
			Proprietor:		
			d. Vertire	100%	
			e. Stark Textile Mills	100%	
			f. Stark Apparels	100%	
15	Alhajj Badsha Meah 1025/C, Housing Society, Nasirabad, Chittagong.	Director	Shareholder:		
			a. AIBL Capital Market Services Ltd.	1.75%	
16	Jb. Mohammed Emadur Rahman Kazi Bhaban, Islampur, kotwali, Sylhet.	Director	Director:		
			a. Al- Haramain Perfumes L.L.C	33.33%	
			Managing Director		
			b. Hamidia Tea Company Limited	-	
			Shareholder:		
17	Alhajj Mohammed Haroon 1025/B, Housing Society, Nasirabad, Chittagong.	Director	c. AIBL Capital Market Services Ltd.	0.75%	
			Owner:		
			a. Rising Star Trading Est (U.A.E.)	100.00%	
18	JB. Brig. Gen. M.A. Malek (retd) APT: 4-C, House: 16H, Road No. 2A, Cantonment R/A, Dhaka-1206	Director	Shareholder:		
			b. AIBL Capital Market Services Ltd.	2%	
19	Jb. Kazi Badruddin Ahmed House # 17/B, Road # 126, Gulshan, Dhaka-1212	Director	CEO/Managing Director:		
			a. Mohona Upashahar Prkalpa Ltd	27%	
			b. Mohona Holdings Ltd.	27%	
20	Jb. Md. Habibur Rahman House # 39, Road # 2, Sector # 9, Uttara Model Town, Dhaka-1230.	Ex-Officio Director	Nil	Nil	

b.

Name of the Party	Relationship	Nature of Transaction	Amount
AIBL capital Market Services Ltd.	Subsidiary Company	Investment	2,000,000,000
AIBL capital Management Ltd.	Subsidiary Company	Investment	2,000,000,000

Name of the Directors and their shareholdings in the year- 2013

Sl.	Name of Directors	Status	Ending position on 31/12/2013	Opening position on 01/01/2013	Remarks
1.	Badiur Rahman	Chairman	23272550 shares of Tk. 10/- each Tk 23,27,25,500/-	19891070 shares of Tk. 10/- each Tk 19,89,10,700/-	
2.	Sarker Mohammad Shameem Iqbal	Vice-Chairman	20470249 shares of Tk. 10/- each Tk. 20,47,02,490/-	17495940 shares of Tk. 10/- each Tk 17,49,59,400/-	
3.	Al-hajj Md. Harun-ar- Rashid Khan	Director	16686899 shares of Tk. 10/- each Tk. 16,68,68,990/-	14262307 shares of Tk. 10/- each Tk 14,26,23,070/-	
4.	Al-hajj Nazmul Ahsan Khaled	Director	16714663 shares of Tk. 10/- each Tk. 16,71,46,630/-	14286037 shares of Tk. 10/- each Tk 14,28,60,370/-	
5.	Al-hajj Abdul Malek Mollah	Director	16733044 shares of Tk. 10/- each Tk. 16,73,30,440/-	14301748 shares of Tk. 10/- each Tk 14,30,17,480/-	
6.	Al-hajj Hafez Md. Enayetullah	Director	16691063 shares of Tk. 10/- each Tk. 16,69,10,630/-	14265866 shares of Tk. 10/- each Tk 14,26,58,660/-	
7.	Al-Hajj Abdul Moktadir	Director	16691827 shares of Tk. 10/- each Tk. 16,69,18,270/-	14266519 shares of Tk. 10/- each Tk 14,26,65,190/-	
8.	Al-hajj Ahamedul Haque	Director	16686812 shares of Tk. 10/- each Tk. 16,68,68,120/-	14262233 shares of Tk. 10/- each Tk 14,26,22,330/-	
9.	Al-Hajj Abdus Samad	Director	18776080 shares of Tk. 10/- each Tk. 18,77,60,800/-	16047932 shares of Tk. 10/- each Tk 16,04,79,320/-	
10.	Al-Hajj Kh. Mesbah Uddin Ahmed	Director	16687453 shares of Tk. 10/- each Tk. 16,68,74,530/-	14262781 shares of Tk. 10/- each Tk 14,26,27,810/-	
11.	Abu Naser Mohammad Yeahea	Director	20606030 shares of Tk. 10/- each Tk. 20,60,60,300/-	17611992 shares of Tk. 10/- each Tk 17,61,19,920/-	
12.	Abdus Salam	Director	16921812 shares of Tk. 10/- each Tk. 16,92,18,120/-	14463088 shares of Tk. 10/- each Tk 14,46,30,880/-	
13.	Niaz Ahmed	Director	16772584 shares of Tk. 10/- each Tk. 16,77,25,840/-	14335543 shares of Tk. 10/- each Tk 14,33,55,430/-	
14.	Md. Ashik Hossain	Director	16689493 shares of Tk. 10/- each Tk. 16,68,94,930/-	14264524 shares of Tk. 10/- each Tk 14,26,45,240/-	
15.	Alhajj Mohammed Haroon	Director	19162643 shares of Tk. 10/- each Tk. 19,16,26,430/-	16378328 shares of Tk. 10/- each Tk 16,37,83,280/-	Appointed as Director w.e.f 19/04/12 against vacant post
16.	Mohammed Emadur Rahman	Director	16707078 shares of Tk. 10/- each Tk 16,70,70,780/-	14279554 shares of Tk. 10/- each Tk 14,27,95,540/-	
17.	Alhajj Badsha Meah	Director	16686933 shares of Tk. 10/- each Tk 16,68,69,330/-	14262336 shares of Tk. 10/- each Tk 14,26,23,360/-	
18.	Birg. General M. A. Malek (Retd.)	Independent Director	Nil	Nil	
19.	Kazi Badruddin Ahmed	Independent Director	Nil	Nil	Appointed as Independent Director on 28/08/2012
20.	Md. Habibur Rahman	Ex-Officio Director	62273 shares of Tk. 10/- each Tk. 6,22,730/-	Nil	Appointed as Managing Director w.e.f 01/07/2013

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, 2013 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 subsidiaries 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 subsidiaries 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 subsidiaries.

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 subsidiaries 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:

Quantitative Disclosures:

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. 2,420 million (60.50%)

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 (Solo Basis) 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 and retained earnings.

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, 2013 is Tk. 13,500.51 million which is 89.93% of total eligible capital Tk. 15,012.26 million and out of Tier 1 capital 61.80% is paid up capital & 28.51% is statutory reserve.

Tier-2 capital of the bank Tk. 1,511.75 million which is constituting 10.07% of total eligible capital and the major contributors are general provision 67.67% & asset revaluation reserves 32.33%.

The bank has already increased its Tier-1 capital by issuing right shares worth Tk. 2,338.60 million in 2010.

Quantitative Disclosures:

(In million Taka)

b) The total amount of Tier-I capital (For stand alone)	13,500.51
Paid-up capital	8,343.25
Non- repayable share premium account	-
Statutory Reserve	3,849.65
General Reserve	-
Retained earnings	1,307.61
Non cumulative irredeemable preference shares	-
Dividend equalization account	-
c) The total amount of Tier-2 and Tier-3	1,511.75
d) Other deductions from capital	-
e) Total eligible capital	15,012.26

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:

(In million Taka)

o	For stand alone	
a)	Capital Requirement for Credit Risk	9,772.55
b)	Capital Requirement for Market Risk	400.96
c)	Capital Requirement for Operational Risk	932.95
Total Requirement		11,106.46
d)	Total and Tier 1 capital ratio:	-
	- CAR	13.52%
	- Tier- 1 Capital Ratio	12.16%

D) Credit Risk

Qualitative Disclosures:

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

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

The past due claims are discussed below:

Special Mention Accounts (SMA):

A claim which is overdue for 90 days or more will be classified as Special Mention Account. When a loan is classified as SMA, it needs constant monitoring and supervision as the repayment probability decreases.

Sub-Standard (SS):

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

Doubtful (DF):

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

Bad /Loss (B/L):

These are the loans which have almost turned unrecoverable.

Approaches followed for specific and general allowances:

b) 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. 06 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:

a) Funded:

(In million Taka)

General Investment	
i) In Bangladesh	
Murabaha Investment	32,788.06
Bai-Muajjal Investment	58,639.16
Hire Purchase Investment	25,856.41
Pre shipment Investment	2,601.57
Quard	2,015.07
Sub Total	121,900.27
ii) Out side Bangladesh	-
Total	121,900.27
Less Unearned Profit on Investment	8,815.49
	113,084.78

Bill Purchased & Discount

Payable in Bangladesh	7,800.12
Payable out side Bangladesh	414.09
Sub Total	8,214.21
Total Funded	121,298.99

b) Total Non Funded:

c) Geographical distribution of exposures

Region Based

Dhaka	97,910.64
Chittagong	17,938.66
Sylhet	967.27
Rajshahi	8,192.98
Khulna	3,484.27
Barisal	1,620.66
	130,114.48
Less Unearned Profit on Investment	8,815.49
Total	121,298.99

d) Country based funded

Domestic	121,298.99
Overseas	-

e) Country based Non-funded

Domestic	27,336.88
Overseas	-

e) Major Industry wise distribution of exposures

Agriculture, Fishing and Forestry	1,617.08
Industry	57,003.70
Construction	2,334.40
Water works & Sanitary Service	1,984.80
Transport & communication	8,262.50
Storage	831.20
Trade Finance	48,128.20
Miscellaneous	9,952.60
	130,114.48
Less Unearned Profit on Investment	8,815.49
Total	121,298.99

g) Distribution of risk exposure by claims

a) Claims on sovereigns and central banks	20,689.10
b) Claims on PSE -	-
c) Claims on banks and securities firms	13,415.60
d) Claims on corporate	56,829.40
e) Claims included in the retail portfolio & small enterprises	27,958.20

	(In million Taka)
f) Claims secured by residential property	4,322.20
g) Claims secured by commercial real estate	3,473.60
h) Consumer Investment	348.40
i) Off-balance sheet items	10,151.40
h) Credit risk mitigation	
Claims secured by financial collateral	5,302.10
Net exposure after the application of haircuts	979.80
Claims secured by eligible guarantee	-
i) Residual contractual maturity breakdown of the whole portfolio	
Repayable on demand	-
Up to 1 month	34,676.10
More than 1 month but less than 3 months	35,613.30
More than 3 months but less than 1 year	29,707.50
More than 1 year to less than 5 year	14,019.09
More than 5 year	7,283.00
Total	121,298.99
j) Gross Non Performing Assets- (NPAs)	3,598.83
Percentage of Non performing assets to outstanding Investment (loans and advances)	2.77
k) Movement of Non Performing Assets (NPAs)	
Opening balance	2,297.54
Additions	3,095.89
Reductions	1,794.60
Closing balance	3,598.83
l) Movement of specific provisions for NPAs	
Opening balance	711.63
Fully provision debt written off	(180.35)
Recoveries of amount previously written off	2.63
Specific provision for the year	594.11
Closing balance	1,128.02

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:

	(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, 2013

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	8,241.99	-	-	-	9,336.60	17,578.59
Balance with other banks & Financial Institute	3,043.38	1,655.00	-	-	-	4,698.38
Placement with other banks & Financial Institute	1,200.00	200.00	4,000.00	-	-	5,400.00
Investment in Sharea & Securities (only HTM)	1,924.75	800.00	2,000.00	1,800.00	3.14	6,527.89
Investment (Loans and Advances)	34,676.10	35,613.30	29,707.50	14,019.09	7,283.00	121,298.99
Fixed Assets	-	-	-	-	2,489.99	2,489.99
Other Assets	1,680.45	235.02	228.86	239.55	10,557.88	12,941.76
Total	50,766.67	38,503.32	35,936.36	16,058.64	29,670.61	170,935.60
Liabilities						
Placement from other banks & Financial Institute	500.00	1,500.00	1,400.00	-	-	3,400.00
Deposits and Other accounts	56,869.58	33,875.11	34,897.25	10,545.56	5,517.14	141,704.64
Provision and other liabilities	1,044.80	102.40	214.70	9,926.32	-	11,288.22
Deferred Tax Liabilities/Assets	-	-	-	64.68	-	64.68
Total	58,414.38	35,477.51	36,511.95	20,536.56	5,517.14	156,457.54
GAP	(7,647.71)	3,025.81	(575.59)	(4,477.92)	24,153.47	14,478.06
Cumulative Gap	(7,647.71)	(4,621.90)	(5,197.49)	(9,675.41)	14,478.06	-

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	(7,647.71)	(7,647.71)	(7,647.71)
Impact on Nil (Net Interest Income)	(6.37)	(12.75)	(19.12)
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	(2.71)	(5.42)	(8.13)
Period	1 to 3 month		
Gap	3,025.81	3,025.81	3,025.81
Impact on Nil(Net Interest Income)	5.04	10.09	15.13
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	2.14	4.29	6.43
Period	3 to 12 month		
Gap	(575.59)	(575.59)	(575.59)
Impact on Nil(Net Interest Income)	(4.32)	(8.63)	(12.95)
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	(1.83)	(3.67)	(5.50)

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

Figure in crore taka

Particular/ shock	Minor	Moderate	Major
Decrease in interest rate	(1.00%)	(2.00%)	(3.00%)
Period	Upto 1 month		
Gap	(7,647.71)	(7,647.71)	(7,647.71)
Impact on Nil (Net Interest Income)	6.37	12.75	19.12
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	2.71	5.42	8.13
Period	1 to 3 month		
Gap	3,025.81	3,025.81	3,025.81
Impact on Nil (Net Interest Income)	(5.04)	(10.09)	(15.13)
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	(2.14)	(4.29)	(6.43)
Period	3 to 12 month		
Gap	(575.59)	(575.59)	(575.59)
Impact on Nil (Net Interest Income)	4.32	8.63	12.95
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	1.83	3.67	5.50

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	(5,197.49)	(5,197.49)	(5,197.49)
Period (Year)			
Impact on Nil (Net Interest Income)	(51.97)	(103.95)	(155.92)
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	(22.09)	(44.18)	(66.27)

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	(5,197.49)	(5,197.49)	(5,197.49)
Period (Year)			
Impact on Nil (Net Interest Income)	51.97	103.95	155.92
Applicable tax rate	42.50%	42.50%	42.50%
Tax adjusted impact on Nil	22.09	44.18	66.27

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 of 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 :

(In million Taka)

Interest rate risk	-
Equity position risk	208.96
Foreign exchange risk	192.00
Commodity risk	-
Total	400.96

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:

Calculation of Capital Charge for Operational Risk Basic Indicator Approach

Year	Gross Income (GI)	Average GI	15% of Average GI
December-2013	6,841.50	6,219.67	932.95
December-2012	6,619.00		
December 2011	5,198.50		
Total GI	18,659.00		

Auditors' Report on the Financial Statements of

AIBL Capital Market Services Limited

For the period ended December 31, 2013

AUDITORS' REPORT

We have audited the accompanying Financial Statements of AIBL Capital Market Services Ltd. for the year ended 31st December, 2013 which comprises the Statement of Financial Position as at 31st December, 2013, the Statement of Comprehensive Income for the year ended 31st December, 2013, 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.

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, 2013 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 12, 2014.


Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Statement of Financial Position As at December 31 2013

Particulars	Notes	31.12.2013 Taka	31.12.2012 Taka
ASSETS:			
Non - Current Assets			
Property, Plant & Equipment	4	26,935,209	33,407,300
Current Assets:		10,368,853,569	8,501,414,741
Account Receivable	5	3,289,553	5,559,127
Investment	6	8,608,322,940	7,125,460,247
Membership Cost	7	700,000,000	700,000,000
Advance, Deposits & Prepayment	8	4,963,756	6,420,474
Cash and Bank Balance	9	378,776,448	291,518,809
Advance Income Tax	10	673,500,872	372,456,084
Total Assets		10,395,788,778	8,534,822,041
EQUITY AND LIABILITIES:			
Capital and Reserve		4,021,547,797	4,018,401,141
Paid -up Capital	11	4,000,000,000	4,000,000,000
Retained Earning		21,547,797	18,401,141
Current Liabilities		6,374,240,981	4,516,420,900
Borrowing from Bank	12	3,730,000,000	2,950,000,000
Accounts Payable	13	1,555,854,786	975,381,601
Provision for Investments	14	171,966,459	70,459,806
Provision for taxation	15	916,419,736	520,579,493
Total Equity and Liabilities		10,395,788,778	8,534,822,041

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 12, 2014.


Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Statement of Comprehensive Income For the year ended December 31, 2013

Particulars	Notes	31.12.2013 Taka	31.12.2012 Taka
Investment Income	16	1,301,442,798	1,083,591,662
Profit paid on Borrowing	17	395,330,275	349,518,660
Net Investment Income		906,112,523	734,073,002
INCOME FROM COMMISSION, EXCHANGE & OTHERS			
Brokerage Commission	18	246,424,478	225,134,083
Documentation & Maintenance Fess	19	3,471,300	3,503,500
Other Operating Income	20	9,430,290	16,594,324
		259,326,068	245,231,907
Total operating Income (A)		1,165,438,591	979,304,909
Hawla, Laga & CDBL Charges	21	27,693,482	28,208,300
Salary allowances & Contribution to P.F	22	35,101,177	46,926,620
Rents, Taxes, Insurance, Lighting etc.	23	14,860,892	11,356,097
Honorarium & Meeting Expense	24	2,039,000	1,550,000
Law Charges		36,584	56,418
Postage, Telegram, Telephone & Stamps etc	25	379,402	515,363
Depreciation, Amortization & Repairs to Properties	26	8,675,220	6,620,408
Stationary, Printing, Advertisement etc.		903,344	827,756
Other Expenses	27	15,255,938	8,011,286
Total operating expenses (B)		104,945,039	104,072,248
Profit/(loss) before provision and Tax C = (A - B)		1,060,493,552	875,232,661
Provision for Taxation	29	395,840,243	268,905,541
Provision for Investment		101,506,653	53,765,741
Net Profit after Tax		563,146,656	552,561,379
Retained Earning Brought forward		18,401,141	465,839,762
		581,547,797	1,018,401,141
Interim Dividend Paid		560,000,000	1,000,000,000
Retained earning Carried forward		21,547,797	18,401,141
Earning per Share (EPS) (Tk. 10)		1.41	1.38

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 12, 2014.


Khan Wahab Shafique Rahman & Co.
Chartered Accountants

Statement of Changes in Equity For the year ended December 31, 2013

Particulars	Share Capital	Retained Earning	Total
Balance as on 1st January, 2013	4,000,000,000	18,401,141	4,018,401,141
Net profit for the period	-	563,146,656	563,146,656
Interim Dividend Paid	-	(560,000,000)	(560,000,000)
Balance as at 31st December, 2013	4,000,000,000	21,547,797	4,021,547,797

The annexed notes form an integral part of these financial statements


Director


Director


Managing Director

Statement of Cash flows

For the period ended December 2013

Particulars	31.12.2013 Taka	31.12.2012 Taka
Cash flows from operating activities		
Investment income receipt in Cash	1,301,442,798	1,083,591,662
Profit paid on deposits and borrowing	(395,330,275)	(349,518,660)
Fees & Commission received in cash	246,424,478	225,134,083
Cash payments to employees	(35,101,177)	(46,926,620)
Cash payments to suppliers	(903,344)	(827,756)
Received from other operating activities (item-wise)	12,901,590	20,097,824
Paid for other operating activities (item-wise)	(60,913,580)	(50,114,594)
Advance income tax paid	(301,044,788)	(232,794,626)
Operating profit before changes in operating assets and liabilities	767,475,702	648,641,313
Changing in Operating assets & liabilities		
Increase/Decrease Investment	(1,482,862,693)	(995,651,400)
Increase/Decrease of Accounts receivable	2,269,574	6,709,456
Increase/Decrease of Borrowing	780,000,000	544,244,495
Increase/Decrease of Accounts payable	580,473,185	829,922,046
Increase/Decrease of other assets (item-wise)	1,456,718	1,425,266
Increase/Decrease of other liabilities (item-wise)	-	-
Cash receipt from operating activities	(118,663,216)	386,649,863
A. Net Cash from operating activities	648,812,486	1,035,291,176
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,554,847)	(3,984,042)
B. Net cash flows from investing activities	(1,554,847)	(3,984,042)
Cash flows from financing activities		
Increase in Share Capital	-	-
Interim Dividend Paid	(560,000,000)	(1,000,000,000)
C. Net cash flows from financing activities	(560,000,000)	(1,000,000,000)
D. Net increase in cash and cash equivalent (A+B+C)	87,257,639	31,307,134
E. Effects of exchange rate changes on cash and cash-equivalents	-	-
F. Net increase in cash and cash equivalent D+E	87,257,639	31,307,134
G. Cash & Cash Equivalents at the beginning of the year	291,518,809	260,211,675
H. Cash & Cash Equivalents at the end of the year	378,776,448	291,518,809

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, 2013

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 also from 21st September 2010. The Company is a subsidiary company of Al- Arafah Islami Bank Limited.

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

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

c) Nature of Business Activities: The main objective of the company are to act as a member of Dhaka Stock Exchange and Chittagong Stock Exchange limited to carry on the business of broker, or dealers in stocks, shares and se 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 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, Bangladesh 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 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) 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) Investment in security:

Investment in security are classified broadly in two categories and accountant under for follows

Investment in listed securities

Investment in listed security is carried 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 or loss is not recognized in the profit & Loss accounts.

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 monitor on daily basis as it changes due to change in market price of share.

If the margin falls below the minimum requirement, the investor are required to deposit additional fund to maintain the margin as per rules other wise the securities are sold to bring the margin to the required level

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 respected such as is calculated considering daily margin loan balance of the 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 Profit & Loss Accountants

e) 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.

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 under Income Tax Ordinance 1984.

h) 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.

i) Fixed assets and depreciation:

Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on the cost of fixed assets in order to write off such amounts over The Estimated useful lives, using the straight- line method in accordance with BAS 16. Depreciation for

Full month is charged on additions irrespective of date when the related assets are put into use and no depreciation is charged for the month of disposal and addition during the year. The rates of depreciation used to write off the

Amount of assets are as follows:

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

Particulars	31.12.2013 Taka	31.12.2012 Taka
4.00 Fixed Assets:		
a) Property, Plant & Equipment		
Interior Decoration	7,977,041	7,902,740
Computer accessories	578,586	794,922
Online Hardware	1,611,968	2,192,215
Motor Car	7,100,632	10,328,192
Furniture fixture steel	117,078	133,311
Machine equipment	5,010,203	6,318,259
Computer	1,854,250	2,655,269
Furniture fixture wood	2,035,710	2,243,940
	26,285,468	32,568,848
b) Integriable assets		
Online Software	649,741	838,452
	649,741	838,452
	26,935,209	33,407,300
5.00 Account Receivable :		
Receivable from DSE	1,602,703	4,385,127
Dividend Receivable	1,686,850	1,174,000
	3,289,553	5,559,127
6.00 Investments		
Margin Investment	8,342,736,123	6,903,390,528
Investment to Dealer A/C	255,586,817	212,069,719
Investment In AIBL Capital Management Ltd.	10,000,000	10,000,000
	8,608,322,940	7,125,460,247

6.01 Portfolio of investment to dealer A/C (As at 31, December 2013)

Instrument	No of Share	Cost price	Market price
Bsrsteel	505,075	52,269,326	34,698,653
Fareastlif	220,915	29,215,193	21,207,840
Firsts Bank	60,500	1,404,227	913,550
Fleaseint	160	1,600	5,312
Islami Bank	326,049	12,026,667	11,281,295
Islamiins	81,312	3,454,973	2,642,640
Jamunaoil	33,400	7,123,283	6,406,120
MJLBD	115,000	10,722,385	8,636,500
Mpetroleum	27,800	6,242,580	5,865,800
Shahjalal Islami Bank	1,015,174	20,409,949	17,054,923
SIBL	1,038,825	20,661,519	13,816,373
SQUARETEXT	39,054	4,105,299	3,530,482
Titasgas	313,500	25,440,665	23,136,300
Exim Bank	68,310	1,200,606	881,199
Beximco Ltd.	34,500	1,923,784	1,110,900
DESCO	163,990	14,745,633	9,577,016
KPCL	87	4,008	4,272
Padma Islami Life	280	18,401	17,304
Prime Islami Life	2,415	238,476	245,364
GPH Ispat	331,980	20,631,604	16,997,376
Apex Tanary	9,200	1,182,781	1,146,320
Salamcrst	30,000	1,350,714	1,419,000
Powergrid	20,000	1,090,556	1,056,000
GP	27,800	5,717,714	5,585,020
Npolymar	7,100	425,530	398,310
RN Spinning	5,750	209,810	212,175
Envoytex	30,000	1,674,772	1,629,000
BD Com	134,000	4,339,344	4,073,600
SPPCL	67,000	4,229,013	4,127,200
BSCCL	12,000	2,075,237	2,017,200
Balance		1,451,168	
Total		255,586,817	199,693,044

Particulars	31.12.2013 Taka	31.12.2012 Taka
7.00 Membership cost		
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		
Advance against for Office Space at Nikunja, Dhaka.	100,000	100,000
Advance against for Office Space at Gulsan, Dhaka.	3,575,000	4,739,000
Advance against for Office Space at Amborkhana Sylhet	1,112,850	1,377,450
Advance against Petty cash	175,906	204,024
	4,963,756	6,420,474
9.00 Cash and Bank Balance:		
Al-Arafah Islami Bank Limited (9.01)	378,771,448	291,513,809
Shajalal Islami Bank Limited	5,000	5,000
	378,776,448	291,518,809
9.01 Balance at Bank:		
Al-Arafah Islami Bank Limited. Motijheel Br.Dhaka (2693)	13,520	13,011
Al-Arafah Islami Bank Limited. Motijheel Br.Dhaka (2927)	344,951,194	191,086,240
Al-Arafah Islami Bank Limited. Motijheel Br.Dhaka (2936)	22,541,237	6,846,464
Al-Arafah Islami Bank Limited. Motijheel Br.Dhaka (3215)	11,199,823	89,083,094
Al-Arafah Islami Bank Limited.Khulna Br.	-	275,000
ABL Capital Market Services Ltd. Dividend A/C	55,674	-
Al-Arafah Islami Bank Limited.Dhanmondi Br.Dhaka	-	1,900,000
Al-Arafah Islami Bank Limited. Barisal Br	10,000	-
Al-Arafah Islami Bank Limited.B. Baria Br	-	2,310,000
	378,771,448	291,518,809
10.0 Advance Income tax		
Tax deducted at source DSE	29,503,386	27,474,820
Tax deducted at source CSE	1,544,247	1,262,718
TDS against Dividend	531,738	179,129
Tax deducted at source Bank	545,037	9,115,225
Tax paid 2013 through challan& Source	91,406,250	-
Tax paid 2012 through challan& Source	299,436,990	91,456,550
Tax paid 2011 through challan	230,386,748	222,821,166
Tax paid 2010 through chalan	20,146,476	20,146,476
	673,500,872	372,456,084
11.00 Share Capital		
11.01 Authorised Capital		
The authorised Capital of the Company is 100,00,00,000 Ordinary Share of TK. 10 each.	10,000,000,000	10,000,000,000
11.02 Issued, Subscribed and fully Paid-up Capital		
Issued, Subscribed and fully Paid-up Capital is 40,00,00,000 share of TK. 10 each.	4,000,000,000	4,000,000,000
11.03 Share Holding Position : as on 31 December,2013		

Name of the Share Holder	% of Share holdings	No of Shares	Amount (In Taka)
Al-Arafah Islami Bank Limited	60.50%	242,000,000	2,420,000,000
Badiur Rahman	0.88%	3,500,000	35,000,000
KYCR Coils Industries Ltd.	0.50%	2,000,000	20,000,000
Alhaj Abdul Malek Mollah	0.50%	2,000,000	20,000,000
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

11.03 Share Holding Position :

Name of the Share Holder	% of Shareholdings	31.12.2013 Taka	31.12.2012 Taka
		No of Shares	Taka
Md. Ashik Hossain	0.50%	2,000,000	20,000,000
Farid Ahmed	0.50%	2,000,000	20,000,000
Mohammed Mahtabur Rahman	1.50%	6,000,000	60,000,000
Alhaj Abdul Moktadir	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
AIBLCapital Management Limited	0.50%	2,000,000	20,000,000
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
Faisal Ahmed	0.50%	2,000,000	20,000,000
Mohammed Oliur Rahman	0.75%	3,000,000	30,000,000
Md.Nurul Hoque	0.25%	1,000,000	10,000,000
Kh Sakib Ahmed	0.50%	2,000,000	20,000,000
Mrs. Shamsun Nahar Begum	0.25%	1,000,000	10,000,000
Md. Rafiqul Islam	0.25%	1,000,000	10,000,000
Reliance Brokerage Services Ltd.	1.00%	4,000,000	40,000,000
Mohammad Fazlur Rahman	0.25%	1,000,000	10,000,000
TOTAL	100.00%	400,000,000	4,000,000,000

12.00 Borrowing From Bank

Borrowing from Al-Arafah Islami Bank limited	2,000,000,000	1,820,000,000
Borrowing from Shajalal Islami Bank Limited	-	1,130,000,000
Borrowing from AIBL Capital Management Limited	1,730,000,000	-
	3,730,000,000	2,950,000,000

	31.12.2013 Taka	31.12.2012 Taka
13.00 Accounts Payable		
Al - Arafah Islami Bank Limited	428,172,906	772,906
Profit Payable for borrowings	503,991,331	263,056,921
VAT, Salary Tax & AIT Payable	94,039	34,038,167
Accrued Exp.	-	87,000
Payable to CSE	5,276,556	3,266,650
Payable to clients	251,975,304	176,663,280
Dividend Tax Payable	27,440,000	-
Dividend Payable	338,800,000	497,275,000
Audit fees Payable	50,000	100,000
Security Money	54,650	121,677
	1,555,854,786	975,381,601
14.00 Provision for Investment:		
Openig Balance	70,459,806	16,694,065
Add : Provision for Investment	101,506,653	53,765,741
Closing Balance	171,966,459	70,459,806
15.00 Provision for taxation		
Openig Balance	520,579,493	251,673,952
Add Income tax provision during the year	395,840,243	268,905,541
Closing Balance	916,419,736	520,579,493
16.00 Investment Income		
Margin Profit income	1,290,320,373	1,059,895,693
MTDR Profit	-	10,561,410
Profit on MSND	11,122,425	13,134,559
	1,301,442,798	1,083,591,662
17.00 Profit paid on Borrowing		
Borrowing from Al-Arafah Islami Bank limited	241,613,334	214,690,271
Borrowing from Shajalal Islami Bank Limited	110,716,667	134,828,389
Borrowing from AIBLCML	43,000,274	-
	395,330,275	349,518,660
18.00 Brokerage commission		
DSE	34,910,584	216,017,116
CSE	11,513,894	9,116,967
	246,424,478	225,134,083
19.00 Documentation & Maintenance Fess		
BO Documentation fees	185,000	252,500
BO Maintenance fees	3,005,500	2,881,000
Margin documentation fees	280,800	370,000
	3,471,300	3,503,500
20.00 Other Operating Income		
CDBL Income	1,322,945	2,042,302
Cheque dishonour Charge	213,000	184,000
Dividend income	3,171,566	3,166,226
Realized Capital gain	4,690,237	11,144,997
Others	32,542	56,799
	9,430,290	16,594,324
21.00 Hawla,Laga & CDBL Charges		
Hawla charge	2,336,706	2,157,946
Laga charge	12,340,189	11,431,760
CDBL Charges	13,016,587	14,618,594
	27,693,482	28,208,300
22.00 Salary allowances& Contribution to P.F		
Salary allowances& Contribution to P.F	32,944,411	45,447,736
Wages	1,791,881	1,092,286
Security Services	364,885	386,598
	35,101,177	46,926,620
23.00 Rents, Taxes, Insurance, Lighting etc.		
Rent	12,089,592	10,335,144
Insurance	-	65,529
Lighting	2,771,300	928,870
Tax	-	26,554
	14,860,892	11,356,097

	31.12.2013 Taka	31.12.2012 Taka
24.00 Honorarium & Meeting Expense		
Meeting & Honorarium	2,039,000	1,550,000
	2,039,000	1,550,000
25.00 Postage, Telegram, Telephone & Stamps etc		
Postage	322,177	413,700
Stamps	55,405	72,730
Photocopy	320	323
Croceries	1,500	28,610
	379,402	515,363
26.00 Depreciation & Repairs to Properties		
Depreciation	8,026,938	6,203,278
Repair & Maint.	648,282	417,130
	8,675,220	6,620,408
27.00 Other Expenses		
Computer Charge	223,910	284,025
Bank Charge	31,599	20,464
Petroleum Oil, Lubricant & WASA/ Gas.	675,919	501,978
Entertainment	1,547,431	1,240,431
Bonus & Incentive	8,700,477	-
Travelling, Local conveyance & Saturday Allowance	126,837	163,112
Internet & Online Charge	2,449,142	4,673,049
Registration Expenses	-	6,500
Taining Expenses	3,000	134,164
Audit Fees	130,000	150,000
Utilities bill	96,754	106,945
Vat	99,867	25,279
Accrued Expenses	-	87,000
Other Expenses	1,171,002	618,339
	15,255,938	8,011,286
27.01 Break up of Other Expenses		
Subscription Renewal	151,551	59,700
News paper	48,529	42,603
LFA	550,000	-
Upkeep	29,295	13,979
Misce.	40,362	66,927
Investors Protection	32,165	27,930
AR License	20,700	4,700
Closing Allowances	11,000	-
EID Garcia	14,900	-
Bank Guarantee	272,500	402,500
	1,171,002	618,339
28.00 Provision for Current Tax		
Operating profit Before tax	1,060,493,552	875,232,661
Total Business Income	1,060,493,552	875,232,661
Less Capital Gain	4,690,237	11,144,997
Less Dividend Income	3,171,566	3,166,226
Less Brokerage Income	-	225,134,083
Taxable Income	1,052,631,749	635,787,355
Income Tax @ 37.50 % on estimated Taxable Income	394,736,906	238,420,258
Add: Capital Gain Tax @ 10%	469,024	1,114,500
Add : TDS Dividend@ 20%	634,313	633,245
Add : Deducted at DSE	-	27,474,820
Add : Deducted at CSE	-	1,262,718
	395,840,243	268,905,541

AIBL Capital Market Services Ltd.
Fixed Assets Schedule
As on December 31, 2013

Annex-A

Particular	Cost			Rate	Description				Written Down Value as at 31 December-2013 Taka
	Balance as at 1st Jan-2013	Addition during the year Taka	Disposal during the year Taka		Balance as at 31 December-2013 Taka	Charge for the year Taka	Adjustment during the year Taka	Balance at 1st Jan-2013	
Fixed assets									
Interior Decoration	9,271,415	1,001,444	-	10%	10,272,859	927,142		2,295,818	7,977,041
Computer Accessories	1,183,092	20,282	-	20%	1,203,374	236,618		624,788	578,586
Online Hardware	2,901,234	-	-	20%	2,901,234	580,247		1,289,266	1,611,968
Motor Car	16,137,800	-	-	20%	16,137,800	3,227,560		9,037,168	7,100,632
Furniture Fixture - Steel	162,332	-	-	10%	162,332	16,233		45,254	117,078
Office Equipment	8,896,731	471,290	-	20%	9,368,021	1,779,346		4,357,818	5,010,203
Computer	4,005,095	-	-	20%	4,005,095	801,019		2,150,845	1,854,250
Furniture Fixture - Wood	2,700,615	61,832	-	10%	2,762,447	270,062		726,737	2,035,710
	45,258,314	1,554,848			46,813,162	7,838,227		20,527,694	26,285,468
Intangible Assets									
Online Software	943,554	-	-	20%	943,554	188,711		293,813	649,741
	943,554	-			943,554	188,711		293,813	649,741
Total	46,201,868	1,554,848	-		47,756,716	8,026,938	-	20,821,507	26,935,209



Annual Report 2013

Report on the
Financial Statements of
AIBL Capital Management Limited

For the period ended 31st December, 2013

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 2013, 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 DIAM 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 (HERS). 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 (HAS) 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 2013 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 ;
- (h) 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 20, 2014


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

Statement of Financial Position as at 31st December 2013

	Notes	31.12.2013 Taka	31.12.2012 Taka
ASSETS:			
Non - Current Assets			
Property, Plant & Equipment	4.00	296,048	
Current Assets:			
Cash and Bank Balance	5.00	10,312,557	405,337,239
Account Recivable	6.00	59,487,207	311,450
Investment	7.00	2,428,834,848	101,658,425
Advance Income Tax	8.00	5,202,308	1,156,941
Balance with AIBL CMSL		-	1,072,888
Preliminary Expenses		-	1,146,680
Total Assets		2,504,132,968	510,683,623
EQUITY AND LIABILITIES:			
Capital and Reserve			
Paid Up Capital	9.02	500,000,000	500,000,000
Retained Earning		7,612,741	7,556,655
Total Equity		507,612,741	507,556,655
Current Liabilities			
Borrowing form Bank (AIBL)		1,935,000,000	-
Accounts Payable	10.00	46,443,836	31,635
Provision for Investment		9,628,521	-
Provision for Taxation	19.00	5,447,870	3,095,333
Total Liabilities		1,996,520,227	3,126,968
Total Equity and Liabilities		2,504,132,968	510,683,623
NAV		10.15	10.15

The annexed notes form an integral part of these financial statements


Director


Director


CEO

Sign subject to our separate report of even date annexed.

Dated: Dhaka
January 20, 2014


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

Comprehensive Income Statement for the period ended 31st December, 2013

	Notes	31.12.2013 Taka	31.12.2012 Taka
Investment Income	11.00	62,561,393	10,515,313
Profit paid on Borrowings	12.00	(46,198,885)	-
Net Investment Income		16,362,508	10,515,313
Other Operating Income	13.00	9,521,466	3,574,590
		9,521,466	3,574,590
Total operating Income (A)		25,883,974	14,089,903
Salary allowances & Contribution to P.F	14.00	9,600,645	3,370,168
Honorarium & Meeting Expense		204,000	-
Rents, Taxes, Insurance, Lighting etc.		881,133	-
Postage, Telegram, Telephone & Stamps etc	15.00	107,800	19,578
Legal Expenses		74,175	-
Audit fees		10,000	20,000
Stationery, Printing, Advertisement etc.	16.00	481,870	15,635
Amortization to preliminary Expenses	17.00	1,146,680	-
Other Expenses	18.00	1,340,527	12,535
Total operating expenses (B)		13,846,830	3,437,916
Profit/(loss) before provision and Tax C = (A - B)		12,037,144	10,651,988
Provision for Taxation	19.00	2,352,537	3,095,333
Provision for Investment		9,628,521	-
Net Profit after Tax & Provision		56,086	7,556,655
Retained Earning Brought forward		7,556,655	-
Retained earning Carried forward		7,612,741	7,556,655
Earning per Share (EPS)		0.0011	0.1511


Director


Director


CEO

Sign subject to our separate report of even date annexed.

Dated: Dhaka
January 20, 2014


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

Statement of Changes in Equity for the period ended 31st December, 2013

Particulars	Share Capital	Retained Earning	Total
Balance as at 31st December, 2012	500,000,000	7,556,655	507,556,655
Net Profit for the period	-	56,086	56,086
Balance as at 31st December, 2013	500,000,000	7,612,741	507,612,741


Director


Director


CEO

Sign subject to our separate report of even date annexed.

Dated: Dhaka
January 20, 2014


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

Statement of Cash flows for the period ended 31st December, 2013

Cash flows from operating activities

Investment income receipt in Cash	62,561,393
Profit paid on deposits and borrowing	(46,198,885)
Dividend Received	-
Fees & Commission received in cash	-
Cash payments to employees	(9,600,645)
Cash payments to suppliers	(481,870)
Received from other operating activities (item-wise)	9,521,466
Paid for other operating activities (item-wise)	(3,670,646)
Paid for Preliminary Expenses	-
Advance income tax paid	(4,045,367)

Operating profit before changes in operating assets and liabilities

Changing in Operating assets & liabilities

Increase/Decrease Investment	(2,327,176,423)
Increase/Decrease of Accounts receivable	(56,862,519)
Increase/Decrease of Borrowing	1,935,000,000
Increase/Decrease of Accounts payable	46,412,201
Increase/Decrease of other assets (item-wise)	-

Cash receipt from operating activities

A. Net Cash from operating activities

Cash flows from investing activities:

Purchase of property, plant and equipment	(296,048)
---	-----------

B. Net cash flows from investing activities

Cash flows from financing activities

Increase in Share Capital	-
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C. Net cash flows from financing activities

D. Net increase in cash and cash equivalent (A+B+C)

E. Effects of exchange rate changes on cash and cash-equivalents

F. Net increase in cash and cash equivalent D+E

G. Cash & Cash Equivalents at the beginning of the year

H. Cash & Cash Equivalents at the end of the year

31.12.2013 Taka	31.12.2012 Taka
62,561,393	10,515,313
(46,198,885)	-
-	527,050
-	-
(9,600,645)	(3,364,168)
(481,870)	-
9,521,466	-
(3,670,646)	(239,090)
-	(944,925)
(4,045,367)	(1,156,941)
7,991,776	5,337,239
(2,327,176,423)	(100,000,000)
(56,862,519)	-
1,935,000,000	-
46,412,201	-
-	-
(402,720,410)	(100,000,000)
(394,728,634)	(94,662,761)
(296,048)	-
(296,048)	-
-	-
-	-
(395,024,682)	(94,662,761)
405,337,239	500,000,000
10,312,557	405,337,239


Director


Director


CEO

Sign subject to our separate report of even date annexed.

Dated: Dhaka
January 20, 2014


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

Notes to the financial statements for the period ended 31st December, 2013

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 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

Notes to the financial statements for the period ended 31st December, 2013

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.

Notes to the financial statements for the period ended 31st December, 2013

	31.12.2013 Taka	31.12.2012 Taka		
4.00 Fixed Asset				
Computer Purchase	258,048			
Office Equipment	38,000			
	296,048			
5.00 Cash at Bank				
AL - Arafah Islami Bank Ltd. - 3350	2,545,714	405,337,239		
AL - Arafah Islami Bank Ltd. - 4796	7,766,843	-		
	10,312,557	405,337,239		
6.00 Accounts Recivable				
Profit on Bai-Muazzel with AIBL CMSL	43,000,274			
Recivable from Panel Broker	5,460,700			
Profit from FDR with AIBL	8,598,333			
Advance withdrawal for registration fees	302,000			
Divident Recivable	2,125,900	311,450		
	59,487,207	321,450		
7.00 Investment				
Margin Investment	6,399,634.59			
Investment in Shares & Securities (Annexure -A)	320,474,991	101,658,425		
Investment in Placement Share	14,988,000			
Investment in AIBL CMSL	20,000,000			
Investment for Quard	1,972,222			
Investment in AIBL CMSL	1,730,000,000			
FDR with AIBL	335,000,000			
	2,428,834,848	101,658,425		
8.00 Advance Tax				
Advance Tax 2012	1,156,941	-		
Tax Paid 2013 through challan	1,938,392	-		
Tax on Dividend Income	488,843	105,410		
Tax deducted by Bank	1,618,132	1,051,531		
	5,202,308	1,156,941		
9.00 Share Capital				
9.01 Authorised Capital				
The authorised Capital of the Company is 20,00,00,000 Ordinary Share of TK. 10 each.	2,000,000,000	2,000,000,000		
9.02 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		
	500,000,000	500,000,000		
Share Holding Position :				
Name of the Share Holder	% of Shareholdings	No of Shares	Amount in Tk.	Amount in Tk.
Al-Arafah Islami Bank Limited	98.00%	49,000,000	490,000,000	490,000,000
AIBL Capital Market sevicees Limited	2.00%	1,000,000	10,000,000	10,000,000
TOTAL	100.00%	50,000,000	500,000,000	500,000,000
10.00 Accounts Payable				
Vat Payable			18,000	
Payble to Client			194,396	
Profit payable on Borrowings			46,198,885	
Printing & Stationary			1,955	15,635
TDS for Salary			20,600	6,000
Audit fees			10,000	10,000
			46,443,836	31,635
11.00 Investment Income				
Profit from Cash at Bank			6,635,893	10,515,313
Less: Tax Deducted at source			-	-
Margin Profit Income			191,069	
Service Charge Income			240,274	
Profit Bai-Muazzel with AIBL CMSL			43,000,274	
Profit from FDR with AIBL			12,493,882	
			62,561,393	10,515,313

Notes to the financial statements for the period ended 31st December, 2013

	31.12.2013 Taka	31.12.2012 Taka
12.00 Profit paid on Borrowings	46,198,885	-
AIBL	46,198,885	-
13.00 Other Operating Income		
Capital Gain	4,951,354	2,736,090
Dividend Income	4,570,113	838,500
	9,521,466	3,574,590
14.00 Salary Allowances & Contribution to P.F. & B.F.		
Salary and Allowance	7,804,927	2,487,034
Incentive & Festival Bonus	1,795,718	883,134
	9,600,645	3,370,168
15.00 Postage, Telegram, Telephone, Mobile & Stamps etc.		
Mobile Bill	63,300	14,800
Telephone	5,000	-
Stamp	39,500	4,778
	107,800	19,578
16.00 Stationary, Printing, Advertisement etc.		
Visiting Card & Others	343,995	15,635
Advertisement Exp.	19,390	-
Printing & Stationary	118,485	-
	481,870	15,635
17.00 Other Expenses		
Registration Fees	802,125	-
Legal Expenses	-	-
Fees paid to SEC for capital raising	140,000	-
TIN Certificate Expenses	1,000	-
Inuaguration Exp.	190,000	-
Trade licence Renewal Fees	13,555	-
	1,146,680	-
18.00 Other Expenses		
Registration Fees	545,300	-
BMBA Membership & Annual fees Fees	300,000	-
Entertainment	128,280	-
Saturday Allowance	15,000	-
Training Exp.	17,476	-
Travelling Allowance	21,555	-
Bank Charges & Fees	5,624	1,150
Excise duty	15,000	10,000
Petty Cash Exp.	45,606	1,385
Internate Charge	165,974	-
CDBL Charge	54,377	-
Computer Accessories	22,335	-
Closing Allowance	4,000	-
	1,340,527	12,535
19.00 Provision for Tax		
Opening Balance	3,095,333	
Add: Income tax povision during the year	2,352,537	
Closing Balance	5,447,870	
19.01 Provision for Current Tax :		
Operationg income	12,037,144	10,651,988
Less: Gain on Sale of Securities	4,951,354	2,736,090
Less: Divident Income	4,570,113	838,500
Total Business Income	2,515,678	7,077,397
Income Tax of @ 37.50% on estimated Business Income	943,379	2,654,024
Add: Gain on Sale of Securities (10%)	495,135	273,609
Add: Divident Income (20%)	914,023	167,700
	2,352,537	3,095,333

Investment in Shares & Securities Stock at hand as on 31st December, 2013

Annexure - A

SL	Name of Company	No. of Shares	Amount (at cost)	Market Rate	Market Amount
1	APEXADELFT*	32,600	12,733,387.01	412.10	13,434,460.00
2	BDCOM*	203,000	6,285,078.50	30.40	6,171,200.00
3	BEXIMCO*	230,000	12,184,246.10	32.20	7,406,000.00
4	BSCCL	93,300	17,883,413.50	168.10	15,683,730.00
5	BSRMSTEEL*	278,500	20,650,965.00	68.70	19,132,950.00
6	BXPHARMA*	111,320	7,910,102.85	47.20	5,254,304.00
7	DESCO	472,247	40,582,676.26	58.40	27,579,224.80
8	ENVOYTEX*	50,000	2,829,010.00	54.30	2,715,000.00
9	EXIMBANK	119,020	1,943,563.20	12.90	1,535,358.00
10	FAMILYTEX	81,000	4,835,223.50	58.10	4,706,100.00
11	FAREASTLIF*	397,612	50,237,003.53	96.00	38,170,752.00
12	GP*	15,200	3,393,095.00	200.90	3,053,680.00
13	GPHISPAT*	146,410	9,012,886.50	51.20	7,496,192.00
14	ICBAMCL1ST	525,000	12,992,084.50	24.60	12,915,000.00
15	ISLAMIINS*	45,500	1,504,597.00	32.50	1,478,750.00
16	JAMUNAOIL*	63,800	13,694,893.33	191.80	12,236,840.00
17	KPCL*	450	20,998.65	49.10	22,095.00
18	MJLBD*	141,100	14,158,493.10	75.10	10,596,610.00
19	MPETROLEUM*	36,500	7,945,007.96	211.00	7,701,500.00
20	NAVANACNG*	12,200	844,885.20	64.00	780,800.00
21	OLYMPIC*	375	29,736.45	147.10	55,162.50
22	ORIONPHARM*	10,000	713,060.00	58.70	587,000.00
23	PADMAOIL*	5	1,300.53	252.30	1,261.50
24	POWERGRID*	240,000	13,644,039.50	52.80	12,672,000.00
25	PRIMELIFE*	3,450	341,481.00	101.60	350,520.00
26	SPPCL*	75,400	4,721,275.30	61.60	4,644,640.00
27	SQUARETEXT*	5	439.14	90.40	452.00
28	SUMITPOWER*	27,480	1,119,696.10	38.40	1,055,232.00
29	TALLUSPIN*	216,800	8,213,879.50	38.10	8,260,080.00
30	TITASGAS*	198,500	16,411,035.50	73.80	14,649,300.00
31	UNITEDAIR*	1,948,720	33,610,251.63	16.40	31,959,008.00
	Grand Total	5,775,494	320,474,991		272,305,202

BRANCHES OF AIBL

DHAKA DIVISION

Banani Branch (AD)

16, Kamal Ataturk Avn, Banani, Dhaka
9822250, Fax- 9822357

Motijheel Corporate Branch (AD)

125, Motijheel C/A, Dhaka-1000
9576598, 9570608, 01766-682398

Dhanmondi Branch (AD)

H#54/1, R#4/A, Dhanmondi, Dhaka
8610913, 01841-131231

Dilkusha Branch (AD)

63, Dilkusha C/A, Dhaka-1000
9559063, 01819-244902

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, Kapasia, Gazipur
06824-52055, 01671-973077

Konapara Branch

958, Konapara Bazar, Demra, Dhaka
01811-409592

Motijheel Branch (AD)

161, Motijheel C/A, Dhaka-1000
9569350 (D), 01730-019595

Moulvibazar Branch (AD)

130, Chowk Mogoltuly, Moulvibazar, Dhaka
7311989, 01819-211828

Mirpur Branch

3/A, 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, 01817-519387

Mohammadpur Krishi Market Branch

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

Madhabdi Branch

691-694 Madhabdi Bazar, Narshingdi
9446005, 01711-613484

Nawabpur Road Branch (AD)

85/87, Nawabpur Road, Dhaka
7110708, 01760-100500

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, 01841-975438

Narayanganj Branch

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

Pagla Branch

Afser Karim Bhabon, Pagla, Narayanganj
7645821, 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
8962249, 01819-261382

VIP Road Branch (AD)

50/1, Inner Cerculer Road, Dhaka
9345871-2, 01811-409593

Gulshan Branch (AD)

Hosna Center, 106 Gulshan Avenue, Dhaka
9886271, 9863236, 01715-499229

Hazaribagh Branch

149, Hazaribagh bazar, Dhaka-1209
9611758-9, 01819-157536

Keranigonj Branch

Hridia Shopping Complex, Kadamtali, Keranigonj
7763100, 7763099, 01811-487862

Manda Branch

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

Nandipara Branch

Nandipara Bazar, Dhaka.
7811053

Bhairab Branch

74, Kaporpotty, bhairab, Kishorgonj
9471178, 01817-032726, Fax: 9470775

Gazipur Branch

Holding # K-280, BDC 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

27 Dewan Mansion, Mirpur-10, Dhaka
9006979, 9011766, 01811-448055

South Jatrobari Branch

314/A South Jatrobari, Dhaka
7545161, 7544840, 01752-016968

Abdullahpur SME Branch

Minnat Plaza, Abdullahpur Bazar, Abdullahpur,
Keranigonj, Dhaka 1311, 01713-810082, 01914-874850

Bandar SME Branch

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

Panchdona SME Branch

Panchdona Chowrasta, Narshingdi
029446452-3, 01979-556567

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
8999042, 01972-582013

Notun Bazar Branch

Notun Bazar, Baridhara, Dhaka
01811-487861

Panthapath Branch

F R Tower, 8C Sukrabad, Panthapath, Dhaka-1207
9138682, 01833-330271

Kolatia SME Branch

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

Shyamoli Branch

13/1 Ring Road, Shyamoli, Dhaka
9136517, 01711-386891,

Bhelanagar Branch

Jailkhanar mor, Bhelanagar, Narshingdi
9452295, 9452296

Kathgora Bazar Branch

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

Nayapur Branch

Nayapur Bazar, Narayangonj
01811-487863

Rampal Branch

Shipahipara, Rampal, Munshigonj
7611855, 7610066

Ruhtpur Branch

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

Sonargaon Janapath road Branch

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

Barmi Branch

Barmi Bazar, Sreepur, Gazipur
018-47054694, 017-12613211

Bhagyakul Branch

A Rashid Tower, Balasur Chowrasta, Sreenagar,
Munshigonj
01814-652643, 01817-072556

Fulbaria Branch

Joynal Abedin Sarker Plaza, Fulbaria, Kaliakoir, Gazipur
01847-054692, 01785-980027

Rampura Branch

5/1, Pashim Chowdhury Para, Rampura, Dhaka
9361356, 01811-454997

Tangail Branch

77-78, Victoria Road, Tangail
092161435, 01819-556372

CHITTAGONG DIVISION**Agrabad Branch (AD)**

96, 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, 01819-315481

O.R. Nizam Road Branch

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

Potherhat Branch

Potherhat, Rauzan, Chittagong.
031-2572571-2, 01817-058797

Cox's Bazar Branch

902, Sayket Tower, East Bazarghat, Cox's Bazar
0341-51081-2, 01711-172683

Chowmuhan Branch

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

Feni Branch

33-34 S.S.K Road, Feni
0331-63548-9, 01811-412291

Comilla Branch

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

Companigonj Branch

Companigonj Bazar, Muradnagar, Comilla
08026-59076, 01712235569

Gallai Branch

Gollai, Chandina, Comilla
01715-219672

Brahmanbaria Branch

Mosjid Road, Hazi Mansion
Brahmanbaria Sadar
0851-59330, 01827-563888

Akhaura SME Branch

College Road, Sarak Bazar
Akhaura, B.Barua
08522-56155, 01740-619012

Bashurhat SME Branch

34, Main Road, Bashurhat, Noakhali
0322-356070, 01811-448041

Tantarbar SME Branch

Tantar Bazar, Akhaura, Brahmanbaria
01743-244344

Station Road Branch, Ctg

108, Station Road, Chittagong
031-632812-3

Hajigonj Branch

Hajigonj Tower, 762 Hajigonj, Chandpur
0842-475145-6, 01834-838435

Kutibazar Branch

Kutibazar, Kasba, B.Barua
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

Barura Branch

Madina Market, Hospital Road, Barura, Comilla
0802752305-6, 01847-054695

Muradpur Branch

69, CDA Avenue, Muradpur, Panchlaish, Chittagong
031-657966, 01965-881111

Nabinagar Branch

Nabin Super Market, Sadar Road, Nabinagar,
Brahmanbaria
0852575504, 01766-678445

Padua Bazar Branch

Seven Star Shopping Complex, Padua Bazar, Lohagara,
Chittagong
01833-175500

SYLHET DIVISION**Ambarkhana Branch**

4877, 4874 Ambarkhana, Sylhet
0821-720352, 01711-312599

Beani Bazar Branch

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

Laldighirpar Branch

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

Moulvibazar Branch

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

Ruposhpur Branch

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

Zindabazar Branch

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

Madhabpur SME Branch

265-349, Madhabpur Bazar, Hobigonj
0832-756352, 01926-697968

KHULNA DIVISION**Khulna Branch (AD)**

4, Sir Iqbal Road, Khulna
041-721249, 01765-063340

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, 01738-933588

Gallamari Branch

219/1, Sher-E-Bangla Road, Gallamari, Khulna
041-2832181, 01710-685025

BARISHAL DIVISION**Barisal Branch**

444 Hemayetuddin Road, Barishal
0431-64476, 01727379119

Jhalakathi Branch

68, Monohari Patti, Jhalakathi
0498-62808, 01754-015565
Fax : 0498-62807

Bhola Branch

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

Mathbaria Branch

407 Kapuria Patty, Mathbaria, Pirojpur
04625-75374, 01751-108816, Fax - 04625-75373

Bhandaria Branch

Kapurja Potty, Bhandaria, Pirojpur
0462-356469, 01720-545589

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, 01763-233233

Badargonj SME Branch

Upazila Road, Badargonj, Rangpur
05222-56573-4, 01761-730189

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 a 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 19th Annual General Meeting of the Company
 to be held on Sunday the 30th March, 2014 at 10.00 a.m. at "**Ichamati Hall**", **Hotel Agrabad, Chittagong** and at any
 adjournment thereof.

Signed this in my/our presence on.....day of2014

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 19th Annual General Meeting of the Company to be held on
 Sunday the 30th March, 2014 at 10.00 a.m. at "**Ichamati Hall**", **Hotel Agrabad, Chittagong**.

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.

বি.দ্রঃ বিএসইসি নটিফিকেশন নং SEC/SRMI/2000-953/1950 dated 24th October, 2000 এবং Circular No. এসইসি/ সিএমআরসিডি/ ২০০৯-১৯৩/১৫৪, তারিখ ২৪ অক্টোবর, ২০১৩ এর পরিপালনার্থে বার্ষিক সাধারণ সভায় কোন প্রকার উপহার/খাবার/কুপন প্রদানের ব্যবস্থা থাকবে না।