



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 29th 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 2023.

Economy Analyses

World Economy Outlook

The global economy continues to recover slowly from the blows of the pandemic, Russia's invasion of Ukraine, and the cost-of-living crisis. In retrospect, the resilience has been remarkable. Despite the disruption in energy and food markets caused by the war, and the unprecedented tightening of global monetary conditions to combat decades-high inflation, the global economy has slowed, but not stalled. Yet growth remains slow and uneven, with growing global divergences. The global economy is limping along, not sprinting. Global activity bottomed out at the end of last year while inflation—both headline and underlying (core)—is gradually being brought under control. But a full recovery toward prepandemic trends appears increasingly out of reach, especially in emerging market and developing economies. According to our latest projections, global growth will slow from 3.5 percent in 2022 to 3 percent this year and 2.9 percent next year, a 0.1 percentage point downgrade for 2024 from our July projections. This remains well below the historical average. Headline inflation continues to decelerate, from 9.2 percent in 2022, on a year-over-year basis, to 5.9 percent this year and 4.8 percent in 2024. Core inflation, excluding food and energy prices, is also projected to decline, albeit more gradually than headline inflation, to 4.5 percent in 2024. As a result, projections are increasingly consistent with a “soft landing” scenario, bringing inflation down without a major downturn in activity, especially in the United States, where the forecast increase in unemployment is very modest, from 3.6 to 3.9 percent by 2025. But important divergences are appearing. The slowdown is more pronounced in advanced economies than in emerging market and developing ones. Within advanced economies, the US surprised on the upside, with resilient consumption and investment, while euro area activity was revised downward. Many emerging market economies proved quite resilient and surprised on the upside, with the notable exception of China, facing growing headwinds from its real estate crisis and weakening confidence.

Three global forces are at play. First, the recovery in services is almost complete. Over the past year, strong demand for services supported service-oriented economies—including important tourism destinations such as France and Spain—relative to manufacturing powerhouses such as China and Germany. High demand for labor-intensive services also translated into tighter labor markets, and

higher and more persistent services inflation. But services activity is now weakening alongside a persistent manufacturing slowdown, suggesting services inflation will decrease in 2024 and labor markets and activity will soften. Second, part of the slowdown is the result of the tighter monetary policy necessary to bring inflation down. This is starting to bite, but the transmission is uneven across countries. Tighter credit conditions are weighing on housing markets, investment, and activity, more so in countries with a higher share of adjustable-rate mortgages or where households are less willing, or able, to dip into their savings. Firm bankruptcies have increased in the US and the euro area, although from historically low levels. Countries are also at different points in their hiking cycles: advanced economies (except Japan) are near the peak, while some emerging market economies, such as Brazil and Chile, have already started easing. Third, inflation and activity are shaped by the incidence of last year's commodity price shock. Economies heavily dependent on Russian energy imports experienced a steeper increase in energy prices and a sharper slowdown. Some of our recent work shows that the pass-through from higher energy prices played a large role in driving core inflation upward in the euro area, unlike in the United States, where core inflation pressures reflect instead a tight labor market. Despite signs of softening, labor markets in advanced economies remain buoyant, with historically low unemployment rates helping to support activity. So far, there is scant evidence of a “wage-price spiral,” and real wages remain below prepandemic levels. Further, many countries experienced a sharp—and welcome—compression in the wage distribution. Some of this compression reflects the higher amenity value of flexible and remote work schedules for high earners, reducing wage pressures for that group. Risks While some of the extreme risks—such as severe banking instability—have moderated since April, the balance remains tilted to the downside. First, the real estate crisis could deepen further in China, an important risk for the global economy. The policy challenge is complex. Restoring confidence requires promptly restructuring struggling property developers, preserving financial stability, and addressing the strains in local public finance. If real estate prices decline too rapidly, the balance sheets of banks and households will worsen, with the potential for serious financial amplification. If real estate prices are artificially propped up, balance sheets will be protected for a while, but this may crowd out other investment opportunities, reduce new construction activity, and have an adverse impact on local government revenues through reduced land sales. Either way, China's economy needs to pivot away from a credit-driven real estate model of growth. Second, commodity prices could become more volatile under renewed geopolitical tensions and disruptions linked to climate change. Since June, oil prices have increased by about 25 percent, on the back of extended supply cuts from OPEC+ (the Organization of the Petroleum Exporting Countries plus selected nonmembers) countries. Food prices remain elevated and could be disrupted further by an escalation of the war in Ukraine, causing important hardship for many low-income countries. This, of course, represents a serious risk to the disinflation strategy. Geo-economics fragmentation has also led to a sharp increase in the dispersion in commodity prices across regions, including critical minerals. As Chapter 3 of this report analyzes, this could pose serious macroeconomic risks going forward, including to the climate transition. Third, while both underlying and headline inflation have decreased, they remain uncomfortably high. Near-term inflation expectations have risen markedly above target, although they now appear to be turning a corner. As Chapter 2 of this report details, bringing these near-term inflation expectations back down is critical to winning the battle against inflation. With tight labor markets, ample excess savings in some countries, and adverse energy price developments, inflation

could become more entrenched, requiring even more forceful action from central banks. Fourth, fiscal buffers have eroded in many countries, with elevated debt levels, rising funding costs, slowing growth, and an increasing mismatch between the growing demands on the state and available fiscal resources (see the October 2023 Fiscal Monitor). This leaves many countries more vulnerable to crises and demands a renewed focus on managing fiscal risks. Finally, despite the tightening of monetary policy, financial conditions have eased in many countries (see the October 2023 Global Financial Stability Report). The danger is of a sharp repricing of risk, especially for emerging markets, that would appreciate further the US dollar, trigger capital outflows, and increase borrowing costs and debt distress. Policies Under our baseline scenario, inflation continues to recede as central banks maintain a tight stance. With many countries near the peak of their tightening cycles, little additional tightening is warranted. However, easing prematurely would squander the gains achieved in the past 18 months. Once the disinflation process is firmly on its way and near-term inflation expectations are decreasing, adjusting the policy rate downward will allow the monetary policy stance, that is, the real interest rate, to remain unchanged until inflation targets are in sight. Fiscal policy needs to support the monetary strategy and help the disinflation process. In 2022, fiscal and monetary policies were pulling in the same direction, as many of the pandemic emergency fiscal measures were unwound. In 2023, the degree of alignment has decreased. Most worrying is the case of the United States, where the fiscal stance has deteriorated substantially. Fiscal policy in the US should not be procyclical, even less so at this stage of the inflation cycle. More broadly, fiscal policy everywhere should focus on rebuilding fiscal buffers that have been severely eroded by the pandemic and the energy crisis, for instance, by removing energy subsidies. We should also return our focus to the medium term. Here the picture is becoming darker. Medium term growth prospects are weak, especially for emerging market and developing economies. The implications are profound: a much slower WORLD ECONOMIC OUTLOOK: NAVIGATING GLOBAL DIVERGENCES xiv International Monetary Fund | October 2023 convergence toward the living standards of advanced economies, reduced fiscal space, increased debt vulnerabilities and exposure to shocks, and diminished opportunities to overcome the scarring from the pandemic and the war. With lower growth, higher interest rates, and reduced fiscal space, structural reforms become key. Higher long-term growth can be achieved through a careful sequence of structural reforms, especially those focused on governance, business regulations, and the external sector. These “first-generation” reforms help unlock growth and make subsequent reforms—whether to credit markets, or for the green transition—much more effective. Multilateral cooperation can help ensure that all countries achieve better growth outcomes. First, countries should avoid implementing policies that contravene World Trade Organization rules and distort international trade. Second, countries should safeguard the flow of critical minerals needed for the climate transition, as well as that of agricultural commodities. Such “green corridors” would help reduce volatility and accelerate the green transition. Finally, all countries should aim to limit geo-economics fragmentation that prevents joint progress toward common goals and instead work toward restoring trust in rules-based multilateral frameworks that enhance transparency and policy certainty and help foster a shared global prosperity. A robust global financial safety net with a well-resourced IMF at its center is essential.

Bangladesh Economic Outlook

Bangladesh’s economy has recovered from the economic damage

caused by the impact of COVID-19 and the ongoing Russia-Ukraine crisis, although the recent slowdown in the global economy has adversely affected the country’s economic growth. Bangladesh’s economic growth in the pre-COVID-19 fiscal year (FY 2018-19) was 7.88 percent. During the COVID-19 period, this growth rate declined to 3.45 percent in FY 2019-20, which increased to 6.94 percent in FY 2020-21 and 7.10 percent in FY 2021-22. According to the provisional estimates of Bangladesh Bureau of Statistics (BBS), the GDP growth stood at 6.03 percent in FY 2022-23.

As per provisional estimate of BBS, per capita GDP and per capita national income stood at US\$ 2,657 and US\$ 2,765 respectively in FY 2022-23 compared to US\$ 2,687 and US\$ 2,793 respectively in the previous fiscal year. The per capita national income in dollar terms has declined slightly in FY 2022-23 due to the appreciation of US dollar. However, the per capita national income in terms of Taka increased by about 30 thousand and stood at Tk. 2,70,414.

Provisionally, the consumption expenditure as a percentage of GDP in FY 2022-23 decreased to 73.98 percent from 74.78 percent of the previous fiscal year. At the same time, total investment reached to 31.25 percent of GDP, with public investment and private investment accounting for 7.61 percent and 23.64 percent of GDP, respectively. The Medium Term Macroeconomic Framework (MTMF) envisaged the GDP growth to pick up to 8.0 percent in FY 2025-26.

The revised revenue mobilisation target was set at Tk. 4,33,000 crore in FY 2022-23, which is 9.68 percent of GDP. Of them, revenue receipt from NBR sources was marked at Tk. 3,70,000 crore (8.27% of GDP), tax revenue from non-NBR sources at Tk. 18,000 crore (0.40% of GDP) and non-tax revenue at Tk. 45,000 crore (1.00% of GDP). As per provisional data from iBAS++, total revenue mobilisation up to February 2023 stood at Tk. 2,36,035 crore, up by 0.92 percent of the same period of previous fiscal year, achieving 55.49 percent of the target. During this period, NBR collected revenue of Tk. 1,96,039.95 crore, which is 52.98 percent of the target and 8.92 percent higher than the previous fiscal year.

According to the revised budget, the total expenditure target for FY 2022-23 has been set at Tk. 6,60,507 crore (14.76% of GDP), which is 11.38 percent higher compared to FY 2021-22. The volume of the revised ADP in FY 2022-23 stood at Tk. 2,27,564 crore (excluding autonomous bodies/corporations own funding), which is 8.79 percent higher than the previous fiscal year. The Government is highly concerned in maintaining the budget deficit within 5 percent of GDP by increasing efficiency in revenue management. However, due to the increase in government expenditure for COVID-19 pandemic, target was set at 5.1 percent of current fiscal year. The actual budget deficit for FY 2021-22 stood at 4.6 percent of GDP.

The FY 2022-23 monetary policy has been formulated in order to discourage unproductive financial flows to tame the demand-side pressures without circumventing the required flow of funds to the productive sectors easing supply-side conditions and supporting the country’s long-term growth aspirations. Thus, the formulation of a contractionary cautious monetary and credit programme for FY 2022-23 is expected to support the economic recovery process in the coming days as well as mitigate inflationary and exchange rate pressures. The last monetary and credit programmes were designed in line with the targeted real GDP growth and CPI inflation as outlined in the national budget for FY 2022-23. As per the policy stance, the broad money growth is pegged at 11.50 percent and domestic credit

growth at 18.5 percent at the end of FY 2022-23. The actual growth in broad money and domestic credit stood at 8.77 percent and 15.58 percent in February 2023, as against 9.45 percent and 13.23 percent in the same month of the previous fiscal year. At the end of February 2023, the credit growth in the public and private sectors stood at 33.87 percent and 12.41 percent respectively, while the actual credit growth at the end of February 2022 was 28.94 percent and 10.87 percent, respectively.

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The recent trends in weighted average lending and deposit rates show upward movement. The weighted average lending rate showed some constancy and reached to 7.09 percent at the end of June 2022 from 7.10 percent of end February 2022. After that it increased consistently and stood at 7.27 percent at the end of February 2023. At the same time, the weighted average deposit rate although declined a little and stood at 3.97 percent of end June 2022 from 4.02 percent of end February 2022, later it increased much and reached to 4.31 percent at end of February 2023. In enhancement of the market-based interest rate, increasing the policy rate several times by Bangladesh Bank and reduction of excess liquidity in the banking system have played significant role.

In FY 2022-23, both stock markets, Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange (CSE), noticed some volatility. However, the market capitalisation of all securities increased significantly in both the markets. Compared to June 30, 2022, the market capitalisation of DSE and CSE increased by 47.36 percent and 67.15 percent respectively compared to the end of trading on February 28, 2023. During the same period, the DSE Broad Index (DSEX) and CSE Overall Price Index decreased slightly by 2.51 percent and 2.14 percent respectively.

The IMF's World Economic Outlook January 2023 has projected that the world trade volume of goods and services to slow down from 5.4 percent in 2022 to 2.4 percent in 2023 before rising to 3.4 percent in 2024. However, Bangladesh's export growth is on a positive trend. It is noteworthy that exports increased by 8.07 percent to US\$ 41,721.62 million during July-March FY 2022-23 compared to the same period of previous fiscal years. On the other hand, import payments (c&f) stood at US\$ 52,713.10 million in July-February of FY 2022-23 which was significantly (10.31%) lower than the import payments of the same period of the preceding year. The growth of exports and imports during FY 2021-22 were 34.38 percent and 35.93 percent respectively compared to the previous fiscal year. Besides, total receipts of remittances increased by 2.37 percent to US\$ 17,718.55 million during July-April of FY 2022-23 against the decrease of 16.24 percent during July-April of FY 2021-22.

The negative growth of import might be the outcome of a number of initiatives taken by the government as well as the central bank. The deficit of trade balance narrowed and stood at US\$ 13,828 million in FY 2022-23 (July-February) which was US\$ 22,431 million in FY 2021-22 (July-February). In addition, remittances increased by 4.79

percent during July-February, 2023. During the time, current account balance deficit decreased to US\$ 4,387 million due to decrease in trade deficit and expansion of remittances. At the same time, the capital and financial account experienced a deficit balance. The net outcome of all these made the overall balance a deficit of US\$ 7,949 million in FY 2022-23 (July-February) compared to US\$ 2,222 million deficit in the same period of previous fiscal year. As a result, foreign exchange reserves declined to around US\$ 32 billion at the end of February 2022. Foreign exchange reserves stood at US\$ 31 billion as on 2 May 2023. As at the end of February 2023 compared to the end of June of FY 2021-22, the Taka has depreciated by 11.47 percent against the US dollar. The inflow of foreign grants and loans received during FY 2021-22 was US\$ 10,969.29 million, which is 37.97 percent higher than the previous fiscal year. The inflow of foreign grants and loans received during the first eight months of the current FY 2022-23 (up to February 2023) is US\$ 4,876.52 million, which is 17.33 percent lower than the same period of the previous fiscal year. The foreign deposit position at the end of February 2023 is US\$, 59,213.81 million, which is 13.4 percent of GDP.

Banking sector analysis

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

Scheduled Banks:

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

Non-Scheduled Banks:

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

There are 61 scheduled banks in Bangladesh who operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. Scheduled Banks are classified into following types:

State Owned Commercial Banks (SOCBs):

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

- Ansar VDP Unnayan Bank,
- Karmashangosthan Bank,
- ProbashiKollyan Bank,
- Jubilee Bank,
- Palli Sanchay Bank

A. Private Commercial Banks (PCBS):

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

B. Conventional PCBS:

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

C. Islami Shariah Based PCBS:

Al-Arafah Islami Bank PLC
 Exim Bank PLC
 First Security Bank PLC
 Islami Bank Bangladesh PLC
 ICB Islami Bank PLC
 Shahjalal Islami Bank PLC
 Social Islami Bank PLC
 Union Bank PLC
 Standard Bank PLC
 Global Islami Bank PLC

Overall Banking Scenario

Banks' Deposits: Total Deposit (excluding interbank items) of the scheduled banks increased by Tk. 1,609,370 million representing 10.13% point to point growth from Tk. 17,491,910 million as on 31 December 2023 to Tk. 15,882,540 million as on 31 December 2022.

Islamic Banks' Deposits: All Islamic Banks' deposits stood at Tk. 4,434,030 million during the year 2023 as against Tk. 4,099,490 million in the previous year 2022 and it increased by Tk. 334,540 million registering a growth of 8.16% in 2023. The share of Islamic Banks' deposits as of 31 December 2023 stood at 25.35% as compared to 25.81% on 31 December 2022.

Banks' Advances /Investment: Total Advances/ Investments (excluding bills) of the scheduled banks increased by Tk. 1,508,880 million representing 10.87% point to point growth from Tk. 15,384,530 million as on 31 December 2023 to Tk. 13,875,650 million as on 31 December 2022.

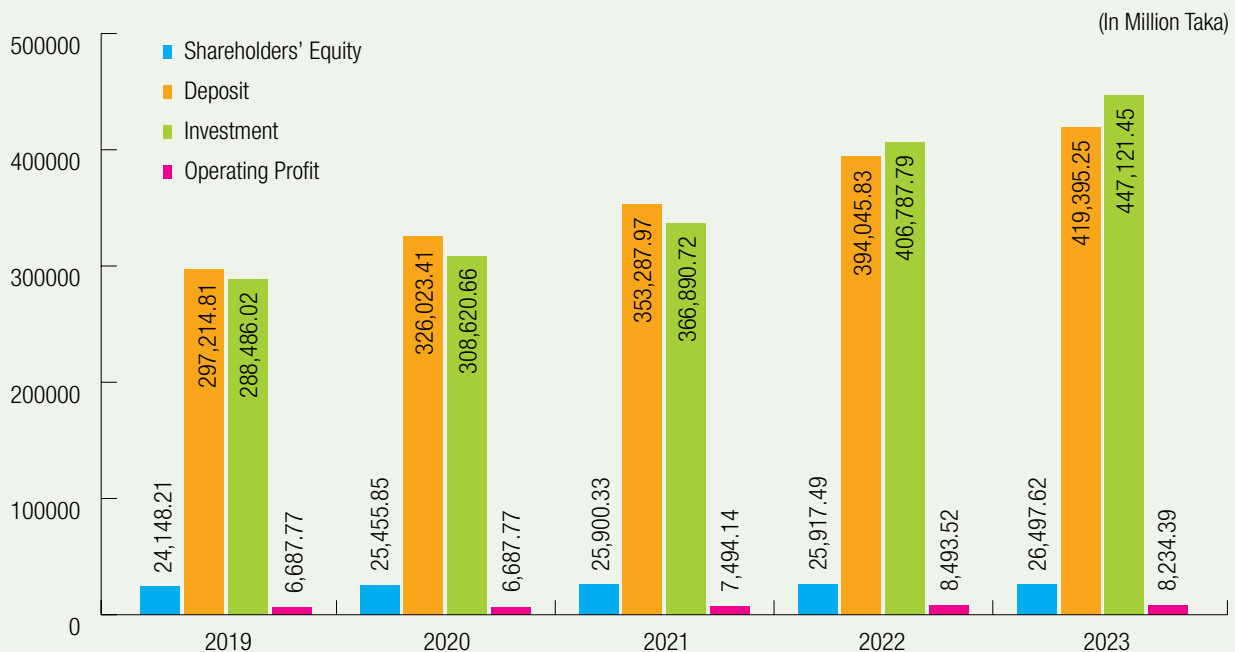
Islamic Banks' Investments: All Islamic Banks' Investments stood at TK 4,449,740 million during the year 2023 as against Tk. 4,052,020 million in the previous year 2022 and the Investment increased by TK 397,720 million registering a growth of 9.82% in 2023. The share of Islamic Banks' Investments as of 31 December 2023 stood at 28.92% as compared to 29.20% on 31 December 2022.

Operating Profit: Despite a tough start of the year 2023 Banks in Bangladesh managed to earn a reasonable amount of operating profit for the year. But The growth of profit was slim owing to low credit/investment demand, cautious lending/investment policy, lowering lending/ investment profit rates and the sluggish business environment.

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 10 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.

Performance at a glance



Al-Arafah Islami Bank PLC

With the objective of achieving success in life here & here after following the way directed by the Holy Quran and the path shown by Rasul (SM) Al-Arafah Islami Bank Ltd was established(registered) as a public limited company on 18 June 1995. The inaugural ceremony took place on 27 September 1995. The authorized capital of the Bank is Tk. 15,000.00 million and the paid-up capital is Tk. 10,968.49 million as on 31.12.2023.

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. 26,497.62 million as on 31 December 2023, the manpower was 5,768 and the number of shareholders was 16,293. 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 208 branches of which 26 is AD throughout the country.

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

Special Features of Al-Arafah Islami Bank PLC

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

the investment income of the bank. About 70% of the investment income is distributed among the Mudaraba depositors.

- To render improved services to the clients imbued with Islamic spirit of brotherhood, peace and fraternity and by developing an institutional cohesion.

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

Activities of Shariah Supervisory committee for the year 2023

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

Shariah Supervisory committee has by the grace of Al-mighty Allah managed to contribute a lot to run all the business activities of the Bank according to Shariah guidelines. During the year 2023 with some unavoidable circumstances our Honorable Members of the Shariah Supervisory Committee sat in 3 (Three) 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 15.60 million as doubtful income of the branches of the Bank. Besides, after analyzing balance sheet, the Supervisory committee identified Tk. 1,114.15 million as compensation realized in different branches and Tk. 37.77 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 2023 keeping doubtful in-come 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 2023, the Doubtful Income of the Bank has been reduced comparatively and we hope that this reducing figure will be continued and necessary steps would be taken time to time, Insha-Allah.

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

AIBL Capital Market Services Ltd.

AIBL Capital Market Services Limited is a subsidiary company of Al-Arafah Islami Bank Limited. The Company is incorporated under the company's Act, 1994 as a public limited company by shares with

an authorized Capital of BDT 10 billion (10,000million) and paid up capital of BDT 4 billion (4,000.00 million) to provide stock brokerage services. The paid-up capital of the company is subscribed by Al-Arafah Islami Bank Limited and other individuals at the ratio of 60.50:39.50. During the year 2023 the company earned Operating Profit (Before provision for investment & taxation) of Tk. 104.87 million with Earning per Share (EPS) Tk. 0.19.

AIBL Capital Management Limited

AIBL Capital Management Limited (AIBLCML), a Subsidiary of Al-Arafah Islami Bank Limited, was incorporated under the companies Act, 1994 on October 25, 2011 with a view to run and manage the operations of Merchant Banking Services with an authorized Capital of BDT 2 billion (2,000 million) and paid up capital of BDT 500 million (500 million). It aims to be one of the leading Merchant Banks of the country by rendering quality Merchant Banking Services with a high level of professional expertise and integrity. During the year 2023 the company earned Operating Profit (Before provision for investment & taxation) of Tk. (5.16) Million with Earning per Share (EPS) Tk. (0.1032).

AIBL Assets Management Limited

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

Off-shore Banking Unit (OBU)

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

The principal activities of OBU are to provide Mudaraba Investment against payment of import bills under UPAS (Usance Payment at Sight) and Musharaka Documentary Bills in foreign currency (MDB F.C) to its customers. Total finance under UPAS in 2023 was USD 70.19 million under MDB FC was USD 15.96 million HPSM FC (Machinery) 6.69 million . Our Plan and Strategies for Foreign Exchange Business-

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

capacity by acquiring professional and technical knowledge & skill.

Position in the Stock Market

Bank's share sustained a steady strong position since its induction at Dhaka Stock Exchange & Chittagong Stock Exchange in 1998. In Dhaka Stock Exchange the face value of taka 10 of our share was traded at taka 26.70 highest in 2023. The market trend of our bank's share in Dhaka Stock Exchange from January 2023 to December 2023 is stated in the list:

Position in the Stock Market in the list:

| Month | Opening | High | Low | Closing |
|-----------|---------|-------|-------|---------|
| January | 23.60 | 23.60 | 23.60 | 23.60 |
| February | 23.60 | 24.20 | 23.60 | 23.60 |
| March | 23.60 | 24.40 | 23.60 | 23.60 |
| April | 23.60 | 24.90 | 23.60 | 23.60 |
| May | 24.80 | 26.20 | 24.20 | 24.80 |
| June | 23.70 | 26.70 | 23.60 | 23.70 |
| July | 23.80 | 24.40 | 23.60 | 23.80 |
| August | 23.90 | 24.30 | 23.80 | 23.90 |
| September | 23.70 | 24.10 | 23.60 | 23.70 |
| October | 23.70 | 24.10 | 23.70 | 23.70 |
| November | 23.70 | 24.70 | 23.60 | 23.70 |
| December | 23.70 | 23.90 | 23.60 | 23.70 |

Progress Analysis

At the end of 2023, the number of depositors stood at 3,328,189 and the accumulated deposit was Tk. 419,395.25 million. The total number of investors stood at 201,143 and total investment extended to them was Tk 447,121.45 million. During the year 2023 the total income was Tk. 39,098.61 million and total expenditure was Tk. 30,864.22 million. At the end of the year the profit before tax and provision stood Tk. 8,234.39 million.

Capital Adequacy & Reserve Fund

According to BRPD Circular the Bank will have to maintain Tk. 4,000.00 million Capitals from 1st July 2011. In compliance with the new provision, the bank has raised its Capital from Tk. 44,551.49 million to Tk. 45,489.90 million (Consolidated Basis) and Tk.41,234.00 million to Tk. 42,288.41 million (Solo Basis). Outstanding balance of AIBL Mudaraba Subordinated Bond Tk. 1,1000 million as at 31st December 2023.

In the year 2021 AIBL issued Mudaraba perpetual Bond for Tk. 5,000.00 million that meet the qualifying criteria for Tier- 1 Capital as per Basel III Guidelines.

In the year 2015 AIBL issue Mudaraba Subordinated Bond Tk.

3,000.00 million which is fully redeemed, in the year 2018 for Tk. 5,000.00 million, in the year 2020 for Tk. 5,000.00 million and in the year 2022-23 for Tk. 5,000 million that meet the qualifying criteria for Tier 2 Capital as per annex 4 of Basel III Guidelines. The paid-up capital of the bank was at Tk.10,968.49 million at 31st December 2023. The total reserve fund has stood at Tk.12,052.66 million in the current year against Tk. 11,733.99 million at 31st December 2022. The Bangladesh Bank has fixed the ratio of minimum capital adequacy (MCR) against Risk-Weighted Assets at 12.50% or Tk. 4,000 million whichever is higher.

The Consolidated and Solo Basis capital adequacy ratio of the Bank as on 31.12.2023 are appended below:

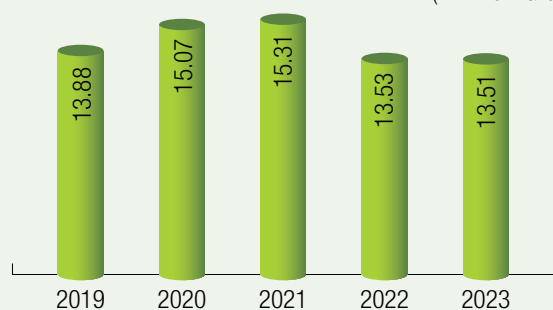
Consolidated Basis

Tk. in million

| a) Core Capital (Tier-I) | 2023 | 2022 |
|--|------------------|------------------|
| Paid up Capital | 10,968.49 | 10,649.02 |
| Statutory Reserve | 10,968.49 | 10,649.02 |
| Retained Earnings | 1802.54 | 1841.05 |
| AIBL Perpetual Bond | 5000.00 | 5000.00 |
| Non Controlling Interest | 1673.93 | 1693.43 |
| Total | 30,413.45 | 29832.52 |
| Less Good will and other Intangible assets | 168.30 | 192.17 |
| Total Core Capital | 30,245.15 | 29,640.35 |
| b) Supplementary Capital (Tier-II) | | |
| Provision for Unclassified Investment | 4,899.89 | 5,008.96 |
| Assets Revaluation Reserve | 542.09 | 542.49 |
| AIBL Sub Ordinate Bond | 1,100.00 | 1,101.00 |
| Less: Revaluation Reserves for Fixed Assets, Securities & Equity Securities. | (542.09) | (542.49) |
| Less: Excess Amount over Maximum Limit of T-2 | 655.14 | 1107.82 |
| Total Supplementary Capital | 15,244.75 | 14,911.14 |
| Total Capital (a+b) | 45,489.90 | 44,551.49 |
| c) Capital Adequacy Ratio | 14.05% | 14.17% |

Capital Adequacy Ratio As %

(In Million Taka)

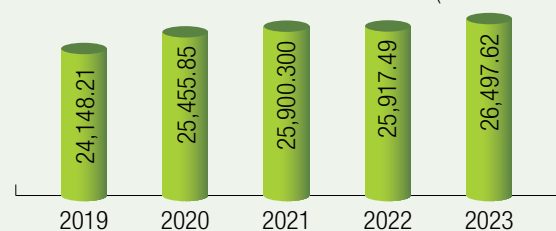


Solo Basis

| a) Core Capital (Tier-I) | 2023 | 2022 |
|--|------------------|------------------|
| Paid up Capital | 10,968.49 | 10,649.02 |
| Statutory Reserve | 10,968.49 | 10,649.02 |
| Retained Earnings | 1,653.98 | 1,657.72 |
| AIBL Perpetual Bond | 5000.00 | 5000.00 |
| Total | 28,590.96 | 27,955.76 |
| Less Good will and other Intangible assets | 168.30 | 192.17 |
| Total Core Capital | 28,422.66 | 27,763.59 |
| b) Supplementary Capital (Tier-II) | | |
| Provision for Unclassified Investment | 4,899.89 | 5008.96 |
| Assets Revaluation Reserve | 542.09 | 542.49 |
| AIBL Sub Ordinate Bond | 11,000.00 | 11,010.00 |
| Less: Revaluation Reserves for Fixed Assets, Securities & Equity Securities. | (542.09) | (542.49) |
| Less: Excess Amount over Maximum Limit of T-2 | 2034.14 | 2557.10 |
| Total Supplementary Capital | 13,865.75 | 13,461.86 |
| Total Capital (a+b) | 42,288.41 | 41,225.46 |
| c) Capital Adequacy Ratio | 13.51 | 13.53 |

Shareholders' Equity

(In Million Taka)

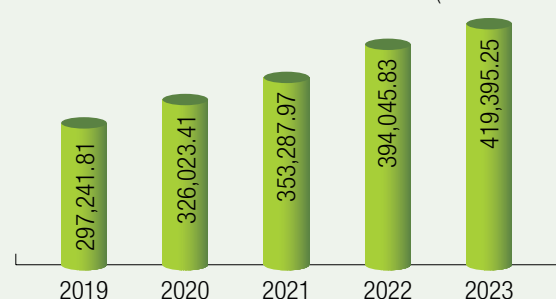


Deposits

The total deposit of the bank was Tk. 419,395.25 million at 31st December 2023 as against Tk. 394,045.83 million at 31st December 2022 a growth of 6.43 % of which Tk 5,928.40 million was bank deposit and Tk. 413,466.85 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.

Deposit Growth

(In Million Taka)



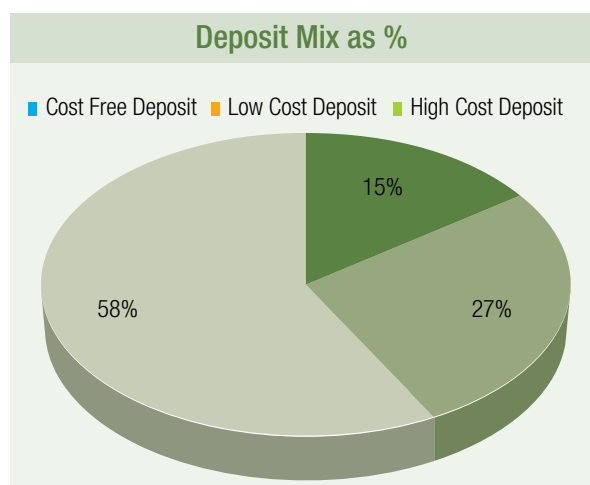
The mix deposit of the bank on December 31, 2023 was as follows:

Deposit Mix

| Products | Taka in Million |
|-----------------------------|-------------------|
| a) Al Wadia Current Account | 79,747.95 |
| b) Mudaraba Savings Deposit | 64,023.41 |
| c) Other Mudaraba Deposit | 61,872.44 |
| d) Mudaraba Term Deposit | 209,448.38 |
| e) Bills Payable | 4,303.07 |
| Total | 419,395.25 |

Deposit Mix (%)

| Products | Taka in Million | % of Total |
|----------------------|-------------------|----------------|
| a) Cost Free deposit | 64,922.38 | 15.48% |
| b) Low Cost Deposit | 112,733.44 | 26.88% |
| c) High Cost Deposit | 241,739.42 | 57.64% |
| Total | 419,395.25 | 100.00% |



Various deposit product of the Bank in 2023:

- Mudaraba Term Deposit

| Sl.No | Types of Deposit |
|-------|----------------------------|
| 1. | Mudaraba Term Deposit |
| | a. 36 Months |
| | b. 24 Months |
| | c. 12 Months |
| | d. 06 Months |
| | e. 03 Months |
| | f. 01 Month |
| 2. | Mudaraba Savings Deposit |
| 3. | Short Notice Deposit (SND) |

| | |
|-----|--|
| 4. | Monthly Hajj Deposit |
| 5. | Monthly Installment Term Deposit (ITD) |
| 6. | Monthly Profit Based Term Deposit (PTD) |
| 7. | Monthly Savings Investment (SID) |
| 8. | One Time Hajj Deposit |
| 9. | (a) Al-Arafah Savings Bond (3 Years) |
| 10. | (b) Al-Arafah Savings Bond (5 Years) |
| 11. | (c) Al-Arafah Savings Bond (8 Years) |
| 12. | Marriage Saving Investment Scheme (MSIS) |
| 13. | Pensioners deposit scheme |
| 14. | Special Saving (Pension) Scheme |
| 15. | Cash WAQF |
| 16. | Lakhopati Deposit Scheme |
| 17. | Kotipati Deposit Scheme |
| 18. | Millionaire Deposit Scheme |
| 19. | Double Benefit Scheme |
| 20. | Triple Benefit Deposit Scheme |
| 21. | ProbashiKallyan Deposit Pension Scheme |
| 22. | Mudaraba Savings Deposit-Student, |
| 23. | Farmers, Freedom fighters. |

AIBL Mudaraba Bond:

AIBL Mudaraba Perpetual Bond' of Tk. 5,000.00 million:

AIBL Mudaraba Perpetual Bond' of Tk. 5,000.00 million issued in 2021. To raise Additional Tier-1 Capital through issuance of AIBL Mudaraba Perpetual Bond in order to strengthen its capital base in accordance with Bangladesh Bank's Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework in line with Basel III).

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

AIBL Mudaraba Subordinated Bond' of Tk. 3,000.00 million issued in 2015. The total profit/ return on the bond (for bond holders) will be calculated by Benchmark Mudaraba Term Deposit Profit rate of the issuer plus a predetermined additional profit rate. The Benchmark Mudaraba profit rate will be issuer's prevailing highest Mudaraba term deposit profit rate in 6-12 months tenor; to be applied semiannually. The highest prevailing published Mudaraba Term Deposit profit rate in 6-12 months tenor of the issuer will be applicable in semi annual profit rate fixation. Investors are getting an additional profit rate of 2.50% per annum to be paid semiannually along with the benchmark profit by the issuer. The Mudaraba Bond will be redeemed at the end of 3rd, 4th, 5th, 6th and 7th year of maturity at 20% of the bond value respectively. In the meantime 100% of the Bond amount has redeemed at the end of 31st December 2022. The Standard Chartered Bank is the lead arranger of this issue and Green Delta Insurance Company Limited is the trustee.

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

AIBL 2nd Mudaraba Subordinated Bond' of Tk. 5,000.00 million issued in 2018. The total profit/ return on the bond will be calculated 1.25

times of highest 6 (six) month term Mudaraba Term Deposit profit rate for the preceding 180 days. After each financial year-end, the Issuer will give adjustment to the Bondholders if there is any additional profit reported in the respective financial year for Mudaraba Term Deposit Profit Rate for 6 months tenor. The Benchmark Mudaraba profit rate will be issuer's prevailing highest Mudaraba term deposit profit rate in 6-12 months tenor; to be applied semiannually. The highest prevailing published Mudaraba Term Deposit profit rate in 6-12 months tenor of the issuer will be applicable in semiannual profit rate fixation. The Mudaraba Bond will be redeemed at the end of 3rd, 4th, 5th, 6th and 7th year of maturity at 20% of the bond value respectively. In the meantime 60% of the Bond amount was redeemed at the end of 31st December 2023. The issue has been proposed to be transferable but will not be listed with any bourses. The Prime Bank Investment Limited is the lead arranger of this issue and Green Delta Insurance Company Limited is the trustee.

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

AIBL 3rd Mudaraba Subordinated Bond' of Tk. 5,000.00 million issued in 2020. The total profit/ return on the bond will be calculated as the average Rates of 6 months of Full-fledged Shariah based banks collected from latest available "Announced Profit Rate Chart of those Banks (Deposit Rate)" published by Bangladesh Bank in its website at the beginning of any Profit Payment Period with an additional profit rate of 2.00% per annum. After each financial year-end, the Issuer will give adjustment to the Bondholders if there is any additional profit reported in the respective financial year for Mudaraba Term Deposit Profit Rate for 6 months tenor. Payment of profit will be Semi-annually not later than 60 days from expiry of 6 (six) months and 12 (twelve) months of each year from the issuance of Bond. The Mudaraba Bond will be redeemed at the end of 3rd, 4th, 5th, 6th and 7th year of maturity at 20% of the bond value respectively. In the meantime 20% of the Bond amount was redeemed at the end of 31st December 2023. The issue has been proposed to be transferable but will not be listed with any bourses. The Prime Bank Investment Limited is the lead arranger of this issue and Green Delta Insurance Company Limited is the trustee.

AIBL 4th Mudaraba Subordinated Bond' of Tk. 5,000.00 million:

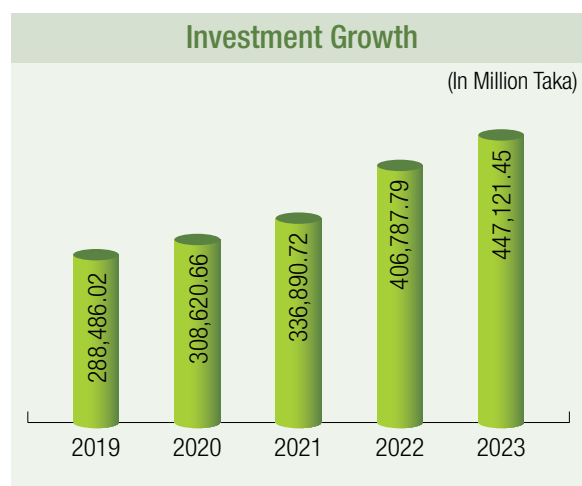
AIBL 4th Mudaraba Subordinated Bond' of Tk. 3,010.00 million issued in 2022 and 1990.00 million issued in 2023 out of 5,000.00 million. The total profit/ return on the bond will be calculated as the average Rates of 6 months of Full-fledged Shariah based banks collected from latest available "Announced Profit Rate Chart of those Banks (Deposit Rate)" published by Bangladesh Bank in its website at the beginning of any Profit Payment Period with an additional profit rate of 2.00% per annum. After each financial year-end, the Issuer will give adjustment to the Bondholders if there is any additional profit reported in the respective financial year for Mudaraba Term Deposit Profit Rate for 6 months tenor. Payment of profit will be Semi-annually not later than 60 days from expiry of 6 (six) months and 12 (twelve) months of each year from the issuance of Bond. The Mudaraba Bond will be redeemed at the end of 3rd, 4th, 5th, 6th and 7th year of maturity at 20% of the bond value respectively. The issue has been proposed to be transferable but will not be listed with any bourses. The UCB Investment Limited and Prime Bank Investment Limited is the lead arranger of this issue and First Security Islami Capital & Investment Limited Limited is the trustee.

The details of Implementation Schedule of Mudaraba Subordinated Bond are stated as under:

| Instrument Name | Particulars | Amount in Million BDT |
|---|--|---|
| AIBL Mudaraba Subordinated Bond | Term Deposit with other Banks (from Bond money received). | 100% of the Bond amount has redeemed at the end of 31 st December 2022 |
| | Disbursement to the Investment Clients of AIBL against Bond money received | |
| AIBL 2 nd Mudaraba Subordinated Bond | Term Deposit with other Banks (from Bond money received). | 2,500/- |
| | Disbursement to the Investment Clients of AIBL against Bond money received | 2,500/- |
| AIBL 3 rd Mudaraba Subordinated Bond | Term Deposit with other Banks (from Bond money received). | 2,500/- |
| | Disbursement to the Investment Clients of AIBL against Bond money received | 2,500/- |
| AIBL 4 th Mudaraba Subordinated Bond | Term Deposit with other Banks (from Bond money received). | 2,500/- |
| | Disbursement to the Investment Clients of AIBL against Bond money received | 2,500/- |

Investment

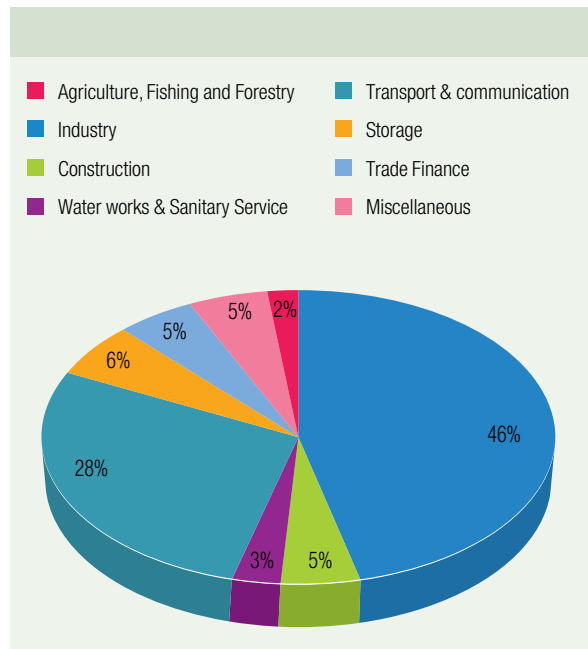
The investment of the bank has stood at Tk. 447,121.45 million as on 31st December 2023 as against Tk. 406,787.79 (Net off PR) million in the previous year showing an increased by 9.92% The investment portfolio of the bank is well diversified and covers a broad spectrum of businesses and industries including 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 6.76% in our bank as on 31 December 2023.



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 2023

| Sectors | Taka in million |
|--------------------------------------|-------------------|
| Agriculture, Fishing and Forestry | 7,915.00 |
| Industry | 218,174.40 |
| Construction | 30,483.50 |
| Water works & Sanitary Service | 3,337.10 |
| Transport & communication | 15,794.00 |
| Storage | 23,290.00 |
| Trade Finance | 154,567.93 |
| Miscellaneous | 4,149.80 |
| Total (Including Profit Receivable) | 457,711.73 |
| Less Unearned Profit on Investment | 10,590.28 |
| Total | 447,121.45 |



Income

Investment income: The investment income was Tk. 31,299.69 million during the year 2023 which was growth of 24.10% over the previous year. Investment income is 80.05% of the total income of Tk. 39,098.61 million.

Income from other than investment: The bank has earned Tk. 7798.92 commission income, exchange income, locker rent etc. in the current year which is 19.95% of the total income. It indicates 3.75% growth over the year 2022.

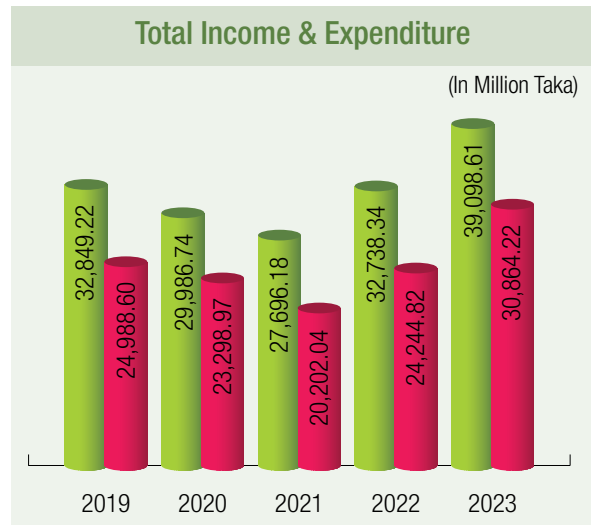
Expenditure

Profit paid to depositors:

The Bank has paid the depositors Tk. 21,201.23 million which is 67.74% of the investment income and 68.69% of the total expenditure for the year 2023. It was 31.61% growth over the year 2022.

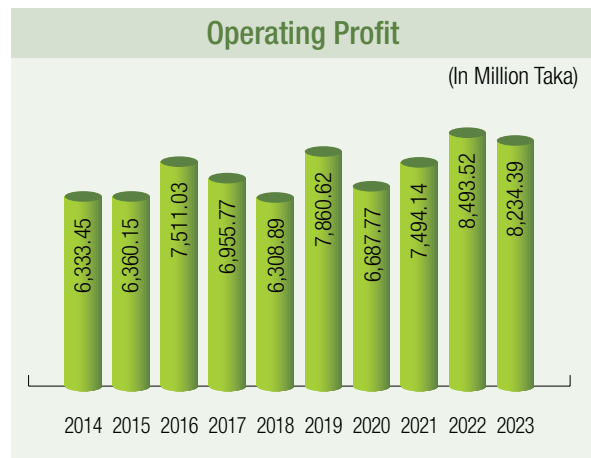
Administrative and Other Expenses:

The administrative and other expenses were Tk. 9,662.99 million during the year showing 18.78% growth over the year 2022. It is 31.31% of the total expenditure.



Operating Profit

The bank earned operating profit of Tk. 8,234.39 million during the year 2023. The operating profit of the Bank during the year 2022 was Tk. 8,493.52 million and thus the Bank attained growth of (3.05%) in respect of operating profit. The provision for income tax for the year amounted to Tk. 3,125.17 million and divisible profit available for appropriation amounted to Tk. 1,597.08 million.



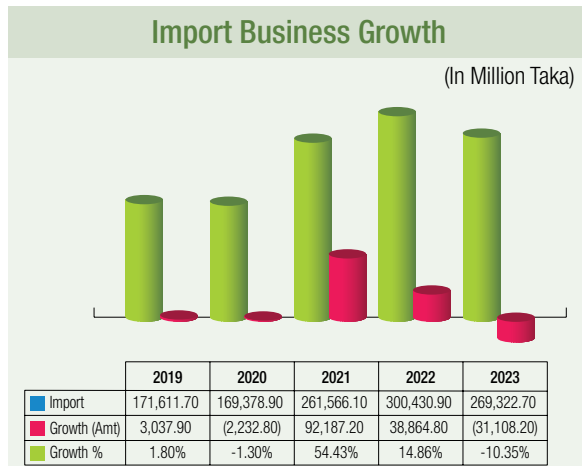
International Banking Wing (IBW)

International Trade

We are now more capable and confident of handling Foreign Exchange Business. Presently, we have 27 AD Branches through which we have handled total foreign exchange business of Tk. 583,472.20 million during the year 2023 as against the Target of Tk. 700,000.00 million. Our Foreign Exchange business has increased by Tk. 13,439.40 million recording a growth of 2.36%. Target of International Trade for the year 2024 has been fixed at Tk. 807,600.00 million with 38.41% growth.

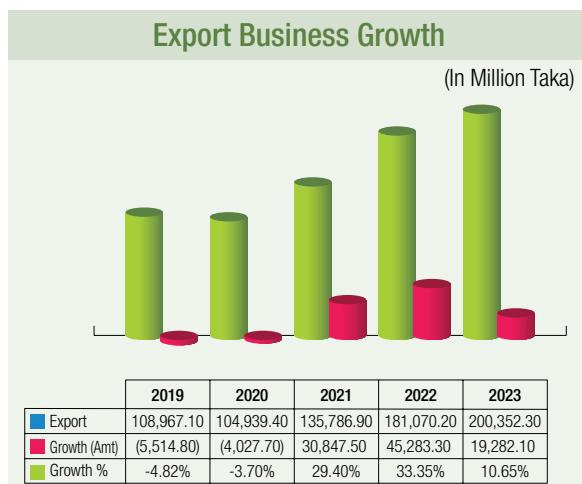
Import Business

Total import business of the bank for the year 2023 stood at Tk. 269,322.70 million as against Tk 360,000.00 million in the previous year. We recorded a (10.35%) growth in import business in 2023 over 2022. Target for Import business for the year 2024 has been fixed at Tk. 360,000.00 million with an expected growth of 33.67%.



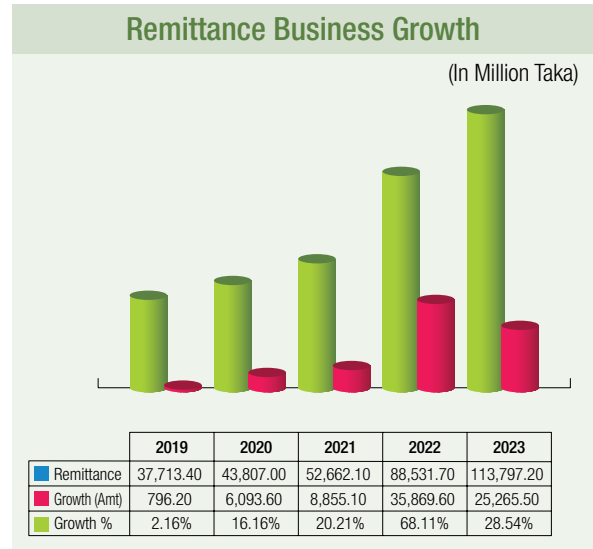
Export Business

Total Export business of the bank for the year 2023 stood at Tk. 200,352.30 million as against Tk. 250,000.00 million in year 2023 and thus recorded a growth of 10.65% over previous year. Our target for Export business for the year 2024 has been fixed at Tk 277,600.00 million with an expected growth of 38.56%.



Remittance

Total remittance of the bank stood at Tk. 113,797.20 million during the year 2023 as against Tk. 100,000.00 million, in the previous year. Our remittance business recorded 28.54% growth in 2023 over 2022. Target for Remittance business for the year 2024 has been fixed at Tk. 170,000.00 million and thus expecting a growth of 49.39%.



Treasury Operations:

Global economic polarization and geo-political tension reining global production, supply chain disruption, inflationary interest rate movements affected financial markets and institutions in all possible dimensions. For banks in particular, globally imposed restrictions generates multifaceted crises like potential increase in default rates, liquidity and profit rate imbalance, low credit/deposit growth, fiscal/monetary control from regulators. In line with the financial dynamics across the world, Treasury of the Bank has played a pivotal role in overall fund management of the bank. Treasury team monitored inflows and outflows of all balance sheet contracts and profitably managed liquidity and unusual situations within the laid down policies and regulations of Bangladesh Bank. Treasury always focus to cater the needs of different treasury solutions in changing environments. For inherent principles, the bank has many limitations and cannot deal with conventional Treasury products like Govt. Treasury Bond, Treasury bill, Call Money, SWAP & Forward Contracts. In spite of all the limitations, Treasury team was committed to offer competitive price, excellent services and time befitting advices to the clients to best fit the changing environment. AIBPLC Treasury has separate designated desks to provide optimum Treasury solutions.

Desks are as follows:

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

Foreign Exchange Desk

Foreign Exchange Desk thoroughly monitored exchange rate movements, volatility & liquidity scenario of USD and other active currencies throughout the year. Treasury set exchange rates for merchant transactions, successfully managed Net Open Position (NOP), ensured optimum liquidity, quoted market-based exchange rates to the exchange houses and managed FC liquidity for our Offshore Banking Unit (OBU). The Foreign Exchange desk has maintained close liaison with a set of local and foreign counterparts for ensuring FC liquidity round the calendar. AIBPLC Treasury successfully managed FC dealing of cross currencies through its trading platforms of world-renowned banks. The Desk has also provided FC dealing solutions to the counterparty banks in our local market. During 2023 we have taken 2436 no. of USD/BDT & cross currency deals. FX Desk has contributed operating income of BDT 1,720.19 million from cross currency deals, exchange gains & FC funding. In 2023, Treasury Back Office (TBO) team has handled 89085 no. of FX transactions with turnover of USD 14.61 billion. FX transactions were being routed through 34 Nostro accounts in USD, EUR, GBP, CNY, CHF, JPY, AED & SAR currencies. TBO had relentlessly driven its all-out effort for timely reconciliation of all of the nostro transactions aligned with Bangladesh Bank regulations.

Money Market Desk

Ensuring optimum liquidity of local currency to meet asset book requirement as well as earning optimum profitability from the mismatches between maturity buckets of deposits of the bank within regulatory requirements are prime responsibility of the Money Market Desk. AIBPLC Treasury Money Market Desk also maintained Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) of the bank efficiently. Our team has successfully managed liquidity as well as deployed surplus funds to the Islamic banks, Islamic windows & Islamic branches of conventional banks and NBFIs operated under shariah principles. The bank participated BGIB and BGIS(Sukuk) issued by Bangladesh Bank for maintaining SLR of the Bank.

Asset Liability Management (ALM) Desk

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

2023 was a challenging year from Asset Liability point of view as Bangladesh Bank issued directives for deposit rate protection against inflation. Due to volatile movements of profit/interest rates of Asset and Liabilities in the market, it was a real challenge to maintain a reasonable spread. The ALM Desk was proactive to revise the profit rates of deposits aligning with market rates as well as ensuring liquidity. ALM Desk successfully recommended asset-liability slotting for maintaining a steady and reasonable spread. ALM Desk has properly maintained regulatory ratios like CRR, SLR, IDR, LCR, NSFR leverage ratio, commitment and wholesale borrowing position within set limit of Bangladesh Bank.

Corporate Service Desk

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

Besides all of its regular activities, Treasury has updated following guidelines which had been duly approved by our Board of Directors:

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

Treasury Outlook of 2024

In 2023 BDT moved against USD from Tk. 103.29 to Tk.110.00 resulting depreciation of almost 6.50% which was parallel to peer currencies. Most of the south Asian countries devalued their currencies slightly which has posed challenge to our export destinations. Due to Ukraine-Russia war, US-China trade war and to retain export earnings, BDT may be under pressure for further devalue.

Moratorium in investment repayment, injecting money by B. Bank through repo, B Bank F.C BDT SWAPS may dampen money market round the year. As a result of flat deposit investment growth banks may face upward operating cost and narrow spread. To cope up with the changing scenario banks have to introduce tech-based banking, spread Agent and Sub-Branch outlets countrywide and rush to retail depositors/investment clients.

Off-Shore Banking Unit (OBU)

AI-Arafah Islami Bank PLC (AIBL) obtained the Off-shore Banking Unit ("the Unit") License from Bangladesh Bank on 17 February, 2014 and commenced its operation from 22 May, 2014. Located at AIBL Motijheel Branch, 161, Motijheel Commercial Area Dhaka-1000, OBU is working as an independent unit. The principal activities of OBU include Mudaraba Investment under UPAS (Usance Payment At Sight), HPSMFC (Hire Purchase Sirkatul Melk in Foreign Currency) against Usance L/C opened at AD branch with the condition that payment will be made at sight by OBU of AIBL against acceptance of LC opening AD branches and Musharaka Documentary Bills in Foreign Currency (MDBFC) against Accepted Local Export Bills to the eligible Deemed Exporters of our AD and Non-AD branches. Besides,

OBU may also accept F.C deposits from eligible customers. As per Bangladesh Bank guidelines the Books of Accounts of OBU is being maintained in foreign currencies of which the base currency is USD. Comparative position of Off-shore Banking Unit;

| PROPERTY AND ASSETS | Dec.22 (Million USD) | Dec.23 (Million USD) | Growth |
|-------------------------------|----------------------------|----------------------------|---------|
| Total Assets | 248.46 | 106.10 | -57.30% |
| UPAS | 222.60 | 70.19 | -68.47% |
| MDBFC | 17.58 | 15.96 | -9.22% |
| HPSM Machinery | 6.57 | 6.31 | -3.96% |
| Placement from Parent Bank | 99.03 | 55.38 | -44.08% |
| Borrowing from Overseas Banks | 147.72 | 49.19 | -66.70% |
| Net Operating Income | 1.71 | 1.54 | -9.94% |

Foreign Remittance Division:

Foreign Remittance Division is one of the most important business segments of the bank which contributes overall growth of the Bank, increases the inflow of foreign currency, assists to build up low cost deposit and strengthens customer base of the Bank as well as upholds Bank's image in home & abroad and also makes significant impact towards the sustainable development of the Bank. Foreign Remittance Division is procuring remittance from all the remittance hubs across the globe consisting more than 100 countries through 27 (twenty seven) Remittance Arrangements with different exchange houses in abroad and local banks. AIBPLC received Remittance Award from "Centre for Non-Resident Bangladeshi (NRB)" as one of the Top-10 Banks for procuring the highest remittance in 2021, 2022 and 2023.

1. Remittance Achievement:

Total remittance of the bank stood at Tk. 11,379.73 crore during the year 2023 as against Tk. 8,853.17 crore and Tk. 5,266.21 crore in the previous years 2022 and 2021 respectively. Our remittance increased by Tk. 2,526.56 crore i.e. 28.54% in 2023 as compared to increases of Tk. 3,586.96 crore i.e. 68.11% in 2022 and Tk. 885.51 crore i.e. 20.21% in 2021 respectively. Target for Remittance business for the year 2024 has been fixed at Tk. 17,000.00 crore expecting growth 49.39%.

Performance of Foreign Inward Remittance -from 2019 to 2023:

| Year | Remittance | | No. of Tr. | arget (In Crore) | Achieve- ment (In %) | Growth (In %) |
|------|-------------------|---------------------|------------|------------------------|----------------------------|------------------|
| | BDT (In Crore) | USD (In Million) | | | | |
| 2019 | 3,771.34 | 446.45 | 698,640 | 5,000 | 75% | 2.16 |
| 2020 | 4,380.70 | 516.19 | 693,537 | 4,250 | 103% | 16.16 |
| 2021 | 5,266.21 | 618.68 | 827,851 | 5,400 | 97.52% | 20.21 |
| 2022 | 8,853.17 | 876.62 | 12,31,132 | 6,350 | 139.42% | 68.11 |
| 2023 | 11,379.73 | 1,010.44 | 1,366,646 | 10,000 | 113.80 | 28.54% |

The Branches & Agent Banking Outlets of AIBPLC have procured

foreign remittance BDT 2,689.69 crore in 2023 which is 23.67% of the total remittance and disbursement of foreign remittance through BEFTN (A/c Credit with other bank) was BDT 8,690.04 crore in 2023 which is 76.36% of the total remittance.

2. Remittance Drawing Arrangement:

We have executed 03 (three) new remittance drawing arrangements with different exchange houses in UAE & UK in 2023 and another 10 (ten) more exchange houses from different hubs of the world are under process. In order to boost-up remittance business, the division is deploying all-out effort to establish new drawing arrangement with exchange houses in KSA, UAE, Oman, Bahrain, Kuwait, Qatar, Malaysia & across the globe.

3. Foreign Remittance Operation at Agent Banking Outlets:

Our all Agent banking outlets have been disbursing foreign remittance under the support of Foreign Remittance Division. Remittance achieved through Agent Banking Outlets during 2023 was BDT 1,011.54 crore which was 8.89% of total remittance.

4. Marketing & Promotional Activities:

In order to strengthen existing relationship with our overseas partners, to establish new remittance arrangement, to interact with Bangladeshi expatriates and inspire them to send remittance AIBPLC and build-up customer base as well and finally to uphold the bank's image in abroad, senior management of the Bank have visited UAE & Oman in March 2023. This visit has given scope to execute tie-up with three companies in UAE and one company in Oman.

With a view to increase transaction of MoneyGram, we executed promotional campaigns in Eid-ul-Azha 2023, where every customer of MoneyGram was given a Torchlight with the logo of MoneyGram & AIBPLC during this campaign.

With a view to enable Bangladeshi expatriates residing and working abroad to remit their hard-earned money through our Bank and to boost up our Bank's remittance business and deposit ratio, to elevate the standard of foreign remittance customer services as well as maintaining continuous touch with the existing & prospective remittance clients of our bank, clients of other banks, wage earners' beneficiaries and all strata of people at large in the society, we have celebrated "Remittance Service Month -2023" from 15th November to 28th December, 2023. In the "Remittance Service Month -2023" we have provided a Water Bottle as gift who opened an account with our bank during the service month. Over 26,888 new remittance beneficiary accounts have been opened during this service month. In order to increase remittance volume, the division has a plan to launch more promotional campaigns in 2024.

Overseas Banking Division:

Overseas Banking Division has been managing the relationship with foreign correspondent banks. During the year, 9 RMA (Relationship Management Application) with global banks representing from Asia, Middle East, and Europe were established to facilitate international trade. Currently, the Bank has relationships with over 348 banks/

branches worldwide in more than 56 countries.

The Bank has maintained Nostro Accounts in all major currencies viz. USD, EUR, GBP, JPY, CHF, SAR, AED and CNY for smooth settlement of treasury, remittance and trade transactions with the satisfaction of international banks. At the end of 2023, the Bank maintained 35 Nostro Accounts with 22 Banks.

The Bank has managed to arrange credit line for import trade. Despite challenging global situation, our trusted Foreign Correspondents continued to support for import of essential items, industrial raw materials and capital machineries.

The Bank has been conducting International Trade through centralized mode of operation following Central Bank's guidelines and international best practice managed by a team of well-experienced and professionally certified officials. All necessary compliance frameworks are in place including SWIFT integrated with Core Banking Software and Sanction Screening Tools backed by SWIFT Corp Ltd. The Bank subscribes and collect Credit Reports from renowned sources like D&B, Credit Safe etc. and also subscribes vessel tracking from Lloyd's List Intelligence. The Bank has adopted transaction monitoring software from vendor-sourced tool: Data Soft Systems Bangladesh Limited which also includes trade transaction monitoring and has strengthened compliance culture.

Foreign Trade Processing Division:

Al-Arafah islami bank PLC introduced FTPD (Foreign Trade Processing Division) in 2014 with an aim to razor sharp sparkle service through state of the art technology pacify exposure to foreign exchange risk. Since its inception FTPD is striving to put forth a all out effort to come out with a service in excellence and gradually improve its operation which encompasses both external and internal compliance, monitoring and smooth trade operation subsequently boost up the sustainable foreign trade growth.

The division has the vision to set a fully centralized foreign trade services by the year 2024. FTPD now operating all the transaction and processing services cash and back to back import LCs from a single point except export and back to back LCs of Motijheel branch. FTPD has the plan to fully centralize the bank Trade operation shortly.

FTPD is strengthening its compliance effort by implementing strictest policy to outweigh the stringent regulatory fines ensuring the adherence to BFIU Circular No. 24 Dated December 10, 2019 Guidelines for Prevention of TBML. FTPD understand what is legally required for the institution, employees, and customers to a successful trade compliance program subsequently understand the robust regulatory effort and consequence of non-compliance thereby deliberately assessed the import item price Focusing on implementing appropriate systems and controls to mitigate risk arising out of TBML.

To guard the detrimental effect of USA PATRIOT ACT Section 319(a) forfeiture from US Correspondent account and to implement the New York State Department of Financial Services (NYDFS) Final Rule Part 504 which require Monitor transactions prior to their execution to prevent unlawful transactions with targets of economic sanctions

administered by OFAC, FTPD is implementing trade activity sanctions screening in AST (Automated Screening Tool) through SWIFT sanctions screening software.

Moreover FTPD check the general ledger balancing regarding LC liability, bills liability and cash security and very keen to ensure there is no mismatch at any point of time along with this, FTPD is focusing that all relevant charges are realized strictly as par Head office sanction and BRPD circular no-11 Master circular on schedule of charges dt 10th June 2021. By this way FTPD is targeting to minimize the exposure to foreign exchange risk.

The division hit a tremendous stride on the volume of transaction in cash LC and back to back LC in 2023. The volume of workflow of the division is gradually increasing whereas the manpower remains almost alike. About 46% total workflow rose over 2022 to 2023 which has been accomplished by the same manpower probe the cost effectiveness implemented solely by the FTPD. By the year 2024 FTPD will execute fully centralized operation result in all types of cash and back to back LCs including export of all AD and Non AD dealt from a single point focusing on the minimization of exposure to foreign exchange risk which require greater challenges, hard work and FTPD is relentlessly work for continuous development and make exemplary trade processing center in the banking industry.

Internal Control & Compliance Wing

1. Internal Control:

Internal control refers to the systems, processes, and procedures implemented within an organization to ensure the achievement of objectives, safeguard assets, and mitigate risks. Al-Arafah Islami Bank PLC has established a strong internal control framework to enhance operational efficiency and minimize potential risks. This framework includes the following key components:

- a) **Control Environment:** The bank fosters a culture of integrity, ethical behavior, and accountability among its employees. Bank's board as well as management always promote a strong control environment through effective leadership, clear communication, and a well-defined organizational structure.
- b) **Risk Assessment:** Al-Arafah Islami Bank PLC conducts regular risk assessments to identify and evaluate potential risks. This enables the bank to develop appropriate strategies and controls to mitigate these risks effectively. This assessment is being conducted at every level of operations e.g. branch level as first line of defense, head office level at second line of defense and through internal audit as the third line of defense.
- c) **Control Activities:** The bank has implemented a range of control activities, such as segregation of duties, authorization procedures, and regular monitoring and review processes. These activities ensure that transactions are executed accurately, assets are safeguarded, and compliance with regulatory requirements is maintained.
- d) **Information and Communication:** Al-Arafah Islami Bank PLC emphasizes the importance of timely and accurate information

flow across all levels of the organization. Bank has a software-based online platform for dissemination of circulars/policies/guidelines across all level. Regular meetings (online and physical) are being conducted with the top management which ensures effective decision-making, risk management, and compliance.

- e) **Monitoring:** The bank has established a robust monitoring system to assess the effectiveness of internal controls. Apart from regular internal audits, external audits and management reviews, concurrent auditors are deployed at branch level who are regularly reporting risk areas and control weaknesses that helps taking corrective actions promptly.

2. Compliance:

Compliance refers to adhering to laws, regulations, and internal policies and procedures. Al-Arafah Islami Bank PLC places great emphasis on compliance to ensure ethical conduct, protect stakeholders' interests, and maintain the bank's reputation. The bank's compliance framework encompasses the following aspects:

- a) **Regulatory Compliance:** Al-Arafah Islami Bank PLC strictly adheres to the guidelines and regulations set forth by the Bangladesh Bank, the central bank of Bangladesh. It ensures compliance with anti-money laundering (AML) and counter-terrorism financing (CTF) regulations, customer due diligence (CDD) requirements, and other relevant laws. In 2023 AIBPLC has submitted all the Compliance report of Bangladesh Bank Inspection in time. The bank always prioritizes the accurate and timely submission of regulatory compliance.
- b) **Internal Policies and Procedures:** The bank has well-defined internal policies and procedures that guide its operations. These policies cover areas such as risk management, credit assessment, customer service, and information security. Compliance with these policies is regularly monitored and enforced. AIBPLC has formulated bunch of policies and procedural/operational guidelines for ensuring clarity of concept and removing ambiguity. All the policies and related circulars are instantly uploaded to software which ensures smooth flow of information to all the concerned.
- c) **Training and Awareness:** Al-Arafah Islami Bank PLC recognizes the importance of continuous training and awareness programs to ensure compliance among its employees. Regular training sessions are conducted to educate employees about regulatory changes, ethical conduct, and the consequences of non-compliance. A total number of 12499 officials have been participated in different courses and workshops in 2023.
- d) **External Audits:** The bank engages reputable external auditors to conduct independent audits and assess its compliance with regulatory requirements. These audits provide an objective evaluation of the bank's internal control and compliance measures. The external auditors have opined in their audit report that the financial statement of the bank gives a true and fair view.

Sustainable Finance Unit

SFU of Al-Arafah Islami Bank PLC. plays a major role in sustainable finance. Here Sustainable Finance refers to the process of incorporating environmental, social, and governance (ESG) considerations into financial investment decisions, resulting in longer-term investments in sustainable economic activities and projects. More specifically, environmental considerations may refer to climate change mitigation and adaptation, as well as the environment more broadly, such as the preservation of biodiversity, pollution prevention and circular economy. Social considerations may refer to issues of inequality, inclusiveness, labor relations, investment in human capital and communities, as well as human rights issues. AIBPLC deals with those things by its green banking, sustainable finance and corporate social responsibility activities. From this perspective, as a Bank, AIBPLC has performed the following activities through this Unit:

Green Banking

a. In-house Activities:

Under Green Office Guide, we implemented the following things:

Newly installed automatic sensor light bulbs in office building helps to reduce power consumption.

- (ii) Most of our communication with branches, higher authority, Board of Directors and even Annual General meeting were arranged through online platform which reduced use of paper, printer and ink.
- (iii) Many of our workshop and training session under the program of awareness and capacity building were also successfully done through online platform.

Greening the Banking operation:

- (iv) We provide e-statement and transaction notification to all our account holders through email/sms.
- (v) At present we have banking services through mobile app and Islamic Wallet Mobile Financial Services facilitating account opening from home, easy money transfer, payment of bill, mobile top-up, merchant payment and inclusion of rural area under banking service.
- (vi) We have also introduced Internet Banking which allows transaction and availing other banking services to our valued clients staying at home.
- (vii) Under Business Process Automation (BPA), we now circulate all our letters, instructions, Investment proposal and Sanction through shared digital platform, email and IP message.

All of the above activities have played a great role in reducing carbon emission, environmental degradation and parallely in saving and utilizing all of our valuable resources properly.

b. ESRM (Environment and Social Risk Management):

In this regard we have done Environmental and Social Risk Rating (ESRR) of all our investment proposals and also incorporated appropriate mitigation measures if required under ESRM as per instruction of Bangladesh Bank. Scheduled monitoring and

inspections have also been done time to time.

c. ESMS (Environment and Social Risk Management System):

We are also working to introduce Environmental & Social Management System (ESMS), MIS for ESRM & Sustainable Finance and report Sustainability & Climate Finance from the 1st half of 2024.

e. Green and Sustainable Finance:

The following initiatives are taken to enhance Green and Sustainable Finance by AIBPLC:

We have a Sustainable Finance Policy introduced in 2021 which will be revised soon. As per revised Sustainable Finance Policy, we can finance in 94 green products including previous 68 and other sustainable linked products.

We formed Dedicated Sustainable Finance Help Desk in all our 215 branches and assigned an officer in each desk.

In 2023, we have trained more than 390 employees including Head Office and all dedicated Sustainable Finance Help Desk Officials of branches on ESRM, ESRR, Green & Sustainable Finance Products, Refinance Scheme for Green Products and Quarterly Sustainable Finance Reporting.

Our Green Finance target is 5% of total term investment (excluding staff) and Sustainable Finance target is 20% of total Investment disbursement.

Our achievement in Green Finance is about more than three times (300%) in terms of specified target and in case of Sustainable Finance it is approximately half (50%) of the specified target.

AIBL has financed in diversified Green areas like LED Bulb/Tube Assembly Plant, ETP Construction, Recycling Plastic and Paper Waste, Green Brick Manufacturing and Green Establishment (i.e. Green Industry, Building) etc. In the last quarter of 2023 total Green Finance disbursement was BDT 5894.20 million. This is contributing greatly to the transition to resource-efficient and low carbon industries i.e. green industry and green economy in general.

1. We are also working to introduce MIS for ESRM, Sustainable & Green Finance and report Sustainability & Climate Finance related activities from 1st half of 2024.
2. Information on Sustainable finance & CSR activities are published in the bank's website.

As these are very much associated with Sustainable Development Goal, Bangladesh Bank has also formed several funds to facilitate refinance in green products/projects/initiatives at lower rate of return. We have signed following agreement under these funds with Bangladesh Bank:

- i) Islamic Refinance scheme for Green Products:
Under this scheme any client can avail refinance for any of 52 green products/projects/initiatives at single digit profit rate.
- ii) Refinance Fund for Technology Development / Upgradation of

Export Oriented Industries:

Export-oriented industries can avail refinance under this fund at the lowest profit rate for upgradation of capital machinery to enhance their production efficiency.

At this moment a refinance claim application of BDT 156 crore under this scheme is in the process of approval at Bangladesh Bank.

- iii) Green Transformation Fund (GTF):

It includes 200 million US Dollar and 200 million Euro from which manufacturer-exporters can get refinance in foreign exchange against import of capital machineries and accessories relevant to environment-friendly/green attributes specified by BB and industrial raw materials.

On the other hand, we have also achieved tremendous progress in sustainable finance. The most significant issue is that AIBL has been recognized as one of the most sustainable banks in Bangladesh by Bangladesh Bank in 2022. In the year 2023 our sustainable finance was BDT 41,546.44 million.

- iv) Green Transformation Fund (GTF) in Local Currency (Taka):

It is a fund of BDT 5000 crore formed by Bangladesh from its own source. Our export oriented and manufacturing industries can avail term financing easily under this fund to import/buy Green/environment friendly capital machineries at lower rate of return.

Corporate Social responsibility (CSR)

As part of CSR, PLC always gives priority to any emergency of the country /society /institution /individual. In 2023 AIBL has done Some mentionable CSR activities such as:

Donation of BDT 20.00 crore to Bangabondu Memorial Trust to establish Fazilatunnesa Mujib Medical Hospital.

AIBPLC has donated Tk. 1.50 crore to Prime Minister Education Assistant Trust.

Our main priority sectors of CSR are education, health, food security, shelter, prevention of environmental disaster and special attention for the advancement of research/literature/culture. In 2023 our total expenditure in CSR is BDT 513.20 million which is shown sector wise in the table below:

(Amount in Million BDT)

| Sl No. | Particulars | 2022 | 2023 |
|--------------|--------------------------|---------------|---------------|
| 1 | Health | 50.80 | 286.67 |
| 2 | Education | 58.80 | 59.14 |
| 3 | Disaster Management | 35.70 | 123.89 |
| 4 | Cultural Activities | 22.00 | 0.43 |
| 5 | Environmental Protection | 20.00 | 43.06 |
| 6 | Others | 100.00 | 0.00 |
| Total | | 287.30 | 513.20 |

Education Scholarship Program:

Being aligned with government initiatives to achieve Sustainable Development Goal (SDG), AIBL has also taken step to promote quality education which is the 4th most prioritized goal of SDG. In 2018, we successfully begun the program titled "Al-Arafah Islami Bank Education Scholarship-2018" for underprivileged meritorious students who completed HSC. Under this program each year we invite application from the students. In 2023, this program covers 564 students under 3 batches with total scholarship disbursement of BDT 14.98 million.

For 2021 we already have initiated primary selection process from candidates applied for this scholarship. Again, we also going to publish our next circular for the year 2022 & 2023 inviting application under AIBL Education Scholarship Program.

AIBL Foundation

Al-Arafah Islami Bank Ltd. has also fulfilling its corporate social responsibility towards people and different institution through its foundation. AIBL foundation is operating the following institution:

- Al-Arafah Islami Bank Ltd. Foundation Kidney Dialysis Center, Chattogram.
- Al-Arafah Islamic International School and College, Hazaribagh, Dhaka.
- Al-Arafah Tahfizul Kuran Madrasha, Hazaribagh, Dhaka.
- Al-Arafah Islami Bank Foundation Hospital, Chattogram. (under construction).

In those above projects total BDT 87.59 million was expensed by AIBPLC Foundation under CSR activities in 2023.

Besides, it also has a future plan to establish another extension of Al-Arafah Islami Bank Foundation Hospital at Hazaribagh, Dhaka.

All of the above are established with the motive to provide quality service to poor /less income people of the society.

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

Cottage, Micro, Small and Medium Enterprises (CMSME), works as the platform for job creation, income generation, and development of forward and backward industrial linkages and fulfillment of local social needs. CMSMEs occupied a unique position in the economy of Bangladesh.

Al-Arafah Islami Bank PLC. playing a significant and positive role in the banking sector in Bangladesh. The bank has already invested a total taka 451510.65 Million in investment sector out of which taka 146585.88 Million has been invested in the CMSME sector and participated in most of the refinance and pre-finance schemes announced by Bangladesh Bank.

Our aim is to minimize investment risk through small scale investments in CMSME and Agriculture and to distribute investments among the largest number of investment client rather than locking

the investment in the hands of a single investment client. For this we need to bring forward branch managers and zonal heads in small investment CMSME and agricultural sector. Their positive outlook can bring back discipline in investment. Another thing to note is that which investment product has a higher spread and is more attractive to the customer and should be presented to the investment client. Government and Bangladesh Bank have provided refinancing facility at only 5% profit rate to women entrepreneur sector and 2% more cash facility if customer pays the investment on time of which customer will get 1% and bank will get 1%. Emphasis is placed on below-mentioned factors to minimize investment risk and maximize profit.

Here, the CMSMEs account for about 45% of manufacturing value addition. They account for about 80% of industrial employment, about 90% of total industrial units and about 25% of total labour force.

In the light of the definition by Bangladesh Bank, Al-Arafah Islami bank PLC. is giving a priority over CMSME financing to three categories of enterprises viz. Industry, Trade & Services.

CMSME Investment at a glance

Figure in Million

| Description | 2023 | 2022 |
|---|-----------|----------|
| Total CMSME Portfolio | 146585.88 | 131595 |
| % of CMSME Portfolio to Total Portfolio | 32.47% | 31.70% |
| Target of CMSME Investment | 95000 | 80000 |
| Total CMSME Disbursement | 74252.88 | 77205.07 |
| % of Achievement | 78.16% | 96.51% |

Investment on Women Entrepreneurs

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

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

| Description | Figure in Million |
|---|-------------------|
| Total SME Portfolio in Women Entrepreneurs | 7063.79 |
| Amount of Disbursement to Women Entrepreneurs | 4674.28 |

Refinance Schemes of Bangladesh Bank enrolled by AIBL

1. CMSME Stimulus Scheme 2022-23 (3rd Phase):

Bangladesh Bank has set 9500 Million Taka disbursement target for AIBPLC. About 4750 Million Taka of this scheme will be

obtained under refinance and the remaining 4750 Million Taka will be financed from AIBPLC. own funds where the Stimulus Profit rate for the customers is 4% and 5% profit incentives provided by Bangladesh Bank.

2. 25000 Crore Pre-finance Scheme Against CMSME investment:

Bangladesh Bank has set 8800 Million Taka disbursement target for AIBPLC. This scheme was formerly enrolled as refinance scheme but now it is converted to Pre-finance scheme by Bangladesh Bank. Bangladesh Bank has allotted 6555.30 Million Taka as Pre-finance fund in favour of AIBPLC in 03 phases. where the profit rate for the customers is 7% and Bangladesh Bank will be financed the fund at 2% profit rate.

3. Small Enterprise Refinance Scheme for Women Entrepreneurs

Under this Refinance scheme for women entrepreneur AIBPLC. is providing investment opportunities upto 5 Million at 5% profit rate where Bangladesh Bank refinanced the fund at 0.50%. Profit Spread for AIBPLC. will be 4.50%.

4. Agriculture Refinance Scheme (Food Security) 2023-24

Under this Refinance scheme Bangladesh Bank set the target of 940 Million where the profit rate for the customers is 4% and Bangladesh Bank will be financed the fund at 0.50% profit rate. Profit Spread for AIBPLC. will be 3.50%.

5. Concessional Profit at 4% Scheme 2023-24

Under this Refinance scheme Bangladesh Bank set the target of 47.05 Million where the Stimulus Profit rate for the customers is 4% and (SMART rate-4%) profit incentives provided by Bangladesh Bank.

6. 'Ghore Phera' Refinance Scheme

Under this Refinance scheme Bangladesh Bank set the target of 80 Million. where the profit rate for the customers is 6% and Bangladesh Bank will be financed the fund at 0.50% profit rate. Profit Spread for AIBPLC. will be 5.50%.

7. 10/50/100 Tk Account Holders' Refinance Scheme

Under this Refinance scheme Bangladesh Bank set the target of 200 Million. where the profit rate for the customers is 7% and Bangladesh Bank will be financed the fund at 1% profit rate. Profit Spread for AIBPLC. will be 6%.

8. 10000 Million Tk Refinance Scheme to increase Wheat, Maize Production (2023-24)

Under this Refinance scheme AIBPLC. has already achieved 100% target of 170 Million Investment at 4% profit rate where Bangladesh Bank refinanced the fund at 0.50%.

9. Start-up Fund Refinance Scheme

A fund was formed to invest in the Start-up enterprises and businesses. A fund of 66.0 Million was accumulated from where

9.70 Million have disbursed.

10. Credit Guarantee Scheme

From Credit Guarantee Department (CGD) of Bangladesh Bank AIBPLC. has enrolled in Credit Guarantee Scheme against 10/50/100 Tk. Account Holders' Refinance Scheme, Small Enterprise Refinance Scheme for Women Entrepreneurs and 25000 Crore Pre-finance Scheme Against CMSME investment where the target is 10 Million, 30 Million and 50 Million respectively for AIBPLC.

Financial Inclusion Department (FID):

Financial Inclusion indicates the availability and accessibility of financial services and products to all segments of society, particularly to individuals and communities who have traditionally been excluded from formal financial systems. It aims to provide opportunities for people to participate in the formal economy, manage their finances, and improve their overall economic well-being.

Fostering inclusive economic growth and sustainable development is one of the key objectives of Bangladesh Bank (BB). With this vision, BB is prioritizing a number of initiatives to promote financial inclusion henceforth inclusive economic growth.

To Execute this objective, according to Bangladesh Bank requirement AIBPLC has formed Financial Inclusion Department under Financial Literacy Wing which is supervised by Deputy Managing Director and headed by Executive Vice President.

To create an empowered nation with right knowledge and skills for making responsible financial decisions, FID is working to achieve the following set of objectives:

- Establishing sustainable financial literacy infrastructure at the community as well as national level.
- Reducing gender gap in financial services;
- Ensuring delivery of synchronized financial literacy based on the needs of different target groups through effective tools and monitoring mechanism;
- Capacitating people towards DFS and raise awareness against financial fraud, reduce associated risk
- Enhancing consumer financial rights protection.

Activity of FID:

- 1) Organizing Financial Literacy Programs (Training/Seminar/ Workshop)
- 2) School Banking Conference.
- 3) Reporting
- 4) Investment
- 5) Monitoring & Recovery
- 6) Creating & Actualizing Financial Service Provider (FSP) Interactive Map

7) Compliances

Performance of FID in the year of 2023:

| Particulars | Target | Achievement | (In %) |
|--|------------|-------------|--------|
| 10/50/100 Taka Refinancing Investment Scheme | 30.00 Core | 30.176 Core | 100.59 |
| School Banking A/C (number) | 15000 | 22,943 | 152.95 |
| Financial Literacy Programs (FLP) | 64 | 33 | 52 |

Agent Banking

Agent Banking services is one of the important dimensions of banking services in Bangladesh which is provided through engaged agents under valid agency agreement. Agent is the owner of one or more than one outlet(s) who conducts banking transactions on behalf of the bank. This type of banking is comparatively a tremendous idea that can help the formal banking sector reach out to the marginalized people of the society through agents. It is playing a pragmatic role in paving the way for financial inclusion, which is a tool for inclusive economic growth and financial development of a country.

We have launched 737 Agent Banking outlets through 515 Agents as on December 2023 with a view to bringing the un-banked population under banking services. As on December 2023, total accounts of Agent Banking are 8,88,931. We have already covered 297 Upazillas under 57 Districts. With some restrictions and limitations, most of the banking services are available in agent banking operation.

In Agent Banking, most of the beneficiaries are living in rural areas and were totally un-banked at the earlier. But now, their total deposit is Tk. 40,072.69 Million and the figure is increasing rapidly. Clients are opening accounts, depositing and withdrawing their expected money, getting foreign remittance from their relatives, paying their utility bills and getting other banking services spontaneously. This is one of the appropriate examples of financial inclusion in Bangladesh.

Agent Banking Performance At a Glance (As on 31-12-2023)

Taka in Million

| Particular | December 2022 | December 2023 |
|----------------------------|---------------|---------------|
| Total Number of Outlet | 700 | 737 |
| Total Number of Agent | 485 | 515 |
| Number of Rural Outlet | 615 | 648 |
| Number of Urban Outlet | 85 | 89 |
| Number of Covered Upazilla | 248 | 297 |
| Number of Covered District | 57 | 57 |
| Number of Accounts | 703510 | 888931 |
| Number of Male Customer | 371042 | 470971 |
| Number of Female Customer | 332468 | 417960 |

| | | |
|--|---------------|---------------|
| Deposit of Agent Banking | 37278.37 | 40072.69 |
| Cost Free Deposit | 1401.81 | 1775.82 |
| Low Cost Deposit | 14497.24 | 14432.34 |
| High Cost Deposit | 21379.32 | 23864.53 |
| Investment in Outlet Area Through Branch | 3775.83 | 5051.94 |
| Amount of Foreign Remittance | 18323.83 | 10115.97 |
| Number of Utility Bills Collection | 7789644 | 9366592 |
| Amount of Utility Bills Collection | 5582.52 | 6959.73 |
| Net Amount of Profit | 376.40 | 766.59 |

Retail Banking

In 2023, Retail Banking Division continued its commitment to delivering exceptional value and superior customer experiences, with a strong focus on innovation and personalized services. Embracing the power of customer data insights, we strived to create tailored experiences that resonate with each individual client, driving improved satisfaction and loyalty.

The core strategy was the expansion of retail banking portfolio, facilitated by the establishment of a centralized Retail Banking Division aimed at providing comprehensive one-stop services to our customers. This consolidation allowed us to streamline operations and enhance efficiency, ultimately leading to better service delivery.

Throughout the year, our efforts were concentrated on strengthening customer relationships and fostering business growth. We invested in training and development programs to equip our employees with the skills necessary to deliver superior service and support. Additionally, we deployed branch-specific retail relationship managers and retail relationship officers to boost retail business and to provide personalized assistance, ensuring that every interaction with our customers is meaningful and impactful.

In line with our commitment to innovation, we focused on enhancing our digital banking capabilities to offer frictionless customer onboarding and a seamless digital banking experience. By prioritizing digital solutions, we aimed to meet the evolving needs of our customers in an increasingly digital world.

Our promotional and branding activities aimed to elevate our brand presence and position us as a leading provider of Islamic financial services. Through targeted campaigns, we sought to communicate the unique value proposition we offer to our clients and the broader community.

Retail Banking Highlights:

- Retail investment disbursement in 2023 marked the highest ever disbursement in recent years, emphasizing our unwavering commitment to providing financial solutions to retail customers. Retail investment disbursement recorded a 79% increase in the year 2023.
- Retail Investment outstanding witnessed substantial growth,

reflecting our continued focus on expanding our retail investment portfolio. Retail Investment outstanding grew by 38% in 2023 from 2022. This represents the highest growth for Retail Investment outstanding in recent years.

- Our focus on expanding our Payroll Propositions in 2023 resulted in significant growth, with a notable increase in the number of onboarded payroll accounts through partnerships with various organizations.
- Introduction of Rapid Investment, a secure and swift retail investment facility, swiftly gained momentum, offering customers a convenient and efficient avenue to access retail investment facility.
- Non-Performing Investments (NPI) notably decreased, showcasing our commitment to risk management and keep delinquency at minimum.

Looking ahead, Retail Banking Division remains committed to customer engagement as a key driver of growth. By prioritizing personalized experiences and leveraging digital innovation, we aim to strengthen relationships with existing clients while attracting new ones who value our dedication to their satisfaction. Through these efforts, we are confident in our ability to sustainably grow our retail banking business and maintain our position as a trusted provider of Islamic financial services.

Al-Arafah Rural Development program (ARDP)

In front of the slogan “Village will be city” the activities of Al-Arafah Rural Development Program (ARDP) were started with the approval of the Board Directors. The ARDP Program was launched in an effort to serve the rural population of the country by developing their socio-economic conditions, conducting retail investment activities in the rural economy, developing saving attitude based on Islamic shariah and creating transaction opportunities with Islamic banks through investment. The main objective of the program is to include the large rural population through financial inclusion and implementation of Bangladesh Bank’s refinancing schemes as opposed to retail investment and employment generating initiative under the CMSME policy of Bangladesh bank.

The ARDP program supports the socio- economic development of farmers, labourer, fisherman, small traders and small entrepreneur’s .Another important objective of this program is to prioritize the economic employment of rural woman entrepreneurs. ARDP Program are conducted on individual, group and association basis. Collateral is not required to get investment under the program. The mode of Investment repayment is based on weekly/monthly installments. ARDP activities are being conducted at a total 260 work stations, including 18 sub branches and 100 agent outlets through 142 link branches.

Essentially this program is a type of investment system with intensive monitoring and skilled staff working in various disciplines and ensuring constant supervision. As the Al-Arafah Rural Development program is conducted directly in rural and suburban areas, this program is directly related to the people, which is reaching the door-steps of the people at the door -to-door level as the branding of Al-

Arafah Islami Bank PLC.

Summary of ARDP-2023

| SL No. | Subject/Particulars | December 2022 | December 2023 | Growth % |
|--------|-----------------------------|---------------|---------------|----------|
| 1. | Number of Member | 75,337 | 76116 | 1.03 |
| 2. | Number of MSD Account | 213,584 | 245,309 | 14.85 |
| 3. | Number of SSP Account | 59,037 | 56,911 | -3.60 |
| 4. | Total Number of Account | 272,621 | 302,220 | 10.86 |
| 5. | Disbursement | 355.61 | 443.01 | 24.58 |
| 6. | Outstanding | 257.85 | 381.88 | 48.10 |
| 7. | Percentage of Recovery | 95% | 98.86% | - |
| 8. | Deposit Amount MSD A/C | 76.62 | 88.66 | 15.71 |
| 9. | Deposit Amount SSP A/C | 120.17 | 200.46 | 66.81 |
| 10. | Deposit Amount Welfare fund | 24.06 | 28.30 | 17.62 |
| 11. | Total Deposit | 220.85 | 336.57 | 52.40 |
| 12. | Profit/Loss | 6.17 | 4.55 | -26.29 |

Branding & Public Relations

Improvements in branding and media relations were priorities during the year 2023. In response to the overwhelming expansion in Bank’s business, we extended our publicity to fulfill the market demand. We brought new dimension in our branding and publicity for establishing a positive image of the Bank. We acquired encouraging national attention towards AIBL throughout the year with our all-around activities. More than 64 news items of the Bank were broadcasted in 1536 news coverage through 24 different TV Channels during the year 2023. We continued news branding on 7 major satellites TV channels such as Channel-i, Bangla Vision, ATN Bangla, ATN News, Desh TV, DBC TV and ETV.

Promotion in the television media got a major hike during the Ramadan in this year. In 19 major TV channels which included NTV, Bangla Vision, Bangla TV, Independent TV Jamuna TV, Channel-9, Boishakhi TV, SA TV, News 24, Gazi TV, Ekattor TV and many more. The Bank sponsored 18 different programs to encourage true Islamic values. The initiative was praised by the stakeholders and positively put an effect on business.

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

Our presence in the print media also was bold as we had 2360 Press Release items published in more than 61 different leading Newspapers and Media throughout the year. Besides, more than 785 advertisements took were published in 122 different publications during that year.

This year the Bank went into Electronic Media vastly. Besides, promotion in social media and put utmost focus on Digital Media via

Online Portals, Facebook, YouTube etc.

Moreover, during the adverse circumstances, Bank made its promotion through client service more effective and efficient in 2023. We must remember that; a satisfied client is the best advertiser of the Bank. So, all our promotional steps will be focused to make our customers feel that they are banking with their own bank with all the modern facilities, when they are with Al-Arafah Islami Bank PLC.

Branding Summary of AIB in 2023

| Sl | Branding Details | Frequency of programs during 2023 |
|----|-----------------------------------|-----------------------------------|
| 1 | TV News Items | 64 events with 1536 news coverage |
| 2 | TV Channel Coverage | 24 Channels |
| 3 | TV Branding (Throughout the year) | 7 Channels |
| 4 | TV Branding during Ramadan | 18 Programs in 19 TV Channels |
| 5 | Press Release Published | 2360 times |
| 6 | Print Media covered | 61 media |
| 7 | Promotional Advertisement | 785 advertisements |
| 8 | Publications used | 122 publications |

Information Technology

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

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

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

i. RTGS; ii. BEFTN; iii. BACH, iv. ISS Report, v. BPA, vi. CIB, vii. goAML-CTR, viii. RIT Reporting, ix. i-Banking, x. Sylvia (HRMS), xi. Agent Banking, xii. Utility Bill Collection, xiii. Sanction Screening, xiv. FATCA Compliance, xv. SWIFT, xvi. Asset Management, xvii. Centralized Anti Virus Management, xviii. Mail Server, xix. OBU, xx. Treasury, xxi. ATM Service, xxii. Mobile ATM Service, xxiii. Debit Card, xxiv. Credit Card, xxv. SMS Alert etc.

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

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

Services offered by Islamic Wallet

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

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

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

Card Division

With the increase in digital transactions, the use of cards is constantly increasing. Interest in cards and ATMs has now extended beyond urban areas to rural areas. This division is constantly enhancing its card services to meet this demand. In 2023, It has achieved good growth in card count and profit. Compared to 2022, credit card growth was 54%, debit card growth was 20%, net profit was Rs.2.08 crores. Card Division has issued more than 7000 credit cards in 2023 and this number is increasing every month. In addition to 129 EMI and 166 discount partners, Card Division is always striving to increase these partners to enhance customer convenience.

In the past 2023, Bank received the MasterCard Award 1 out of 3 banks in the Card Issuing Section for Debit Card Business. It is already issuing contactless cards. Along with MasterCard, bank has got Visa Card membership approval and will be able to issue Visa cards to our esteemed customers from 2024 onwards. International Debit Card will also be issued this year. For the convenience of La-Riba credit card customers, Card Division has obtained the necessary permission to provide a new facility called “Buy Now- Pay Letter” through which the esteemed customers can pay the product in monthly installments after purchasing any product.

La-Riba Credit Card is the only unique islamic credit card among all the banks in Bangladesh without bearing any interest or riba. Customers feel comfortable using our cards abroad as our cards are dynamic currencies. Bank offers airport lounge facilities to customers worldwide.

Asset Quality

Overdue investments stood at Tk. 12106.14 million as on 31st December 2023 as against Tk. 16786.42million as of December, 31 last year. Total overdue decreased by Tk. 4680.28 million during the year 2023 bringing the same to 2.65% of our total investment as against 4.04% in the previous year. Corporate Branch Managers, Zonal Heads and other Branch Managers are advised to take all precautionary measures so that the overdue investments are not inflated and income leakage remains under control.

Rescheduled investments increased by Tk. 1471.70 million from Tk. 22688.30 million to Tk. 37405.30 million (Term investments by Tk. 11777.50 million plus Continuous and Demand investments by Tk. 25627.80 million) which was 8.19% of total Investment. Recovery against rescheduled investment during the year 2023 was Tk. 1127.80 million.

Classified investments increased by Tk. 8428.82 million in 2023 from Tk. 22437.37 million to Tk. 30866.19 million representing 6.76% of total investment as against 5.41% in the previous year. During the year 2023, recovery & regularization against classified investment stood at Tk. 2060.86 million while recovery against written off investments stood at Tk. 365.64 million recording a total recovery of Tk. 3554.30 million which includes a recovery Tk. 1127.80 million from the rescheduled investments. Plan and Strategies to Improve the Asset Quality-

- to ensure constant supervision and follow-up for timely recovery of investment and prevent it from becoming overdue afresh.
- to fix individual target from very beginning of the year for recovery of non-performing investment.
- to give special attention on top classified investment clients for early settlement/ adjustment/regularization.
- to keep constant, follow up & monitoring to ensure timely recovery of installment against rescheduled investment.
- to address chronic NPI clients by taking effective steps and applying prudence.
- to initiate necessary steps to settle the court cases quickly and even the cases can be settled outside the court through

persuasion and mutual understanding.

- to be more vigilant to keep NPI at the lowest possible level.
- to deploy level best efforts for recovery of Written off investment including legal action.
- to keep a close eye on the SMA bucket so that SMAs, do not graduate to classified accounts.

Investment Administration Division

Investment Administration is one of the most important functions of a bank like ours for maintaining a healthy and effective Shariah based investment portfolio in a fair and diligent manner for enhancing Shareholders value by increasing profitability and reducing Non-Performing Investment (NPI) in a minimum level. As a result, Investment Administration Division (IAD) is recognized as one of the crucial components at AIBPLC in managing sound investment portfolio and supporting investment processes through Policy formulations.

IAD plays its role through the following key departments;

- i) Investment Implementation and Compliance Department (IICD)
- ii) Investment Monitoring and Supervision Department (IMSD)
- iii) Investment Policy Department (IPD)

The principal functions of IAD are focused on safeguarding invested funds through proper documentation and close monitoring & strong Supervision through implementing on-site & off-site monitoring tools & techniques during currency of the investment. Besides the departments of the division performs following key functions amongst others:

- 1) IICD issues NOC after the collection of the required documents including Mortgage documents if any through the Business Process Automation (BPA) system as per sanction advice before disbursement of Investment facilities to the customers.
- 2) IMSD monitors all investment customers for adjustment/ repayment of each and every deal/installments before expiry to avoid possible income leakages.
- 3) IMSD issues Early Warning Letter (EWL) on customer-wise investment deals before two months of its expiry and follow-up letters with reference to the EWL for the past due investment deals for recovery before further degradation of the investments.
- 4) IMSD monitors disbursement of investments to confirm proper end-use of invested funds for the purpose for which investment was given.
- 5) IPD formulates and updates Bank's policies /guidelines / manuals/ circulars as per Business to maintain a sustainable shariah based sound investment portfolio of the Bank.

Key Performances of IAD :

Investment Administration is playing significant role as major Investment Risk Management Tool for sustainable growth of investment by ensuring compliance as per Investment Risk Management Guidelines of Bangladesh Bank and reducing NPI of AIBPLC through establishing a healthy as well as effective monitoring and supervision culture .

As a result of strong monitoring & close supervision, total Overdue investment decreased by Tk. 3004.00 million during the year 2023 bringing the same to 3.58% of our total investment as against 4.66% in the previous year. As of 31st December 2023 Overdue investment stood at Tk. 16379.80 million as against total investments of Tk.45678.28 million . Corporate Branch Managers, Zonal Heads, and other Branch Managers are advised to take effective measures so that NPI is not inflated and income leakage remains at minimum level.

Risk Management

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

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

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

1st line of defense: Business owners

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

1. To ensure effective processes to identify, assess/measure, monitor, mitigate, and report on their risks.

2. To operate in accordance with the risk policies and delegated mandates.

2nd line of defense: Standard Setters

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

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

Requirements and the institution's internal policies and procedures.

3rd line of defense: Assurance Providers

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

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

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

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

1. Investment Risk Management Committee :

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

2. Asset Liability Risk Management Committee (ALCO):

Asset Liability Management ensures balanced fund mobilization and their deployment with respect to their maturity profile, cost,

and yield as well as risk exposure. ALCO looks after the Asset-liability risk, Liquidity risk, Investment Deposit Ratio (IDR), Deposit mix, Investment mix, Gap analysis etc. under direct guidance of the Managing Director & CEO.

3. Foreign Exchange Risk Management Committee:

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

4. Internal Control & Compliance Risk Management Committee:

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

5. Central Compliance Committee:

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

6. Information & Communication Technology Risk Management Committee:

ICT risks include hardware and software failure, human error, spam, viruses and malicious attacks, as well as natural disasters such as fires, cyclones or floods. This committee monitors and supervises the risks related to Data security, Physical security, Network security, Disaster recovery, Fraud, Forgery, System failure and Business continuity etc. Banks always run the risk of insufficient liquidity and investment/credit defaults. While conducting day to day operation AIBL usually faces the following major risk:

1. Credit/Investment Risk:

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

- I. Individual client wise: Investment Wing considers the risk on a case-to-case basis. Their sole purpose is to measure the

weighted risk of individual clients and disburse loan/investment accordingly. IIRS is approved & verified by CRO of the Bank.

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

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

Top-20 Investment Risk Assessment and Resolution Report: To address Systematic risk as a part of BB initiative, RMD is preparing and sending report of Top-20 Investment Clients' position including risk mitigation road map to Bangladesh Bank quarterly after having approval from the Board of Directors and BRMC.

Risk Assessment of Top-20 Defaulters & Risky Investment Client: Apart from the 'Resolution Report of Top-20 Investment Risk Assessment' the RMD has prepared report on the risk assessment of Top-20 Defaulters and Top-20/30/50 Risky investment clients. The division assessed various risk related issues and provided various options & advises on how to mitigate the risks.

Internal Investment Risk Rating System (IIRS): As per instructions stated in IIRS guidelines issued by BRPD of Bangladesh Bank, summary report of IIRS is required to be approved and signed by Chief Risk Officer (CRO) of the Bank.

Credit Rating related activities: Credit Rating has direct impact on Risk Weighted Asset (RWA) of the bank by maintaining minimum capital requirement and satisfactory CAR as well. The division is trying its best to get all the eligible clients rated by the external rating agency by advising branches so that the bank can allow investment safely. Side by side it helps the bank to make investment more maintaining minimum capital.

2 Market Risk:

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

Market risk also called 'Systematic Risk', cannot be eliminated through diversification, nevertheless it can be evaded. Systematic risk refers to the risk inherent to the entire market. The risk that a major natural disaster will cause a decline in the market as a

whole is an example of market/systematic risk. This sort of risk is evaluated by the Risk Management Division. As a part to address systematic risk, RMD is analyzing Top-20 investment clients' position and incorporating its review report with risk mitigation road map in 'Credit Risk Assessment and Resolution Report' for placing before the Board of Director's meeting for onward submission to Bangladesh Bank as well quarterly.

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

1. Operational risk:

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

Managing other specific risks:

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

Residual Risk:

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

Liquidity Risk:

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

and RMD.

Strategic Risk:

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

Reputation Risk:

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

Environmental Risk:

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

Basel Accord Implementation:

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

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

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

All Risk Committee (ARC) at Management level:

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

Risk Management and Other regulatory reports:

Risk Management Division prepares Monthly/Quarterly Risk Management Report, Half-Yearly Comprehensive Risk Management Report (CRMR), and Stress Testing reports incorporating all risk areas as per directions of the prescribed format of Bangladesh Bank. These risk reports are discussed in depth in All Risk Committee at Management level as well as Board Risk Management Committee and necessary instructions with guidance are given there against. Besides, AIBL sends Risk Appetite Statement (RAS), Effectiveness of Risk Management functions etc. to Bangladesh Bank annually duly reviewed and approved by the meeting of Board Risk Management Committee and Board of Directors' of the Bank as well.

Money Laundering and Terrorist Financing Prevention:

We all know that the term “money laundering” is not new to mankind. It has a long history and could be as old as the history of organized crime. These evil doers continuously keep on changing their color, ways and means to convert their ill-gotten proceeds into legally acceptable financial asset. Since banks are being as a conduit, we are facing increasing risk of losing our reputation every single minute. With the advancement of technology and globalization, as we are expanding our digital services to meet the customers' demand, financial criminals are becoming even more sophisticated in their schemes to exploit the vulnerabilities. The stakes of these actions are too high for the bank which include hefty noncompliance fines and enforcement actions, reputational damage as well as loss of revenue and increase of operational costs. Taking all these aspects into cognizance AIBPLC has recently introduced a sophisticated Anti Money Laundering compliance tool to keep the bank free from all financial crime risks.

We at AIBPLC are committed to supporting a secure, stable and resilient financial infrastructure. This includes applying a risk-based approach to detect and deter the use of the Bank's services and delivery channels for illegal purposes. Our tool helps us use analytics and technology to keep us informed on the latest anti-money laundering (AML) and anti-terrorist financing (ATF) sanctions, trends and typologies. Our specialists also have professional experience and certifications to detect and deter suspected money laundering, terrorist financing and activities prohibited by sanctions.

In addition, AIBPLC also include the following:

- Senior Management and Board's oversight
- Documented policies and procedures
- Ongoing AML and ATF and sanctions awareness training for employees
- Periodic risk-based due diligence and assessment of client relationships
- Ongoing monitoring of transactions and activity
- Screening against terrorist and other sanctions watchlists

- Reporting of prescribed transactions, as applicable
- Assessment of money laundering, terrorist financing and sanctions risk
- Independent testing of processes and controls

Additionally, we keep an ever-vigilant eye on the financial transactions and continue the approach of managing financial crime risks across all customer segments, channels and products within the business. We also closely monitor all our products and services to ensure that they are not misused by the wrong-doers. In a nutshell, AIBPLC has been able to successfully create an anti-money laundering compliance regime within the bank over the past year which is growing from strength to strength every day.

Dividend

The bank has been paying dividend every year since 1998 just after conversion of a public limited company. The Board of Directors of the Bank is pleased to recommend dividend 10% Cash and 5% Bonus in the year 2023.

Table of Historical Dividend Payment Percentage are as follows:

| Year | Dividend |
|------|---------------------|
| 2014 | 14% Cash |
| 2015 | 10% Cash & 5% Bonus |
| 2016 | 20% Cash |
| 2017 | 15% Cash & 5% Bonus |
| 2018 | 15% Cash & 2% Bonus |
| 2019 | 13% Cash |
| 2020 | 15% Cash |
| 2021 | 15% Cash |
| 2022 | 12% Cash & 3% Bonus |
| 2023 | 10% Cash & 5% Bonus |



Credit Rating

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

| | | |
|----------------|---|----------------------------------|
| Long Term | : | AA (pronounced Double A) |
| Short Term | : | ST-2 |
| Based on | : | Audited Financial Statement 2022 |
| Date of Rating | : | 13 July 2023 |
| Validity | : | 12 July 2024 |
| Outlook | : | Stable |

Year-wise Comparative Rating Position:

| Date of Rating | Long Term | Short Term | Outlook |
|----------------|-----------|------------|---------|
| 30 June 2023 | AA | ST-2 | Stable |
| 30 June 2022 | AA | ST-2 | Stable |
| 30 June 2021 | AA | ST-2 | Stable |
| 30 June 2020 | AA | ST-2 | Stable |
| 30 June 2019 | AA | ST-2 | Stable |

Interpretation:

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

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

Human Resources

Well educated and skilled manpower is the best capital of an organization particularly in banking institution. We put utmost importance on recruitment and development of human resources. In recruiting process, we put emphasis on attracting talented young stars. Total 575 employees in different categories/ranks joined and exit 113 during the year 2023 raising our total employees to 5,789 as on 31.12.2023.

We have 5,769 staff in the Bank of whom 393 are executives 4,070 are officers and 1,306 other staff as on December 31st 2023.

| SI No | Designation | Category Number |
|-------|--------------|-----------------|
| 1 | Executives | 393 |
| 2 | Officers | 4,070 |
| 3 | Others | 1,306 |
| | Total | 5,769 |

We nominated 77 employees in outside training course viz. BIBM, BBTA, BAB etc. in 2023 and they have completed the course successfully.

We motivate and facilitate our deserving employees to complete international standard professional degrees like CDCS, CSDG and

ACAMS. Presently, we have 65 CDCS, 3 CSDG and 10 CAMS officials of which 1 officials completed CDCS and 3 officials CAMS during the year 2023.

Activities of AIBTRI

AIBTRI: Centre of Excellence for Human Capital Development

Alhamdulillah. After inception in 1996, Al-Arafah Islami Bank Training & Research Institute (AIBTRI) has successfully crossed a long way to its destination of being an organization of excellence in training and education. Skilled human resources are the cutting-edge assets of any organization. Needless to say, for effective growth of an institution and enhance both soft hard skills of its employees, there is no alternative to recourse on continuous training. AIBTRI's prime objectives, among others, are to impart training to all stages of Bank employees to aware them about the latest development of knowledge on the changing functional procedures, policies, rules, directives and regulations of the financial system. As the banking sector is experiencing various reform measures with a view to coping up with the modern financial complexities like bit coin fintech, regtech, crypto currencies, Central Bank Digital Currency (CBDC) etc, focusing on need-based training is imperative to turn the human resources of the Bank into human capital.

Training programs at AIBTRI are scheduled and singled out on need-based assessments by a set of human committed capital faculty development members of with the institute. cutting-edge AIBTRI skills, has knowledge given utmost importance to training for and wisdom. Despite limitations and shortcomings, AIBTRI is however, moving forward for attaining its desired level of competency through arranging various training courses including 3 month-long AIBL-CACP certification course for BAMLCOs, EDPs, seminars, workshops etc. on topical banking and financial issues.

The financial sector of Bangladesh underwent a number of reform measures under new normal scenario after COVID-19 shocks in the country. In line with the changed circumstances, the AIBTRI has been adopting new strategies and methods for improving the knowledge-base of the manpower. AIBTRI is also keeping pace by putting its best efforts to respond to the need for capacity building of AIBL officials with new thoughts and innovative ideas to achieve the objectives of different reform measures.

Overall Training Scenario in 2023:

During the year 2023, AIBTRI conducted a wide range of activities to attain objectives of imparting quality training to the officers of the Bank. AIBTRI conducted a total number of 145 (One Hundred Forty Five) Training Courses, Workshops, Executive Development Programs, Lead Bank Program, Outreach Program, Specialized Training Course called AIB-CACP and Foreign Training Programs where 14,859 participants were trained in the endeavor to establish a knowledge-based Islamic Bank.

Training Courses (TC):

To develop the professional skills and knowledge of the officials in the fields of Shari'ah, banking, finance, CMSME, retail banking and

microfinance, customer service development, e-payment through RTGS etc. AIBTRI conducted a total of 20 (Twenty) training courses in its modern classroom.

Training Workshops (TW):

A total of 63 (Sixty-Three) training workshops were conducted during the year at AIBTRI for fulfilling the requirements of understanding the current issues and challenges relating to banking operations such as new imperatives on International Trade and Finance, impact of fintech applications, National Integrity Strategy, Documentation Errors & Investment Property Valuation, FATCA, Customs Duty Payment through RTGS under e-Payment system, Money Laundering & Terrorist financing issues etc. Moreover, with a view to enhancing skill of the employees, AIBTRI has arranged a number of in-house discussions on topical issues of Islamic Shari'ah and banking.

Outreach Training Programs (OTP):

AIBTRI conducted 60 (Sixty) outreach training programs (OTP) during the year 2023 in five different locations based on zonal offices of the Bank. The programs had their remarkable impact to create awareness among young, brilliant and promising officers regarding Islamic Shari'ah and Banking, Foreign Exchange, Investment, AML & CFT issues, Retail banking management, Environmental Risk Rating, Agent Banking etc. The participants of OTPs were very much attentive and they raised very pertinent questions for elucidation of the themes of the topics discussed.

Islamic Financial Literacy Program (IFLP):

Bangladesh Bank has put greater emphasis on the financial access of the unbanked people of the country. Financial Inclusion Department of BB has issued guideline to widen the scope of financial access through different programs on financial literacy. AIBTRI has started to implement "Islamic Financial Literacy Programs" (IFLP) from 2022. In 2023, 4 (Four) IFLP sessions were arranged in Khulna, Chittagong, Sylhet and Bogura, where in total about 415 university and college professors, madrasah teachers, khatibs of jame mosques attended. IFLP programs have highly impacted the participants and their misconceptions about Islamic banking have somewhat erased, which were expressed by the thanks giving speeches by the participants. Insha'Allah, IFLP would reach more unbanked people of the country in 2024.

Lead Bank Program (LBP):

"Lead Bank Program" (LBP) is the routine program of Bangladesh Financial Intelligence Unit (BFIU). BFIU implements the LBP program with the help and cooperation of assigned banks as Lead Banks. BFIU nominated Al-Arafah Islami Bank as the 'Lead Bank' for the year of 2023 for Khulna Region. Accordingly, AIBTRI with the cooperation of MLTFP Division of the Bank arranged a Lead Bank Program on 'Prevention of Money Laundering and Terrorist Financing' at Khulna Zone of the Bank. Al-Arafah Islami Bank played the role of Lead Bank in the program. BFIU and AIB PLC Officials conducted various sessions of the day-long program. Total 64 participants from different Banks in Khulna Division attended the LBP.

Certified AML & CFT Professional (AIB-CACP):

During 2023, the AIBTRI with the cooperation of BFIU & BIBM conducted two 3-month long specialized Training Courses (STCs) titled "AIB PLC Certified AML & CFT Professional (AIB-CACP)" to create 117 certified expert officials on AML & CFT issues especially aiming at developing the BAMLCOs of the Bank with knowledge and enhanced capacity. BFIU and BIBM Officials had conducted various sessions of the program. The primary objective of these programs is to cultivate a group of well-informed and proficient BAMLCOs and to equip them with comprehensive theoretical knowledge and practical insights related to AML & CFT issues. The aim is to empower them as proactive officials capable of addressing AML & CFT concerns within the Branches efficiently to establish fully-complied Bank on AML & CFT issues. We also hope that this course will create a new branding of experts in AML & CFT for the banking industry in Bangladesh. It is an encouraging message that the Bank has achieved 'Satisfactory Ranking' in 2023 by the BFIU for its wholehearted attempts to address the AML & CFT issues of the Bank with knowledge, courage and capacity. AIBTRI feels proud to help the Bank by developing knowledgeable BAMLCOs to achieve this prestigious rating from BFIU.

New Financial Products:

In 2023, as a result of AIBTRI's research endeavors, AIB PLC successfully introduced two new products, and a third is currently in the final stages of development. These initiatives are:

1. Employees Common Cash Waqf Deposit Account: A novel product pioneered by AIBTRI, implemented to allow Bank employees to contribute to a perpetual cash waqf fund. This initiative is designed to support the welfare needs of underprivileged employees' children.
2. e-GP facility under Quard system: A strategic implementation based on AIBTRI's research, providing a Sharia-compliant solution for financing e-GP activities within the Bank.
3. AIB PLC Hajj and Umrah Investment Scheme: Currently in the final stage of development, this retail banking product is set to revolutionize financial assistance for Hajj and Umrah. Structured on Al-Ijarah Al-Mawsufah Fi Al-Dhimmah, it enables individuals to perform their pilgrimage by accessing funds repayable from their asset-generated cash flows.

These introductions underscore AIB PLC's commitment to innovative Islamic banking practices, driven by the valuable research contributions of the AIBTRI.

New programs of AIBTRI for 2024:

Given the directions of the esteemed Board of Directors (BOD) and honorable Managing Director & CEO of the Bank, following new programs have been undertaken by AIBTRI for the year 2024 along with other regular training programs to initiate research on the practical operational areas with a view to assisting the Board for its policy making as well as to develop the Bank as a knowledge-based Islamic Bank in the country:

- a) In 2024, AIBTRI would conduct 3 (three) more “Certified AML & CFT Professional (AIB-CACP)” certification courses on “Anti Money Laundering and Combating Financing of Terrorism” for professional development of the 180 employees of the Bank. These certified AML & CFT Professional experts especially BAMLCOs would help the Bank to mitigate the risk of money laundering and financing of terrorism.
- b) Executive Development Program (EDP) on Awareness of AML & CFT Issues for DMDs, MD and Members to the Board of Directors: An AML-CFT awareness discussion session will be arranged in the boardroom for the key leadership figures, including the honorable Chairman, management team, honorable Managing Director (MD), and Deputy Managing Directors (DMDs), which would provide essential insights into AML-CFT risks in the banking sector. These initiatives underscore the Bank’s commitment to promoting Shariah compliance and robust financial security practices.
- c) Executive Development Program (EDP) on Shari’ah Awareness for Executives (SVP and above): To address the limited understanding of Shariah principles among newly employed higher-level employees who came from conventional banking backgrounds, the Shariah Supervisory Committee (SSC) recommended a dedicated workshop. It aims to enhance Shariah awareness among higher order employees, ensuring a comprehensive understanding of Islamic finance principles.
- d) National Seminar on Four Decades of Islamic Banking in Bangladesh: Expectations & Realities: A national seminar titled “Four Decades of Islamic Banking in Bangladesh: Expectations and Realities” will be organized by AIBTRI. This seminar aims to shed detailed light on the progress of Islamic banking in Bangladesh over four decades (1983–2023) and provide insights into future directions. The AIBTRI anticipates the honorable presence of the Governor/Secretary of Bangladesh Bank as the chief guest at this national seminar. Invitation may be extended to expert speakers from International Islamic economic and banking research institutions, especially the Islamic Development Bank (IDB). Additionally, efforts will be made to invite expert speakers from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in Manama, Bahrain, and the Islamic Financial Services Board (IFSB) in Kuala Lumpur, Malaysia. The seminar is expected to be attended by the honorable Chairman, the Board members, the management team of AIB PLC, the chairpersons, MDs and DMDs of nine other Islamic banks, the honorable MD and Executive Directors of Bangladesh Bank. Through this initiative, we hope that the name of Al-Arafah Islami Bank PLC will be illuminated in the banking sector of Bangladesh.
- e) Eminent Islamic Scholars’ Lecture Series for Executives: Our country is home to renowned professors and Islamic economists teaching Islamic banking and finance at various universities worldwide. As part of this year’s initiative, at least two “Eminent Islamic Scholars’ Lecture program” will be organized featuring these distinguished scholars. Through these programs, Bank employees will have the opportunity to learn about foreign

Islamic banking practices, specifically gaining insights into “Islamic Financial Products and Services Introduced in Other Countries.” The aim is to facilitate understanding and inspire innovation in the introduction of new products and services. Specialists, whether presenting online from abroad or physically in the country, will contribute their expertise to the discussions. This initiative is expected to broaden the knowledge base of Bank employees on global Islamic banking trends and practices.

As in the preceding years, AIBTRI would prepare policy papers and important notes analyzing the mechanism and modus operandi of Islamic financial products in vogue, in comparison with the present Islamic financial products and services of the Bank, and suggest modifications thereto or develop new modalities of Islamic financial products and services.

Branches Control Division: -

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

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

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

1. Up Keeping of Branch Premises and Maintenance of Important Affairs of the Branch.
2. Implementation Progress Report as per Guideline of Core Banking Solution (CBS)-Features & Controls
3. Duties and Responsibilities Branch Manager and Manager Operation.
4. Cash Management & Teller Operation.
5. Type of Deposit Accounts and General Instructions for Maintenance.
6. Banking Booth Policy and operational guideline.
7. Sending SMS to Account holders.

Business Promotion & Marketing Division (BPMD)

Business Promotion and Marketing Division (BPMD) started its journey in the year 2010 under the name and style ‘Marketing & Business Development Division (MBDD)’. A full fledged Policy Guideline was introduced on 23.06.2016 with a vision to survive in the market of

stiff competition as well as to improve business relentlessly of our Bank using different marketing tools. BPMD has the motto to offer new customized Financial Products and Services to cater the growing needs of common people keeping in mind the strict compliance of Shariah regulatory norms.

BPMD consists of four (4) Departments as:

- i) Business Development & Marketing Department
- ii) Branch Expansion Department
- iii) Product Development & Evaluation Department
- iv) Financial Literacy & Financial Inclusion Department

Each department has its own targeted goal to achieve.

Function of BPMD:

Business Promotion & Marketing Division was established in 2010 with a vision to survive in the competition and to continuously improve business of our bank using different marketing tools. Main focus of this division is to identify business opportunities, overcome business threats and to develop business strategy. This division builds and maintains a long-term relationship with its investment clients, assists to the branches regarding prospective investment clients and also assist deposit mobilization. Besides, BPMD works to develop new and existing products. This division also identifies requirements of different promotional/gift items for customers and also to improve bank's brand and corporate image.

BPMD follow-up, monitor; supervise to achieve the target by the branches. BPMD co-ordinate regular Business Development Conference/Meeting. It also provides /advice/guide the branches regarding new investment client for business development.

In the year 2023 was very much important for BPMD 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 BPMD in 2023 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, monitor, supervise overall activities of the branches.
- To build long term Client-Bank relationship as well as to promote business of the Bank, BPMD arranged Iftar Mahfil Centrally and through all branches of the Bank. Also distributed Ramadan Gift to the valued clients/VIPs/CIPs on behalf of Honorable Chairman & Managing Director and CEO of the Bank.
- Happy New Year gift (Bangla & English year) distributed by BPMD.
- Analysis of Business Projection & ABCD report in every month and submitted MC Meeting before the management for making decision.
- To Monitor Loss Branch & their activities.

- To prepare of Crest/Certificate/Banner/Leaflet etc. distributed throughout all branches.
- Different promotional/gift item like Crookeries, Wallet, Mug, Key Ring, Coat Pin, Folder, Paper weight etc. were procured to distribute among valued clients of all branches and for acquisition of new account holder and maintain good relation with present Customers.
- Bulletin published on March & September in every year.
- BPMD made different agreement up to Dec-2023 on the following organizations: - Dhaka Power Distribution, DESCO, Titas Gas Transmission & Distribution, Northern Electricity Supply Company (Nesco), Dhaka Wasa, Bangladesh Polly Biddut Board, Karnaphuli Gas, Bakrabad Gas Distribution, Standard University, Motor Vehicle BRTA, The IBN Sina Trust, Popular Diagnostic Cen. Ltd., Nagad Ltd., UCB Fintech Company Ltd. Upay, Padma Diagnostic Centre Limited, Chottogram Metropolitan Hospital Limited, Evercare Hospital Dhaka (Apollo).
- In 2023 BPMD survey for the place, location, business position, rental status & feasibility report of 05(five) new Branches like Bagerhat Br., Noapara Br., Terokhada Br. Poradaha Br. & Coat Bazar Br.
- Mangers Award, Export Trophy, letter of appreciation/congratulation, Crest are given on different criteria for excellent achievement.

Plan for 2024:

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

- ✓ To spread out business activities of the Bank, BPMD will take initiative to expand its Branch, Sub-Branches network throughout the country.
- ✓ Through intensive supervision, monitoring and follow-up BPMD will help the Negative growth branches to increase their business position.
- ✓ 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 2024.
- Under the Brand development program, we will go for Strategic Alliance contact with different renowned govt./Semi-govt. i.e. Titas Gas Bill Collection, Pilgrim Pre-Registration, DESA, BRTA, DESCO, Gas Registration fees, DPDC, DESCO, NESCO, PDB, REB, TITAS, KGTCCL, WASA, City Corporation etc.
- To increasing Low cost & No cost Deposit we have to improve better service through Campaign.
- Instruction to be issued all branches for opening Business Account, Salary Account, Collection & Disbursement Account of

Corporate Organization/ BRAC/ BURO/ ASHA/ UDDIPON Govt. & Semi-Govt/LGED/PWD/Election Commission/Passport Office, RJSC etc.

- To increase number of branches for collection BRTA bill, A-Challan, E-GP,Hajj & Umrah Registration fees etc. through On-line.
- Special attention to be made for opening new accounts of School, Madrasah, Hospital, Diagnostic Center, Club, Association, Samity, Market, owners Association.
- Financial literacy & Financial Inclusion: Head of BPMD is Focal Point of Financial Inclusion department of AIBL. So, we have to arrange school banking Conference every year.

Branch Network

At present we have 215 branches all over the country. In a bid to expand our network of Branches we got approval to open 7 (Seven) new branches in 2023.

Appointment of Statutory Auditor

In the 28th Annual General Meeting of the Bank M/S Hoda Vasi Chowdhury & Co. Chartered Accountants and M/S Khan Wahab Shafique Rahman & Co. Chartered Accountants was appointed External Auditors of the Bank for a term till conclusion of the 29th Annual General Meeting.

The Board has approved M/S Khan Wahab Shafique Rahman & Co. Chartered Accountants and M/S K M Alam & Co. Chartered Accountants for appointment as External Auditors by the shareholders till the 30th Annual General Meeting.

Board Meeting

During the year 2023, 15 regular Board Meeting had been held. Besides, 13 meetings of Executive Committee, 9 meetings of Audit Committee and 4 Risk management Committee of the Board had also been held during the year.

Appreciation

The Board of Directors expresses its gratitude to the Almighty Allah for enabling us to achieve remarkable progress in all respect during the year 2023. 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 2024. 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,



Alhaji Abdus Samad Labu

Chairman

Date: 18 August 2024