

INFORMATION MEMORANDUM

Issuance of Unsecured, Contingent-Convertible and Floating Rate Mudaraba Perpetual Bond of BDT 4,500,000,000 (Four Thousand Five Hundred Million Taka) in Private Placement & BDT 500,000,000 (Five Hundred Million Taka) in Public Issue

Issuer:

Al Arafah Islami Bank Limited



Trustee to the Issue: MTB Capital Ltd



Registrar, Paying Agent, Transfer Agent: MTB Capital Ltd.

Type of Security: Unsecured, Contingent-Convertible and floating rate Mudaraba Perpetual Bond

Total Issue Amount: BDT 5,000,000,000 only

Face Value of each Bond: BDT 5,000/-

Credit Rating Agency: Credit Rating Information and Services Limited

Credit Rating status of the Bond: A+ (Indicative)

Validity Date: November 08, 2021

Joint Arrangers and Issue Managers:

UCB Investment Limited



Prime Bank Investment Limited



"If you have any query about this document, you may consult the issuer, issue manager and the trustee"


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Notice & Disclaimer:

Al Arafah Islami Bank Limited (hereinafter referred as the **"Bank"** or the **"AIBL"** or the **"Issuer"**) has authorized UCB Investment Ltd. (hereinafter referred as **"UCBIL"** or the **"Joint Arranger and Issue Manager"**) and Prime Bank Investment Limited (hereinafter referred as **"PBIL"** or the **"Joint Arranger and Issue Manager"**) to distribute this Information Memorandum (IM) in connection with the proposed transaction outlined in it (the **"Transaction"**) and the bonds proposed to be issued in the Transaction (the **"Bonds"**)

This Information Memorandum is provided to prospective investors on a private and confidential basis for use solely in connection with the issue, offer, sale or invitation to subscribe or purchase the perpetual Bonds. This Information Memorandum shall not be, in whole or in part, reproduced or used for any other purpose without prior written consent of the Issuer.

The Issuer has prepared this information memorandum and is solely responsible for its contents. The issuer will comply with all rules, laws and regulations and is responsible for obtaining all regulatory, governmental and corporate approvals for the issuance of the Bonds. The Issuer, having made all reasonable inquiries, confirms that this Information Memorandum contains all the information with respect to itself and the Bonds to be issued by it, which is material in the context of the Bonds; that the information contained in this Information Memorandum is true and accurate in all material respects and is not misleading; that the opinions and intentions expressed in this Information Memorandum are honestly held and that there are no other facts the omission of which would make any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

The Joint Arrangers and Issue Managers have relied on the information provided by the Issuer and such information has not been independently verified by the Joint Arrangers and Issue Managers. No representation or warranty, expressed or implied, is or will be made, and no responsibility or liability is or will be accepted, by the Arranger or any affiliate of the Arranger for the accuracy, completeness, reliability, correctness or fairness of this Information Memorandum or any of the information or opinions contained therein, and the Arranger hereby expressly disclaim, to the fullest extent permitted by law, any responsibility for the contents of this Information Memorandum and any liability, whether arising in tort or contract or otherwise, relating to or resulting from this Information Memorandum or any information or errors contained therein or any omissions therefore. By accepting this Information Memorandum, investors agree that the Arrangers will not have any such liability.

Neither this Information Memorandum nor any other information supplied in connection with the Issue is intended to provide the complete basis of any credit or other evaluation, nor should it be considered as a recommendation by the Arranger to the Issue that any recipient of this Information Memorandum (or any other information supplied in connection with the Issue) should purchase or subscribe for any Bonds. Each investor contemplating purchasing or subscribing for a Bond should make their own independent investigation of the financial condition and affairs, and their own appraisal of the creditworthiness of the Issuer. Investors are advised not to construe the contents of this Information Memorandum as investment, legal, accounting, regulatory or tax advice. Investors are also advised to consult with their own advisors as to all legal, accounting, regulatory, tax, financial and related matters, concerning an investment in the Bonds.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING OR INVESTING IN THE PERPETUAL BONDS.

Issuer's Disclaimer:

ALL THE FEATURES OF AIBL MUDARABA PERPETUAL BOND ARE DRAFT ONLY AND FINALIZATION OF THESE FEATURES ARE SUBJECT TO THE APPROVALS OF COMPETENT REGULATORS. THESE FEATURES MAY BE MODIFIED AS PER THE DIRECTIONS OF BANGLADESH BANK AND BANGLADESH SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER COMPETENT REGULATORS.



MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka



Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.



Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office Dhaka



Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited



Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Definitions and Acronyms/ Elaboration:

A	
"Articles" or "Articles of Association" or "AoA"	The Articles of Association of Al-Arafah Islami Bank Ltd.
AGM	Annual General Meeting.
AIBL	Al-Arafah Islami Bank Limited.
B	
BSEC	Bangladesh Securities and Exchange Commission
BAS	Bangladesh Accounting Standards
BB	Bangladesh Bank
BDT	Bangladeshi Taka
BIN	Bank Identification Number
C	
CIB	Credit Information Bureau
COMPANIES ACT	Companies Act, 1994 (Act. No. XVIII of 1994)
CAGR	Cumulative Average Growth Rate
CRR	Cash Reserve Ratio
D	
DSE	Dhaka Stock Exchange
E	
EI	Eligible Investor
EFT	Electronic Fund Transfer
EFTPOS	Electronic Fund Transfer at Point of Sales
EPS	Earnings Per Share
Email	Electronic Mail
F	
FY	Fiscal Year
FI	Financial Institution
FTB	Foreign Trade Bank
FDD	Foreign Demand Draft
FDR	Fixed Deposit Receipt
G	
GOB	Government of People's Republic of Bangladesh
I	
ISSUE MANAGER	UCB Investment Limited & Prime Bank Investment Limited
ISSUER	Al-Arafah Islami Bank Limited
ICAB	The Institute of Chartered Accountants of Bangladesh
L	
L/C	Letter of Credit
M	
"Memorandum" or "Memorandum of Association" or "MoA"	The Memorandum of Association of Al-Arafah Islami Bank Limited.
MoU	Memorandum of Understanding
N	
NAV	Net Asset Value
NRB	Non-Resident Bangladeshi
NBR	National Board of Revenue
O	
Offering Price	Price of the Bond of Al-Arafah Islami Bank Limited.


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Draft Information Memorandum
AIBL Mudaraba Perpetual Bond of BDT 5,000 Million

P	
PE	Price to Earnings
R	
RJSC	Registrar of Joint Stock Companies and Firms
R&D	Research and Development
S	
SLR	Statutory Liquidity Ratio
T	
The Company/Issuer	Al Arafah Islami Bank Limited.
TT	Telephone Transfer
V	
VAT	Value Added Tax
W	
WDV	Written Down Value



Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited



Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited



MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office Dhaka



Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.



Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office Dhaka

Contact List:

Name & Address	Contact Person(s)	Contact Number
ISSUER		
Al-Arafah Islami Bank Limited Al-Arafah Tower, 63, Purana Paltan, Dhaka-1000, Bangladesh	Mr. Farman R Chowdhury Managing Director	PABX: +880 2 44850005-20 Tel: +880 2 44850022 Mobile: +8801711533266 E-mail: md@aibl.com.bd
	Mr. Muhammed Nadim, FCA Deputy Managing Director	PABX: +880 2 44850005-20 Ext-270 Tel: +880 2 44850028 Mobile: +8801819494980 E-mail: nadim@aibl.com.bd
TRUSTEE		
MTB Capital Limited MTB Tower (Level 3), 111 Kazi Nazrul Islam Avenue, Bangla Motor, Dhaka 1000	Md. Ashadul Islam FAVP, Board Secretary & Compliance officer MTB Tower (Level-3), 111 kazi nazrul islam avenue, Bangla motor, Dhaka- 1000. Cell: +88 01818416284 Email: ashad@mutualtrustbank.com	
JOINT ARRANGERS AND ISSUE MANAGER		
UCB Investment Limited BULUS Center, (17 th floor) Plot- CWS (A)-1 Road: 34, Gulshan Avenue Dhaka- 1212	Tanzim Alamgir Chief Executive Officer	Cell: + 88 01927 111 555 Email: tanzim.alamgir@ucb.com.bd
	Aroka Chowdhury Assistant Vice President	Cell: + 88 01714319995 Email: aroka.chowdhury@ucb.com.bd
Prime Bank Investment Limited Tajwar Centre (5th Floor), Block; E, Road, 19/A, House, 34 Kemal Ataturk Ave, Dhaka 1212	Khandoker Raihan Ali, FCA SEVP & Chief Operating Officer Contact: 01730031810 Email: raihan@pbil.com.bd	

Yaf
Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali
Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Table of Contents

Notice & Disclaimer:	1
Issuer's Disclaimer:	42
Definitions and Acronyms/ Elaboration:.....	33
Contact List:	5
1. Reports to The Eligible Investors:	8
2. Risk Factors and Managements' Perception About the Risk:.....	10
(a) Profit / Interest Rate Risks	10
(b) Exchange Rate Risks:	10
(c) Non-repayment Risks:.....	10
(d) Prepayment, Call or Refunding Risks:.....	11
(e) Security Risks:	11
(f) Liquidity Risk:.....	11
(g) Management Risks:	11
(h) Operational Risks:.....	12
(i) Business Risks:	12
(j) Industry risks:.....	12
(k) Market & Technology Related Risks:	12
(l) Risks Related to Potential or Existing Government Regulations:	13
(m) Risks related to Potential Changes in Global or National Policies:.....	13
(n) Portfolio Management Risk:.....	14
(o) Change in Fiscal Policy:	14
(p) Credit Risk:.....	14
(q) Asset Quality Risk:	14
3. Detailed Description and Information	15
4. Details of Utilization of Proceeds:.....	15
5. Features of the Mudaraba Perpetual Bond:	15
6. Description of Collateral Security and Type of Charges to be Created Against the Issue:	20
7. Rights and Obligations of the Issuer:	21
8. Rights and Obligations of the Trustee:	24
9. Rights and Obligations of the Eligible Investors (Bondholders):.....	28
10. Rights and Obligations of the Issue Manager:	29
11. Rights and Obligations of the Underwriter:	30

12. Description of the Issuer: Al Arafah Islami Bank Limited:	30
12.1 Capital Structure of Al-Arafah Islami Bank Limited:	31
12.2 Business of Al-Arafah Islami Bank Limited:	32
12.3 Board of Directors of Al-Arafah Islami Bank Limited:	33
12.4 Management of Al Arafah Islami Bank Limited:	35
12.5 Profile of Directors of Al-Arafah Islami Bank Limited:	38
12.6 Description of Asset & Liabilities (Consolidated):	44
12.7 Description of Encumbered and Unencumbered Assets with Value Thereof:	45
12.8 Description of Previously Issued Bond or Securities:	45
13. Auditors' Report along with Audited Financial Statements of the Issuer:	47
14. Comparative Financial Statements:	48
15. Comparative Financial Ratios of Al- Arafah Islami Bank Limited:	57
16. Credit Rating Report of the Issue & Issuer:	59
17. Credit Enhancement:	59
18. Latest default matrix and Transition statistics of CRC:	59
19. Description of the Trustee:	61
19.1 Due Diligence Certificate of the Trustee	63
20. Modus Operandi of the Issue:	64
21. Termination and Final Settlement of the Proposed Bond:	65
22. Details of fees structure and expenses:	65
23. Additional Disclosures for IM under Public Issue:	66
24. Conditions imposed by the Commission in the Consent Letter:	67
25. Particulars of Underwriter and Amount Underwritten:	67
26. Declaration and due diligence certificates as per Annexure(s)-I,II,III & IV:	68
27. Public Issue application procedure	76
28. Right option/issue application procedure	76
29. Public offer application procedure:	76
Annexure – 01(Detailed Description and Information)	77
Annexure – 02 (Auditor's Report along with Audited Financial Statements)	84
Annexure – 03 (Credit Rating Report of the Issue & Issuer)	85
Annexure – II (Due Diligence Certificate of the Trustee)	86
Annexure – III (Due Diligence Certificate of the Issue Manager/s)	87
Annexure – IV (Due Diligence Certificate of the Underwriter)	88

1. Reports to The Eligible Investors:

By investing in the Bonds, you are hereby deemed to have acknowledged, represented and warranted to, and agree (as the case may be) for the benefit of the Joint Arrangers and Issue Managers, as set out below:

High risk: You are fully aware that investment in the Bonds involves a high degree of risk.

Consultation with advisers: You have (i) consulted with your own legal, regulatory, tax, business, investment, financial and accounting advisers in connection herewith to the extent you have deemed necessary, (ii) collected and reviewed all information that you or your advisers believe is necessary or appropriate in connection with the purchase of the Bonds, and (iii) made your own investment decisions based upon your own judgment, due diligence and advice from such advisers as you have deemed necessary and not upon any view expressed by or on behalf of the Arranger.

No reliance: You acknowledge and agree that you may not rely on any investigation that the Lead Arranger or any of its affiliates or any person acting on their behalf may have conducted with respect to the Issuer or any of their affiliates, and neither the Arranger nor its affiliates, employees, officers, directors, legal advisers or representatives have made any representation to you, express or implied, with respect to your investment in the Bonds.

Informed decision: You are in possession of all the information that you believe is necessary or appropriate in order to make an informed decision regarding your purchase of the Bonds, including without limitation, adequate information concerning the Issuer's business, financial condition, results of operations and prospects.

Knowledge and experience: You have such knowledge and experience in financial, business and international investment matters that you are capable of evaluating the merits and risks of purchasing the Bonds and are aware that you may be required to bear, and are able to bear, all risks including economic risk of an investment in the Bonds.

Information of the Company: You acknowledge that the information provided to you with regard to the Issuer and the Bonds in this Information Memorandum has been supplied to you by the lead arranger only on behalf of the Issuer and that neither the lead arranger nor any of its affiliates, employees, officers, directors, legal advisers or representatives has verified such information or makes any representation or warranty as to its accuracy or completeness.

Review of Information Memorandum: You have reviewed this Information Memorandum in its entirety, including the risks associated with investment in the Bonds, and you understand and acknowledge all of the risks described herein. By investing in the Bonds, you have determined that:

- i. the Bonds are a suitable investment for you and your investment in the Bonds does not and will not, when consummated, violate any investment or other guidelines, policies or restrictions (corporate or otherwise), or any law, rule, regulation or order applicable to you; and
- ii. you have obtained all approvals and consents (whether internal or external) and have made all notifications necessary for you to invest in the Bonds as contemplated; and you can bear the


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

economic risk of the investment and are able to sustain a complete loss in connection with your investment.

Own account: You are purchasing the Bonds for your own account and not with a view to any distribution thereof.

No representation or warranty: The Lead Arranger have not made, and you have not relied upon any representation, warranty or condition (express and/or implied), and the Lead Arranger shall not owe any duty whatsoever to you in connection with the Bonds.

No obligation to purchase: The Lead Arranger shall have no obligation to purchase or acquire all or any part of the Bonds purchased by you or to support losses, if any, directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Bonds, including the non-performance by the issuance, whether to you or otherwise.


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

2. Risk Factors and Managements' Perception About the Risk:

An investment in bond involves a high degree of risk. The Bank is operating in an industry involving both external and internal risk factors having direct as well as indirect effects on the investments made by the investors. All investors should carefully consider all the information in this Information Memorandum, including the risk factors, both external and internal, and management perception there about enumerated hereunder before making an investment decision. If any of the following risks actually occur, their business, results of operations and financial condition could suffer, the trading price of their share could decline, and investors may lose all or part of their investment.

(a) Profit / Interest Rate Risks:

Profit/interest rate risk concerned with borrowed funds of short term and long-term maturity. Profit/interest rate risk is the risk that the Bank faces due to unfavorable movements in the profit/interest rates. Volatility in money market and increased demand for investment funds raise the rate of profit/interest. The Bank's financing in different sectors is generally structured at fixed and variable rates for specified terms. A change in the Government's monetary policy also tends to increase the rates. Increase in profit/interest rates of borrowing could narrow or eliminate the spread or result in a negative spread, and hence, may have a material adverse effect on the Bank's business, financial condition and/or results of operations.

Management perception:

Although the consequences of unusual and abrupt increase in the borrowing rate cannot be avoided, Al-Arafah Islami Bank Ltd. (AIBL) takes all the appropriate measures to minimize the negative consequences. For profit/interest rate risks, the Bank currently pursues a policy under which profit/interest rate can be revised for any unusual and abrupt change at its own discretion as and when required.

(b) Foreign Exchange Rate Risks:

Exchange Rate fluctuation may reduce the profitability of Al-Arafah Islami Bank Ltd. (AIBL) because if funds foreign trade commitments from various sources of foreign change like export proceeds and other incoming remittances. If exchange rate is increased against local currency opportunity will be created for generating more profit and the opposite may happen as well.

Management perception:

Exchange rate risk arises from exchange rate movements, which may affect the earnings of the Bank from its foreign exchange open position taken from time to time. This risk is mainly managed by (i) determined limits on open foreign exchange position, (ii) monitoring open position against these limits & (iii) setting and monitoring of stop loss mechanism. AIBL foreign exchange risk remains at minimum level as all of its foreign trade & remittance transactions are carried out on behalf of the customers. All nostro accounts are reconciled on monthly basis and outstanding entries are escalated to concerned departments and reported to higher management for immediate settlement. Treasury departments are vested with the responsibility to measure and minimize the risk associated with Bank's assets and liabilities, which includes foreign exchange risk. Treasury continuously monitors price movements of foreign exchange and uses various hedging techniques to manage its open position in such a way that minimizes risk and maximizes return.

(c) Non-repayment Risks:

Non-repayment risk can arise if the Bank become unable to repay the principal amount and the profit to the bond holder. Due to global financial crisis, the bank may not be able to repay their bond holder. Change of profit rate,


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

inflation, recession may have a negative impact on cash flow and profitability of the Bank. Which results in non-repayment in bond amount to bond holders.

Management perception:

The management of AIBL is always concerned about the prevailing and upcoming future changes in the global financial policies and shall response appropriately and timely to safeguard its interest. The Bank has a very strong financial background as well as cash flow along with diversified business package, that's why the risk is very negligible.

(d) Prepayment, Call or Refunding Risks:

Prepayment, call or refunding risks are the risks associated with the principal amount of a bond.

Management perception:

This bond is perpetual in nature i.e. there is no maturity date and there are no set-ups or other incentives to redeem unless and until it is eligible for call option criteria depicted in features (4) section.

(e) Security Risks:

AIBL is issuing Mudaraba Perpetual Contingent-Convertible Bond which is unsecured meaning that it is not backed by any pledged asset. There arises a question regarding the security of the bond.

Management perception:

Though the bond is unsecured, it is backed by the credit worthiness and reputation of the Bank. MTB Capital Limited is appointed as Trustee to the issue by AIBL MTB Capital Limited is empowered to regulate the terms and conditions and that applied to the bond. The Trustee is responsible for several key functions that benefits both the Issuer and the bond holders.

(f) Liquidity Risk:

The Bank harvest the fund through leveraging by the way of taking deposits from the general public and borrowing and its solvency is largely dependent upon efficiency in the process of intermediation of fund. The end objective of liquidity management is to ensure striking of balance between liquidity and profitability.

Management perception:

The management of AIBL is aware of the magnitude of this risk and it has always intended to diversifying sources of funds and to develop good mix of deposit structure. In this direction the bank has already launched several deposit schemes to attract deposits from various customer groups, including Retail and Corporate Cash Management clients. The Bank is opening branches all across the Country to diversify its business portfolio.

(g) Management Risks:

The risk associated with ineffective, unprofessional, non-discreet or underperforming management, that impedes the growth of the organization as well as hurts the shareholders and the company, fund of which being managed.

Management Perception:

AIBL is one of the leading Islamic banking institutions in Bangladesh with a track record of consistent performance achieved through effective leadership and corporate governance. AIBL has a sound management system that is not only efficient but also dynamic in taking appropriate decision to make the organization more effective, vibrant and result oriented. Therefore, with the strong leaderships and structured corporate set-up the management risk is not a matter of concern at all for the steady and sustainable growth of AIBL.

(h) Operational Risks:

Operational risk is the risk of potential losses from a breakdown in internal processes and systems, deficiencies in people and management or operational failure arising from external events.

Management Perception:

The Management through internal control and compliance division controls operational procedure of the Bank. Internal Control and compliance division undertakes periodical and special audit of the Branches and departments at the Head Office to review the operation and compliance of statutory requirements. The Audit Committee of the Board subsequently reviews the reports of the internal control and compliance division.

(i) Business Risks:

The Bank may face business risk while doing their banking business. Business risk implies uncertainty in profit or danger of loss and the events that could pose a risk due to some unforeseen events in future, which causes business of AIBL to fail.

Management perception:

AIBL has a very good profitability record through its business life. The management is well aware about this risk. The Bank is operating in a highly competitive market as modern banking industry has brought greater business diversification. The Bank has a dedicated team to find new scope to expand its business. The risk management team to identify and manage different types of risk including business risk.

(j) Industry risks:

The Bank is operating in a highly competitive market as modern banking industry has brought greater business diversification. Some banks in the industrialized world are entering into investments, underwriting of securities and portfolio management. Taken together, these changes have made banks an even more important entity in the global business community. The entry of new competitors may increase the market competition and profitability of the Bank.

Management perception:

AIBL constantly keeps a watch on ever changing economic and business environment which sometimes leads some industry risk as well as opportunity and banks has taken prompt and proactive action for avoiding probable risk and grabbing the opportunity. AIBL has always been careful in offering innovative, convenient and cost-effective financial products and services which flexibility in nature and by the way minimizes its industry risk exposure. Since its inception the bank contributes significantly in harnessing deposits by launching different attractive schemes befitting the requirement of different segment of customers. The bank actively encourages feedback from the customers and regard complaints as constructive comments that helps to build customer relationships and improve business situation. The Bank has also succeeded in diversifying its business portfolio across the thrust sectors of the economy and always takes special care for utmost value addition in clientele services.

(k) Market & Technology Related Risks:

(i) Market Risk:

Financial market of Bangladesh is currently very competitive and it is currently one of the fastest growing industry in Bangladesh. The entrance of new entities into the market is increasing the competitiveness of the market. Strong marketing and brand management would help the bank to increase its customer base.


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Shandaker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Management Perception:

AIBL focuses on pursuing unexplored market niches in the Small and Medium Enterprise Business which hitherto remained largely untapped within the Country. The Bank has incorporated double bottom approach in its operation, first is making profit by mobilizing fund from urban to rural areas and second is performing social responsibility by creating an entrepreneurial class. The bottom-line approach taken by the Bank makes them the market leader in the banking industry.

(ii) Technology Related Risks:

Technology plays vital role for ensuring better service to the customers and minimizing the cost in various aspects. The financial institutions and banks must embrace new technology to be efficient enough to cope up with the future changing demand.

Management Perception:

Technology is the nerve center of AIBL's rapid growth. AIBL has implemented one of the best world class Information Technology platform in the Bank to ensure faster yet safer delivery of services to the customers on 24/7 basis. The bank has built up its alternative delivery channel infrastructure to offer the full suite of ATMs, POS, Internet Banking, Call Center and SMS banking for its customers. In order to support its aggressive growth strategies in future, the bank has made a strategic decision to change its core banking software to a more robust and internationally tested system. As its unique contribution to a truly broad-based and participatory electronic banking system in Bangladesh, AIBL currently has a wide coverage of 182 Branches, as on December 31, 2020.

(i) Risks Related to Potential or Existing Government Regulations:

The Bank operates under the specific guidelines laid down by Bangladesh Bank (BB), Bangladesh Securities and Exchange Commission (BSEC) and other regulatory authorities. The Bank also operates under Companies Act 1994 and other related regulations, Bank Company Act 1991, Income Tax Ordinance 1984, Value Added Tax (VAT) Act 1991 and Value Added Tax (VAT) Rules 1991. Any abrupt change of the policies made by the regulatory authorities may adversely affect the business of the Company.

Management Perception:

Unless any policy change negatively and materially affects the industry as a whole, the business of the Bank is expected not to be affected significantly. Like all Scheduled Banks in Bangladesh, AIBL's asset growth and cost of CRR and SLR are adjustable as per requirement.

The management of AIBL is always concerned about the prevailing and upcoming future changes in the global or national policy and responds appropriately and timely to safeguard its interest.

(m) Risks related to Potential Changes in Global or National Policies:

Changing economic conditions may affect the demand for the type of finance offered by the bank, Downturn of economic activity or uncertainty may result in a downturn in demand for loan funds in the industry.

Management Perception:

Generally, this risk applies to every financial institution in the Country but they are normally mitigated by being aware of the circumstances and taking appropriate action in time. AIBL has always kept abreast of changing business environments and this is evidenced by its good financial performance in the past. AIBL's performance has been steady during periods of political turmoil and natural calamities. On the other hand, political turmoil and the disturbance are bad for the economy as a whole and so also for the Bank.


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudul Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

(n) Portfolio Management Risk:

Poor quality of project appraisal, slack monitoring of outstanding debts, inadequate/inappropriate documentation and other forms of management efficiencies may affect the quality of AIBL portfolio.

Management Perception:

Under the close supervision of AIBL's prudent shareholders and the Board of Directors, the Management of AIBL has developed skills and ability to appraise a project efficiently, ascertain the risk factors, address them and monitor performance closely.

(o) Change in Fiscal Policy:

The Bank's lending activities generate significant depreciation allowances that provide the Bank with substantial tax benefits on an ongoing basis. In addition, the Bank's lessees currently enjoy favorable tax treatment due to entitlement of depreciation. Any change of current tax may make lease financing less attractive and would have a material impact on the Bank's business, financial condition and/or results of operations.

Management Perception:

AIBL has been putting their best efforts to manage tax and accounting matters professionally. Unless a material change takes place in the fiscal policy, which would affect the banking industry as a whole, AIBL is well prepared to address the issue that may have any significant impact on the Bank's business, financial condition and results of operation.

(p) Credit Risk:

Some of the customers or obligators may fail to meet the terms of any contract or otherwise fail to perform as agreed which will in turn reduce the profit of the Bank decreasing shareholders' earnings

Management Perception:

Considering the key elements of credit risk, the Bank has segregated duties of the officers/executives involved in credit related activities. Separate division for Corporate, SME and retail has been formed which are entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities etc. for transparency in the operation during the entire credit period-i) Investment Approval Committee, ii) Investment Administration Department, iii) Recovery Unit and iv) Impaired Asset management have been set up.

In addition to the above, investment division carries out thorough assessment before approving any Investment facility. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, and historical performance of the customer. Investment administration department ensures compliance with all legal formalities, completion of all documentation, security of the proposed investment facility and finally disburses the amount. The sales team reports to their line management; the investment risk management division reports directly to deputy managing director (risk management), while the investment administration reports to the head of division. The above management system has not only ensured segregation of duties and accountability but also helps to minimize the risk with the credit portfolio.

(q) Asset Quality Risk:

Changes in market liquidity and/or profit/interest rate expenses Bank's business to the risk of loss, which may, in extreme cases, threaten the survival of the institution.


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmud Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Management Perception:

Emphasis has been given so that the level of balance sheet risks is effectively managed appropriate policies and processes are established to control and limit these risks and proper manpower are available for evaluating and controlling these risks. The Assets Liability Committee (ALCO) of the Bank monitors Balance Sheet Risks and Liquidity Risks of the Bank. The committee reviews country's overall economic position, Bank's liquidity position, ALM ratios, profit rate risk, capital adequacy, deposit investment growth, cost of deposit & yield on Investment, R.E. gap, market profit rate, loss provision adequacy and deposit lending pricing strategy and takes appropriate decisions in this respect.

3. Detailed Description and Information

Detailed description and information as per Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021; Schedule- A (Part I) is annexed to this Information Memorandum. Please check **Annexure - 01**

4. Details of Utilization of Proceeds:

Purpose of Issuance of AIBL Mudaraba Perpetual Bond

Al Arafah Islami Limited (AIBL) has decided 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). The proposed bond issue will allow the bank to enhance its capital strength and continue to grow its balance sheet in the future years.

AIBL Mudaraba Perpetual Bond

The proposed bond will qualify as part of AIBL's Additional Tier-1 capital and will help maintain healthy capital adequacy ratios in the next few years. Besides, the BDT 5 billion fund will be used for undertaking general business activities of the bank including strengthening of the investment portfolio and other securities.

5. Features of the Mudaraba Perpetual Bond:

Name of the Instrument	AIBL Mudaraba Perpetual Bond
Issue Type	Unsecured, Contingent-Convertible, Fully paid up, Non-Cumulative, BASEL III compliant, Perpetual Debt instrument for inclusion in Additional Tier I Capital
Issuer	Al Arafah Islami Bank Limited
Nature of Instrument	Unsecured
Purpose and Objectives	To raise Additional Tier-1 Capital through issuance of AIBL Mudaraba Perpetual Bond in order to strengthen its capital base in


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

15

Md. Mahmudul Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

	<p>accordance with Bangladesh Bank's Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework in line with Basel III).</p> <p>The funds being raised by the Bank through the mentioned Issue are not meant for financing any particular project. The Bank shall utilize the proceeds of the Issue for its regular business activities. The Bank shall not utilize proceeds of the Issue for any purpose which may be in contravention of the regulations/ guidelines/ norms issued by the Bangladesh Bank and Bangladesh Security Exchange and Commission where applicable.</p>
Joint Arrangers and Issue Managers	UCB Investment Limited & Prime Bank Investment Limited
Trustee	MTB Capital Ltd.
Paying Agent, Register, Transfer Agent	MTB Capital Ltd.
Underwriter	Islami Bank Capital Management Limited
Rating Agency	Credit Rating Information and Services Limited
Legal Advisor	Lex Juris- Barristers, Advocates & Consultants
Mode of Issue	90% Private Placement and 10% Public Issue
Facility Size	BDT 4,500,000,000 under private placement and BDT 500,000,000 under public Issue
No. of Bonds to be Issued	900,000 under private placement and 100,000 under public offer
Face Value	BDT 5,000/ (Five thousand Taka only)
Bonds per lot/ Minimum Subscription	01 bond for public issue and 10,000 for private placement
Tenure	Not Applicable. The Bonds shall be perpetual i.e. there is no maturity date and there are no step-ups or other incentives to redeem.
Investors	<p>The following class of investors are eligible to participate in the offer:</p> <ul style="list-style-type: none"> Public Financial Institutions which are duly authorized to invest in Bonds as per Bangladesh Bank Regulations Mutual Funds, Insurance Companies, Scheduled Commercial Banks, Co -operative Banks, Regional Rural Banks authorized to invest in bonds/ debentures, Societies authorized to invest in bonds/debentures, Trusts authorized to invest in bonds/ debentures, Statutory Corporations/ Undertakings established by Central/ State legislature authorized to invest in bonds/ debentures, Any other not mentioned in the list but is eligible to subscribe as per regulations by Bangladesh Bank.


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

	<p>This being a private placement Issue, the eligible investors who have been addressed through this communication directly, are only eligible to apply.</p> <p>Prior to making any investment in these Bonds, each investor should satisfy and assure himself/herself/itself that he/she/it is authorized and eligible to invest in these Bonds. The Bank shall be under no obligation to verify the eligibility/authority of the investor to invest in these Bonds. Further, mere receipt of this Disclosure Document by a person shall not be construed as any representation by the Bank that such person is authorized to invest in these Bonds or eligible to subscribe to these Bonds. If after applying for subscription to these Bonds and/or allotment of Bonds to any person, is found to have been ineligible to invest in/hold these Bonds, the Bank shall not be responsible in any manner.</p>
Rate of Return/ Profit Distribution	<p>Rate of return will be calculated based on the latest available published deposit rate in Bangladesh Bank website. The average of yearly deposit rate (1 year but < 2 year) of scheduled Islamic banks (1st Generation, 2nd Generation and 3rd Generation banks only) excluding foreign Islamic banks and any z-category Islamic Banks enlisted in capital market will be considered.</p> <p>(The published deposit rate to be taken from "Announced Interest Rate Chart of the Scheduled Banks (Deposit Rate)" published by Bangladesh Bank in its website.)</p>
Rate of Return Range	<p>Return Ceiling: 10%</p> <p>Return Floor: 6% (subject to having available distributable profit)</p>
Margin with Rate of Return	2.50%
Listing Status	Listed as per BSEC Regulation
Quotation Day	Five (05) days before the first day of any period for which a rate of return is to be determined
Rate of Return Discretion	The bank will have full discretion at all times to cancel distributions/payments to the bondholder
Exercise of Rate of Return Discretion	Any return payment will be distributed subject to having available distributable profit of the issuer
Payment of profit	<p>Annually, payment will be made end of calendar year</p> <p>Any payment will be made within 30 days of payment date after that late payment clause will be in effect</p>
Late Payment	Issuer shall pay a late payment penalty of 2% (two per cent) higher than the Coupon Rate and be payable on the amount not paid on the due date till the date of actual payment unless exercise of coupon discretion is not in effect.
Business Day Convention/Effect of Holidays	<ul style="list-style-type: none"> If any Coupon/ Interest Payment Date falls on a day that is not a Business Day, the payment shall be made by the Bank on the immediately succeeding Business Day. If the Call Option Due Date (also being the last Coupon Payment Date, in case Call Option is exercised) of the Bonds falls on a day that is not a Business Day, the Call

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

	Option Price shall be paid by the Bank on the immediately preceding Business Day along with interest accrued on the Bonds until but excluding the date of such payment.
Late Redemption	Not Applicable. Since the instrument is perpetual in nature i.e. there is no maturity date; late redemption is not applicable unless and until it is eligible for call option criteria.
Put Date	Not Applicable
Put Price	Not Applicable
Call Option	Can be exercised only after ten years of issuance, with prior approval from the Bangladesh Bank
Call Option Eligibility	<ol style="list-style-type: none"> 1. Replace this instrument with capital of the same or better quality that are sustainable for the income capacity of the Bank, or, 2. Capital position is above the minimum requirements after the call option is exercised
Claim Settlement in the event of Liquidation or Wind-up	<p>Claims of the investors on the bond are:</p> <ol style="list-style-type: none"> 1. Superior to the claims of investors in equity shares and perpetual non-cumulative preference shares, if any, of the bank whether currently outstanding or issued at any time in the future. 2. subordinated to the claims of depositors, general creditors and subordinated debt of the Bank other than any subordinated debt qualifying as Additional Tier 1 Capital (as defined in the Basel III Guidelines) of the Bank; 3. Is neither secured nor covered by a guarantee of the issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors <p>Notwithstanding anything to the contrary stipulated herein, the claims of the Bondholders shall be subject to the provisions of Loss Absorption in this terms and features.</p>
Loss Absorption	Any losses will be absorbed in the following manner: Conversion to common shares at pre-specified trigger point as needed to reach the minimum consolidated CET-1 ratio as per Bangladesh Bank requirement (Currently of 4.50%).
Loss Absorption Methodology	CET-1 on Trigger Date will be considered to identify the shortfall percentage and it will be converted into common shares eventually. If a fractional share issuance arises upon conversion, the issuer will round the number of shares issuable, up to the next whole number.
Trigger Point for Loss Absorption	If the bank's consolidated CET-1 falls below Bangladesh Bank requirement (Currently of 4.50%) and stays below for 03 (Three) successive quarters; then, the 3 rd quarter-end date of consecutive below-minimum CET-1 Ratio would be the Trigger-Point (date). Once the trigger point has been reached and exercised, the cycle will start again.


Kazi Sanjida Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Conversion Strike Price	Average of 180 business days market price prior to the trigger point or par value (currently BDT 10tk) whichever is higher.
Payment Suspension Methodology	In case of the event of exercise of Loss Absorption feature of the Bond, any coupon payment in between the Trigger Point and publication date of audited financials will be suspended. The bondholder will not be eligible for the coupon payment if the same situation prevails (Bank's consolidated CET-1 ratio remains below the regulatory requirement of 4.5%) after the publication of audited financials. In case of conversion on Trigger Point Condition, the portion that will be required to be converted, Coupon Payment will never resume back for that portion. The portion that shall not be converted, payment will resume from next coupon date for that non-converted portion, but subject to CET-1 Ratio remaining reaching 4.50% or above, and interest will be paid along with previous coupon for this portion. No penal/additional/delay fee shall be charged on the Issuer for the period when coupon(s) payments are suspended.
Events of Default	Not Applicable. It is further clarified that cancellation of discretionary payments/coupon shall not be deemed to be an event of default. The Bondholders shall have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation.
Common Equity Holders' Dividend Stopper Clause	Dividend Stopper Clause will be applicable to these Bonds and it will stop common equity holders' dividend payments on common shares in the event the holders of the Bonds are not paid coupon. In the event the holders of the Bonds are not paid coupon, they shall not impede the full discretion that Issuer has at all times to cancel distributions/payments on the Bonds, nor will they impede / hinder: (i) The Re-Capitalization of the Issuer. (ii) The Issuer's right to make payments on other instruments, where the payments on this other instrument were not also fully discretionary (iii) The Issuer's right to making distributions to shareholders for a period that extends beyond the point in time that coupon on the Bonds are resumed. The normal operation of the Issuer or any restructuring activity (including acquisitions/ disposals).
Transferability/Liquidity	Freely transferable in accordance with the provisions of the Deed of Trust.
Credit Rating of the Issue	A+ (Indicative) Publishing Date: May 09, 2021 Validity Date: November 08, 2021
Credit Rating of the Issuer	AA (Stable) Publishing Date: July 18, 2021 Validity of the rating: July 17, 2022


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Cost Related to the issue	Total Cost related to bond issuance is approximately BDT 2.50 crore for the initial year and approximately 7 lacs for subsequent period.
Governing Law	The Bonds are governed by and shall be construed in accordance with the existing laws of Bangladesh. Any dispute arising thereof shall be subject to the jurisdiction of courts of Bangladesh.

Rate of Return, Yield to Maturity, Coupon/Discount Rate:

Coupon Range: 6%-10% p.a. *subject to having available distributable profit.

Transferability/Liquidity:

The bond is freely transferable in accordance with the provisions of the Trust Deed.

Prepayment, Call, Refunding, Conversion Feature:

Perpetual bond is non-puttable, callable in Nature. The bond has a contingent convertible option available. Conversion to common shares at pre-specified trigger point as needed to reach the minimum consolidated CET-1 ratio as per Bangladesh Bank requirement (Currently of 4.50%).

Tax Features:

The Company and any income from the Bond for the investors will be according to the Laws of Bangladesh.

Enforcement of Charges over securities:

The Trustee shall enforce all payment obligations under the Bonds only by way of petitioning for the winding up or dissolution of the Issuer and/or by proving for the amount due and payable under the Bonds in the liquidation or administration of the Issuer. In the event of default by the Issuer in the performance or observance of any covenant, condition or provision contained in the Bond or the Trust Deed or any of the Issue Documents (save for failure to pay any amount of principal, coupon or expenses or in respect of any other payment obligation), (i) the Trustee or any Bondholder shall not be entitled to any remedy available to the Trustee or any Bondholder which in substance amounts to a remedy to recover any amounts under any payment obligation of the Issuer under the Bonds and (ii) any other remedy available.

Repayment Schedule:

As per BASEL III guideline (Annex IV: Special Eligibility Criteria to qualify for additional Tier I Capital), a) this instrument is perpetual in nature i.e. there is no maturity date and there are no set-ups or other incentives to redeem unless and until it is eligible for call option criteria depicted in features (5) section.

6. Description of Collateral Security and Type of Charges to be Created Against the Issue:

AIBL Mudaraba Perpetual Bond is superior to the claims of investors in equity shares and perpetual non-cumulative preference shares, if any, of the bank whether currently outstanding or issued at any time in the future and subordinated to the claims of depositors, general creditors and subordinated debt of the Bank other than any subordinated debt qualifying as Additional Tier 1 Capital (as defined in the Basel III Guidelines) of the Bank. It is

neither secured nor covered by a guarantee of the issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors.

7. Rights and Obligations of the Issuer:

Covenant to Repay

The Issuer covenants with the Trustee that it will, as and when the Bonds or any of the profit payment under the Bonds become due for payment or any principal on the Bonds or any of them becomes due to be repaid in accordance with the Conditions, unconditionally pay or procure to be paid to or to the order of the Trustee in Bangladesh Taka in Dhaka in immediately available freely transferable funds, the profit payments or the principal amount of the Bonds or any of them becoming due for payment, redemption or repayment on that date and shall (subject to the provisions of the Conditions) until all such payments (both before and after judgment or other order) are duly made unconditionally pay or procure to be paid to or to the order of the Trustee as aforesaid on the dates provided for in the Conditions profit on the principal amount of the Bonds or any of them outstanding from time to time as set out in the Conditions provided that:

- every payment of principal or profit in respect of the Bonds or any of them made to or to the account of the Paying Agent in the manner provided in the Agency Agreement shall satisfy, to the extent of such payment, the relevant covenant by the Issuer contained in this Clause except to the extent that there is default in the subsequent payment thereof to the Bondholders in accordance with the Conditions;
- if any payment of principal or profit in respect of the Bonds or any of them is made after the due date, payment shall be deemed not to have been made until either the full amount is paid to the Bondholders or, if earlier, the seventh day after notice has been given to the Bondholders in accordance with the Conditions that the full amount has been received by the Paying Agent or the Trustee except, in the case of payment to the Paying Agent, to the extent that there is failure in the subsequent payment to the Bondholders under the Conditions; and
- in any case where payment of the whole or any part of the principal amount due in respect of any Bond is improperly withheld or refused upon due presentation of a Mudaraba Bond Certificate, penalty shall accrue at applicable rate of 2.00 % p.a. for the Bond on the whole or such part of such principal amount from the date of such withholding or refusal until the date either on which such principal amount due is paid to the Bondholders or, if earlier, the seventh day after which notice is given to the Bondholders in accordance with the Conditions that the full amount payable in respect of the said principal amount is available for collection by the Bondholders provided that on further due presentation thereof such payment is in fact made.

The Trustee will hold the benefit of this covenant and the covenants in Clause 11.3 (Covenant to comply with Trust Deed, Conditions, Schedules, and Agency Agreement) and Clause 11.4 (Covenants by the Issuer) on trust for the Bondholders.

Covenant to comply with Trust Deed, conditions, Schedules, Agency Agreement and applicable law

The Issuer hereby covenants with the Trustee to comply with, perform and observe all those provisions of the Trust Deed, the Agency Agreement, the Conditions (including, without limitation, Condition 5


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

(Covenants)) and the other Schedules which are expressed to be binding on it and to perform and observe the same. The Bonds are subject to the provisions contained in the Trust Deed, all of which shall be binding upon the Issuer and the Bondholders and all persons claiming through or under them respectively. The Bondholders and all persons claiming under or through them respectively will also be entitled to the benefit of, and will be bound by, the Trust Deed and the other Bond Documents and will be deemed to have notice of all of the provisions of the Bond Documents applicable to them.

The Issuer hereby covenants with the Trustee to comply with, perform and observe all those provisions of the applicable law including but is not limited to The Securities and Exchange Commission (Private Placement of Debt Securities) Rules 2021. The Issuer agrees that Bondholders and all persons claiming under or through them respectively will also be entitled to the benefit of, and will be bound by, the applicable law and will be deemed to have notice of all of the provisions of the applicable law applicable to them.

The Trustee shall itself be entitled to enforce the obligations of the Issuer under the Bonds and the Conditions and the applicable law as if the same were set out and contained in the Trust Deed which shall be read and construed as one document with the Bonds.

Covenants by the Issuer

The Issuer hereby covenants with the Trustee that, so long as any of the Bonds remain outstanding, it will:

Books of account

At all times keep and procure that all its Subsidiaries keep such books of account as may be necessary to comply with all applicable laws and so as to enable the financial statements of the Issuer to be prepared and allow, subject to confidentiality obligations under applicable law, the Trustee and any person appointed by it free access to the same at all reasonable times and to discuss the same with responsible officers of the Issuer;

Event of Default

Give notice in writing to the Trustee forthwith upon becoming aware of any Event of Default and without waiting for the Trustee to take any further action;

Corporate Governance

Comply (and shall ensure that each member of the Group will) in all material respects with the corporate governance guidelines set out by the Bangladesh Bank and the Bangladesh Securities and Exchange Commission.

Information

So far as permitted by applicable law, at all times give to the Trustee such information, opinions, certificates and other evidence as it shall require and, in such form, as it shall require in relation to Issuer for the performance of its obligations under the Bond Documents;

Execution of further Documents


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

So far as permitted by applicable law, at all times execute all such further documents and do all such further acts and things as may be necessary at any time or times in the opinion of the Trustee to give effect to the provisions of the Trust Deed;

Notices to Bondholders

Send or procure to be sent to the Trustee not less than 5 (five) business days prior to the date of publication, one copy of each notice to be given to the Bondholders in accordance with the Conditions and, upon publication, send to the Trustee two copies of such notice;

Notification of non-payment

Notify the Trustee forthwith in the event that it does not, on or before the due date for payment in respect of the Bonds or any of them, pay unconditionally the full amount in the relevant currency of the moneys payable on such due date on all such Bonds;

Notification of late payment

In the event of the unconditional payment to the Trustee of any sum due in respect of the Bonds or any of them being made after the due date for payment thereof, forthwith give notice to the Bondholders that such payment has been made;

Notification of Call Exercise Date

Not less than 30 (thirty) days prior to the Call Exercise Date in respect of any Bond, give to the Trustee notice in writing of the amount of such redemption or purchase pursuant to the Conditions and duly proceed to redeem or purchase such Bonds accordingly;

Obligations of Agents:

Observe and comply with its obligations and use all reasonable endeavors to procure that the Agents observe and comply with all their obligations under the Agency Agreement; maintain the Register; and notify the Trustee immediately it becomes aware of any material breach of such obligations, or failure by any Agent to comply with such obligations, in relation to the Bonds;

Authorized Signatories

Upon the execution hereof and thereafter forthwith upon any change of the same, deliver to the Trustee a list of the Authorized Signatories of the Issuer, together with certified specimen signatures of the same; and

Payments

Pay moneys payable by it to the Trustee hereunder without set off, counterclaim, deduction or withholding, unless otherwise compelled by laws of the land.


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

8. Rights and Obligations of the Trustee:

Trustee's Rights

Applicable Law: Notwithstanding anything contained in the Trust Deed the Trustee shall have all such rights and powers granted to it under the applicable law including but is not limited to The Securities and Exchange Commission (Private Placement of Debt Securities) Rules 2021 together with all its amendment, modification or ratification thereof.

Advice: The Trustee may in relation to the Trust Deed act on the opinion or advice of or a certificate or any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant or other expert (whether obtained by the Trustee, the Issuer, or any Subsidiary) and which advice or opinion may be provided on such terms (including as to limitations on liability) as the Trustee may consider in its sole discretion to be consistent with prevailing market practice with regard to advice or opinions of that nature and shall not be responsible for any Liability occasioned by so acting; any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, telex, cablegram or facsimile transmission. However, the trustee should also perform the standard due diligence process in case of receipt of any advice, whatever means the communication form either print or electronic, in relation to the issuance of the bond;

Resolution or direction of Bondholders: the Trustee shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any meeting of the Bondholders in respect whereof minutes have been made and signed or a direction of a specified percentage of Bondholders, even though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution or the making of the directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the making of the directions was not valid or binding upon the Bondholders;

Trustee not responsible for investigations: save as otherwise provided by applicable law, the Trustee shall not be responsible for, or for investigating any matter which is the subject of, any recital, statement, representation, warranty or covenant of any person contained in the Trust Deed, the Bonds, or any other agreement or document relating to the transactions herein or therein contemplated or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof;

Entry on the Register: the Trustee shall not be liable to the Issuer or any Bondholder by reason of having accepted as valid or not having rejected any entry on the Register later found to be forged or not authentic and can assume for all purposes in relation hereto that any entry on the Register is correct;

Event of Default

At any time after any Event of Default shall have occurred, the Trustee may:

by notice in writing to the Issuer, the Paying Agent and the other Agents, require the Paying Agent and the other Agents or any of them, until notified by the Trustee to the contrary:

to act thereafter as agents of the Trustee under the provisions of the Trust Deed on the terms provided in the Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out of pocket


Kazi Sanjaria Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

expenses of the Agents shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Deed in relation to the Bonds on the terms of the Trust Deed and available to the Trustee for such purpose) and thereafter to hold all Mudaraba Bond Certificates and all sums, documents and records held by them in respect of Bonds on behalf of the Trustee; and/or

to deliver up all Mudaraba Bond Certificates and all sums, documents and records held by them in respect of Bonds to the Trustee or as the Trustee shall direct in such notice provided that such notice shall be deemed not to apply to any document or record which the relevant Agent is obliged not to release by any law or regulation; and

by notice in writing to the Issuer, require it to make all subsequent payments in respect of Bonds to or to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn, sub-clause 11.1.1 of Clause 11.1 (Covenant to Repay) and (so far as it concerns payments by the Issuer) Clause 18.2 (Payment to Bondholders) shall cease to have effect.

Right to Deduct or Withhold: notwithstanding anything contained in the Trust Deed, to the extent required by any applicable law, if the Trustee is or will be required to make any deduction or withholding from any distribution or payment made by it hereunder or if the Trustee is or will be otherwise charged to, or is or may become liable to, tax as a consequence of performing its duties hereunder whether as principal, agent or otherwise, and whether by reason of any assessment, prospective assessment or other imposition of liability to taxation of whatsoever nature and whenever made upon the Trustee, and whether in connection with or arising from any sums received or distributed by it or to which it may be entitled under the Trust Deed (other than in connection with its remuneration as provided for herein) or any investments or deposits from time to time representing the same, including any income or gains arising therefrom or any action of the Trustee in connection with the trusts of the Trust Deed (other than the remuneration herein specified) or otherwise, then the Trustee shall act to make such deduction or withholding as per the prevailing laws of the land.

Liability: Under no circumstance will the Trustee be liable for any special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to loss of business, goodwill, opportunity or profit), whether or not foreseeable, even if the Trustee has been advised of such loss or damage and regardless of whether the claim for loss or damage is made in negligence, for breach of contract or otherwise. This Clause shall survive the termination or expiry of the Trust Deed or the removal or termination of the Trustee.

Force Majeure: The Trustee shall not be liable for any failure or delay in the performance of its obligations under the Trust Deed or any other Bond Document because of circumstances beyond such Trustee's control, including, without limitation, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, embargo, labor disputes, any laws, ordinances, regulations or the like which restrict or prohibit the performance of the obligations contemplated by the Trust Deed or any other Bond Document, inability to obtain or the failure of equipment, or interruption of communications or computer facilities, and other causes beyond such Trustee's control whether or not of the same class or kind as specifically named above.

Immunities: The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under the Trust Deed shall extend to the Trustee's officers, directors and employees. Such immunities and protections and right to indemnification, together with


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the defeasance or discharge of the Trust Deed and final payment of the Bonds.

Professional charges: any trustee being a banker, lawyer, broker or other person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business transacted and acts done by him or his partner or firm on matters arising in connection with the trusts of the Trust Deed and also his properly incurred charges in addition to disbursements for all other work and business done and all time spent by him or his partner or firm on matters arising in connection with the Trust Deed, in each case as agreed pursuant to the Fee Letter (including matters which might or should have been attended to in person by a trustee not being a banker, lawyer, broker or other professional person). In this connection prior approval from the Issuer should be obtained by the Trustee.

Expenditure by the Trustee: nothing contained in the Trust Deed shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it, subject to prior approval from the Issuer; and

Restriction on financial transactions with the Issuer: The Trustee and its directors and officers shall be precluded from making any contracts or entering into any transactions ("Other Business") with the Issuer which would place its fiduciary duties towards the Bondholders in conflict with its rights and obligations in such Other Business.

Trustee Liability: The Trustee shall not be liable to any person for any matter or thing done or omitted in any way in connection with or in relation to the Trust Deed or the Bonds save in relation to its own gross negligence, wilful default or fraud.

Right to Sue: The Trustee may sue and may be sued on behalf of the Bondholders.

Trustee's powers and duties

Applicable Law: Notwithstanding anything contained in the Trust Deed the Trustee shall have all such responsibility as set out in the applicable law including but is not limited to The Securities and Exchange Commission (Private Placement of Debt Securities) Rules 2021.

Act for Bondholders: Subject to applicable law and terms and conditions of the Trust Deed the Trustee shall act on behalf and for the exclusive interest of the Bondholders;

Monitoring: Trustee shall ensure that Issuer is observing the applicable law for the Bonds and the terms and conditions of the Bond Documents. As soon as the Trustee is aware of any breach by the Issuer it shall immediately inform the Bondholders and the Issuer of such breach;

Report to BSEC: Trustee shall submit an annual compliance report to the BSEC on the activities of the Issuer including repayment of dues to the Bondholders. When Trustee shall submit such report to the BSEC it shall provide copy to the Issuer and the Bondholders. However, in case of any non-compliance of the Issuer, the trustee shall first provide a copy of the report to the Issuer with details of such non-compliance and then submit to the BSEC;


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office Dhaka


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Notification of call or repayment: immediately upon receipt of notice from the Issuer regarding a Call Exercise Date in respect of any Bond, give to the respective Bondholders notice in writing of the amount of such redemption or purchase by the Issuer pursuant to the Conditions;

Grievances of the Bondholders: Upon receipt of a complaint from the Bondholders Trustee shall take necessary steps for redress of grievances of the Bondholders within one month of the date of receipt of the complaints and he shall keep the BSEC and the Issuer informed about the number, nature and other particulars of the complaints received and the manner in which such complaints have been redressed;

Trustee's determination The Trustee may determine whether or not a default in the performance or observance by the Issuer of any obligation under the provisions of the Trust Deed or contained in the Bonds is capable of remedy and if the Trustee shall certify that any such default is, in its opinion, not capable of remedy, such certificate shall be conclusive and binding upon the Issuer and the Bondholders;

Determination of questions: the Trustee as between itself and the Bondholders shall have full power to determine all questions and doubts arising in relation to any of the provisions of the Trust Deed and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee, shall be conclusive and shall bind the Trustee and the Bondholders;

Trustee's discretion: the Trustee shall (save as expressly otherwise provided herein) as regards all the trusts, powers, authorities and discretions vested in it by the Trust Deed or by operation of law, have absolute and uncontrolled discretion as to the exercise or non-exercise thereof but whenever the Trustee is under the provisions of the Trust Deed bound to act at the request or direction of the Bondholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing;

Trustee's consent: any consent given by the Trustee for the purposes of the Trust Deed may be given on such terms and subject to such conditions (if any) as the Trustee may require;

Application of proceeds: the Trustee shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Bonds or the delivery of any Mudaraba Bond Certificates to the Bondholders;

Error of judgment: the Trustee shall not be liable for any error of judgment made in good faith by any officer or employee of the Trustee assigned by the Trustee to administer its corporate trust matters;

Agents: Subject to the provisions of the Trust Act 1882 and The Securities and Exchange Commission (Private Placement of Debt Securities) Rules 2021, the Trustee may, in the conduct of the trusts of the Trust Deed instead of acting personally, employ and pay an agent on any terms, whether or not a lawyer or other professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee (including the receipt and payment of money) with the consent of Issuer and the Trustee shall be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it hereunder or be bound to supervise the proceedings or acts of any such person provided that the Trustee had exercised reasonable care in the appointment of such person;

Kazi Sanjana Haque
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Confidential information: the Trustee shall not (unless required by law or ordered so to do by a court of competent jurisdiction) be required to disclose to any Bondholder confidential information or other information made available to the Trustee by the Issuer in connection with the Trust Deed and no Bondholder shall be entitled to take any action to obtain from the Trustee any such information.

Determination of Profit Rate: the Trustee shall determine Applicable Profit Rate in accordance with Condition of the Bond.

Exercise of Discretion

Notwithstanding anything in the Trust Deed to the contrary, the Trustee shall not be obliged to exercise or consider exercising any discretion or consider making or make any determination (including, without limitation, any determination as to whether any fact or circumstance or activity or thing is material or substantial or complies with some such similar quantitative standard) or to consider taking or take any action whatsoever in connection with or under or pursuant to the Bonds unless directed to do so by the holders of not less than 66 2/3 percent in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of Bondholders.

The Trustee will be responsible for any loss, expense, damage, claim, cost, charge or liability which may be suffered as a result of any exercise or non-exercise of a discretion or the making or failure to make any determination or the taking or failure to take any action by the Trustee, acting on the directions of the Bondholders as aforesaid or pending the provision of such a direction.

9. Rights and Obligations of the Eligible Investors (Bondholders):

Each investor (Bondholder) shall enter into a separate Subscription Agreement with the Issuer and shall be bound by the terms and conditions contained in such Subscription Agreement containing in details the rights and obligations of the investors, and which shall be an integral part of the Trust Deed.

The rights of the Bondholder are several and any debt or other obligation arising under the Subscription Agreement at any time from the Issuer to any other Bondholder(s) shall be a separate and independent debt. Each Bondholder will be entitled to protect and enforce its individual rights independently of any other Bondholder and it shall not be necessary for any other Bondholder(s) to be joined as an additional party in proceedings for such purpose.

Each Bondholder has the right to demand information from the Issuer as set out in the Trust Deed and the Condition attached in Schedule 1 Part B (Terms and Conditions of the Bonds).

Each Bondholder has the right to receive profit on the Bond on the Profit Payment Date as set out in the Condition attached in Schedule 1 Part B (Terms and Conditions of the Bonds).

Each Bondholder has the right to attend meeting of the Bondholders and vote therein in accordance with Condition 12 (Meetings of Bondholders, Modification, Waiver and Substitution).


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

The Issuer shall fully indemnify the Bondholder(s) from and against any expense, loss, damage or liability which any of them may incur as per provisions of the Trust Deed in connection with the enforcement, protection or preservation of any right or claim of the Bondholders under the Transaction Documents.

10. Rights and Obligations of the Issue Manager(s):

The ISSUE MANAGERS jointly warrant and represent to ISSUER that-

The ISSUE MANAGERS are valid and legally constituted companies and have obtained all necessary and requisite licenses, approvals, and permits (as the case may be) from the Bangladesh Securities and Exchange Commission (BSEC) and any other authorities/agencies concerned to carry on the business as Manager to Issue with regard to the Issue Management.

The ISSUE MANAGERS will provide all the Services in accordance with the requirement of the law, especially in strict compliance to the Bangladesh Securities and Exchange laws, regulations, notifications, and directions issued from time to time prior to and on the date of the PUBLIC OFFER, the Companies Act, the Listing Rules, etc.

The ISSUE MANAGERS shall issue a Due Diligence Certificate in favor of ISSUER to execute PUBLIC OFFER in compliance with the "Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021" only upon the ISSUE MANAGER's satisfaction on independent verification of different papers, reports, documents and other material facts and disclosures to evaluate authenticity and integrity of the Company through several discussions with the officials and Directors of ISSUER.

The ISSUE MANAGERS will take all possible precautions, care and exert the best of its expertise, skills, and services for the PUBLIC OFFER.

The ISSUE MANAGERS shall keep a record for the next 5 (five) years after PUBLIC OFFER approval for any inspection or queries by the Commission as per the guideline of "Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021".

The ISSUE MANAGERS shall have the power to engage/appoint any co-Issue Manager without any additional cost burden and with the written consent of ISSUER.

The ISSUE MANAGERS shall ensure its competence for approval but extent any guarantee from the regulator which is beyond its control.


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudul Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

11. Rights and Obligations of the Underwriter:

As per guideline of Bangladesh Securities and Exchanges Commission (Debt Securities) Rules, 2021 at least twenty percent (20%) of the public issue of any securities made under these rules have to be underwritten on a firm commitment basis by the underwriter(s) i.e. **BDT 100,000,000/- (BDT 10 Crore only)** shall have to be underwritten on a firm commitment basis by the underwriters, subject to the terms stated below:

- The underwriter may also use best efforts for selling securities to any institutional investor or eligible investor;
- The unsubscribed portion of securities up to the commitment shall be subscribed by the underwriter itself or selling of any portion of unsubscribed securities to any institutional investor or eligible investor under best efforts to fulfil the commitment;
- The IPO shall stand cancelled in case of under-subscription above fifty percent (50%).

12. Description of the Issuer: Al Arafah Islami Bank Limited:

Al- Arafah Islami Bank Limited was (hereafter referred as "AIBL" or "the company") incorporated in Bangladesh as a public limited company in 1995 to carry on private banking business. The authorized capital of the bank is BDT Tk. 15,000,000,000 and the paid-up capital is BDT Tk. 10,649,021,850 as on December 31, 2020. 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.

Vision:

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

Mission:

Achieving the satisfaction of Almighty Allah both here and hereafter.

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


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka


Kazi Sanjana Faufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Commitments:

- Ours is a customer focused modern Islamic Banking with sound and steady growth in both deposit mobilization and making quality Investment to keep our position intact as a leading Islami Bank in Bangladesh.
- To deliver financial services with the touch of our heart to retail, small and medium scale enterprises, as well as corporate clients through our branches across the country.
- To always align our business initiatives with the ever changing industrial and business needs of the clients.
- To deliver product and services that creates value for the customers.
- To conduct our business within well-defined risk tolerance level.

12.1 Capital Structure of Al-Arafah Islami Bank Limited:

Al Arafah Islami Bank Ltd., the Issuer of the AIBL Perpetual bonds, is a Shariah compliant islamic bank and like other islamic banks its capital structure comprises shareholder's equity, deposits and other liabilities.

- Authorized Capital: **BDT 15,000,000,000**
- Paid-up Capital: **BDT 10,649,021,850**

Liabilities and Capital		
Particulars	As on 31st December, 2020	
	% of Total Asset	
LIABILITIES		
Placement from other Banks & Financial Institutions	24,000,477,831	5.74
Deposits and Other Accounts		
Mudaraba Savings Deposits	54,879,126,373	13.12
Mudaraba Term Deposits	164,009,495,781	39.21
Other Mudaraba Deposits	66,743,970,036	15.96
Al-Wadeeah Current & Other Deposit Accounts	37,331,437,580	8.92
Bills Payable	3,059,381,492	0.73
	<u>326,023,411,262</u>	77.94
Mudaraba Subordinated Bond	11,200,000,000	2.68
Other Liabilities	31,485,714,465	7.53
Deferred Tax Liabilities/ (Assets)	133,204,157	0.03
Total Liabilities	<u>392,842,807,715</u>	93.91
Capital/Shareholders' Equity		
Paid-up Capital	10,649,021,850	2.55
Statutory Reserve	10,334,627,824	2.47
Revaluation Reserve	1,084,326,967	0.26
Retained Earnings	1,732,137,218	0.41
Total Capital/Shareholders' Equity	<u>23,800,113,859</u>	5.69
Non-controlling Interest	1,655,730,853	0.40

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Total Equity	25,455,844,712	6.09
Total Liabilities & Capital/Shareholders' Equity	418,298,652,427	100

Shareholding Structure:

Description	2020	2019
	No. of Shares	No. of Shares
Sponsors / Promoters	445,921,227	442,370,858
Institution	233,005,304	252,897,318
General Public	385,975,654	369,634,009
Total	1,064,902,185	1,064,902,185

Minimum Capital Requirement Capital adequacy Ratio:

Particulars	2020	2019
Tire I (Core Capital)	22,159,131,192	21,066,676,076
Tier II (Supplementary Capital)	14922600001	9,735,777,000
Total Eligible Capital	37,081,731,193	30,802,453,076
Total Risk Weighted Asset	242,083,778,518	221,854,124,080
Capital to Risk-weighted Asset Ratio (CRAR)	15.32%	13.88%
Core Capital to RWA	9.15%	9.50%
Supplementary Capital To RWA	6.16%	4.39%

12.2 Business of Al-Arafah Islami Bank Limited:

Al-Arafah Islami Bank Limited was established in 1995 under the Companies Act, 1994 as a Banking Company with Limited Liability by shares. It is an interest free Shariah Bank of Bangladesh rendering all types of commercial banking services under the regulation of Bank Company Act, 1991. The Bank conducts its business on the principles of Musharaka, Bai-Murabaha, Bai-Muazzal and Hire Purchase transactions approved by Bangladesh Bank. Naturally, its modes and operations are substantially different from those of other conventional commercial banks. There is a Shariah Supervisory Committee in the bank who maintains constant vigilance to ensure that the activities of the bank are being conducted on the precepts of Islam. The Shariah Supervisory Committee consists of prominent Ulema, reputed Bankers, renowned Lawyers and eminent Economists. The Bank went for public issue of share in the year 1998 and its share are listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). Presently, the bank has 182 Branches and 2 (two) Subsidiary Companies.

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

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Subsidiaries of the Bank:

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

AIBL Capital Market Services Limited:

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

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

AIBL Capital Management Limited:

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

12.3 Board of Directors of Al-Arafah Islami Bank Limited:

Sl No	Name of the Board Member	Designation
1.	Alhajj Abdus Samad	Chairman, Board of Directors
2.	Alhajj Mohammad Abdus Salam	Vice Chairman, Board of Directors
3.	Alhajj Nazmul Ahsan Khaled	Director
4.	Alhajj Abdul Malek Mollah	Director
5.	Alhajj Md. Enayat Ullah	Vice Chairman, Executive Committee
6.	Jb. Badiur Rahman	Chairman, Risk Management Committee
7.	Alhajj Ahamedul Hoque	Director
8.	Alhajj Abu Naser Md. Yeahea	Director
9.	Alhajj Niaz Ahmed	Director
10.	Alhajj Mohammed Emadur Rahman	Director
11.	Alhajj Engr. Khandaker Mesbah Uddin	Director
12.	Alhajj Mohammed Haroon	Director
13.	Alhajj Liakat Ali Chowdhury	Director
14.	Alhajj Salim Rahman	Chairman, Executive Committee
15.	Alhajj Md. Anowar Hossain	Director
16.	Alhajj Md. Harun-Ar-Rasid Khan	Nominee Director
17.	Jb. Md. Rafiqul Islam	Director
18.	Alhajj Md. Amir Uddin PPM	Independent Director


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

19.	Jb. M. Kamal Uddin Chowdhury	Independent Director
20.	Jb. Mahbubul Alam	Independent Director & Chairman, Board Audit Committee
21.	Farman R Chowdhury	Managing Director

Company Secretary

Sl. No.	Name	Designation
1.	Md. Mahmudur Rahman	DMD & Company Secretary

Executive Committee:

Sl No.	Name	Designation
1.	Alhajj Salim Rahman	Chairman
2.	Hafez Alhaji Md. Enayet Ullah	Vice Chairman
3.	Alhajj Aby Naser Mohammad Yeahea	Member
4.	Alhajj Mohammad Abdus Samad	Member
5.	Alhajj Liakat Ali Chowdhury	Member
6.	Alhajj Md. Anowar Hossain	Member
7.	Alhajj Md. Harun-Ar-Rashid Khan	Member

Board Audit Committee:

Sl No.	Name	Designation
1.	Jb. Mahbubul Alam	Chairman
2.	Alhajj Nazmul Ahsan Khaled	Member
3.	Alhajj Abdul Malek Mollah	Member
4.	Alhajj Niaz Ahmed	Member
5.	Jb. Md. Amir Uddin PPM	Member

Risk Management Committee:

Sl No.	Name	Designation
1.	Jb. Badiur Rahman	Chairman
2.	Alhajj Ahmedul Hoque	Member
3.	Alhajj Engr. Khandekar Mesbah Uddin Ahmed	Member
4.	Jb. Md. Rafiqul Islam	Member
5.	Jb. M Kamal Uddin Chowdhury	Member

Shariah Supervisory Committee:

Sl No.	Name	Designation
1.	Mufti Sayeed Ahmad Muzaddedi	Chairman
2.	Mufti Muinul Islam	Member
3.	Mufti Shahed Rahmani	Member
4.	Mawlana Mohammad Abdul Hai Nadvi	Member
5.	Mohammad Abdul Hossain Al- Azhari	Member
6.	Alhajj AZM Shamsul Alam	Member


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

7.	Al-Hajj Abdus Samad	Member (By Holding of Position)
8.	Md. Abdur Rahim Khan	Secretary

12.4 Management of Al Arafah Islami Bank Limited:

Management Team:

Farman R Chowdhury **Managing Director**

Farman R Chowdhury has joined Al-Arafah Islami Bank Limited, one of the largest Shariah-based Bank of the country as Managing Director & CEO. Prior to his joining, he was the managing director & CEO of Shahjalal Islami Bank Limited and ONE Bank Limited and served there for 5 years and 6 years respectively.

Chowdhury started his banking career in October 1986 as a management trainee in American Express Bank and served there for 12 years in various capacities. Later, he joined ONE Bank Ltd in July 1999 as its first branch manager and served there up to July 2013 including holding the position of managing director for six years. He carries with him vast experience in banking operation especially in credit and marketing functions. He received trainings in Banking and Finance at home and abroad and attended many seminars, workshops and symposiums relating to Banking and Finance. Farman R Chowdhury holds MBA degree from IBA of the University of Dhaka.

Shahab Uddin Mohd. Jaffar **Deputy Managing Director**

Shahab Uddin Mohd. Jaffar started his Banking career in Arab Bangladesh Bank Limited as Trainee Officer (on Probation) in 1985 and served in different capacities at Branches and Head Offices of different Banks and FIs. He joined in Al-Arafah Islami Bank Limited on 17.01.2016 as Deputy Managing Director.

Shabbir Ahmed **Deputy Managing Director**

Mr. Shabbir Ahmed started his banking career in 1989 as a Probationary Officer in Bank of Small Industries and Commerce Bangladesh Ltd. (BASIC). Later on, he worked in important positions at IFIC Bank Ltd., Dutch-Bangla Bank Ltd., American Express Bank Ltd., The City Bank Ltd. and National Housing Finance & Investments Ltd.

He carries with him vast experience in banking operation especially in credit and marketing functions. He received trainings in Banking and Finance at home and abroad and attended many seminars, workshops and symposiums relating to Banking and Finance. Mr. Shabbir Ahmed holds M.S.S. and B.S.S. Degree from the Department of Economics of University of Dhaka.


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Md. Shafiqur Rahman
Deputy Managing Director

Mr. Shafiqur Rahman started his banking career by joining as Probationary Officer in Islami Bank Bangladesh Limited. In the span of his spectacular banking career, Md. Shafiqur Rahman was Manager of Sadarghat Branch, Farmgate Branch & Local Office of the bank. He also was the Head of Sylhet Zone, Dhaka Zone, ICT Wing & International Banking Wing of his previous organization.

He received training in Banking and Finance at home and abroad and attended many seminars, workshops, and symposiums during his career. He traveled Germany, Singapore, Malaysia, Hong Kong, China & India for professional purpose. He was awarded by the bank several times for his outstanding performance on Deposit Mobilization, Investment Recovery, and International Banking Operations during his career. He also achieved professional degrees of DAIBB and Diploma in Islamic Banking.

Md. Shafiqur Rahman has joined at Al-Arafah Islami Bank Limited as Deputy Managing Director on 16 April 2019.

Syed Masodul Bari
Deputy Managing Director

Syed Masodul Bari has recently been promoted to deputy managing director (DMD) of Al-Arafah Islami Bank Ltd. Prior to the promotion he has been serving as Senior Executive Vice President and Chief Technology Officer of the bank.

Mr. Bari started his banking career with Sonali Bank Limited as a Probationary Officer and later he joined AIBL on June 2000. In his 25 year banking career, he led AIBL to launch online banking services with the help of fully domestic technology. He post-graduated in Computer Science and completed MBA major in Finance. Mr. Bari has completed professional certificate courses from Oracle CISCO & IBM and participated so many training programs in home and abroad. He is the founder general secretary of CTO Forum and is currently the Vice President.

Md. Mahmudur Rahman
Deputy Managing Director

Md. Mahmudur Rahman has recently been promoted to deputy managing director (DMD) of Al-Arafah Islami Bank Ltd. Prior to the promotion he has been serving as Senior Executive Vice President and Company Secretary of the bank.

Mr. Rahman was born in noble Muslim family in Mehari under Kosba upazila of Bramhanbaria. He obtained his graduate and post graduate degrees from Department of Political Science of Dhaka University. He started banking career in 1988 by joining Grameen Bank. He joined AIBL in 1999 and served the bank as Company Secretary from 2001 to 2004. He joined First Security Islami Bank in 2006 and worked in various important positions of the bank till October 2017. He joined as Company Secretary again in AIBL on November 2017. Mr. Rahman received training in Banking and Finance and attended many local and international conferences, seminars, trainings & business development programs in different countries viz. Hong Kong and Bahrain. He is specially trained in Islamic banking and micro investment activities.

Kazi Samana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Muhammed Nadim FCA
Deputy Managing Director

Mohammed Nadim has recently been promoted to deputy managing director (DMD) of Al-Arafah Islami Bank Ltd. Prior to the promotion Mohammed Na0im has been serving as Senior Executive Vice President and Chief Financial Officer (CFO).

Muhamme0 Nadim started his banking carrier with Al-Arafah Islami Bank Ltd as CDO in 2004. He obtained Chartered Accountant degree in 2003 from The Institute of Chartered Accountants of Bangladesh (ICAB) with article-ship from Rahman Rahman Huq Chartered Accountants. Muhammed Nadim, FCC obtained his graduate and postgraduate degree from the Department of Accounting of Dhaka University. Along with professional knowledge he has sound banking knowledge which is enriched by many local and international conferences seminars, and training.

Abed Ahmed Khan
Deputy Managing Director

Abed Ahmed Khan has recently been promoted to deputy managing director (DMD) of Al-Arafah Islami Bank Ltd. Prior to the promotion Abed Ahmed Khan has been serving as Senior Executive Vice President and Head of Agent Banking Division,

Abed Ahmed Khan started his banking career in 1988 by joining Grameen Bank as a probationary officer. He joined Al- Arafah Islami Bank in February 2001. He held an important position in various departments including Human Resources Division Investment Division especially in SME investment. He played a special role in the beginning of Agent Banking activities in the bank in 2015 and since then he has been working as the head of the division. He obtained his postgraduate degree from the Department of Sociology of Chattogram University. Abed Ahmed than received training in Banking and Finance and attended many local and international conferences, seminars training 8 business development programs and visited India, Malaysia, Thailand, Dubai, and Myanmar.

Md. Abdullah Al Mamun
Deputy Managing Director

Abdullah Al Mamun has recently been promoted to deputy managing director (DMD) of Al-Arafah Islami Bank Ltd. Prior to the promotion Md. Abdullah Al Mamun has been serving as Senior Executive Vice President and Manager of Molijheel Branch of the Bank.

Md. Abdullah Al-Mamun born in a noble Muslim family of Helencha under Sod or Upazila of Jamalpur. He obtained his graduate and postgraduate degree from the University of Dhaka. He started his banking career as Probationary Officer in 1898 at AL Arafah Islami Bank Ltd. He worked at General banking, Investment & International Business Wing of different branches of the bank till 2006. Latter He performed as Manager of Uttara Model Town Branch and Dilkusha Branch. Availing study leaves in 2013, he has completed post-graduation in Financial Plannin9 from The Cerrtenial College School of Business at Toronto in Canada and joined the bank in 2014 again. Since 2015 he has been performing as Manager of Motijheel Branch. Abdullah Al Mamun received training in Banking and Finance and attended many local


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raifan Ali PCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

and international conferences seminars, training. He visited USA, Canada, Singapore. and many other countries of Asia and Europe.

12.5 Profile of Directors of Al-Arafah Islami Bank Limited:

Alhajj Abdus Samad

Chairman, Board of Directors

Mr. Abdus Samad was born on the 31st August of 1967 in a respectable Muslim family. Mr. Abdus Samad contributed to the growth of the Bank from various position of Board. He has been selected as the chairman of the bank in its 291th board meeting on 27.04.2016. Alhajj Abdus Samad Labu is one of the founder directors of Al-Arafah Islami Bank Ltd. He is the Vice Chairman of S. Alam Group, one of the largest industrial groups of the country. He is the chairman of S. Alam Cold Rolled Steels Ltd. Mr. Samad is also the founder director of Northern General Insurance Ltd. and Reliance Finance Investments Ltd. He also is the Vice Chairman of Ekushey Television (ETV), a leading satellite TV channel of the country.

Mr. Abdus Samad is a great humanitarian who is involved in many social welfare and philanthropic activities. He is an executive member of Baitus Saraf Foundation and Chittagong Samity Dhaka. Beside these, Mr. Abdus Samad is associated with many social and welfare organizations.

Alhajj Mohammad Abdus Salam

Vice chairman

Mr. Abdus Salam was born on the 31st December of 1964 in a respective Muslim family. Mr. Abdus Salam contributed to the growth of the Bank from various position of Board. As an entrepreneur, he is actively associated with Mir Pulp & Paper Industries Limited, Mir Filling Station Limited, Karnafuly Filling Station Limited, AIBL Capital Market Services Limited, M/s Hajee Mir Ahmed Sowdagar, M/s M.A. Salam & Co. Mr. Mohammad Abdus Salam is a successful businessman and entrepreneur in Bangladesh. He is the Managing Director/CEO of Mir Pulp & Paper Industries Limited, Mir Filling Station Limited and M/S. Hajee Mir Ahmed Sowdagar & Mir Banaspati Ltd.

He is also Director of Karnafuly Filling Station Limited and AIBL Capital Market Services Limited and proprietor of M/s M.A. Salam & Co. Beside these, Mr. Abdus Salam is associated with many social and welfare organizations.

Alhajj Nazmul Ahsan Khaled

Director

Nazmul Ahsan Khaled was born on the 10th April of 1940 and brought up in a respectable Muslim family. He obtained B.Sc. in Engineering from BUET in 1963. Nazmul Ahsan Khaled contributed to the growth of the Bank from various position of Board. Mr. Nazmul Ahsan Khaled is a successful businessman and entrepreneur in Bangladesh. He is the managing director of Moonlight Garments Limited, Ehsan Garments Limited, Khaled Shipping Lines Limited, Engineers Enterprise Limited, Nourish Poultry and Hatchery Limited, Nourish Agro Limited, Telnet Communication Limited, Nourish Grand Parents Limited, Nourish

Feeds Limited and director of Mohammadi Navigation Limited and AIBL Capital Market Services Limited. Beside these, Mr. Nazmul Ahsan Khaled is associated with many social and welfare organizations.

Alhaji Abdul Malek Mollah
Director

Abdul Malek Mollah was born on the 6th May of 1942 in a respectable Muslim family. He contributed to the growth of the Bank from various position of Board. He is a renowned businessman of the country. He is the founder member of University of Asia Pacific, Bangladesh Islami University. He was the founder member of Green University of Bangladesh. He is also the donor/founder of many Schools, Colleges, Mosques and Madrasahs. As an entrepreneur, he is actively associated with The Mollah Trading Limited and AIBL Capital Market Services Limited. Alhaji Abdul Malek Mollah is a successful businessman.

He is the managing director of The Mollah Trading Limited and director of AIBL Capital Market Services Limited. Beside these, Alhaji Abdul Malek Mollah is associated with many social and welfare organizations.

Alhaji Md. Enayet Ullah
Vice Chairman, Executive Committee

Hafez Alhaji Md. Enayet Ullah was born on the 15th August of 1956 in a respectable Muslim family. He contributed to the growth of the Bank from the various positions of the Board of Director. As an entrepreneur, he is actively associated with M/S Hadayet & Brothers and Insaf food Agro Base Industries Limited. Mr. Md. Enayet Ullah is a successful businessman and entrepreneur in Bangladesh. He is the chairman of Insaf food Agro Base Industries Ltd. He is active owner of M/S Hadayet & Brothers. Mr. Md. Enayet Ullah is a generous personality and associated with various social and welfare activities.

Jb. Badiur Rahman
Chairman, Risk Management Committee

Janab Badiur Rahman was born on the 10th March of 1953 in a respectable Muslim family in the district of Brahmanbaria. He contributed to the growth of the Bank from various positions of the Bank. As an entrepreneur, he is actively associated with AIBL Capital Market Services Limited, Ocean Trade Limited, Central Hospital Limited, Human Resources Development Co. Limited, Hurdco International School, Central Physiotherapy Limited, Ariel Maritime Pte Limited and SB Commodities Limited. Badiur Rahman is a successful businessman and entrepreneur in Bangladesh. He is the chairman of AIBL Capital Market Services Limited. He is also Managing Director and CEO of Ocean Trade Limited, Ariel Maritime Pte. Limited, SB Commodities Limited and Director of Central Hospital Limited, Human Resources Development Co. Limited, Hurdco International School, Central Physiotherapy Limited. A very widely travelled person, Janab Badiur Rahman is a generous personality and contributed in the social and educational developments of the country.

Alhaji Ahamedul Hoque
Director

Ahamedul Hoque was born on the 3rd March of 1955 in a respectable Muslim family. Mr. Ahamedul Hoque contributed to the growth of the Bank from various position of Board. As an entrepreneur, he is

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

actively associated with M/S. A.H. Syndicate and AIBL Capital Market Services Ltd. Mr. Ahamedul Hoque is a successful businessman and entrepreneur in Bangladesh. He is the chairman of AIBL Capital Market Management Limited. He is the proprietor of M/S. A.H. Syndicate and director of AIBL Capital Market Services Limited.

Ahamedul Hoque is one of the Life members of Chittagong Medical College Rougi Kallayansamity, Chittagong Maa-o-Shishu Medical College Hospital, Chittagong Foundation Trust. He is a Cabinet member of Lions Club of Khatungonj, Chittagong. He is also one of the Members of Chittagong Club Ltd. Chittagong, Khulshi Club Ltd, Chittagong & Chittagong Khulshi Club Ltd. He is the General Secretary of Shaindair Gaowsia Tayabia Delwara Madrasha, Patiya, Chittagong. He is the Managing Member of Khalil-Mir Degree College, Patiya, Chittagong & Chairman of Shaindair young Tiger club, Patiya, Chittagong. He is also an Advisor of Ziri Janakallayan Snagha, Ziri, Patiya. Beside these, he is engaged with various organizations of School, College & Madrasha's in Chittagong.

Alhajj Abu Naser Md. Yeahea
Director

Abu Naser Mohammad Yeahea was born on the 10th July of 1970 in a respectable Muslim and renowned Industrialist & Business family. Mr. A. N. M. Yeahea entered into business and industrial management from 1993 just after coming back from study in USA. With his initiative, prudent approach and aptitude he very rapidly took over the management of Purbachal Drillers Ltd. and Purbachal Steel Mills Ltd. He took the venture for establishing new and prospective enterprises.

He leads the enterprises to increasing profitability through his pragmatic strategies, decisions and far sightness. He maintains regular and wide contacts with different buying agencies both in public and private sectors. Mr. Abu Naser Mohammad Yeahea is a successful businessman and entrepreneur in Bangladesh. He is the Managing Director of Purbachal Drillers Ltd., Purbachal Steel mills Ltd. He is also Director of TSCO Power Ltd., Jeans Culture Ltd., BECO-Lanka Ltd., & Proprietor of Purbachal Gas Filling, BECO Electronics & AIBL Capital Market Services Ltd. Beside these, Mr. Abu Naser Mohammad Yeahea is associated with many social and welfare organizations.

Alhajj Niaz Ahmed
Director

Niaz Ahmed was born on the 2nd February of 1963 in a respectable Muslim family. Mr. Niaz Ahmed contributed to the growth of the Bank from various position of Board. As an entrepreneur, he is actively associated with Golden Oil Mills Limited, Golden Emporium Limited, AIBL Capital Market Services Limited, Diganta Media Corporation, Islami Commercial Insurance Co. Limited, South East University, Bangla Tel Limited, BD Link Communication Limited, Jibondhara Solution Limited, Golden Trading Company and Khaja Corporation. Mr. Niaz Ahmed is a successful businessman and entrepreneur in Bangladesh.

He is the Managing Director Golden Oil Mills Limited, Golden Emporium Limited and also Director AIBL Capital Market Services Limited, Diganta Media Corporation, Islami Commercial Insurance Co. Limited, South East University, Bangla Tel Limited, BD Link Communication Limited and Jibondhara Solution


Kazi Sanjana Tausique
Chief Executive Officer (Acting)
UCA Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Limited. He also the proprietor of Golden Trading Corporation and Khaja Corporation. Beside these, Mr. Niaz Ahmed is associated with many social and welfare organizations.

Alhaji Mohammed Emadur Rahman
Director

Mohammed Emadur Rahman was born on the 25th August 1984 in a respectable Muslim family. He completed his B.B.A. in Dubai, U.A.E. and then had his MBA from UK. Involved in business from a very young age, today, he is the Deputy Managing Director of Al Haramain Group of Industries. He manages a diverse business portfolio that includes perfumery, healthcare, tea plantation, rubber plantation and capital market services. The Managing Director of Hamidia Tea Company Limited, Deputy Managing Director of Al Haramain Hospital and Director of AIBL Capital Market Services, Mr. Mohammed Emadur Rahman is contributing to the economic and social development of Bangladesh through varied means. In 2013, he was awarded the Bangladesh Remittance Award for contributing to the persistent economic growth of Bangladesh. Outside Bangladesh, he is maintaining a number of companies in U.A.E., which has led him to being awarded Young Business Achiever in Dubai; he was the only Bangladeshi, and the youngest in the group, to achieve this award.

Alhaji Engr. Khandaker Mesbah Uddin
Director

Engr. Kh. Mesbahuddin Ahmed was born on the 18th March of 1943 in a respectable Muslim family. Engr. Kh. Mesbahuddin Ahmed contributed to the growth of the Bank from various position of Board. As an entrepreneur, he is actively associated with M/S. Aqua Consultant and Association Limited, Takaful Islami Insurance Limited, Human Resources Development Co. Limited, Central Hospital Limited, AIBL Capital Market Services Limited & Eastern University. Mr. Kh. Mesbahuddin Ahmed is a successful businessman and entrepreneur in Bangladesh. He is the Managing Director of M/S Aqua Consultant and Association Limited. He is also director of Takaful Islami Insurance Limited, Human Resources Development Co. Limited, Central Hospital Limited; AIBL Capital Market services Limited & BOG of Eastern University.

Beside these, Engr. Kh. Mesbahuddin Ahmed is associated with many social and welfare organizations such as life member of Sandhani National Eye Donation Society (SNEDS) & Bangladesh Medical Studies & Research Institute (BMSRI).

Alhaji Mohammed Haroon
Director

Mohammed Haroon was born on the 15 January of 1948 in a respectable Muslim family. He contributed to the growth of the Bank from various position of Board. As an entrepreneur, he is actively associated with Rising Star Trading Est. (U.A.E.) and AIBL Capital Market Services Limited. Mr. Mohammed Haroon is a successful businessman and entrepreneur in Bangladesh and in U.A.E. He is the proprietor of Rising Star Trading Est (U.A.E.) and director of AIBL Capital Market Services Limited. Beside these, Mr. Mohammed Haroon is associated with many social and welfare organizations.

Kazi Sanjahan Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

41


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Alhajj Liakat Ali Chowdhury

Director

Md. Liakat Ali Chowdhury was born on the 1st January of 1965 in a respectable Muslim family. Mr. Md. Liakat Ali Chowdhury contributed to the growth of the Bank from various position of Board. As an entrepreneur, he is actively associated with Asadi Steel Enterprise, Jamuna Ship Breakers, Regal Oxygen, Chittagong Metropolitan Chamber of Commerce and Industry and Southern University Bangladesh. Mr. Md. Liakat Ali Chowdhury is a successful businessman and entrepreneur in Bangladesh.

He is the Managing Partner of Asadi Steel Enterprise, Jamuna Ship Breakers and Proprietor of Regal Oxygen. He is also the Director of Chittagong Metropolitan Chamber of Commerce Industry & Founder Member of Southern University Bangladesh. Beside these, Mr. Liakat Ali Chowdhury is associated with many social and welfare organizations.

Alhajj Salim Rahman

Chairman, Executive Committee

Salim Rahman was born on 01st of January in 1973 in a respectable Muslim family. He has been playing an important role as the Director of the Bank. He is a successful businessman of the country and closely associated with renowned KDS group being honorable directors to KDS Garments Industries Ltd, KDS Accessories Ltd, KDS Apparels Ltd, KDS IDR Ltd, KYCR Coil Industries Ltd, Steel Accessories Ltd & KDS Poly Industries Ltd.

Alhajj Md. Anwar Hossain

Director

Anwar Hossain was born on 01st of March in 1953 in a respectable Muslim family. He has been playing an important role as the Director of the Bank.

He is a successful businessman of the country and closely associated with many organizations with various capacities (Chairman to Dubai Bangladesh Bag Factory Limited, Managing Director to Tania Textile Limited, Managing Director to A. G. Textile Mills Ltd, Managing Director to Tania Spinning Mills Ltd, Managing Director to Dubai Bangladesh Cement Mills Ltd, Managing Director to Ashik Shipping Lines (Pvt.) Ltd, and Managing Director to A. Hossain & Co. (Kin.) Ltd. He is also actively associated with many Social and Educational institutions for the welfare of the community.

Alhajj Md. Harun-Ar-Rasid Khan

Nominee Director

Md. Harun-ar-Rashid Khan was born on the 31st January of 1943 and brought up in a respectable Muslim family in the district of Dhaka. Mr. Md. Harun-ar-Rashid Khan contributed to the growth of the Bank from various positions of Board. As a successful entrepreneur and businessman Mr. Md. Harun-ar-Rashid Khan is associated with AIBL Capital Market Services Limited and Canadian Trillinium School.

Khalid Rahim was born on the 5th of January in 1956 in a respectable Muslim family. He has been playing an important role as an Independent Director of the Bank.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Muhammed Nadim FCA
MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Jb. Md. Rafiqul Islam
Director

Mr. Md Rafiqul Islam was born on the 31st December of 1982 in a respectable Muslim family of Chattogram & is a son of Sponsor Director Md Badsha Meah who contributed to the growth of the Bank from various position of Board. Mr. Md Rafiqul Islam is a successful businessman and entrepreneur in Bangladesh. He is also the member of AIBL Risk Management Committee. Beside these, Mr Md Rafiqul Islam is associated with many social and welfare organizations.

Alhajj Md. Amir Uddin PPM
Independent Director

Md. Amir Uddin PPM, a former Additional Inspector General of Police was born on 12th January in 1955 in a respectable Muslim family. He has been playing very vital role as an Independent Director of the Bank.

Jb. M. Kamal Uddin Chowdhury
Independent Director

M. Kamal Uddin Chowdhury was born on the 1st of August in 1942 in a respectable Muslim family. He has been playing an important role as an Independent Director of the Bank.

Jb. Mahbubul Alam
Independent Director & Chairman, Board Audit Committee

Mahbubul Alam was born on the 31st of December in 1947 in a respectable Muslim family of Chittagong. He has been playing an important role as an Independent Director & currently as Chairman, Board Audit Committee of the Bank

Farman R Chowdhury
Managing Director

Farman R Chowdhury has joined Al-Arafah Islami Bank Limited, one of the largest Shariah-based Bank of the country as Managing Director & CEO. Prior to his joining, he was the managing director & CEO of Shahjalal Islami Bank Limited and ONE Bank Limited and served there for 5 years and 6 years respectively.

Chowdhury started his banking career in October 1986 as a management trainee in American Express Bank and served there for 12 years in various capacities. Later, he joined ONE Bank Ltd in July 1999 as its first branch manager and served there up to July 2013 including holding the position of managing director for six years. He carries with him vast experience in banking operation especially in credit and marketing functions. He received trainings in Banking and Finance at home and abroad and attended many seminars, workshops and symposiums relating to Banking and Finance. Farman R Chowdhury holds MBA degree from IBA of the University of Dhaka.


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

12.6 Description of Asset & Liabilities (Consolidated):

Description of Asset:

Particulars	31.12.2020
	Taka
Property and Assets	
Cash	
Cash in hand (Including Foreign Currencies)	2,898,207,542
Balance with Bangladesh Bank & Sonali Bank Ltd (Including Foreign Currencies)	28,660,902,877
	31,559,110,419
Balance with other Banks and Financial Institutions	
Inside Bangladesh	8,288,025,632
Outside Bangladesh	8,273,812,895
	16,561,838,527
Placement with other Banks & Financial Institutions	14,270,010,000
Investments in Shares & Securities	
Government	19,583,830,000
Others	1,979,843,525
	21,563,673,525
Investments	
General Investment etc.	296,717,853,936
Bills Purchased and Discounted	11,902,810,514
	308,620,664,450
Fixed Assets Including Premises	5,833,880,252
Other Assets	19,838,600,217
Non Banking Assets	50,875,037
Total Property and Assets	418,298,652,427

Description of Liabilities:

Particulars	31.12.2020
	Taka
Liabilities and Capital	
Liabilities	
Placement from other Banks & Financial Institutions	24,000,477,831
Deposits and Other Accounts	
Mudaraba Savings Deposits	54,879,126,373
Mudaraba Term Deposits	164,009,495,781

Kazi Sanjida Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

44

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Other Mudaraba Deposits	66,743,970,036
Al-Wadeeah Current & Other Deposit Accounts	37,331,437,580
Bills Payable	3,059,381,492
	<u>326,023,411,262</u>
Mudaraba Subordinated Bond	11,200,000,000
Other Liabilities	31,485,714,465
Deferred Tax Liabilities/ (Assets)	133,204,157
Total Liabilities	<u>392,842,807,715</u>
Capital/Shareholders' Equity	
Paid-up Capital	10,649,021,850
Statutory Reserve	10,334,627,824
Revaluation Reserve	1,084,326,967
Retained Earnings	1,732,137,218
Total Capital/Shareholders' Equity	<u>23,800,113,859</u>
Non-controlling Interest	1,655,730,853
Total Equity	25,455,844,712
Total Liabilities & Capital/Shareholders' Equity	<u>418,298,652,427</u>

12.7 Description of Encumbered and Unencumbered Assets with Value Thereof:

Encumbered Assets: There is no encumbered asset of Al Arafah Islami Bank Limited.

Unencumbered Assets: All the assets of the Al-Arafah Islami Bank Limited are unencumbered and value total unencumbered assets is BDT 418,298,652,427.

Kazi Sanjida Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

12.8 Description of Previously Issued Bond or Securities:

The Bank issued floating rate non-convertible Mudaraba Subordinated Bond of BDT 300 crore in 2015, BDT 500 crore in 2018 and BDT 500 crore in 2020 after obtaining approval from Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank. Mudaraba Subordinated Bonds were mainly issued to support and strengthen the capital base of the Bank under Tier-II, supplementary capital of Basel-III. The features of the bonds are enumerated below:

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

45
Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Particulars	1st Mudaraba Subordinated Bond
Issuer	Al-Arafah Islami Bank Limited
Lead Arranger	Standard Chartered Bank
Trustee	Green Delta Insurance Company Limited
Tenure of Bond	7 year
Total Face Value	300.00 Crore
Profit Rate	10.50%-13.50%
Date of Issue	20.09.2015
Repayment/ Redemption	Redeemed in 5 equal annual Installments starting from end of 3rd year and each 12 months
Particulars	2 nd Mudaraba Subordinated Bond
Issuer	Al-Arafah Islami Bank Limited
Lead Arranger	Prime Bank Investment Limited
Trustee	Green Delta Insurance Company Limited
Tenure of Bond	7 year
Total Face Value	500.00 Crore
Profit Rate	1.25 times of 6 (six) months Mudaraba Term Deposit profit rate for the preceding 180 days.
Date of Issue	07.10.2018
Repayment/ Redemption	Redeemed in 5 equal annual Instalments starting from end of 3rd year and each 12 months
Particulars	3 rd Mudaraba Subordinated Bond
Issuer	Al-Arafah Islami Bank Limited
Lead Arranger	Prime Bank Investment Limited
Trustee	Green Delta Insurance Company Limited
Tenure of Bond	7 year
Total Face Value	500.00 Crore
Profit Rate	To be determined 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.
Date of Issue	25.10.2020
Repayment/ Redemption	Redeemed in 5 equal annual Installments starting from end of 3rd year and each 12 months


MUHAMMED NADIM FCA
 DMD & Chief Financial Officer (CFO)
 Financial Administration Division
 Al-Arafah Islami Bank Limited
 Head Office, Dhaka.

46


Md. Mahmudur Rahman
 Deputy Managing Director &
 Company Secretary
 Al-Arafah Islami Bank Ltd.
 Head Office, Dhaka.


Farman R. Chowdhury
 Managing Director & CEO
 Al-Arafah Islami Bank Ltd
 Head Office, Dhaka

Khandoker Raihan Ali FCA
 MD & CEO (CC)
 Prime Bank Investment Limited

List of Investors:

Name of the Investor	1st Mudaraba Subordinated Bond	
	Bond Issued (Taka)	Outstanding (as at 31 Dec 2020)
Rupali Bank Limited	100.00	40.00
Agrani Bank Limited	30.00	12.00
Mercantile Bank Limited	25.00	10.00
Trust Bank Limited (Islami Banking)	20.00	8.00
Trust Bank Limited	40.00	16.00
United Finance Limited	20.00	8.00
EXIM Bank Limited	50.00	20.00
Pragati Life Insurance Limited	15.00	6.00
Total	300.00	120.00
Name of the Investor	2nd Mudaraba Subordinated Bond	
	Bond Issued (Taka)	Outstanding (as at 31 Dec 2020)
EXIM Bank Limited	100.00	100.00
Mutual Trust Bank Limited	10.00	10.00
Quality feed Limited	10.00	10.00
Quality feed employee's Provident Fund	2.00	2.00
Dutch Bangla Bank Limited	50.00	50.00
Agrani Bank Limited	100.00	100.00
Sonali Bank Limited	50.00	50.00
Prime Bank Limited	100.00	100.00
Prime Bank Investment Limited	3.00	3.00
Rupali Bank Limited	75.00	75.00
Total	500.00	500.00
Name of the Investor	3rd Mudaraba Subordinated Bond	
	Bond Issued (Taka)	Outstanding (as at 31 Dec 2020)
Agrani Bank Limited	200.00	200.00
Shahjalal Islami Bank Limited	100.00	100.00
Dutch Bangla Bank Limited	100.00	100.00
Exim Bank Limited	50.00	50.00
Trust Bank Limited	25.00	25.00
Pubali Bank Limited	20.00	20.00
Northern Islami Insurance Limited	5.00	5.00
Total	500.00	500.00

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

13. Auditors' Report along with Audited Financial Statements of the Issuer:

Auditor's Report along with Audited Financial Statements of the Issuer is annexed to this Information Memorandum. Please check **Annexure - 02**

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

14. Comparative Financial Statements:

Consolidated Balance Sheet of Al Arafah Islami Bank Limited:

Al Arafah Islami Bank Limited Consolidated Balance Sheet As at 31 December 2016 to 31 December 2020					
(Amount in BDT crore)					
Particulars	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka	Taka
Property and Assets					
Cash					
Cash in hand (Including Foreign Currencies)	2,898,207,542	3,063,284,576	2,616,496,304	2,096,407,675	2,033,960,977
Balance with Bangladesh Bank & Sonali Bank Ltd (Including Foreign Currencies)	28,660,902,877	27,705,400,947	23,104,623,105	37,669,574,111	30,853,508,125
	31,559,110,419	30,768,685,523	25,721,119,409	39,765,981,786	32,887,469,102
Balance with other Banks and Financial Institutions					
Inside Bangladesh	8,288,025,632	5,473,391,378	2,005,164,277	1,070,656,791	3,426,434,934
Outside Bangladesh	8,273,812,895	6,120,224,007	8,303,795,224	10,327,998,227	5,703,406,904
	16,561,838,527	11,593,615,385	10,308,959,502	11,398,655,018	9,129,841,838
Placement with other Banks & Financial Institutions	14,270,010,000	12,000,000,000	8,200,000,000	4,400,000,000	3,333,450,160
Investments in Shares & Securities					
Government	19,583,830,000	14,500,000,000	11,000,000,000	8,000,000,000	6,990,000,000
Others	1,979,843,525	1,670,519,662	1,214,670,316	2,145,490,279	2,168,676,294
	21,563,673,525	16,170,519,662	12,214,670,316	10,145,490,279	9,158,676,294
Investments					
General Investment etc.	296,717,853,936	274,017,030,403	244,932,304,989	216,659,827,253	180,155,243,596
Bills Purchased and Discounted	11,902,810,514	14,468,993,302	16,941,828,811	19,245,407,271	16,364,134,345
	308,620,664,450	288,486,023,706	261,874,133,800	235,905,234,524	196,519,377,941
Fixed Assets Including Premises	5,833,880,252	4,351,926,988	4,494,609,175	3,209,501,858	3,240,185,718
Other Assets	19,838,600,217	17,630,165,652	15,600,927,973	14,379,554,005	18,631,047,423
Non-Banking Assets	50,875,037	50,875,037	50,875,037	50,875,037	0
Total Property and Assets	418,298,652,427	381,051,811,953	330,265,295,212	314,855,292,507	272,900,048,477
Liabilities and Capital					
Liabilities					
Placement from other Banks & Financial Institutions	24,000,477,831	27,546,375,561	21,759,835,650	32,218,677,048	25,084,653,806
Deposits and Other Accounts					
Mudaraba Savings Deposits	54,879,126,373	45,211,429,367	37,678,761,490	32,130,000,015	26,053,949,961
Mudaraba Term Deposits	164,009,495,781	162,587,885,485	152,181,785,427	135,929,026,231	104,981,785,080
Other Mudaraba Deposits	66,743,970,036	55,156,097,027	49,467,884,447	47,832,419,620	46,027,267,857
Al-Wadeeah Current & Other Deposit Accounts	37,331,437,580	30,701,538,200	24,454,571,622	26,435,038,160	20,693,095,761

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Arman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Bills Payable	3,059,381,492	3,584,858,976	2,422,489,486	2,479,779,449	1,947,821,349
	<u>326,023,411,262</u>	<u>297,241,809,055</u>	<u>266,205,492,472</u>	<u>244,806,263,475</u>	<u>199,703,920,008</u>
Mudaraba Subordinated Bond	11,200,000,000	6,800,000,000	7,400,000,000	3,000,000,000	3,000,000,000
Other Liabilities	31,485,714,465	25,157,583,719	19,450,871,395	16,608,728,003	23,698,530,129
Deferred Tax Liabilities/ (Assets)	133,204,157	157,832,964	165,866,439	100,949,200	75,456,597
Total Liabilities	<u>392,842,807,715</u>	<u>356,903,601,299</u>	<u>314,982,065,956</u>	<u>296,734,617,726</u>	<u>251,562,560,539</u>
Capital/Shareholders' Equity					
Paid-up Capital	10,649,021,850	10,649,021,850	10,440,217,500	9,943,064,280	9,943,064,280
Statutory Reserve	10,334,627,824	9,379,989,138	8,388,044,096	7,576,581,114	6,490,088,540
Revaluation Reserve	1,084,326,967	938,618,920	977,583,714	980,376,225	978,069,978
Retained Earnings	1,732,137,218	1,531,420,060	1,908,962,937	2,259,155,807	2,199,578,985
Total Capital/Shareholders' Equity	<u>23,800,113,859</u>	<u>22,499,049,968</u>	<u>21,714,808,247</u>	<u>20,759,177,426</u>	<u>19,610,801,783</u>
Non-controlling Interest	1,655,730,853	1,649,160,686	1,768,421,008	1,761,497,355	1,726,686,152
Total Equity	<u>25,455,844,712</u>	<u>24,148,210,654</u>	<u>23,483,229,255</u>	<u>22,520,674,781</u>	<u>21,337,487,935</u>
Total Liabilities & Capital/Shareholders' Equity	<u>418,298,652,427</u>	<u>381,051,811,953</u>	<u>338,465,295,212</u>	<u>319,255,292,507</u>	<u>272,900,048,477</u>

Consolidated Profit & Loss Accounts of Al Arafah Islami Bank Limited:

Al Arafah Islami Bank Limited Consolidated Profit and Loss Account For the year ended 31 December 2016 to 31 December 2020					
(amount in BDT crore)					
Particulars	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka	Taka
Operating Income					
Investment Income	26,331,277,005	28,811,650,830	24,956,812,132	20,491,028,035	18,830,156,209
Less: Profit paid on Deposits & Borrowings	(16,556,644,305)	(18,604,415,567)	16,256,611,114	11,784,195,568	-9,957,733,490
Net Investment Income	9,774,632,700	10,207,235,263	8,700,201,018	8,706,832,467	8,872,422,719
Income from Investment in Shares /Securities	681,937,628	770,633,006	701,097,070	437,319,085	249,804,490
Commission, Exchange and Brokerage	2,627,550,022	2,916,079,579	2,729,472,295	2,790,684,690	2,256,415,349
Other Operating Income	345,976,039	350,858,126	338,824,677	329,353,333	285,324,498
	3,655,463,689	4,037,570,711	3,769,394,042	3,557,357,108	2,791,544,337
Total Operating Income	13,430,096,389	14,244,805,974	12,469,595,060	12,264,189,575	11,663,967,056
Operating Expenses					
Salaries and allowances & contribution to P.F	4,546,405,905	4,178,565,228	4,118,564,966	3,571,959,651	2,691,997,385
Directors fees & expenses	6,142,217	11,442,877	15,324,200	18,937,652	15,928,345
Shariah Supervisory Committee's fees & expenses	298,376	860,014	620,660	560,969	222,456
Rent, taxes, insurance and lighting etc.	499,303,449	749,851,557	681,568,195	584,955,214	519,381,152
Postage, telegram, telephone and stamp etc.	68,348,432	78,249,101	65,864,096	78,429,866	74,993,610
Legal charges	16,046,838	9,578,703	15,527,201	10,698,639	10,906,430

Auditors' fee	1,667,500	1,691,000	1,587,250	1,602,500	1,420,500
Salary & Allowances to the Managing Director	19,344,000	19,050,000	16,954,000	15,825,000	13,240,000
Depreciation and repairs to the bank's properties	836,300,557	584,363,122	482,113,617	317,899,334	293,324,745
Stationery, printing & advertisement etc.	186,323,511	153,204,020	171,272,314	125,305,263	95,962,147
Other expenses	562,152,855	597,323,276	591,302,955	582,245,933	435,558,364
Total Operating Expenses	6,742,333,640	6,384,178,898	6,160,699,454	5,308,420,021	4,152,935,134
Profit/ (Loss) before Provision	6,687,762,748	7,860,627,076	6,308,895,606	6,955,769,554	7,511,031,922
Provision against Investments & Contingent Liabilities	1,878,171,305	2,845,817,167	2,174,105,337	1,354,891,535	1,547,870,131
Provision for diminution in value of investment	9,725,095	21,839,282	635,613	0	0
Other Provision	-	-	3,237,000	0	0
Total Provision	1,887,896,400	2,867,656,449	2,177,977,950	1,354,891,535	1,547,870,131
Total Profit/ (Loss) before Taxes	4,799,866,349	4,992,970,627	4,130,917,657	5,600,878,019	5,963,161,791
Provision for Taxation					
Current Tax	2,258,441,408	2,615,089,015	1,607,481,302	2,405,891,962	2,621,104,450
Deferred Tax	(30,381,805)	(49,755,758)	66,629,727	25,492,603	-7,344,522
	2,228,059,603	2,565,333,256	1,674,111,029	2,431,384,565	2,613,759,927
Net Profit/ (Loss) after Tax	2,571,806,745	2,427,637,371	2,456,806,628	3,169,493,454	3,349,401,864
Net Profit attributable to:					
Equity holders of the bank	2,565,236,578	2,423,824,148	2,449,882,975	3,134,682,251	3,053,388,813
Non-controlling Interest	6,570,167	3,813,223	6,923,653	34,811,203	296,013,051
Profit for the year	2,571,806,745	2,427,637,371	2,456,806,628	3,169,493,454	3,349,401,864
Appropriation:					
Statutory Reserve	954,638,686	991,945,042	811,462,982	1,086,492,574	1,049,359,837
General Reserve (1 % Start-Up Fund)	25,507,894	-	0	0	0
Non-Controlling Interest	6,570,167	3,813,223	6,923,653	34,811,203	296,013,051
	986,716,747	995,758,265	818,386,635	1,121,303,777	1,345,372,888
Transfer to Retained Earnings	1,585,089,999	1,431,879,106	1,638,419,993	2,048,189,677	2,004,028,976

Consolidated Cash Flow Statement of Al Arafah Islami Bank Limited:

Al Arafah Islami Bank Limited Consolidated Cash Flow For the year ended 31 December 2016 to 31 December 2020					
Particulars	2020	2019	2018	2017	2016
	Taka	Taka	Taka	Taka	Taka
Cash flows from operating activities					
Investment income receipt in Cash	27,246,795,860	29,387,505,846	25,252,073,217	21,383,831,283	18,365,396,086
Profit paid on deposits and borrowing	(17,792,460,102)	(17,791,075,426)	15,761,228,519	11,360,819,054	-10,327,401,253
Dividend received	9,408,411	19,722,257	27,973,671	88,486,282	520,046,348
Fees & Commission received in cash	2,627,550,022	2,881,103,789	2,658,195,757	2,790,684,690	2,256,415,349
Recoveries from written off investments	56,952,186	204,792,398	164,881,715	309,972,277	126,799,309
Cash payments to employees	(4,565,749,905)	(4,197,615,228)	-4,135,518,966	-3,587,784,651	-2,705,237,385
Cash payments to suppliers	(186,323,511)	(153,204,020)	-171,272,314	-125,305,263	-95,962,147
Received from other operating activities (item-wise)	345,976,039	350,858,126	338,824,677	329,353,333	285,324,498
Paid for other operating activities (item-wise)	(1,246,894,494)	(1,527,637,256)	-1,453,752,046	-1,457,029,985	-1,084,322,588
Advance income tax paid	(2,449,571,990)	(2,031,956,323)	-2,021,821,162	-4,846,389,088	-2,291,907,683
(i) Operating profit before changes in operating assets & liabilities	4,045,682,515	7,142,494,163	4,898,356,030	3,524,999,824	5,049,150,534
Changes in operating assets and liabilities					
Increase/(Decrease) of trading securities	(309,323,863)	(455,849,346)	930,819,963	23,186,015	502,458,193
Increase/(Decrease) of placement to other banks	(2,270,010,000)	(3,800,000,000)	-3,800,000,000	-1,066,549,840	-2,233,450,160
Increase/(Decrease) of Investment and advances to customers (other than Banks)	(18,920,509,901)	(26,571,019,403)	26,559,395,923	38,193,892,248	-34,036,802,876
Increase/Decrease of other assets (item-wise)	(38,804,398)	(7,018,018)	1,033,427,795	8,263,939,784	4,201,942,654
Increase/ (Decrease) of placement from other banks and financial institution	(3,545,897,730)	5,786,539,911	10,458,841,398	7,134,023,242	12,288,737,789
Increase/(Decrease) of Deposits from customers (other than Banks)	30,017,418,004	30,222,976,442	20,903,846,402	44,678,966,954	30,186,506,369
Increase/(Decrease) of Other liabilities account of customers	-	-	0	0	0

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Increase/(Decrease) of Trading liabilities (item-wise)	1,073,635,198	12,534,184	-774,687,828	12,039,886,171	-4,842,641,347
(ii) Cash flows from operating assets and liabilities	6,006,507,310	5,188,163,769	18,724,830,989	8,799,787,736	6,066,750,622
(A) Net cash flow from operating activities=(i+ii)	10,052,189,825	12,330,657,932	13,826,474,960	12,324,787,560	11,115,901,156
Cash flows from investing activities					
Proceeds from sale of securities	-	-	0	0	0
Payments for purchases of securities	-	-	0	0	0
Purchase of property, plant and equipment	(2,225,318,994)	(367,516,236)	-1,285,107,317	-180,314,202	-450,219,674
Sales proceeds of Fixed assets	-	-	0	0	0
Purchase-sale of subsidiary	-	-	0	0	0
(B) Net cash used in investing activities	(2,225,318,994)	(367,516,236)	-1,285,107,317	-180,314,202	-450,219,674
Cash flows from financing activities					
Increase in Exchange Equalization Account	(19,953)	137,136	-2,792,511	1,937,451	-13,519,962
Issue of AIBL Subordinate Bond	4,400,000,000	(600,000,000)	4,400,000,000	0	0
Dividend paid	(1,384,372,840)	(1,566,032,625)	-1,491,459,642	-1,988,612,856	-946,958,503
(C) Net cash used in financing activities	3,015,607,206	(2,165,895,489)	2,905,747,847	-1,986,675,405	-960,478,465
(D) Net increase in cash & cash equivalents (A+B+C)	10,842,478,038	9,797,246,207	12,205,834,430	10,157,797,953	9,705,203,017
E. Effects of exchange rate changes on cash and cash-equivalents	-	34,975,790	71,276,537	-1,986,675,405	0
F. Net increase in cash and cash equivalent D+E	10,842,478,038	9,832,221,997	12,134,557,893	8,171,122,548	9,705,203,017
G. Cash & Cash Equivalents at the beginning of the year	56,862,300,908	47,030,078,911	59,164,636,804	49,006,838,852	39,301,635,835
H. Cash & Cash Equivalents period ended	67,704,778,946	56,862,300,908	47,030,078,911	57,177,961,400	49,006,838,852

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Balance Sheet of Al Arafah Islami Bank Limited:

Al Arafah Islami Bank Limited Balance Sheet As at 31 December 2016 to 31 December 2020					
(amount in BDT crore)					
Particulars	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka	Taka
Property and Assets					
Cash					
Cash in hand (Including Foreign Currencies)	2,879,721,830	3,052,689,648	2,605,382,213	2,096,167,797	2,029,561,090
Balance with Bangladesh Bank & Sonali Bank Ltd (Including Foreign Currencies)	28,660,902,877	27,705,400,947	23,104,623,105	37,669,574,111	30,853,508,125
	31,540,624,707	30,758,090,595	25,710,005,318	39,765,741,908	32,883,069,215
Balance with other Banks and Financial Institutions					
Inside Bangladesh	8,288,025,632	5,473,391,378	2,005,164,277	1,007,124,597	3,426,429,934
Outside Bangladesh	8,273,812,895	6,120,224,007	8,303,795,224	10,327,998,227	5,703,406,904
	16,561,838,527	11,593,615,385	10,308,959,501	11,335,122,824	9,129,836,838
Placement with other Banks & Financial Institutions	14,270,010,000	12,000,000,000	8,200,000,000	4,400,000,000	2,800,000,000
Investments in Shares & Securities					
Government	19,583,830,000	14,500,000,000	11,000,000,000	8,000,000,000	6,990,000,000
Others	1,143,979,346	866,251,469	367,606,111	420,592,123	1,448,160,988
	20,727,809,346	15,366,251,469	11,367,606,111	8,420,592,123	8,438,160,988
Investments					
General Investment etc.	291,307,599,462	268,778,582,454	240,150,271,121	213,368,821,452	172,805,258,100
Bills Purchased and Discounted	11,902,810,514	14,468,993,302	16,941,828,811	19,245,407,271	16,364,134,345
	303,210,409,976	283,247,575,756	257,092,099,932	232,614,228,723	189,169,392,445
Fixed assets less Accumulated Depreciation	5,826,875,749	4,342,932,155	4,305,855,784	3,038,952,614	3,074,024,258
Other Assets	20,870,178,204	18,641,922,646	16,226,562,989	14,971,459,393	21,840,168,129
Non-Banking Assets	50,875,037	50,875,037	50,875,037	50,875,037	0
Total Property and Assets	413,058,621,546	376,001,263,043	333,261,964,673	314,596,972,623	267,334,651,873
Liabilities and Capital					
Liabilities					
Placement from other Banks & Financial Institutions	22,504,318,785	26,024,573,850	20,393,335,650	30,904,054,548	25,084,653,806
Deposits and Other Accounts					
Mudaraba Savings Deposits	54,879,126,373	45,211,429,367	37,678,761,490	32,130,000,015	26,053,949,961
Mudaraba Term Deposits	164,296,138,402	162,871,848,585	152,322,906,893	136,764,993,508	105,332,062,757
Other Mudaraba Deposits	66,743,970,036	55,156,097,027	49,467,884,447	47,832,419,620	46,027,267,857
Al-Wadeeah Current & Other Deposit Accounts	37,331,437,580	30,701,538,200	24,454,571,622	26,435,038,160	20,693,095,761
Bills Payable	3,059,381,492	3,584,858,976	2,422,489,486	2,479,779,449	1,947,821,349

Muhammed Nadim FCA
MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahmudur Rahman
Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office Dhaka

Chandoker Raihan Ali FCA
Chandoker Raihan Ali FCA
D & CEO (CC)
The Bank Investment Limited

	326,310,053,883	297,525,772,155	266,346,613,938	245,642,230,752	200,054,197,685
Mudaraba Subordinated Bond	11,200,000,000	6,800,000,000	17,364,627,192	3,000,000,000	3,000,000,000
Other Liabilities	29,226,954,457	23,095,610,493	168,486,792	14,273,105,891	19,534,082,882
Deferred Tax Liabilities	133,204,157	157,832,964	7,400,000,000	100,949,200	75,456,597
Total Liabilities	389,374,531,282	353,603,789,462	311,673,063,572	293,920,340,391	247,748,390,970
Capital/Shareholders' Equity					
Paid-up Capital	10,649,021,850	10,649,021,850	10,440,217,500	9,943,064,280	9,943,064,280
Statutory Reserve	10,334,627,824	9,379,989,138	8,388,044,096	7,576,581,114	6,490,088,540
Revaluation Reserve	1,084,326,967	938,618,920	977,583,714	980,376,225	978,069,978
Retained Earnings	1,616,113,623	1,429,843,673	1,783,055,791	2,176,610,612	2,175,038,104
Total Capital/Shareholders' Equity	23,684,090,264	22,397,473,581	21,588,901,101	20,676,632,231	19,586,260,902
Total Liabilities & Capital/Shareholders' Equity	413,058,621,546	376,001,263,043	333,261,964,673	314,596,972,623	267,334,651,872

Profit & Loss Accounts of Al Arafah Islami Bank Limited:

Al Arafah Islami Bank Limited Profit and Loss Account For the year ended 31 December 2016 to 31 December 2020					
Particulars	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka	Taka
Operating Income					
Investment Income	26,169,242,291	28,571,104,608	24,678,709,611	20,305,586,115	18,195,715,103
Less: Profit paid on Deposits	(16,385,553,054)	(18,421,296,243)	16,062,930,822	11,586,148,356	10,340,732,845
Net Investment Income	9,783,689,237	10,149,808,365	8,615,778,790	8,719,437,759	7,854,982,258
Income from Investments in Shares/Securities	679,338,829	770,279,256	676,303,995	391,135,221	658,693,471
Commission, Exchange and Brokerage	2,500,613,283	2,787,219,693	2,581,003,540	2,407,886,232	1,991,029,049
Other Operating Income	311,960,495	337,097,966	322,271,224	285,736,748	246,733,971
Total Operating Income	13,275,601,844	14,044,405,280	12,195,357,548	11,804,195,960	10,751,438,749
Operating Expenses					
Salaries and allowances & contribution to P.F	4,476,381,093	4,108,877,310	4,030,393,447	3,491,198,259	2,621,492,527
Directors' fees & expenses	6,142,217	11,442,877	10,335,030	10,096,318	11,344,045
Shariah Supervisory Committee's fees & expenses	298,376	860,014	620,660	560,969	222,456
Rent, taxes, insurance and lighting etc.	479,560,573	726,444,943	654,350,186	570,174,901	507,626,451
Postage, telegram, telephone and stamp etc.	67,993,484	77,665,294	65,234,290	77,669,122	75,212,802
Legal charges	15,988,510	9,442,428	15,472,553	10,481,205	10,694,700

Kazi Sanjana Taurique
Chief Executive Officer (Acting)
UCB Investment Limited

Auditors' fee	1,667,500	1,656,000	1,512,250	1,337,500	1,245,500
Salary & Allowances to the Managing Director	19,344,000	19,050,000	16,954,000	15,825,000	13,240,000
Depreciation and repairs to the bank's properties	832,224,004	576,557,420	474,480,369	309,625,798	286,535,214
Stationery, printing & advertisement etc.	185,548,278	152,100,093	170,091,108	123,433,001	94,067,522
Other expenses	529,363,979	558,534,319	544,375,467	490,739,481	374,593,749
Total Operating Expenses	6,614,512,014	6,242,630,698	5,983,819,359	5,101,141,554	3,996,274,966
Profit/ (Loss) before Provision	6,661,089,829	7,801,774,582	6,211,538,188	6,703,054,406	6,755,163,783
Provision against Investments & Contingent Liabilities	1,878,171,305	2,820,210,089	2,150,350,667	1,270,591,535	1,508,364,596
Provision for diminution in value of investment	9,725,095	21,839,282	635,613	0	0
Other Provision	-	-	3,237,000	0	0
Total Provision	1,887,896,400	2,842,049,371	2,154,223,280	1,270,591,535	1,508,364,596
Total Profit/ (Loss) before Taxes	4,773,193,430	4,959,725,211	4,057,314,909	5,432,462,871	5,246,799,187
Provision for Taxation					
Current Tax	2,253,104,866	2,595,911,070	1,583,256,294	2,330,292,331	2,213,937,829
Deferred Tax	(30,700,807)	(49,755,758)	67,537,592	25,492,603	-7,344,522
	2,222,404,059	2,546,155,311	1,650,793,886	2,355,784,934	2,206,593,307
Net Profit/ (Loss) after Tax	2,550,789,370	2,413,569,900	2,406,521,023	3,076,677,937	3,040,205,881
Appropriation:					
Statutory Reserve	954,638,686	991,945,042	811,462,982	1,086,492,574	1,049,359,837
General Reserve (1 % Start-Up Fund)	25,507,894	-	0	0	0
	980,146,580	991,945,042	811,462,982	1,086,492,574	1,049,359,837
Transfer to Retained Earnings	1,570,642,791	1,421,624,858	1,595,058,041	1,990,185,363	1,990,846,044

Cash Flow Statement of Al Arafah Islami Bank Limited:

Al Arafah Islami Bank Limited Cash Flow For the year ended 31 December 2016 to 31 December 2020 (amount in BDT crore)					
Particulars	2020	2019	2018	2017	2016
	Taka	Taka	Taka	Taka	Taka
Cash flows from operating activities					
Investment income receipt in Cash	26,746,398,647	28,858,045,733	24,931,762,791	21,181,862,736	18,176,535,698
Profit paid on deposits and borrowing	(17,221,368,851)	(17,207,956,102)	15,567,548,227	11,162,771,842	10,710,400,608
Dividend received	8,761,739	8,340,574	15,651,835	58,829,043	483,354,609
Fees & Commission received in cash	2,500,613,283	2,752,243,903	2,509,727,003	2,407,886,232	1,991,029,049
Recoveries from written off investments	56,952,186	204,792,398	164,881,715	309,972,277	126,799,309
Cash payments to employees	(4,495,725,093)	(4,127,927,310)	-4,047,347,447	-3,507,023,259	-2,634,732,527

Muhammed Nadim FCA
MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahmudur Rahman
Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Khandoker Raihan Afsana
Khandoker Raihan Afsana
MD & CEO (CC)
Prime Bank Investment Limited

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Cash payments to suppliers	(185,548,278)	(152,100,093)	-170,091,108	-123,433,001	-94,067,522
Received from other operating activities (item-wise)	311,960,495	337,097,966	322,271,224	285,736,748	246,733,971
Paid for other operating activities (item-wise)	(1,192,933,381)	(1,464,619,485)	-1,376,282,394	-1,194,013,406	-1,008,293,482
Advance income tax paid	(2,438,271,566)	(2,011,678,861)	-1,975,685,032	-3,427,931,996	-1,965,466,717
(i) Operating profit before changes in operating assets & liabilities	<u>4,090,839,180</u>	<u>7,196,238,723</u>	<u>4,807,340,360</u>	<u>4,829,113,531</u>	<u>4,611,491,780</u>
Changes in operating assets and liabilities					
Increase/(Decrease) of trading securities	(277,727,877)	(498,645,358)	52,986,012	1,427,568,865	-85,465,685
Increase/(Decrease) of placement to other banks	(2,270,010,000)	(3,800,000,000)	-3,800,000,000	-1,600,000,000	-1,700,000,000
Increase/(Decrease) of Investment and advances to customers (other than Banks)	(18,855,090,010)	(26,975,633,777)	25,475,508,329	45,910,811,251	35,302,290,118
Increase/Decrease of other assets (item-wise)	246,484,556	(133,475,637)	963,298,701	9,042,698,009	3,500,285,032
Increase/ (Decrease) of placement from other banks and financial institution	(3,520,255,065)	5,631,238,200	10,510,718,898	5,819,400,742	12,288,737,789
Increase/(Decrease) of Deposits from customers (other than Banks)	30,020,097,525	30,365,818,076	20,209,000,591	45,164,656,553	30,201,309,627
Increase/(Decrease) of Other liabilities account of customers	-	-	0	0	0
Increase/(Decrease) of Trading liabilities (item-wise)	608,890,594	713,180,812	351,678,848	-6,395,885,881	-2,444,929,182
(ii) Cash flows from operating assets and liabilities	<u>5,952,389,723</u>	<u>5,302,482,317</u>	<u>18,209,263,075</u>	<u>7,547,627,037</u>	<u>6,457,647,463</u>
(A) Net cash flow from operating activities=(i+ii)	<u>10,043,228,903</u>	<u>12,498,721,040</u>	<u>13,401,922,716</u>	<u>12,376,740,568</u>	<u>11,069,139,244</u>
Cash flows from investing activities					
Proceeds from sale of securities	-	-	0	0	0
Payments for purchases of securities	-	-	0	0	0
Purchase of property, plant and equipment	(2,224,248,856)	(535,060,181)	-1,657,001,581	-292,475,281	-404,873,075
Sales proceeds of Fixed assets	-	-	0	0	0
Purchase-sale of subsidiary	-	-	0	0	0
(B) Net cash used in investing activities	<u>(2,224,248,856)</u>	<u>(535,060,181)</u>	<u>-1,657,001,581</u>	<u>-292,475,281</u>	<u>-404,873,075</u>
Cash flows from financing activities					
Increase in Exchange Equalization Account	(19,953)	137,136	-2,792,511	2,306,247	-13,519,962
Subordinate Debt	4,400,000,000	(600,000,000)	4,400,000,000	0	0
Increase in Share Capital	-	-	0	0	0

Dividend paid	(1,384,372,840)	(1,566,032,625)	-1,491,459,642	-1,988,612,856	-946,958,503
(C) Net cash used in financing activities	<u>3,015,607,206</u>	<u>(2,165,895,489)</u>	<u>2,905,747,847</u>	<u>-1,986,306,609</u>	<u>-960,478,465</u>
(D) Net increase in cash & cash equivalents (A+B+C)	<u>10,834,587,253</u>	<u>9,797,765,370</u>	<u>12,153,176,449</u>	<u>10,097,958,678</u>	<u>9,703,787,704</u>
E. Effects of exchange rate changes on cash and cash-equivalents	-	34,975,790	71,276,537	0	0
F. Net increase in cash and cash equivalent D+E	<u>10,834,587,253</u>	<u>9,832,741,160</u>	<u>12,081,899,912</u>	<u>10,097,958,678</u>	<u>9,703,787,704</u>
G. Cash & Cash Equivalents at the beginning of the year	56,851,705,980	47,018,964,820	59,100,864,732	49,002,906,053	39,299,118,349
H. Cash & Cash Equivalents period ended	<u>67,686,293,234</u>	<u>56,851,705,980</u>	<u>47,018,964,820</u>	<u>59,100,864,732</u>	<u>49,002,906,053</u>

15. Comparative Financial Ratios of Al- Arafah Islami Bank Limited:

Key Ratios/Numbers for Al-Arafah Islami Bank Limited (Consolidated) for last three years are as follows:

03 Year Financial Highlights

(Amount in BDT Million)

Particulars	2018	2019	2020
Income Statement			
Investment Income	24,956.81	28,811.65	26,331.28
Profit paid on Deposit	16,256.61	18,604.42	16,556.64
Net Investment Income	8,700.20	10,207.23	9,774.64
Non-Investment Income	3,769.39	4,037.57	3,655.46
Non-Investment Expenses	6,160.70	6,384.18	6,742.33
Net Non-Investment Income	-2,391.31	-2,346.61	-3,086.87
Profit Before Tax & Provision	6,308.89	7,860.62	6,687.77
Provision For Investment	2,177.98	2,867.66	1,887.90
Profit Before Tax	4,130.91	4,992.96	4,799.87
Provision For Tax (including Deferred Tax)	1,674.11	2,565.33	2,228.06
Profit After Tax	2,456.80	2,427.63	2,571.81
Balance Sheet			
Authorized Capital	15,000.00	15,000.00	15,000.00
Paid up Capital	10,440.22	10,649.02	10,649.02
Reserve Funds & Other Reserves	9,365.62	10,318.64	11,418.96
Shareholders' Equity (Capital & Reserve)	23,483.22	24,148.24	25,455.85
Deposits	266,205.48	297,241.81	326,023.41
Investment	261,874.13	288,486.02	308,620.66
Investment in Shares & Securities	12,214.67	16,170.52	21,563.67
Fixed Assets	4,494.61	4,351.93	5,833.88


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Total Assets (Excluding off-balance sheet items)	338,465.30	381,051.81	418,298.65
Foreign Exchange Business			
Import Business	168,573.80	171,611.70	169,378.90
Export Business	114,481.90	108,967.10	104,939.40
Guarantee Business	7,096.02	8,274.25	10,511.21
Inward Foreign Remittance	36,917.20	37,713.40	43,807.00
Capital Measures			
Core Capital (Tier-I)	22,379.93	22,817.41	23,930.89
Supplementary Capital (Tier-II)	10,078.56	9,735.77	15,327.20
Tier-I Capital Ratio	10.12	10.22	9.74
Tier-II Capital Ratio	4.56	4.36	6.24
Total Capital	32,458.49	32,553.18	39,258.09
Total Capital Ratio	14.68	14.58	15.97
Investment Quality			
Volume of Non-Performing investment	12,690.72	14,100.41	11,769.58
% of NPIs to Total Investment	4.79	4.82	3.8
Provision for Unclassified Investment	1,891.00	2,157.28	2,787.10
Provision for Classified Investment	3,946.09	6,022.02	6,436.96
Provision for Off Balance sheet Exposures	689.8	778.5	935.5
Share Information			
Number of Shares Outstanding	1,044,021,750	1,064,902,185	1,064,902,185
Earnings per Share (Taka)	2.35	2.28	2.41
Book Value per Share (Taka)	20.8	21.13	22.35
Market Price per Share (Taka)	19.9	17.2	22.2
Price Earnings Ratio (Times)	8.48	7.56	9.22
Price Equity Ratio (Times)	0.96	0.81	0.99
Dividend per Share			
Cash Dividend (%)	15	13	15
Bonus Share	2	-	-
Ratios			
Net Profit Margin%	3.42	3.73	3.45
Investment /Deposit Ratio	89.87	88.93	86.92
Return on Equity (ROE)%	10.46	10.05	10.1
Return on Assets (ROA)%	0.73	0.64	0.61
Cost of fund %	8.7	9.02	7.5
Cost /Income ratio in operating business (%)	49.41	44.82	50.2
Debt to equity Ratio	14.44	15.79	16.44
Total Debt to Total Asset Ratio	0.94	0.94	0.94
Gross Margin Ratio	0.72	0.77	0.68
Operating Income Ratio	0.58	0.5	0.52
Net Income Ratio	3.58	4.21	3.84
Total Debt to Tangible Asset Ratio	0.01	0.01	0.01


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka.


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

16. Credit Rating Report of the Issue:

Credit Rating of Issue

Date of Declaration	Valid Till	Rating Action	Long Term	Short Term	Rated By	Outlook
May 09, 2021	November 08, 2021	-	A+	-	CRISL	Indicative

Credit Rating of the Issuer:

Date of Declaration	Valid Till	Rating Action	Long Term	Rated By	Outlook
July 18, 2021	July 17, 2022	-	AA	CRISL	Stable

Credit Rating Report of the issue is also annexed with this Information Memorandum. Kindly check **Annexure - 03**

17. Credit Enhancement:

The financial instrument does not have any credit enhancement mechanism. Hence, such clause is not applicable for AIBL Mudaraba Perpetual Bond.

18. Latest default matrix and Transition statistics of CRC:

Source of Information: <http://crislbd.com/page/default-statistics>
<http://crislbd.com/page/transition-matrix-sme>
<http://crislbd.com/page/transition-matrix-corporate>

Calculation of Weighted Average MDR (wMDR) for 2015, 2016, 2017			
	wMDR for year 1	wMDR for Year 2	wMDR for Year 3
Se/ Me1	0.00%	0.00%	0.00%
Se/ Me2	0.00%	0.00%	0.00%
Se/ Me3	1.22%	0.00%	0.00%
Se/ Me4	3.39%	0.14%	0.18%
Investment Grade (Se/ME1-Se/Me4)	2.85%	0.11%	0.14%
Se/Me-5	59.49%	2.39%	2.48%
Se/Me-6	75.92%	0.00%	0.00%
Se/Me-7	100.00%	0.00%	0.00%
Se/Me-8	0.00%	0.00%	0.00%
Se/Me-9	0.00%	0.00%	0.00%

[Signature]
Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

[Signature]
Khandoker Rahean Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Calculation of 3-years Cumulative Default Rate (CDR3) for 2015, 2016, 2017	
	CDR3
Se/ Me1	0.00%
Se/ Me2	0.00%
Se/ Me3	1.22%
Se/ Me4	3.71%
Investment Grade (Se/ME1-Se/Me4)	3.090%
Se/Me-5	61.44%
Se/Me-6	76.92%
Se/Me-7	100.00%
Se/Me-8	0.00%
Se/Me 9	0.00%

Calculation of Weighted Average MDR (wMDR) for 2011, 2012, 2013			
	wMDR for year 1	wMDR for Year 2	wMDR for Year 3
AAA	0.00%	0.00%	0.00%
AA	0.00%	0.00%	0.00%
A	0.30%	0.77%	0.47%
BBB	0.91%	1.58%	0.94%
Investment Grade (AAA-BBB)	0.57%	1.08%	0.65%
BB	0.00%	0.00%	5.71%
B	0.00%	10.00%	0.00%
CCC	0.00%	0.00%	0.00%
CC	0.00%	0.00%	0.00%
C	50.00%	50.00%	0.00%

Calculation of 3-years Cumulative Default Rate (CDR3) for 2011, 2012, 2013	
	CDR3
AAA	0.00%
AA	0.00%
A	1.53%
BBB	3.39%
Investment Grade (AAA-BBB)	2.283%
BB	5.71%
B	10.00%
CCC	0.00%
CC	0.00%
C	75.00%


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CRISL SME Rating Transition Matrix (2016-2019)

	SME-1	SME-2	SME-3	SME-4	SME-5	SME-6	SME-7	SME-8	SME-9	SME-10
SME-1	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SME-2	0.00%	75.00%	25.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SME-3	0.00%	1.48%	96.84%	1.48%	0.10%	0.10%	0.00%	0.00%	0.00%	0.00%
SME-4	0.00%	0.57%	25.01%	74.16%	0.16%	0.00%	0.00%	0.00%	0.00%	0.10%
SME-5	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SME-6	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SME-7	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%
SME-8	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SME-9	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SME-10	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CRISL Corporate Rating Transition Matrix (2014-2019)

	AAA	AA	A	BBB	BB	B	CCC	CC	C	D
AAA	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AA	7.58%	84.85%	7.57%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A	0.00%	14.77%	81.82%	2.65%	0.38%	0.00%	0.38%	0.00%	0.00%	0.00%
BBB	0.00%	0.33%	18.33%	76.67%	4.34%	0.33%	0.00%	0.00%	0.00%	0.00%
BB	0.00%	0.00%	0.00%	9.09%	51.82%	9.09%	0.00%	0.00%	0.00%	0.00%
B	0.00%	0.00%	0.00%	0.00%	0.00%	50.00%	50.00%	0.00%	0.00%	0.00%
CCC	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CC	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
C	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%
D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

19. Description of the Trustee:

MTB Capital Limited:

MTB Capital Ltd. (MTBCL), a fully owned subsidiary of Mutual Trust Bank Limited is a full-fledged Merchant Bank licensed by the Bangladesh Securities and Exchange Commission (BSEC) on December 06, 2010. MTBCL was incorporated on October 08, 2009 as a private limited company with the registrar of Joint Stock Companies and Firms Bangladesh Dhaka under Companies Act, 1994 with the objective to carry out the business as Issue Manager, Underwriter and Portfolio Manager. As a fully owned Subsidiary of Mutual Trust Bank Ltd, MTB Capital Limited has already started its operation on April 18, 2011.

The company strongly believes to extend its co-operation and value added services to our respected clients. We also believe that MTB Capital Limited will play a vital role in the capital market for its development and future growth.

Authorized Capital : BDT 50,00,00,000/-
Paid-up Capital : BDT 33,98,89,000/-
Net Worth/Equity : BDT 36,38,48,678/-


MUHAMMED NADIM FCA
DMO & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office: Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office: Dhaka


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Registered Address:

Chandrashila Suvastu Tower (2nd Floor)
69/1 Panthapath,
Dhaka 1205
Telephone :88-02-9641158,

Key Management:

01.	Mr. Mr. Khairul Bashar Abu Taher Mohammed	:	Chief Executive Officer (CEO)
02.	Mr. Md. Ashadul Islam (Ashad)	:	Relationship Manager (Board Secretary and Compliance Officer)
03.	Mr. Proshanta Kumar Kar	:	Assistant Relationship Manager (Finance and Accounts)
04.	Mr. Md. Nasimul Islam	:	Assistant Relationship Manager (Issue Management and Corporate Advisory)


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FC
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

19.1 Due Diligence Certificate of the Trustee



A Mutual Trust Bank Company

Due Diligence Certificate of the Trustee

June 07, 2021

The Chairman
Bangladesh Securities and Exchange Commission
Securities Commission Bhavan
Plot E-6/C, Agargaon, Sher-e-Bangla Nagar
Dhaka 1207, Bangladesh

Dear Sir,


ISSUANCE OF BDT 5000.00 MILLION OF AL-ARAFAH ISLAMI BANK LIMITED- AIBL MUDARABA PERPETUAL BOND

We, the under-noted Trustee to the above mentioned forthcoming issue, state as follows:

1. We, while act as trustee to the above mentioned issue on behalf of the eligible investors, have examined the draft information Memorandum (IM), legal and other documents and materials as relevant to our decision; and
2. On the basis of such examination and the discussions with the issuer, its directors and officers, and other agencies; independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer;

WE CONFIRM THAT:

- (a) All information and documents as are relevant to the issue have been received and examined by us and the draft information Memorandum, draft Deed of Trust and draft Subscription Agreement forwarded to the Commission has been approved by us;
- (b) We have also examined all documents of the assets to be charged with the Trust and are satisfied that the assets bear the value, title and charge status as disclosed in the Information Memorandum;
- (c) While examining the above documents, we find that all the requirements of the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 have been complied with;
- (d) We shall act as trustee to the issue as mentioned above as per provisions of the Deed of Trust to be executed with the issuer and shall assume the duties and responsibilities as described in the Deed of trust and in the Information Memorandum;
- (e) We shall also abide by the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 and conditions imposed by the Commission as regards of the issue; and
- (f) The above declarations are unequivocal and irrevocable.


Khasrul Bashar A. T. Mohammed
Chief Executive Officer
MTB Capital Limited


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

MTB Capital Ltd., Chandrashila Suiyastu Tower (2nd Floor), 69/1, Panthapath, Dhaka-1205, Tel: +88 02 9641158,
Fax: +88 02 9641159; E-mail: info.mtbcap@mutualtrustbank.com; Web: www.mtbcap.com

Due Diligence Certificate is also annexed with this Information Memorandum. Kindly check
Annexure - II


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

20. Modus Operandi of the Issue:

The Issuance of Mudaraba Bond

Notwithstanding anything contained anywhere in the Trust Deed, the Bonds shall be issued in dematerialised form as per the CDBL Bye Laws and the Issuer shall apply to the respective stock exchange(s) for listing in the Alternative Trading Board (ATB) immediately from the date of availing ATB facilities under the Bangladesh Securities and Exchange Commission (Alternative Trading System) Rules, 2019 and respective regulations of the stock exchange(s) in this regard.

If the procedure of dematerialisation of the Bonds is not completed with the Central Depository Bangladesh Limited (CDBL) before the Issue Date of the Bonds as per the CDBL Bye Laws, each series of Bonds will be issued in script form and represented by Mudaraba Bond Certificates. On the date on which any Mudaraba Bond Certificates are issued, the Register shall be completed by or on behalf of the Issuer by the Registrar. On or promptly following the date of issuance, the Registrar shall procure delivery of the duly executed and authenticated Bond Certificates to the registered Bondholders.

The Bond shall be rated by a Credit Rating Company and its periodical surveillance rating shall be done by the said Credit Rating Company in line with the provisions of the Credit Rating Companies Rules, 1996 up to the full and final redemption or conversion of the issued securities.

The Mudaraba Bond Certificates

Unless the Bonds are issued in demat form, the Mudaraba Bond Certificates will be printed in accordance with applicable legal requirements substantially in the forms set out in Part - A of Schedule 1. The Mudaraba Bond Certificates will be endorsed with the Conditions.

Signature

The Mudaraba Bond Certificates will be signed manually by a duly authorised person(s) designated by the Issuer and will be authenticated manually by or on behalf of the Registrar. The Issuer may use the signature of a person(s) who at the date of the Trust Deed is such a duly authorised person even if at the time of issue of any Mudaraba Bond Certificates he is no longer so authorised. Mudaraba Bond Certificates so executed and authenticated will be binding and valid obligations of the Issuer.

Entitlement to treat Registered Holder as owner

The Register shall be prima facie evidence of any matter in relation to the ownership of the Bonds. Each of the Issuer, the Trustee and any Agent may deem and treat the registered holder of a Bond as the absolute owner of such Bond, free of any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate Holder of such Bond (whether or not the Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon or any notice of previous loss or theft of the Mudaraba Bond Certificate issued in respect of that Bond) for all purposes and, except as ordered by a court of competent jurisdiction or as required by applicable law, the Issuer, the Trustee and the Agents shall not be affected by any notice to the contrary. All payments made to any such Holder shall

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for the moneys payable upon the Bonds.

CALL-OPTION FEATURES

Each Bond shall be redeemed in accordance with Condition 8 (Exercise of Call-Option by the Issuer) of the Trust Deed.

TRANSFER OF BONDS

Bonds are transferable subject to the terms and conditions set out in the Bond Documents. Each Bond shall be transferred in accordance with Condition 4 (Transfer of Bonds) of the Trust Deed.

21. Termination and Final Settlement of the Proposed Bond:

The Bondholders may give a termination notice to the Issuer at any time on or prior to the Closing Date if:

- **Breach of obligation:** The Issuer fails to perform any of its obligations under the Subscription Agreement;
- **Failure of condition precedent:** any of the conditions precedent is not satisfied or waived by the Bondholders on the Closing Date; or
- **Force majeure:** since the date of the Subscription Agreement there has been (i) any material outbreak or escalation of hostilities involving Bangladesh or declaration by Bangladesh of a national emergency or war or other calamity or crisis or (ii) a material adverse change in economic, political or financial conditions or currency exchange rates or exchange controls in Bangladesh or international market, of such magnitude and severity in its effect on the financial markets as to make it impracticable or inadvisable to proceed with the offer, sale, distribution or delivery of the Bonds.

22. Details of fees structure and expenses:

The issue expenses will be borne by the Bank (i.e. Issuer). The estimated (projected) cost related with the proposed unsecured contingent convertible AIBL Perpetual Mudaraba Bond of BDT 5,000 million may be as under:

Cost Related to the Issue	Total Cost related to bond issuance is approximately BDT 2.50 crore for the initial year and approximately 7 lacs for subsequent period.
---------------------------	--


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

23. Additional Disclosures for IM under Public Issue:

i. Particulars of the Public Issue:

Issuer	Al-Arafah Islami Bank Limited (the "Bank"/ the "Issuer")
Name of the Instrument	AIBL Perpetual Mudaraba Bond
Issue Type	Unsecured, Contingent-Convertible, Fully paid up, Non-Cumulative, BASEL III compliant, Perpetual Debt instrument for inclusion in Additional Tier I Capital
Total Issue size	BDT 5,000,000,000/-
Mode of Issue	90% Private Placement and 10% Public Issue
Public Issue Size	BDT 500,000,000/- (10% of the total issue)
Face Value/Issue Price	BDT 5,000/- per Bond
Number of Public Issue Unit	100,000
Bonds per lot	01 Bond
Market Lot	01 Unit
Maturity Period/Tenor	The Bond is perpetual i.e. there is no maturity date and there are no step-ups or other incentives to redeem.
Major Terms and Features	As per Term Sheet disclosed in page no. 15 - 19
Issue Manager/s	UCB Investment Limited and Prime Bank Investment Limited
Underwriter	Islami Bank Capital Management Limited
Credit Rating Company for the Issue	Credit Rating Information and Services Limited

ii. Particulars of the Parties related to Public Issue:

Particulars of the Issuer:

Name & Address	Contact	Contact Person
Al-Arafah Islami Bank Limited Head Office, Al-Arafah Tower, 63, Purana Paltan, Dhaka-1000	PABX: +880 2 44850005-20	Mr. Farman R Chowdhury Managing Director
	Tel: +880 2 44850022	
	Mobile: +8801711533266	
	E-mail: md@aibl.com.bd	Mr. Muhammed Nadim, FCA Deputy Managing Director
	PABX: +880 2 44850005-20 Ext-270	
	Tel: +880 2 44850028	
	Mobile: +8801819494980	
	E-mail: nadim@aibl.com.bd	

Particulars of the Issue Manager/s:

Name & Address	Contact	Contact Person
UCB Investment Limited Bulus Center (17 th Floor), Plot: CWS (A)1, Road: 34, Gulshan Avenue, Dhaka- 1212	Tel: + 88 01927 111 555	Tanzim Alamgir Chief Executive Officer UCB Investment Limited
	E-mail: tanzim.alamgir@ucb.com.bd	
	Website: http://www.ucb-investment.com	

Prime Bank Investment Limited Tajwar Center (5th Floor), House: 34, Road No: 19/A, Banani, Dhaka-1213	Tel: +88 01730031810	Khandoker Raihan Ali, FCA SEVP & Chief Operating Officer
	E-mail: raihaan@pbil.com.bd	
	Website: https://www.pbil.com.bd/Home/Index	
	X	

Particulars of the Underwriter:

Name & Address	Contact	Contact Person
Islami Bank Capital Management Limited Mia Amanullah Bhaban (5th Floor), 63, Dilkusha C/A, Dhaka-1000, Bangladesh	Tel: + 88 01313084373	Mohammad Abdur Rahim, FCA Managing Director & CEO Islami Bank Capital Management Limited
	E-mail: md@ibcmibd.com	
	Website: http://www.islamibankbd.com	

Particulars of the Stock Exchanges/s in which the security to be listed:

Name & Address	Contact	Contact Person
Dhaka Stock Exchange Limited DSE Tower, Road: 21, House: 46 Nikunja, Dhaka-1229	Tel: 88 02 9564601, 88 02 9576210-18	Mrs. Souzia Afrin Librarian
	Fax: 88 02 9564727 88 02 9569755	
	E-mail: research@dsebd.org	
	Website: www.dsebd.org	

24. Conditions imposed by the Commission in the Consent Letter:

As per the consent letter from the Commission.

25. Particulars of Underwriter and Amount Underwritten:

Name of the Underwriter/s	Contact	Amount Underwritten
Islami Bank Capital Management Limited	Tel: + 88 01313084373	BDT 10,000,000/-
	E-mail: md@ibcmibd.com	
	Website: http://www.islamibankbd.com	
	Tel: + 88 01313084373	

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Muhammed Nadim
MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

26. Declaration and due diligence certificates as per Annexure(s)-I,II,III & IV:

Annexure- I

Declaration about the responsibility of the Managing Director of
the issuer or originator in respect of the information memorandum

[Rule 4(2)(a)]

This information memorandum has been prepared, seen and approved by us, and we, individually and collectively, accept full responsibility for the authenticity, accuracy and adequacy of the statements made, information given in the prospectus, documents, financial statements, exhibits, annexes, papers submitted to the Commission in support thereof, and confirm, after making all reasonable inquiries that all conditions concerning this public issue and prospectus have been met and that there are no other information or documents, the omission of which make any information or statements therein misleading for which the Commission may take any civil, criminal or administrative actions against any or all of us as it may deem fit.

We also confirm that full and fair disclosures have been made in this information memorandum to enable the investors to make a well-informed decision for investment.

Sd/-
Farman R Chowdhury
Managing Director
Date:


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Annexure-II
[Rule 3(1)(m), 4(1)(c) and 4(2) (a)]
Due diligence certificate of the trustee

To
The Bangladesh Securities and Exchange Commission

Sub: Issuance of 900,000 units under private placement and 100,000 units under public offer aggregating to 1,000,000 units of Unsecured, Contingent-Convertible and Floating Rate Mudaraba Perpetual Bond of Tk. 5,000 each of Tk. 500,000,000 by Al Arafah Islami Bank Limited.

We, the under-noted trustee to the above-mentioned forthcoming issue, state as follows:

1. We, while act as trustee to the above-mentioned issue on behalf of the investors, have examined the draft Information Memorandum, legal and other documents and materials as relevant to our decision; and
2. On the basis of such examination and the discussions with the issuer, its directors and officers, and other agencies; independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer.

WE CONFIRM THAT:

- (a) all information and documents as are relevant to the issue have been received and examined by us and the draft IM, draft deed of trust and draft subscription agreement forwarded to the Commission has been approved by us;
- (b) we have also examined all documents of the assets to be charged with the trust and are satisfied that the assets bear the value, title and charge status as disclosed in the IM;
- (c) while examining the above documents, we find that all the requirements of the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 have been complied with;
- (d) we shall act as trustee to the issue as mentioned above as per provisions of the deed of trust to be executed with the issuer or the originator, as applicable and shall assume the duties and responsibilities as described in the deed of trust and in the IM;
- (e) we shall also abide by the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 and conditions imposed by the Commission as regards of the issue; and
- (f) the above declarations are unequivocal and irrevocable.

For Trustee

Sd/-
Chief Executive Officer
MTB Capital Limited
Date: June 07, 2021


Kazi Sanjana Haque
Chief Executive Officer (Acting)
UCB Investment Limited


Khondoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Annexure-III
Due diligence certificate by issue manager
UCB Investment Limited
[Rule 4(2)(a)]

To
The Bangladesh Securities and Exchange Commission

Sub: Issuance of and 100,000 units under public offer of Unsecured, Contingent-Convertible and Floating Rate Mudaraba Perpetual Bond of Tk. 5,000 each amounting to Tk. 500,000,000 by Al Arafah Islami Bank Limited.

Dear Sir,

We, the issue manager(s) to the above-mentioned forthcoming issue, state and confirm as follows:

(1) We have examined all the documents submitted with the application for the above-mentioned issue, visited the premises of the issuer or originator and interviewed the chairperson, directors and key management personnel of the issuer or originator in connection with the finalization of the information memorandum pertaining to the said issue;

(2) On the basis of such examination and the discussions with the directors, officers and auditors of the issuer or originator, other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer or originator.

WE CONFIRM THAT:

(a) The information memorandum filed with the Commission is in conformity with the documents, materials and papers relevant to the issue;

(b) All the legal requirements relating to the issue as also in the rules, notification, guidelines, instructions, etc. framed/issued by the Commission, other competent authorities in this behalf and the government have been duly complied with;

(c) The disclosures made in information memorandum are true, fair and adequate to enable the investors to make a well informed decision for investment in the proposed issue and such disclosures are in accordance with the requirements of the Companies Act, 1994, the Trust Act, 1882, the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 and other applicable laws;

(d) Besides ourselves, all the intermediaries named in the information memorandum are registered with the Commission and till date such registrations are valid;

(e) We have satisfied ourselves about the capability of the underwriters to fulfil their underwriting commitments;

(f) The proposed activities of the issuer for which the funds are being raised in the present issue fall within the 'main objects' listed in the object clause of the Memorandum of Association or other charter of the issuer or originator and that the activities which have been carried out till now are valid in terms of the object clause of its Memorandum of Association;

(g) Necessary arrangements have been made to ensure that the moneys to be received pursuant to the issue shall be kept in a separate bank account and shall be used for the purposes disclosed in the use of proceeds section of the information memorandum;

(h) All the applicable disclosures mandated in the Bangladesh Securities and Exchange Commission (Debt Securities)


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

70


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Rules, 2021 have been made in addition to other disclosures which, in our view, are fair and adequate to enable the investor to make a well-informed decision;

(i) We enclose a note explaining how the process of due diligence has been exercised by us in view of the nature of current business background or the issuer or originator, situation at which the proposed business stands, the risk factors, sponsors experiences etc. We also confirm that the due diligence related process, documents and approval memos shall be kept in record by us for the next 5 (five) years after the issue of securities for any further inspection by the Commission

(j) We enclose a checklist confirming rule-wise compliance with the applicable provisions of the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 containing details such as the rule number, its text, the status of compliance, page numbers of the information memorandum where the rules have been complied with and our comments, if any;

(k) We also declare that we have not managed issuance of securities in the last 05 (five) years.

Place: Dhaka, Bangladesh
Date: July 27, 2021

Sd/-
Chief Executive Officer (Acting)
UCB Investment Limited


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Annexure-III

Due diligence certificate by issue manager

Prime Bank Investment Limited

[Rule 4(2)(a)]

To

The Bangladesh Securities and Exchange Commission

Sub: Issuance of and 100,000 units under public offer of Unsecured, Contingent-Convertible and Floating Rate Mudaraba Perpetual Bond of Tk. 5,000 each amounting to Tk. 500,000,000 by Al Arafah Islami Bank Limited.

Dear Sir,

We, the issue manager(s) to the above-mentioned forthcoming issue, state and confirm as follows:

- (1) We have examined all the documents submitted with the application for the above-mentioned issue, visited the premises of the issuer or originator and interviewed the chairperson, directors and key management personnel of the issuer or originator in connection with the finalization of the information memorandum pertaining to the said issue;
- (2) On the basis of such examination and the discussions with the directors, officers and auditors of the issuer or originator, other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer or originator.

WE CONFIRM THAT:

- (a) The information memorandum filed with the Commission is in conformity with the documents, materials and papers relevant to the issue;
- (b) All the legal requirements relating to the issue as also in the rules, notification, guidelines, instructions, etc. framed/issued by the Commission, other competent authorities in this behalf and the government have been duly complied with;
- (c) The disclosures made in information memorandum are true, fair and adequate to enable the investors to make a well informed decision for investment in the proposed issue and such disclosures are in accordance with the requirements of the Companies Act, 1994, the Trust Act, 1882, the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 and other applicable laws;
- (d) Besides ourselves, all the intermediaries named in the information memorandum are registered with the Commission and till date such registrations are valid;
- (e) We have satisfied ourselves about the capability of the underwriters to fulfil their underwriting commitments;


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

72


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka.

(f) The proposed activities of the issuer for which the funds are being raised in the present issue fall within the 'main objects' listed in the object clause of the Memorandum of Association or other charter of the issuer or originator and that the activities which have been carried out till now are valid in terms of the object clause of its Memorandum of Association;

(g) Necessary arrangements have been made to ensure that the moneys to be received pursuant to the issue shall be kept in a separate bank account and shall be used for the purposes disclosed in the use of proceeds section of the information memorandum;

(h) All the applicable disclosures mandated in the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 have been made in addition to other disclosures which, in our view, are fair and adequate to enable the investor to make a well-informed decision;

(i) We enclose a note explaining how the process of due diligence has been exercised by us in view of the nature of current business background or the issuer or originator, situation at which the proposed business stands, the risk factors, sponsors experiences etc. We also confirm that the due diligence related process, documents and approval memos shall be kept in record by us for the next 5 (five) years after the issue of securities for any further inspection by the Commission;

(j) We enclose a checklist confirming rule-wise compliance with the applicable provisions of the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 containing details such as the rule number, its text, the status of compliance, page numbers of the information memorandum where the rules have been complied with and our comments, if any;

(k) We also declare that we have managed issue of securities of the following issuers including originators in the last 05 (five) years

Sl No.	Name of the Issue	Issue Date	Issue Price	Dividend Payment History					Category
				2016	2017	2018	2019	2020	
1	Sea Peral Beach Resort & Spa Ltd	March 28, 2019	10.00	0%	0%	0%	5% B	1% C	B
2	Fortune Shoes Limited	July 24, 2016	10.00	0%	12% B	15% B	18% B 2% C	5% B 5% C	A

Place: Dhaka, Bangladesh

Date: July 27, 2021

Sd/-
MD & CEO (CC)
Prime Bank Investment Limited

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

73

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raibhan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Annexure-IV

**Due diligence certificate by Underwriter
Islami Bank Capital Management Limited
[See Rule 4 (2)(a)]**

To

The Bangladesh Securities and Exchange Commission

Sub: Issuance of 100,000 Number of Unsecured, Contingent-Convertible and Floating Rate Perpetual Bond Tk. 5000 each of Al Arafah Islami Bank Limited.

Dear Sir,

We, the under-noted Underwriter(s) to the above-mentioned forthcoming issue, state individually and collectively as follows:

- (1) We, while underwriting the above-mentioned issue on a firm commitment basis, have examined the draft information memorandum, other documents and materials as relevant to our underwriting decision; and
- (2) On the basis of such examination and the discussions with the issuer or originator, its directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer or originator.

WE CONFIRM THAT:

We are registered with the Bangladesh Securities and Exchange Commission as a merchant banker and eligible to carry out the underwriting activities. Our present paid-up capital stands at Tk. 300,000,000 (Taka Thirty Crore Only) and we have the capacity to underwrite a total amount of Tk. 1,500,000,000 (Taka One Hundred Fifty Crore Only) as per relevant legal requirements. We have committed to underwrite for up to Tk. 100,000,000.00 (Ten Crore only) for the upcoming issue.

- (a) At present, the following underwriting obligations are pending for us: (Name of issue and amount underwritten)

Sl. No.	Name of the Company	Amount Underwritten (in BDT)
01	Master Feed Agrotec Ltd.	12,500,000.00
02	Subra Systems Ltd.	20,000,000.00
03	Achia Sea Foods Ltd.	10,000,000.00
04	Union Bank Ltd.	250,000,000.00
Total		292,500,000.00

- (b) All information as are relevant to our underwriting decision have been received by us and the draft IM forwarded to the Commission has been approved by us;
- (c) We shall subscribe and take up the un-subscribed securities against the above-mentioned issue within 15 (fifteen) days of calling up thereof by the issuer or originator; and

(d) This underwriting commitment is unequivocal and irrevocable.

For the Underwriter:

SD/-

Mohammad Abdur Rahim, FCA
Managing Director & CEO
Islami Bank Capital Management Limited
Date: July 08, 2021


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

The Due Diligence Certificates are also annexed to this Information Memorandum as mentioned below:

a) Declaration about the responsibility of the Managing Director & CEO of the issuer or originator in respect of the information memorandum [Rule 4(2)(a)] is annexed with this Information Memorandum. Kindly Check Annexure – I

b) Due Diligence Certificate of the Trustee [Rule 3(1)(m), 4(1)(c) and 4(2) (a)] is annexed with this Information Memorandum. Kindly Check Annexure – II

c) Due Diligence Certificate of the Issue Manager/s [Rule 4(2)(a)] is annexed with this Information Memorandum. Kindly Check Annexure – III

d) Due Diligence Certificate of the Underwriter/s [Rule 4(2)(a)] is annexed with this Information Memorandum. Kindly Check Annexure – IV

27. Public issue application procedure:

As per conditions in the consent letter to be issued by the Commission

28. Rights option/issue application procedure:

As per conditions in the consent letter to be issued by the Commission

29. Public offer application procedure:

As per conditions in the consent letter to be issued by the Commission


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Annexure - 01

Detailed Description and Information

As per Schedule A (part I)

1. Particulars of issuer:

Name:	Al Arafah Islami Bank Limited (the "Bank"/ the "Issuer")
Legal Status	Al-Arafah Islami Bank Limited was established in 1995 under the Companies Act, 1994 as a Banking Company with Limited Liability by shares. It is an interest free Shariah Bank of Bangladesh rendering all types of commercial banking services under the regulation of Bank Company Act, 1991.
Details of contact information	Mr. Muhammed Nadim, FCA Deputy Managing Director PABX: +880 2 44850005-20 Ext-270 Tel: +880 2 44850028 Mobile: +8801819494980 E-mail: nadim@aibl.com.bd
Date of Incorporation	18 June, 1995
Date of Commencement of Business	27 September, 1995
Authorized Capital	BDT 15,000,000,000 (as on 31 December 2020)
Paid-up Capital	BDT 10,649,021,850 (as on 31 December 2020)
Total equity	BDT 25,455,844,712/-
Total Liabilities	BDT 392,842,807,715/-
Total Financial Obligations	N/A
Total Assets	BDT 296,855.69 Million
Net Worth	BDT 25,455,844,712/-

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

2. Particulars of Issue Managers:

Name of the issue managers	UCB Investment Limited and Prime Bank Investment Limited
Legal status of the issue managers	Prime Bank Investment Limited: Public Limited Company UCB Investment Limited: Private Limited Company All are licensed as Merchant Bankers under the Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Regulations, 1996
Details of contact information	Tanzim Alalmgir Chief Executive Officer UCB Investment Limited Mobile: + 88 01927 111 555

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division


Md. Mahamudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

	Email: tanzim.alamgir@ucb.com.bd Khandoker Raihan Ali, FCA Prime Bank Investment Limited SEVP & Chief Operating Officer Contact: 01730031810 Email: raihan@pbil.com.bd
Name of the issue managed by the issue managers	<u>UCB Investment Limited:</u> N/A <u>Prime Bank Investment Limited:</u> 1. Fortune Shoes Limited 2. Sea Pearl Beach Resorts and Spa Ltd

3. Particulars of the issue:

Name of the Instrument	AIBL Mudaraba Perpetual Bond
Issue Type	Unsecured, Contingent-Convertible, Fully paid up, Non-Cumulative, BASEL III compliant, Perpetual Debt instrument for inclusion in Additional Tier I Capital
Issuer	Al Arafah Islami Bank Limited
Nature of Instrument	Unsecured
Purpose and Objectives	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). The funds being raised by the Bank through the mentioned Issue are not meant for financing any particular project. The Bank shall utilize the proceeds of the Issue for its regular business activities. The Bank shall not utilize proceeds of the Issue for any purpose which may be in contravention of the regulations/ guidelines/ norms issued by the Bangladesh Bank and Bangladesh Security Exchange and Commission where applicable.
Arrangers	UCB Investment Limited & Prime Bank Investment Limited
Trustee	MTB Capital Ltd.
Paying Agent, Register, Transfer Agent	MTB Capital Ltd.
Rating Agency	Credit Rating Information and Services Limited
Underwriter	Islami Bank Capital Management Limited
Issue Manager/s	UCB Investment Limited and Prime Bank Investment Limited
Legal Advisor	Lex Juris- Barristers, Advocates & Consultants
Mode of Issue	90% Private Placement & 10% Public Issue
Facility Size	BDT 4,500,000,000 under private placement and BDT 500,000,000 under public Issue
No. of Bonds to be Issued	900,000 under private placement and 100,000 under public offer

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Face Value	BDT 5,000/ (Five thousand Taka only)
Bonds per lot/ Minimum Subscription	01 bond for public issue and 10,000 for private placement
Tenure	Not Applicable. The Bonds shall be perpetual i.e. there is no maturity date and there are no step-ups or other incentives to redeem.
Investors	<p>The following class of investors are eligible to participate in the offer:</p> <ul style="list-style-type: none"> Public Financial Institutions which are duly authorized to invest in Bonds as per Bangladesh Bank Regulations Mutual Funds, Insurance Companies, Scheduled Commercial Banks, Co-operative Banks, Regional Rural Banks authorized to invest in bonds/ debentures, Societies authorized to invest in bonds/debentures, Trusts authorized to invest in bonds/ debentures, Statutory Corporations/ Undertakings established by Central/ State legislature authorized to invest in bonds/ debentures, Any other not mentioned in the list but is eligible to subscribe as per regulations by Bangladesh Bank. <p>This being a private placement issue, the eligible investors who have been addressed through this communication directly, are only eligible to apply.</p> <p>Prior to making any investment in these Bonds, each investor should satisfy and assure himself/herself/itself that he/she/it is authorized and eligible to invest in these Bonds. The Bank shall be under no obligation to verify the eligibility/authority of the investor to invest in these Bonds. Further, mere receipt of this Disclosure Document by a person shall not be construed as any representation by the Bank that such person is authorized to invest in these Bonds or eligible to subscribe to these Bonds. If after applying for subscription to these Bonds and/or allotment of Bonds to any person, is found to have been ineligible to invest in/hold these Bonds, the Bank shall not be responsible in any manner.</p>
Rate of Return/ Profit Distribution	<p>Rate of return will be calculated based on the latest available published deposit rate in Bangladesh Bank website. The average of yearly deposit rate (1 year but < 2 year) of scheduled Islamic banks (1st Generation, 2nd Generation and 3rd Generation banks only) excluding foreign Islamic banks and any z-category Islamic Banks enlisted in capital market will be considered.</p> <p>(The published deposit rate to be taken from "Announced Interest Rate Chart of the Scheduled Banks (Deposit Rate)" published by Bangladesh Bank in its website.)</p>
Rate of Return Range	Return Ceiling: 10%

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office

	Return Floor: 6% (subject to having available distributable profit)
Margin with Rate of Return	2.50%
Listing Status	Listed as per BSEC Regulation
Quotation Day	Five (05) days before the first day of any period for which a rate of return is to be determined
Rate of Return Discretion	The bank will have full discretion at all times to cancel distributions/payments to the bondholder
Exercise of Rate of Return Discretion	Any return payment will be distributed subject to having available distributable profit of the issuer
Payment of profit	Annually, payment will be made end of calendar year Any payment will be made within 30 days of payment date after that late payment clause will be in effect
Late Payment	Issuer shall pay a late payment penalty of 2% (two per cent) higher than the Coupon Rate and be payable on the amount not paid on the due date till the date of actual payment unless exercise of coupon discretion is not in effect.
Business Day Convention/Effect of Holidays	<ul style="list-style-type: none"> If any Coupon/ Interest Payment Date falls on a day that is not a Business Day, the payment shall be made by the Bank on the immediately succeeding Business Day. If the Call Option Due Date (also being the last Coupon Payment Date, in case Call Option is exercised) of the Bonds falls on a day that is not a Business Day, the Call Option Price shall be paid by the Bank on the immediately preceding Business Day along with interest accrued on the Bonds until but excluding the date of such payment.
Late Redemption	Not Applicable. Since the instrument is perpetual in nature i.e. there is no maturity date; late redemption is not applicable unless and until it is eligible for call option criteria.
Put Date	Not Applicable
Put Price	Not Applicable
Call Option	Can be exercised only after ten years of issuance, with prior approval from the Bangladesh Bank
Call Option Eligibility	<ol style="list-style-type: none"> Replace this instrument with capital of the same or better quality that are sustainable for the income capacity of the Bank, or, Capital position is above the minimum requirements after the call option is exercised
Claim Settlement in the event of Liquidation or Wind-up	<p>Claims of the investors on the bond are:</p> <ol style="list-style-type: none"> Superior to the claims of investors in equity shares and perpetual non-cumulative preference shares, if any, of the bank whether currently outstanding or issued at any time in the future. subordinated to the claims of depositors, general creditors and subordinated debt of the Bank other than any subordinated debt qualifying as Additional Tier 1 Capital (as defined in the Basel III Guidelines) of the Bank;

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.

	<p>6. Is neither secured nor covered by a guarantee of the issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors</p> <p>Notwithstanding anything to the contrary stipulated herein, the claims of the Bondholders shall be subject to the provisions of Loss Absorption in this terms and features.</p>
Loss Absorption	<p>Any losses will be absorbed in the following manner:</p> <p>Conversion to common shares at pre-specified trigger point as needed to reach the minimum consolidated CET-1 ratio as per Bangladesh Bank requirement (Currently of 4.50%).</p>
Loss Absorption Methodology	<p>CET-1 on Trigger Date will be considered to identify the shortfall percentage and it will be converted into common shares eventually. If a fractional share issuance arises upon conversion, the issuer will round the number of shares issuable, up to the next whole number.</p>
Trigger Point for Loss Absorption	<p>If the bank's consolidated CET-1 falls below Bangladesh Bank requirement (Currently of 4.50%) and stays below for 03 (Three) successive quarters; then, the 3rd quarter-end date of consecutive below-minimum CET-1 Ratio would be the Trigger-Point (date). Once the trigger point has been reached and exercised, the cycle will start again.</p>
Conversion Strike Price	<p>Average of 180 business days market price prior to the trigger point or par value (currently BDT 10tk) whichever is higher.</p>
Payment Suspension Methodology	<p>In case of the event of exercise of Loss Absorption feature of the Bond, any coupon payment in between the Trigger Point and publication date of audited financials will be suspended. The bondholder will not be eligible for the coupon payment if the same situation prevails (Bank's consolidated CET-1 ratio remains below the regulatory requirement of 4.5%) after the publication of audited financials. In case of conversion on Trigger Point Condition, the portion that will be required to be converted, Coupon Payment will never resume back for that portion. The portion that shall not be converted, payment will resume from next coupon date for that non-converted portion, but subject to CET-1 Ratio remaining reaching 4.50% or above, and interest will be paid along with previous coupon for this portion.</p> <p>No penal/additional/delay fee shall be charged on the Issuer for the period when coupon(s) payments are suspended.</p>
Events of Default	<p>Not Applicable.</p> <p>It is further clarified that cancellation of discretionary payments/coupon shall not be deemed to be an event of default. The Bondholders shall have no rights to accelerate the repayment of future scheduled payments (coupon or principal) except in bankruptcy and liquidation.</p>

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Consent Right of Bondholders	Issuer needs to take prior consent from AT-1 (AIBL Bank Perpetual Bond) bondholders to issue new Tier-II capital over maximum limit as set by Bangladesh Bank.
Common Equity Holders' Dividend Stopper Clause	Dividend Stopper Clause will be applicable to these Bonds and it will stop common equity holders' dividend payments on common shares in the event the holders of the Bonds are not paid coupon. In the event the holders of the Bonds are not paid coupon, they shall not impede the full discretion that Issuer has at all times to cancel distributions/payments on the Bonds, nor will they impede / hinder: (iv) The Re-Capitalization of the Issuer. (v) The Issuer's right to make payments on other instruments, where the payments on this other instrument were not also fully discretionary (vi) The Issuer's right to making distributions to shareholders for a period that extends beyond the point in time that coupon on the Bonds are resumed. The normal operation of the Issuer or any restructuring activity (including acquisitions/ disposals).
Transferability/Liquidity	Freely transferable in accordance with the provisions of the Deed of Trust.
Credit Rating of the Issue	A+ (Indicative) Publishing Date: May 09, 2021 Validity Date: November 08, 2021
Credit Rating of the Issuer	AA (Stable) Publishing Date: July 18, 2021 Validity Date: July 17, 2022
Cost Related to the issue	Total Cost related to bond issuance is approximately BDT 2.50 crore for the initial year and approximately 7 lacs for subsequent period.
Governing Law	The Bonds are governed by and shall be construed in accordance with the existing laws of Bangladesh. Any dispute arising thereof shall be subject to the jurisdiction of courts of Bangladesh.

4. Particulars of the Trustee:

Name of the Trustee	MTB Capital Limited
Paid-up capital of the Trustee	BDT 33,98,89,000/-
Net worth of the Trustee	BDT 36,38,48,678/-
Name of the issue where performing as Trustee	AB Bank Ltd., One Bank Ltd., United Commercial Bank Ltd., Standard Bank Ltd., United Finance Ltd., BRAC, Trust Bank Ltd.

5. Particulars of the Credit Rating Company:

Name of the Credit Rating Company	Credit Rating Information and Services Limited
-----------------------------------	--

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Credit rating status of the issuer	Long Term rating: AA Short Term Rating: ST-2 Validity of the rating: 17 July, 2022
Latest default rate of the rating company	2.28%
Average time to default of the rated category	3 Years
Rating Trigger	Not applicable


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Annexure – 02 (Auditor's Report along with Audited Financial Statements)


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Annexure – 03 (Credit Rating Report of the Issue & Issuer)


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office Dhaka


Md. Mahmodur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office Dhaka

CREDIT RATING REPORT
On
AIBL MUDARABA PERPETUAL BOND
(TK 500CRORE)
REPORT: RR/43764/21

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CIRISL long-term rating is valid for only six months from the date of rating. After the above period, the instrument rating will not carry any validity unless the bank goes for rating surveillance of its instrument.
CIRISL followed Debt Securities Methodology published in CIRISL website www.crislbd.com

Address:
CIRISL
Nakshi Homes
(4th & 5th Floor)
6/1A, Segunbagicha,
Dhaka-1000
Tel: 9530991-4
Fax: 88-02-9530995
Email:
crisldh@crislbd.com

Rating Contact:
Md. Asiful Haq
Chief Rating Officer
asif@crislbd.com

Analysts:
Md. Main Uddin Ahmed
mainuddin@crislbd.com

Md. Saiful Alam Shimul
saiful@crislbd.com

Entity Rating

Long Term: A+

Outlook: Indicative

**AIBL MUDARABA
PERPETUAL BOND
(TK 500 CRORE)**

Issuance Amount:
Tk. 5,000.00 million

Trustee:
MTB Capital Limited

Coupon:
average rate of 6 (Six)
months of full-fledged
shariah based banks
rate for preceding 180
days of AIBL

Placement Process:
Private

Listing:
Unlisted

Issue Rating (Unsecured Perpetual Bond)	Long Term
Date of Rating Declaration	A+ (indicative)
Rating Validity	May 09, 2021
	Six Month

1.0 RATIONALE

CIRISL has assigned "A+" indicative (pronounced as "single A plus" indicative) rating in the long term to proposed "AIBL Mudaraba Perpetual Bond (Tk 500 Crore)" of Al-Arafah Islami Bank Limited. The above rating has been assigned in consideration of the inherent fundamentals of the issue that include good return, a trustee-administered payment mechanism for the bonds, features of call option and late payment penalty, positive projected earnings to support regular repayment of obligations etc. CIRISL also gives due weightage to the Issuer's profile while assigning the rating as other than the sole commitment of the issuer, the instrument is not backed by any security or counter guarantee by any third party. While assigning the rating CIRISL duly factored issuer's strength as a scheduled Shariah based bank, which encompasses sound credit profile and diversified business mix, average financial performance, good capital adequacy, average liquidity, good non-funded business, diversified business mix, experienced top management etc. However, the above factors are constrained, to some extent, by the feature of the bond which inter alia includes the nature of the bond being unsecured and not guaranteed debt instrument, subordination to depositors and other bank liabilities, loss absorption risk, coupon payment cancellation risk etc.

Securities rated in this category are adjudged to be of good credit quality and offer adequate safety for timely repayment of financial obligations. Protection factors are considered variable and more susceptible to changes in circumstances than securities in higher-rated categories.

The indicative rating means the bond has been rated based on the draft legal documentations and projections. However, after finalizing the above documentations, the final rating will be assigned.

2.0 ISSUE FEATURE: PERPETUAL DEBT (TIER I BOND)

Al-Arafah Islami Bank Limited (AIBL), a private shariah-based commercial bank will issue 'AIBL Mudaraba Perpetual Bond' (hereinafter referred to as "Bond" or "the issue") of Tk. 5,000.00 million (5,000 units of Tk.1.00 million each lot). AIBL will issue above bond to augment Tier-I capital base as per Basel-III as well as diversification of funding sources as per Bangladesh Bank directive through a private placement. The potential investors of the bond are Banks/Non-Bank Financial Institutions, Mutual Funds, Insurance Companies, Co-operative Banks, Societies authorized to invest in bonds/debentures, Trusts authorized to invest in bonds/ debentures, Statutory Corporations and Corporate Bodies. The bond is unsecured, contingent- convertible, non-cumulative and perpetual in nature. As the Bonds shall be perpetual i.e. there is no maturity date and there are no step-ups or other incentives to redeem. The instrument does not carry any feature of "Put Option". However, it has the feature of Call Option which can be exercised only after ten years of issuance, with prior approval from the Bangladesh Bank.

The rate of return of the bond is latest available published deposit rate in Bangladesh Bank website (The average of yearly deposit rate (1 year but < 2 year) of scheduled Islamic banks (1st Generation, 2nd Generation and 3rd Generation banks only) excluding foreign Islamic banks and any 2-category Islamic Banks enlisted in capital market will be considered.). Apart from yearly average deposit rate of scheduled Islamic banks, the bondholders will get an additional margin of 2.5 %.

Page 1 of 17

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Asiful Haq
Chief Rating Officer
Credit Rating Information and Services Ltd.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT

On

AIBL MUDARABA PERPETUAL BOND

(TK 500CRORE)

The bank will have full discretion at all times to cancel distributions/payments to the bondholder. Any return payment will be distributed subject to having available distributable profit of the issuer.

Coupon payment will be made annually at end of calendar year. Any payment will be made within 30 days of payment date after that late payment clause will be in effect. Issuer shall pay a late payment penalty of 2% (two per cent) higher than the Coupon Rate and be payable on the amount not paid on the due date till the date of actual payment unless exercise of coupon discretion is not in effect.

The bonds may be listed as per BSEC regulation and will be freely transferable like other securities.

UCB Investment Limited will act as a Lead Arranger/ Manager to the Issue while MTB Capital Ltd. will act as a trustee of the bonds. Moreover, MTB Capital Ltd. will act as Paying Agent, Register and Transfer Agent.

3.0 PURPOSE TO ISSUE PERPETUAL BOND

AIBL is going to raise Additional Tier-1 Regulatory 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. The bank shall utilize the proceeds of the issue for its regular business activities. The bank shall not utilize proceeds of the issue for any purpose which may be in contravention of the regulations/guidelines/norms issued by Bangladesh Bank and Bangladesh Security Exchange and Commission where applicable.

4.0 ISSUER SUMMARY-AL-ARAFAH ISLAMI BANK LIMITED

Al-Arafah Islami Bank Limited (AIBL) was established in 1995 under the Companies Act, 1994 as banking company with limited liability by shares. It is an interest free Shariah Bank of Bangladesh rendering all types of commercial banking services under the regulation of Bank Companies Act, 1991 (as amended in 2013). The bank conducts its business on the principles of Musharaka, Bai-Murabaha, Bai-Muazzal and Hire Purchase transactions approved by Bangladesh Bank. Naturally, its modes and operations are substantially different from those of other conventional commercial banks. There is a Shariah Supervisory Committee in the bank who maintains constant vigilance to ensure that the activities of the bank are being conducted as per Shariah guidelines. The Shariah Supervisory Committee consists of prominent Ulama, reputed Bankers, renowned Lawyers and eminent Economists. The bank went for public issue of share in the year 1998 and its shares are listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). Presently, the bank has 182 Branches and 3 (three) Subsidiary Companies namely AIBL Capital Market Services Limited, AIBL Capital Management Limited and Millennium Information Solution Limited (MISL). The principal activities of the Bank are to provide a comprehensive range of financial services including commercial banking, consumer banking, trade finance and other related custody and clearing services to the customers following the provisions of Bank Companies Act, 1991 (as amended) Bangladesh Bank's directives and the principles of Islamic Shariah. As on December 31, 2014, the authorized and paid up capital of the bank stood at Tk. 15,000 million and Tk. 10,649 million respectively. The Head Office of the Bank is located at 63 Purana Paltan, Dhaka-1000.

5.0 ISSUER CREDIT RATING

CRISL has assigned "AA" (pronounced as double A) rating in the Long Term and "ST-2" rating in the Short Term to Al-Arafah Islami Bank Limited (AIBL). This has been done based on the operational and financial performance of the bank along with all its relevant quantitative and qualitative information and other prevailing factors up to the date of rating.

Issuer Rating: AA

Page 2 of 17

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahamudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Choudhury
Managing Director & CEO
Credit Rating Officer
Head Office, Dhaka.
Credit Rating Information and Services Ltd.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Rashed Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT

On

AIBL MUDARABA PERPETUAL BOND

(TK 500CRORE)

The above ratings have been assigned in consideration of its fundamentals such as average financial performance, good capital adequacy, average liquidity, good operational network, experienced top management etc. CRISL also observed decline in some of the indicators in respect of asset quality, profitability, operating efficiency, considerable rescheduled and stay order loan, high concentration of classified loan among top 20 defaulters etc.

The Banks rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a banking entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.

The Short Term rating indicates high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

CRISL also viewed the bank with "Stable" outlook and does not foresee any major significant changes in its overall operational performance in near future.

6.0 BACKGROUND OF TRUSTEE

MTB Capital Ltd. (MTBCL), a fully owned subsidiary of Mutual Trust Bank Limited is a full-fledged Merchant Bank licensed by the Bangladesh Securities and Exchange Commission (BSEC) on December 06, 2010. MTBCL was incorporated on October 08, 2009 as a private limited company with the Registrar of Joint Stock Companies and Firms Bangladesh under Companies Act, 1994 with the objective to carry out the business as Issue Manager, Underwriter and Portfolio Manager. The company started its commercial operation in April 18, 2011 as a full-fledged merchant bank with services like issue management, underwriting, portfolio management and advisory services in capital and securities market. The paid-up capital of MTBCL stood at TK.339.89 million against authorized capital of TK.500.00 million as on December 31, 2019. The Registered Office of the company is located at Chandrashila Suvastu Tower (2nd Floor), 69/1 Panthapath, Dhaka.

7.0 KEY FEATURES OF TRUST DEED

7.1 Powers and Duties of Trustee

- **Applicable Law:** Notwithstanding anything contained in this Trust Deed the Trustee shall have all such responsibility as set out in the applicable law including but is not limited to The Securities and Exchange Commission (Private Placement of Debt Securities) Rules 2012.
- **Act for Bondholders:** Subject to applicable law and terms and conditions of this Trust Deed the Trustee shall act on behalf and for the exclusive interest of the Bondholders;
- **Monitoring:** Trustee shall ensure that Issuer is observing the applicable law for the Bonds and the terms and conditions of the Bond Documents. As soon as the Trustee is aware of any breach by the Issuer it shall immediately inform the Bondholders of the Issuer of such breach;
- **Report to BSEC:** Trustee shall submit an annual compliance report to the BSEC on the activities of the Issuer including repayment of dues to the Bondholders. Trustee shall submit such report to the BSEC it shall provide copy to the Issuer and the Bondholders. However, in case of any non-compliance of the Issuer, the trustee shall first provide a copy of the report to the Issuer with details of such non-compliance and then submit to the BSEC.

Kazi Sanjana Taufique
 Chief Executive Officer (Acting)
 UCB Investment Limited

Page 3 of 17

MUHAMMED NADIM FCA
 DMD & Chief Financial Officer (CFO)
 Financial Administration Division
 Al-Arafah Islami Bank Limited
 Head Office, Dhaka.

Md. Mahmudur Rahman
 Deputy Managing Director &
 Company Secretary
 Al-Arafah Islami Bank Ltd.
 Head Office, Dhaka.

Farman R. Chowdhury
 Managing Director & CEO
 Credit Rating Information and Services Ltd.
 Head Office, Dhaka.

For President & CEO

Md. Asiful Haq

Rating Officer

Credit Rating Information and Services Ltd.

Head Office, Dhaka.

Khandoker Raihan Ali FCA
 MD & CEO (CO)
 Prime Bank Investment Limited

CREDIT RATING REPORT
On
AIBL MUDARABA PERPETUAL BOND
(TK 500CRORE)

- Notification of call or repayment: immediately upon receipt of notice from the Issuer regarding a Call Exercise Date in respect of any Bond, give to the respective Bondholders notice in writing of the amount of such redemption or purchase by the Issuer pursuant to the Conditions;
- Grievances of the Bondholders: Upon receipt of a complaint from the Bondholders Trustee shall take necessary steps for redress of grievances of the Bondholders within one month of the date of receipt of the complaints and he shall keep the BSEC and the Issuer informed about the number, nature and other particulars of the complaints received and the manner in which such complaints have been redressed;
- Trustee's determination The Trustee may determine whether or not a default in the performance or observance by the Issuer of any obligation under the provisions of this Trust Deed or contained in the Bonds is capable of remedy and if the Trustee shall certify that any such default is, in its opinion, not capable of remedy, such certificate shall be conclusive and binding upon the Issuer and the Bondholders;
- Determination of questions: the Trustee as between itself and the Bondholders shall have full power to determine all questions and doubts arising in relation to any of the provisions of this Trust Deed and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee, shall be conclusive and shall bind the Trustee and the Bondholders;
- Trustee's discretion: the Trustee shall (save as expressly otherwise provided herein) as regards all the trusts, powers, authorities and discretions vested in it by this Trust Deed or by operation of law, have absolute and uncontrolled discretion as to the exercise or non exercise thereof but whenever the Trustee is under the provisions of this Trust Deed bound to act at the request or direction of the Bondholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing;
- Trustee's consent: any consent given by the Trustee for the purposes of this Trust Deed may be given on such terms and subject to such conditions (if any) as the Trustee may require;
- Application of proceeds: the Trustee shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Bonds or the delivery of any Mudaraba Bond Certificates to the Bondholders;
- Error of judgment: the Trustee shall not be liable for any error of judgment made in good faith by any officer or employee of the Trustee assigned by the Trustee to administer its corporate trust matters;
- Agents: Subject to the provisions of the Trust Act 1882 and The Securities and Exchange Commission (Private Placement of Debt Securities) Rules 2012, the Trustee may, in the conduct of the trusts of this Trust Deed instead of acting personally employ and pay an agent on any terms, whether or not a lawyer or other professional person, to transact or conduct, or concur in transacting or conducting any business and to do or concur in doing all acts required to be done by the Trustee (including the receipt and payment of money) with the consent of Issuer and the Trustee shall be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it hereunder or be bound to supervise the proceedings of any such person provided that the Trustee had exercised reasonable care in the appointment of such person;
- Confidential information: the Trustee shall not (unless required by law or ordered so to do by a court of competent jurisdiction) be required to disclose to any Bondholder

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Page 4 of 17

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Credit Rating Officer
Credit Rating Information and Services Ltd.

Chandaker Raitan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT

On

AIBL MUDARABA PERPETUAL BOND

(TK 500CRORE)

confidential information or other information made available to the Trustee by the Issuer in connection with this Trust Deed and no Bondholder shall be entitled to take any action to obtain from the Trustee any such information.

- Determination of Profit Rate: the Trustee shall determine Applicable Profit Rate in accordance with Condition of the Bond.

7.2 Exercise of Discretion

1. Notwithstanding anything in the Trust Deed to the contrary, the Trustee shall not be obliged to exercise or consider exercising any discretion or consider making or make any determination (including, without limitation, any determination as to whether any fact or circumstance or activity or thing is material or substantial or complies with some such similar quantitative standard) or to consider taking or take any action whatsoever in connection with or under or pursuant to the Bonds unless directed to do so by the holders of not less than 66²/₃ percent in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of Bondholders.
2. The Trustee will be responsible for any loss, expense, damage, claim, cost, charge or liability which may be suffered as a result of any exercise or non-exercise of a discretion or the making or failure to make any determination or the taking or failure to take any action by the Trustee, acting on the directions of the Bondholders as aforesaid or pending the provision of such a direction.

7.3 Rights duties and obligations of the bondholders

- Each investor (Bondholder) shall enter into a separate Subscription Agreement with the Issuer and shall be bound by the terms and conditions contained in such Subscription Agreement containing in details the rights and obligations of the investors, and which shall be an integral part of this Trust Deed.
- The rights of the Bondholder are several and any debt or other obligation arising under the Subscription Agreement at any time from the Issuer to any other Bondholder(s) shall be a separate and independent debt. Each Bondholder will be entitled to protect and enforce its individual rights independently of any other Bondholder and it shall not be necessary for any other Bondholder(s) to be joined as an additional party in proceedings for such purpose.
- Each Bondholder has the right to demand information from the Issuer as set out in this Trust Deed and the Condition attached in Schedule 1 Part B (Terms and Conditions of the Bonds).
- Each Bondholder has the right to receive profit on the Bond on the Profit Payment Date as set out in the Condition attached in Schedule 1 Part B (Terms and Conditions of the Bonds).
- Each Bondholder has the right to attend meeting of the Bondholders and vote therein in accordance with Condition 12 (Meetings of Bondholders, Modification, Waiver and Substitution).
- The Issuer shall fully indemnify the Bondholder(s) from and against any expense, loss, damage or liability which any of them may incur as per provisions of this Trust Deed in connection with the enforcement, protection or preservation of any right claim of the Bondholders under the Transaction Documents.

7.4 Rights duties and obligations of the issuer

Covenant to Repay

The Issuer covenants with the Trustee that it will, as and when the Bonds or any of the profit payment under the Bonds become due for payment or any principal on the Bonds or any of

Page 5 of 17

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahabudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Credit Rating Information and Services Ltd.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT
On
AIBL MUDARABA PERPETUAL BOND
(TK 500CRORE)

them becomes due to be repaid in accordance with the Conditions, unconditionally pay or procure to be paid to or to the order of the Trustee in Bangladesh Taka in Dhaka in immediately available freely transferable funds, the profit payments or the principal amount of the Bonds or any of them becoming due for payment, redemption or repayment on that date and shall (subject to the provisions of the Conditions) until all such payments (both before and after judgment or other order) are duly made unconditionally pay or procure to be paid to or to the order of the Trustee as aforesaid on the dates provided for in the Conditions profit on the principal amount of the Bonds or any of them outstanding from time to time as set out in the Conditions provided that:

every payment of principal or profit in respect of the Bonds or any of them made to or to the account of the Paying Agent in the manner provided in the Agency Agreement shall satisfy, to the extent of such payment, the relevant covenant by the Issuer contained in this Clause except to the extent that there is default in the subsequent payment thereof to the Bondholders in accordance with the Conditions; if any payment of principal or profit in respect of the Bonds or any of them is made after the due date, payment shall be deemed not to have been made until either the full amount is paid to the Bondholders or, if earlier, the seventh day after notice has been given to the Bondholders in accordance with the Conditions that the full amount has been received by the Paying Agent or the Trustee except, in the case of payment to the Paying Agent, to the extent that there is failure in the subsequent payment to the Bondholders under the Conditions; and in any case where payment of the whole or any part of the principal amount due in respect of any Bond is improperly withheld or refused upon due presentation of a Mudaraba Bond Certificate, penalty shall accrue at applicable rate of 2.00 % p.a. for the Bond on the whole or such part of such principal amount from the date of such withholding or refusal until the date either on which such principal amount due is paid to the Bondholders or, if earlier, the seventh day after which notice is given to the Bondholders in accordance with the Conditions that the full amount payable in respect of the said principal amount is available for collection by the Bondholders provided that on further due presentation thereof such payment is in fact made.

The Trustee will hold the benefit of this covenant and the covenants in Clause 11.3 (Covenant to comply with Trust Deed, Conditions, Schedules, and Agency Agreement) and Clause 11.4 (Covenants by the Issuer) on trust for the Bondholders.

Following an Event of Default

At any time after any Event of Default shall have occurred, the Trustee may:

By notice in writing to the Issuer, the Paying Agent and the other Agents, require the Paying Agent and the other Agents or any of them, until notified by the Trustee to the contrary:

to act thereafter as agents of the Trustee under the provisions of this Trust Deed on the terms provided in the Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Agents shall be limited to amounts for the time being held by the Trustee on the trusts of this Trust Deed in relation to the Bonds on the terms of this Trust Deed and available to the Trustee for such purpose) and thereafter to hold all Mudaraba Bond Certificates and all sums, documents and records held by them in respect of Bonds on behalf of the Trustee; and/or to deliver up all Mudaraba Bond Certificates and all sums, documents and records held by them in respect of Bonds to the Trustee or as the Trustee shall direct in such notice provided that such notice shall be deemed not to apply to any document or record which the relevant Agent is obliged not to release by any law or regulation; and by notice in writing to the Issuer, require it to make all subsequent payments in respect of Bonds to or to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn, sub-clause 11.1.1 of Clause 11.1 (Covenant to Repay) and (so far as it concerns payments by the Issuer) Clause 18.2 (Payment to Bondholders) shall cease to have effect.

Page 6 of 17

MUHAMMED NADIM FCA
JMD & Chief Financial Officer (CFO)
Financial Administration Division
Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

For President & CEO
Md. Asifur Haq
Chief Rating Officer
Credit Rating Information and Services Ltd
Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT
On
AIBL MUDARABA PERPETUAL BOND
(TK 500CRORE)

Covenant to comply with Trust Deed, conditions, Schedules, Agency Agreement and applicable law.

The Issuer hereby covenants with the Trustee to comply with, perform and observe all those provisions of this Trust Deed, the Agency Agreement, the Conditions (including, without limitation, Condition 5 (Covenants)) and the other Schedules which are expressed to be binding on it and to perform and observe the same. The Bonds are subject to the provisions contained in this Trust Deed, all of which shall be binding upon the Issuer and the Bondholders and all persons claiming through or under them respectively. The Bondholders and all persons claiming under or through them respectively will also be entitled to the benefit of, and will be bound by, this Trust Deed and the other Bond Documents and will be deemed to have notice of all of the provisions of the Bond Documents applicable to them.

The Issuer hereby covenants with the Trustee to comply with, perform and observe all those provisions of the applicable law including but is not limited to The Securities and Exchange Commission (Private Placement of Debt Securities) Rules 2012. The Issuer agrees that Bondholders and all persons claiming under or through them respectively will also be entitled to the benefit of, and will be bound by, the applicable law and will be deemed to have notice of all of the provisions of the applicable law applicable to them.

The Trustee shall itself be entitled to enforce the obligations of the Issuer under the Bonds and the Conditions and the applicable law as if the same were set out and contained in this Trust Deed which shall be read and construed as one document with the Bonds.

Covenants by the Issuer

The Issuer hereby covenants with the Trustee that, so long as any of the Bonds remain outstanding, it will:

Books of account

At all times keep and procure that all its Subsidiaries keep such books of account as may be necessary to comply with all applicable laws and so as to enable the financial statements of the Issuer to be prepared and allow, subject to confidentiality obligations under applicable law, the Trustee and any person appointed by it free access to the same at all reasonable times and to discuss the same with responsible officers of the Issuer;

Event of Default

Give notice in writing to the Trustee forthwith upon becoming aware of any Event of Default and without waiting for the Trustee to take any further action;

Corporate Governance

Comply (and shall ensure that each member of the Group will) in all material respects with the corporate governance guidelines set out by the Bangladesh Bank and the Bangladesh Securities and Exchange Commission.

Information

So far as permitted by applicable law, at all times give to the Trustee such information, opinions, certificates and other evidence as it shall require and in such form as it shall require in relation to Issuer for the performance of its obligations under the Bond Documents;

Execution of further Documents

So far as permitted by applicable law, at all times execute all such further documents and all such further acts and things as may be necessary at any time or times in the opinion of the Trustee to give effect to the provisions of this Trust Deed;

Notices to Bondholders

Send or procure to be sent to the Trustee not less than 5 (five) business days prior to the date of publication, one copy of each notice to be given to the Bondholders in accordance with the Conditions and, upon publication, send to the Trustee two copies of such notice;

Notification of non-payment

Page 7 of 17

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Credit Rating Information and Services Ltd.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raishan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT

On

AIBL MUDARABA PERPETUAL BOND

(TK 500CRORE)

Notify the Trustee forthwith in the event that it does not, on or before the due date for payment in respect of the Bonds or any of them, pay unconditionally the full amount in the relevant currency of the moneys payable on such due date on all such Bonds;

Notification of late payment

In the event of the unconditional payment to the Trustee of any sum due in respect of the Bonds or any of them being made after the due date for payment thereof, forthwith give notice to the Bondholders that such payment has been made;

Notification of Call Exercise Date

Not less than 30 (thirty) days prior to the Call Exercise Date in respect of any Bond, give to the Trustee notice in writing of the amount of such redemption or purchase pursuant to the Conditions and duly proceed to redeem or purchase such Bonds accordingly;

Obligations of Agents:

Observe and comply with its obligations and use all reasonable endeavours to procure that the Agents observe and comply with all their obligations under the Agency Agreement; maintain the Register; and notify the Trustee immediately it becomes aware of any material breach of such obligations, or failure by any Agent to comply with such obligations, in relation to the Bonds;

Authorized Signatories

Upon the execution hereof and thereafter forthwith upon any change of the same, deliver to the Trustee a list of the Authorised Signatories of the Issuer, together with certified specimen signatures of the same; and

Payments

Pay moneys payable by it to the Trustee hereunder without set off, counterclaim, deduction or withholding, unless otherwise compelled by laws of the land.

8.0 MARKET ASPECTS OF ISSUING THE BOND

The Bangladesh bond market is still in its infancy. One of the main functions of a bond market is to provide long-term finance by creating alternative sources of finance through the capital market. From the investor's point of view, the main purpose of the bond market is to provide a stable source of income to the investors against the volatile capital market. The Bangladesh capital market is yet to be developed as the required platform to create such a bond market is absent. Besides, the investors are more interested in short term gains instead of waiting for a stable return. However, the introduction of Basel III may create a new avenue among the bankers to issue bonds under Tier-I & Tier-II capital to support its capital requirement. Bangladesh Bank already circulated the issue principles of the above bonds. Bangladesh Bank has fix-up the maximum deposit rate at 6%, which create the demand of bond due to its higher return.

The local currency bond market in Asia, increased significantly by 12.7% to USD 5,370 billion in FY2018 from USD 4,771 billion in FY2017. China dominates the Asian local currency bond market with 47% share, followed by South Korea (22.25%) and Japan (13.46%). Indonesia (0.54%), Philippines (0.40%), Vietnam (0.06%) and Bangladesh (0.30%) have smaller bond markets as compared to other Asian countries. The presence of the secondary market has played a vital role in the development of the bond market in Asian countries. As a percentage of GDP, in 2018, South Korea had the largest corporate debt market (73% of GDP) followed by Malaysia (46% of GDP). In India, the corporate bond market is 16% of GDP. In Indonesia 87% of the total outstanding bonds are traded in the secondary market, followed by 70% in India. The corporate bond market in Bangladesh is almost non-existent, with only two bonds listed in the prime bourse at present namely APSCL (Ashuganj Power Stations Company Ltd.) Non-Convertible and fully redeemable coupon bearing bond of Tk.6000.00 million, being getting the permission from Bangladesh Security and Exchange Commission (BSEC) in the year 2020. Another listed bond is IBBL Mudaraba Perpetual Bond (first perpetual Shariah based instrument); worth of Tk.3000.00 million and getting the permission from BSEC in the

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Page 8 of 17

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

For President & CEO
Md. Asifur Haq
Chief Rating Officer
Credit Rating Information and Services Ltd.

Chandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT

On

AIBL MUDARABA PERPETUAL BOND

(TK 500CRORE)

year 2007.

So far, a good number of commercial banks have issued a subordinated bond. Countries' first subordinated bond is issued by The Brac Bank Ltd. worth of Tk. 3000.00 million (Tk. 2700.00 million from the private placement and remaining Tk.300.00 from public Subscription), is getting the first permission from BSEC in the year 2010, to strengthen their additional Tier II capital base. A subordinated bond is a debt security. It is referred to as subordinate because debt providers (lenders) have a subordinate status concerning the normal debt. It is also known as a subordinated loan, debenture, or junior debt that carries a lower-priority claim on the issuer's income or assets than that of other debt.

A few of the banks also declared to issue bonds under Tier-I. The market analysts are also hopeful that such an issue will boost the other banks in issuing Tier-I bonds because the subscribers will earn a stable return from the Tier-I bond in the face of the existing volatility of the capital market. CRISL, however, views that a good number of mutual funds and other FIs may include the bond in their portfolio for risk minimization through asset diversification. Due to the increase of the Asset Management Companies, they will be very much interested to add Tier-I bonds in their portfolio as Fixed Income Securities.

Perpetual bonds of banks often yield a higher rate than the interest on fixed deposits. The City Bank Ltd. and The Jamuna Bank Ltd. (both have been getting the first permission from BSEC) as well as One Bank and the Mutual Trust Bank's as non-shariah based instruments in the year 2020 for issuing of Tk.400 crore each to strengthen their additional Tier 1 capital base. Only a few banks are going to issue perpetual bonds to meet their long-term capital requirements as well as strengthen the Tier 1 capital base. Like other bonds, even perpetual bonds come attached with the risk of liquidity, credit risk, and interest rate risk. If you are to invest in perpetual bonds, then you have to keep in mind these aspects.

Unlike fixed deposits, perpetual bonds have no guarantee even though they are issued by banks. If a bank's capital dips below certain thresholds due to bad assets, they can skip interest payments on these bonds and even write-down their value. This makes them a lot closer to equity than debt. Investors should not become complacent simply because the issuer is a public sector bank.

Non-listing would carry on bank dependency for subscription to the perpetual bonds as the diversified classes of investors have a bare hunger for perpetual bonds without a smooth exit route that the secondary market offers in stock exchanges.

Hence, the ongoing issuance of the new perpetual bonds would not help in building a long-sought vibrant bond market.

However, the BSEC in its quickest response made listing mandatory for bank-issued perpetual bonds and that will help uphold the idea of banking industry's capitalization alongside creating a secondary bond market.

The central bank guideline, on the other hand, has kept some scope for issuers to call the debt securities after a decade in case of a significant deviation in interest rate between the bond and market rate at that time or some other acceptable reasons.

Under Basel II directive subordinated debt was limited to 30% of Tier-1 capital. But as per Basel III does not give any restriction on raising subordinated debt although Tier-2 capital can be admitted a maximum of up-to 4% of risk weighted asset or 88.89% of common equity Tier-1 capital whichever is higher. This will allow the banks to further extend the capital base through issuing subordinated debt. However, 10% rate of return of the National Savings certificate and the current level of inflation in the market may create a challenge for issuing subordinated bond.

As per the Global Infrastructure Hub report, Bangladesh needs \$608 billion of investment in infrastructure sectors - water, electricity, telecom, ports, airports, rail, and road - from 2016 to 2040. However, current trends indicate \$417 billion of investment is possible in the aforementioned sectors, thereby leaving a gap of \$192 billion in investments in the period 2016-2040. This gap in the top three sectors, power, telecom, and water sectors, is \$100

Page 9 of 17

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director For President & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka
Chief Rating Officer
Credit Rating Information and Services Ltd.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandaker Rahman Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT
On
AIBL MUDARABA PERPETUAL BOND
(TK 500CRORE)

billion, \$41 billion, and \$40 billion respectively.

These projects are mostly financed through the government's own fund and multilateral and bilateral funding agencies. But if the government can develop a framework for meeting the funding gap of those projects by issuing long term infrastructure bonds, a new asset class can be created. This might also attract foreign portfolio investments which specialize in infrastructure finances. A new category of mutual funds can be created in the country, which will invest in that type of bond. Considering the current interest rate scenario and the current state of capital market, the bond market can emerge as a knight. Banks, NBFIs and Merchant banks can enhance their fee-based income by working on bond issuances and cover for the losses they are likely to suffer from the lower interest rate in the market and the loss suffered in the capital market.

The Bangladesh bond market has been inactive over the years on account of several issues that have acted as barriers for issuers and investors alike. From the issuer's point of view, the cost of issuance of bonds in Bangladesh is significantly high (1.5%-2% of the total issuance value as compared to approximately 0.2% cost of issuance of bonds in India). Besides, there is an absence of tax benefits or other incentives for the issuers raising funds via the issuance of debt securities. According to The Income Tax Ordinance 1984, any income derived from zero-coupon bonds by a person other than a bank, an insurance company, or a financial institution is exempted from tax. The tax benefit is only applicable if the zero-coupon bond (if issued by the banks, financial institutions, and other companies) is approved by BSEC or Bangladesh Bank.

The regulators lack the necessary infrastructure to perform due diligence of the application received from the issuers. As a result, it takes six months to one year for the issuer to issue bonds. This acts as a major barrier for a project developer who wants to raise funds via the bond market in a short time. Due to the lack of availability of long-term financing options, the project developers either avail funds through bridge financing or avail long-term financing from NBFIs and banks at interest rates of 15% to 18%, which substantially increases the overall project cost. The long-term debt market has witnessed a lack of participation from institutional investors as well as individual investors. Institutional investors like banks, insurance companies, and mutual funds prefer to invest in high return low-risk debt securities offered by the government instead of the low return-high risk bond market. The confidence of general investors in the private sector is still low because of the lack of regulatory regime, lack of awareness, and failure to service the interest and principal payment obligations in the past by the issuers. Furthermore, due to the lack of a benchmark yield curve, the presence of a secondary market is almost negligible. Overall, the long-term debt market is yet to emerge as an effective investment avenue to large and small investors as well as position itself as an attractive avenue for the companies to raise funds through the issuance of debt securities.

9.0 ESTIMATED PROFIT FROM THE BOND

The investors/subscribers are likely to get good return from their investment in the bond of AIBL.

- The rate of return of the bond will be latest available published deposit rate in Bangladesh Bank website (The published deposit rate to be taken from "Announced Interest Rate Chart of the Scheduled Banks Deposit Rate) plus a margin of 2.50%

The bond is contingent convertible and the profit will be paid annually at end of calendar year. Issuer shall pay a late payment penalty of 2% (two per cent) higher than the Coupon Rate and be payable on the amount not paid on the due date till the date of actual payment unless exercise of coupon discretion is not in effect.

10.0 ISSUER CONSIDERATIONS

The instrument obligation is not a deposit and is not insured by any deposit insurance scheme. As stated earlier, the bonds will be subordinated to these claims of depositors, general creditors and subordinated debt of the Bank other than any subordinated debt

Kazi Sanjana Taufique
 Chief Executive Officer (Acting)
 UCB Investment Limited

Page 10 of 17

MUHAMMED NADIM FCA
 DMD & Chief Financial Officer (CFO)
 Financial Administration Division
 Al-Arafah Islami Bank Limited
 Head Office, Dhaka.

Md. Mahmudur Rahman
 Deputy Managing Director &
 Company Secretary
 Al-Arafah Islami Bank Ltd.
 Head Office, Dhaka.

Farman R. Chowdhury
 Managing Director &
 Al-Arafah Islami Bank
 Head Office, Dhaka.

For President & CEO
Md. Asiful Haq
 Chief Rating Officer
 Credit Rating Information and Services Ltd.

Khandoker Raihan Ali FCA
 MD & CEO (CC)
 Prime Bank Investment Limited

CREDIT RATING REPORT

On

AIBL MUDARABA PERPETUAL BOND

(TK 500CRORE)

qualifying as Additional Tier 1 Capital (as defined in the Basel III Guidelines) of the Bank. The claims of the investors on the bond are Superior to the claims of investors in equity shares and perpetual non-cumulative preference shares, if any of the bank whether currently outstanding or issued at any time in the future.

Hence the factors that may influence the bond rating are the fundamentals that stand for the equity. Therefore, CRISL has reviewed the fundamentals of the AIBL as follows:

10.1 Management Strength

The Board of Directors of AIBL is currently constituted of 20 Directors excluding ex officio Director. The Board is Chaired by Alhaji Abdus Samad and Mr. Farman R. Chowdhury is the Managing Director of the bank. Mr. Farman R. Chowdhury has a strong academic and professional background as well as banking exposures of over a period of 33 years. Among the Board members, 15 members are Directors and three are Independent Directors. The Board appointed Khalid Rahim FCA, Md. Kamaluddin Chowdhury and Md. Amir Uddin PPM as Independent Directors.

In the management team, Mr. Farman R. Chowdhury is aided by Five Deputy Managing Directors, Six Senior Executive Vice President, Eighteen Executive Vice Presidents, Fifty three vice presidents, Twenty one Senior Assistant Vice President, One hundred and thirty three Assistant Vice Presidents. The Board is involved in setting key targets for the bank management and monitoring the progress, approval of long term strategic plan, expansion of business, appointment of key management people and purchase of bank's property and adopts sufficient risk management systems to mitigate the core risk of the bank.

In order to manage the banking operation efficiently, there are four Board Committees such as: Executive Committee, Audit Committee, Risk Management Committee and Shariah Supervisory Committee. The Board also responsibly ensures good corporate governance, devises policies and determines both short-term and long-term objectives & goals of the Bank. The bank has a 8-member of Shariah Supervisory Committee which is headed by Mufti Sayeed Ahmad Muzaddedi. The Shariah Supervisory Committee reviews different operational issues and gives independent opinion based on Islamic Shariah. It also provides necessary guidelines and creates awareness about the compliance of Shariah.

The bank is continuing with five members Executive Committee Chaired by Hafez Alhaji Md. Enayet Ullah. The Committee reviews different operational affairs including administration and investment, development & expansion of business of the Bank etc.

10.2 Financial Performance (Consolidated)

The overall financial performance of the bank has been found to be average in 2020. The financial performance of the bank registered decline during the period due to decrease in total operating income which was mainly affected due to lower profit income as well as fee & commission based income. Bangladesh Bank set the ceiling of profit rate on investment to 9% (which was effective from April, 2020) for which almost all the banks in the industry faces decline in investment/interest income in YE2020. CRISL evaluates the financial performance in terms of Return on Average Asset (ROAA), Return on Average Equity (ROAE) and Net Profit Margin (NPM).

AIBL's net investment income decreased by 4.23% and stood at Tk.97774.63 million YE2020 compared to Tk.10,207.24 million in YE2019. Though the investment income decreased by 8.60%, the decrease in profit paid on deposit (11.02%) minimized the decrease in net investment income. However, the total operating income decreased by 5.68% and stood Tk. 13,430.09 million in YE2020 from Tk.14,242.63 million in YE2019 due to decrease in non investment income (9.61%) specially in commission, exchange and brokerage income. While analyzing income components it revealed that 72.94% was generated from investment income (71.66% in YE2019), 5.06% from investment income (5.41% in YE2019), 19.48% from commission, exchange & brokerage income (20.47% in YE2019) and rest 2.52% from other operating income (2.46% in YE2019) during the year 2020. The total operating profit before tax and provision decreased to Tk.6,681.37 million in YE2020 from Tk.7,860.63 million in YE2019 due to the above reason. The total provision significantly decreased to

Average financial performance

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Page 11 of 17

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.
Md. Asifur Haq
Chief Rating Officer
Credit Rating Information and Services Ltd.

Khandoker Rahman Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT

On

AIBL MUDARABA PERPETUAL BOND

(TK 500CRORE)

Tk.1,972.61 million in YE2020 from Tk.2867.66 million in YE2019 as the provision against classified investment was lower due to the loan relaxation policy of Bangladesh Bank due to Covid-19. The net profit after tax decreased by 7.41% and stood at Tk.2,247.82 million in YE2020 against Tk.2427.64 million in YE2019. Consequently, the Return on Average Assets (ROAA) and Return on Average Equity (ROAE) after tax slightly decreased to 0.56% from 0.67% and 9.12% from 10.19% respectively. Net Profit Margin (NPM) of the bank decreased to 3.06% in YE2020 from 3.54% in YE2019.

10.3 Asset Quality (Stand Alone)

Moderate asset quality

Overall asset quality of the bank has been found to be moderate compared to private sector banks in the industry. Total investment (including bills purchased and discounted) of the bank increased to Tk.303,210.41 million in YE2020 from Tk. 283,247.57 million in YE2019 indicating an increase of 7.05%. Non Performing Investment (NPI) decreased to Tk.11,769.58 million in YE2020 from Tk.14,100.42 million in YE2019 but it was in rising trend for prior five years. It is mentionable here that, due to Covid-19 impact and economic perspective, Bangladesh Bank issued a circular not to adversely classify any loans from 1 January to 31 December, 2020 even if anyone failed to pay back the loan as per the schedule. Moreover, any improvement of classification status will be adjustable. Industry's classified loan as well as AIBL's classified Investment registered decline due to regulatory forbearance. After the expiry of such relaxed classification directive, classification status may further deteriorate in 2021. Out of total non-performing loan, 76.63% investment has been treated as bad/loss category, while 8.93% was doubtful and 14.44% was sub-standard. During the year 2020, fresh NPI stood Tk.11769.57 million. The above NPI was adjusted by the recovery of Tk.865.30 million, declassified of Tk.5,347.20 million and written off Tk.121.32 million. Gross NPI ratio of AIBL stood at 3.81% in YE2020 compared to 4.89% in YE2019. Top twenty default clients (Tk.5,483.90 million) held 46.59% of total classified loan.

The rescheduled assets significantly decreased to Tk.5,347.20 million in YE2020 against Tk.13,130.90 million in YE2019 as there is no change in classification due to aforementioned reason. The written off loan also decreased to Tk.121.32 million in YE2020 against Tk.594.09 million in YE2019. The large loan increased to Tk.132,086.20 million (48.65% of total investment) in YE2020 against Tk.123,304.60 million in YE2019 (43.53% of total investment). Moreover, Top 20 clients held 23.48% of total investment (Tk.71,182.40 million funded outstanding); all clients have been found unclassified status.

CRISL views that the asset quality of the bank may decline in the upcoming year due to the impact of Coronavirus pandemic resulting from all business segments (such as corporate, SME, agriculture, cottage & micro) being severely affected. Though Govt. has declared various stimulus packages for various business clusters along with policy changes (revision of CRR, ADR and Repo Rate), the bank's credit risk in the current context will further amplify in line with the global business scenario. As the world is predicted to be hit hard by the deep economic recession, Bangladesh's economy including its banking sector will also face a huge blow in the coming days. CRISL predicts that in the current as well as in post-pandemic situation, AIBL's asset quality might be at risk due to recovery risk arisen out of business challenges in post-pandemic situations aligned with the global economic scenario.

10.4 Capital Adequacy (Overall)

Good capital adequacy

The capital adequacy of the bank has been found to be good and in line with requirements under risk-based capital adequacy framework of Basel-III. Total RWA of the bank was remain almost stable and stood at Tk.221,563.36 million as on December 31, 2020 which was Tk.221,854.12 million as on December 31, 2019. CRAR (Capital to Risk-Weighted Asset Ratio) significantly increased to 16.60% in YE2020 from 13.88% in YE2019 due to comparatively higher growth of eligible capital against risk-weighted assets. The CRAR on core capital (Tier I) stood at 9.87% (including capital conservation buffer) and on supplementary capital (Tier II) stood at 6.73% as on December 31, 2020. Internal Capital Generation Ratio (ICGR) increased 14.50% in YE2020 from 11.42% in YE2019. The leverage ratio of the bank decreased to 5.02% in YE2020 from 5.91% of previous year which is still higher than the minimum requirement of 3%. AIBL focused both on asset management and capital management to maintain the required capital in line with Basel-III capital adequacy framework. However, the Bank needs regular monitoring of the surveillance of client's rating.

Page 12 of 17

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Md. Asifur Haq
Chief Rating Officer
Credit Rating Information and Services Ltd.

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT

On

AIBL MUDARABA PERPETUAL BOND

(TK 500CRORE)

in order to make them use worthy.

Besides, while analyzing stress testing analysis, it has been revealed that CRAR of the bank is highly sensitive to increase in NPIs and large loan borrowers which are a matter of concern for the bank in some extent. However, it is evident from the stress testing report of AIBL as on December, 2020 that, the combined post-shock CRAR at minor level was 14.91% and at major shock it was 14.21% which are higher than the minimum CRAR of 12.50%.

10.5 Liquidity & Fund Management (Solo Basis)

Average liquidity

The overall liquidity of AIBL has been found to be average. AIBL has been maintaining Cash Reserve Ratio (CRR) and Statutory Liquidity Requirement (SLR) in line with the Bangladesh Bank requirement. The CRR and SLR requirement was Tk.13.64 billion and Tk.19.11 billion respectively on 31st December, 2020 for which AIBL kept of Tk.26.86 billion and Tk.19.16 billion indicating significant surplus on CRR of Tk.13.23 billion and SLR of Tk.0.57 billion. The bank's liquid asset ratio slightly increased to 23.42% in YE2020 from 21.20% in YE2019. The liquidity coverage ratio also increased to 114.13% in YE2020 from 105.59% in YE2019. The Advance to Deposit ratio decreased to 86.92% in YE2020 against 88.93% in YE2019. Net Stable Funding Ratio (NSFR) stood at 121.21% in YE2020 against 113.21% in YE2019 which are higher than minimum requirement of 100%.

The maturity analysis of assets and liabilities revealed that AIBL has positive net gap only in maturity bucket for the amount of Tk.29,769.38 million and negative net gap in maturity bucket of (1-3) and (3-12) months for the amount of Tk.99,657.50 million and Tk.19,369.41 million respectively. Overall gap analysis results in a net liquidity surplus of Tk.23,368.12 million (including long term). Hence, it is expected that the bank will be able to meet its obligations with a sufficient cumulative surplus. The net operating cash flow of the Bank decreased to Tk.8,419.43 million in YE2020 from Tk.12,498.72 million in YE2019 mainly due to decrease in investment income and low recovery from written off investments.

The funding mix consists of 79.27% deposits and other accounts, 5.68% shareholders' equity, 2.72% from the subordinated bond, 5.47% borrowing from other banks, financial institutions, agents and rest 6.86% from other liabilities in YE2020. Total deposits consisted of 50.35% fixed deposits, 20.45% deposits under schemes, 11.44% current account, 16.82% savings bank deposit and 0.94% Bills payable in YE2020.

11.0 IMPACT OF BOND ISSUANCE ON CRAR

Particulars	With Bond		Without Bond	
	2022	2023	2022	2023
Total Risk weighted Assets	27947.23	30183.01	27947.23	30183.01
Paid up capital	1064.90	1064.90	1064.90	1064.90
Provision for UC	483.58	578.58	483.58	578.58
Statutory reserve (20%)	1064.40	1064.16	1064.40	1064.16
Retained earning	166.93	162.44	166.93	162.44
Existing Subordinate Bond	800.00	600.00	800.00	600.00
Mudaraba Subordinated Bond New Issue	-	500.00	-	-
Perpetual Bond	500.00	500.00	-	-
Less: Goodwill and intangible Asset	20.08	-	20.08	-
Total Capital (Tier-I & Tier-II)	4059.73	4470.08	3559.73	3470.08
Dividend Paid in Cash	159.73	106.49	159.73	106.49
Total capital	3900.00	4363.59	3400.00	3363.59
Capital to Risk Weighted Asset Ratio %	13.95	14.46	12.17	11.14
Minimum Capital to Risk Weighted Asset Ratio (CRAR) %	10.00	10.00	10.00	10.00
Capital to Risk Weighted Asset Ratio Plus Conservation Buffer %	12.50	12.50	12.50	12.50
Capital Excess/shortfall %	1.43	0.75	(0.33)	(1.36)

CREDIT RATING REPORT
On
AIBL MUDARABA PERPETUAL BOND
(TK 500CRORE)

12.0 CAPITAL ADEQUACY CONTINGENCY PLAN FOR NEXT FOUR YEARS

Following table shows AIBL's hypothetical capital adequacy till year 2024 after issuing Perpetual bond:

Particulars	FY 2021	FY 2022	FY 2023	FY 2024
<i>(Amount in Tk. Crore)</i>				
Common Equity Tier 1 (CET1) Capital				
Paid-up capital	1064.90	1064.90	1064.90	1118.14
Statutory Reserve	1064.48	1064.40	1064.16	1117.40
General Reserve		8.00	8.00	8.00
Retained earnings	164.08	166.93	162.44	160.22
Less: Regulatory adjustments	25.09	20.08	-	-
Perpetual Bond	-	500.00	500.00	500.00
Total CET1	2269.66	2277.71	2293.78	2398.09
Tier 2 Capital				
General Provision	403.58	483.58	578.58	678.58
Mudaraba Subordinated Bond	60.00	0.00	0.00	0.00
2 nd Mudaraba Subordinated Bond	400.00	300.00	200.00	100.00
3 rd Mudaraba Subordinated Bond	500.00	500.00	400.00	300.00
Total Tier 2 Capital	1363.58	1283.58	1178.58	1078.58
Total Capital (Tier 1 + 2)	3633.24	3561.29	3472.36	3476.67
Risk Weighted Assets (RWA)	25877.06	27947.23	30183.01	32401.31
Minimum Capital Requirement+ Buffer (%)	12.50	12.50	12.50	12.50
Capital to Risk Weighted Assets Ratio (CRAR %)	13.42	13.95	14.46	13.30

Though, AIBL has proposed capital planning till YE2024, CRISL views that the scenario could be different to some extent considering the impact of Basel III. Banks might face challenge to meet business target in the volatile macro-economic condition and post-pandemic situation on economy of Bangladesh. CRISL believes that the bank should focus on maintaining good asset quality, collecting more deposit, increasing loan recovery, decreasing Non-performing investment for maintaining capital requirements rather than issue of bond. After injection of proposed perpetual bond, the CRAR will be 13.95% in YE2022. Besides, it has been found that AIBL will be able to maintain its minimum Tier-1 capital requirement through issuance of proposed perpetual bond of Tk.5,000.00 million up to YE2024.

13.0 RISK & MITIGATION

13.1 Subordination risk

The seniority of a bond determines the priority in which investors get repaid in the event that an issuer defaults or goes into liquidation. Fixed income and equity products are classified according to their repayment priority, with senior secured bonds having the right to receive payment first in the event of a bankruptcy or liquidation. Perpetual bonds typically fall under the category of subordinated bonds, classifying as Additional Tier 1 (AT1) capital and are junior to Tier 2 capital, which in turn are subordinated to senior and/or secured bonds.

13.2 Security Coverage Risk

According to the feature of the proposed perpetual bond, the bond will be unsecured in nature. It is neither secured nor covered by a guarantee of the issuer nor related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors. Hence in the event of liquidation or wind up bond claim settlement is uncertain as the instrument is not secured against any mortgaged asset or guarantee of the issuer or related party.

13.3 Discretionary Coupons

Perpetual bonds carry a feature of discretionary coupons. This feature gives bond issuers the right to pay coupons at its sole discretion or choice, without being an obligation. Investors that buy into a bond with this feature have the additional risk of not receiving a coupon payment during the life of the bond. As the instrument is non-cumulative in nature, cancelled coupon payments may not accumulate which means that investors may not receive the

CREDIT RATING REPORT
On
AIBL MUDARABA PERPETUAL BOND
(TK 500CRORE)

cancelled coupon payments at a later date. As the bank will have full discretion at all times to cancel distributions/payments to the bondholder, the instrument carries the risk of discretionary coupons.

13.4 Redemption Uncertainty

Perpetual bonds are a unique investment that differs from other types of fixed income products in that their redemption has an element of uncertainty and typically happens at the option of the issuer. Most perpetual bonds have a structure that allows the issuer to call back the bonds or redeem them starting from a stipulated date e.g. Can be exercised only after ten years of issuance, with prior approval from the Bangladesh Bank and subject to fulfillment of eligibility i.e. Replacing the instrument with capital of the same or better quality that are sustainable for the income capacity of the Bank as well as bank's Capital position is above the minimum requirements after the call option is exercised 5 years after the issue date, and periodically e.g. 6 months thereafter. Nevertheless, redemption is dependent on market factors such as the level of interest rates, current price of the bond, the structure of the bond such as the step-up amount, as well as company-specific considerations such as the funds available for repayment.

13.5 Loss Absorption Risk

The bonds are subject to principal loss absorption when it reaches the trigger point i.e. when the bank's CET-1 capital falls below the regulatory threshold limit and stays below for 3 successive quarters.

13.6 Late Payment Risk

Late payment risk arises for delay in payment of profit by the issuer. The Issuer have to pay a late payment penalty of 2% (two per cent) higher than the rate of return and be payable on the amount not paid on the due date up till the date of actual payment unless exercise of coupon discretion is not in effect.

13.7 Market Risk

Market risk of the bond will arise due to lack of demand in the market to buy the instrument. The target buyers of the bond are corporate and high net worth individuals etc. Corporate sectors in Bangladesh are presently facing acute liquidity crisis due to significant bank borrowing by Govt. and global impact of COVID 19. Hence corporate houses in Bangladesh may not have sufficient fund to go for investment in such bond. The proposed Bond may not be attractive to target buyers because of inherent limitations of its features. And moreover, many other scheduled banks with capital shortfall are contemplating to raise its capital base through issuance of such bond. Hence flotation of too many bonds in the market may create market risk. Moreover, absence of underwriting arrangement in the proposed structure may augment the above risk.

13.8 Maintenance of Capital

AIBL may face maintenance of regulatory capital risk (as per Basel-III guideline). The bank has taken initiative to comply with risk based capital adequacy requirement through issuance of Perpetual Bond to support Tier-I capital in YE2021. The required Tier-I capital ratio of the bank was 8.50% (including capital conservation buffer) in YE2020 and the bank kept 9.87% in the same period. However, the risk weighted asset of the bank is in increasing trend for which it may require to increase capital base. Hence, the bank will raise its Tier-I capital through issuance of perpetual bond of Tk.5,000.00 million to maintain regulatory requirement.

13.9 Regulatory Change

At present AIBL is going to support its capital requirement through bond issue. However, change in regulatory rules and regulations might impact on bond's advantages.

13.10 Transferability Risk

Transferability risk arises when the bondholder is unable to sell the bond in the market in case of necessity as the bond is perpetual in nature. It is hoped that the investors can transfer the debt instruments easily after initiating the alternative trading platform as proposed by BSEC.

CREDIT RATING REPORT

On

AIBL MUDARABA PERPETUAL BOND

(TK 500CRORE)

14.0 OBSERVATION SUMMARY

Rating Comforts: Issue: <ul style="list-style-type: none"> • Attractive return • Provision for late payment penalty • Exercise of call option • Issuer has sound credit profile & diversified business mix • Issuer cash flow supports regular coupon payment Issuer: <ul style="list-style-type: none"> • Average financial performance • Good capital adequacy • Average liquidity • Good non-funded business • Diversified business mix • Good operational network • Experienced top management 	Rating Concerns: Issue: <ul style="list-style-type: none"> • Redemption uncertainty • Unsecured and not guaranteed debt instrument • Junior Debt & subordinated to depositors, general creditors & Tier-II Subordinate Debt • Loss absorption risk • Coupon payment cancellation risk Issuer: <ul style="list-style-type: none"> • Moderate asset quality • Significant reschedule of investment • Increased concentration in large loan • Significant concentration of classified investment among top -20 defaulter • Considerable loan under law suit • Exposure to capital market investment risk • High investment to deposit ratio
Business Opportunities: Issue: <ul style="list-style-type: none"> • Development of bond market in Bangladesh • Stock exchange enlistment • Introduction of derivatives in Bangladesh stock market Issuer: <ul style="list-style-type: none"> • Business expansion opportunity • Portfolio diversification in low risk business category segment including SME • Client rating to enhance investment • Comply with Basel - III 	Business Challenges: Issue: <ul style="list-style-type: none"> • Lower market depth of Bangladesh capital market • Mostly dependent on institutional investor for subscription Issuer: <ul style="list-style-type: none"> • Make loan & advance to economic sector • Comply with capital requirement under pillar-II risk • Regulatory pressure for narrowing profit rate spread • Comply with Basel-III

END OF THE REPORT

(Information used herein is obtained from sources believed to be accurate and reliable. However, CRISL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. All rights of this report are reserved by CRISL. Contents may be used by news media and researchers with due acknowledgement.)

(We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.)

Kazi Sanjana Taufique
 Chief Executive Officer (Acting)
 UCB Investment Limited

Page 16 of 17

MUHAMMED NADIM FCA
 DMD & Chief Financial Officer (CFO)
 Financial Administration Division
 Al-Arafah Islami Bank Limited
 Head Office, Dhaka.

Md. Mahmudur Rahman
 Deputy Managing Director &
 Company Secretary
 Al-Arafah Islami Bank Ltd.
 Head Office, Dhaka.

Farman R. Chowdhury
 Managing Director & CEO
 Al-Arafah Islami Bank Ltd.
 Head Office, Dhaka.

For President & CEO
 Md. Asiful Haq
 Chief Rating Officer
 Credit Rating Information and Services Limited

Rahdoker Raihan Ali FCA
 MD & CEO (CC)
 Prime Bank Investment Limited

CREDIT RATING REPORT
On
AIBL MUDARABA PERPETUAL BOND
(TK 500CRORE)

CRISL RATING SCALES AND DEFINITIONS
LONG-TERM - BANKS

RATING	DEFINITION
AAA Triple A (Highest Safety)	Investment Grade Securities rated in this category are adjudged to be of highest credit quality. This level of rating indicates highest level of safety for timely payment of interest and principal. Risk factors are negligible and nearest to risk free government securities.
AA+, AA, AA- (Double A) (High Safety)	Securities rated in this category are adjudged to be of high credit quality and offer higher safety. This 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.
A+, A, A- Single A (Adequate Safety)	Securities rated in this category are adjudged to be of good credit quality and offer adequate safety for timely repayment of financial obligations. Protection factors are considered variable and more susceptible to changes in circumstances than securities in higher-rated categories.
BBB+, BBB, BBB- Triple B (Moderate Safety)	Securities rated in this category are adjudged to offer moderate safety for timely repayment of financial obligations. This level of rating indicates deficiencies in certain protective elements but still considered sufficient for prudent investment. Risk factors are more variable in periods of economic stress than those rated in the higher categories.
BB+, BB, BB- Double B (Inadequate Safety)	Speculative Grade Securities rated in this category are considered to be of speculative grade but deemed likely to meet obligations when due. Present or prospective financial protection factors fluctuate according to industry conditions or company fortunes. Overall quality may move up or down frequently within this category.
B+, B, B- Single B (High Risk)	Securities rated in this category are considered to be of highly speculative grade. This level of rating indicates high risk associated with timely repayment of interest and principal. Financial protection factors will fluctuate widely according to economic cycles, industry conditions and/or company fortunes. Potential exists for frequent changes in the rating within this category or into a higher or lower rating grade.
CCC+, CCC, CCC- (Vulnerable)	Securities rated in this category are currently vulnerable to non-repayment, and is dependent upon favorable business conditions for the obligor to meet its financial commitments on the obligation.
CC+, CC, CC- (High Vulnerable)	Securities rated in this category is currently high vulnerable to non-repayment.
C+, C, C- (Near to Default)	Securities rated in this category are considered to be near to default. Protection factors are scarce. Timely repayment of interest and principal is possible only if favorable circumstances continue.
D (Default)	Default Grade Defaulted debt obligations. Issuer failed to meet scheduled principal and/or interest payments.

[Signature]
Kazi Sanjana Taufique
 Chief Executive Officer (Acting)
 UCB Investment Limited

[Signature]
For President & CEO
Md. Asiful Haq
 Chief Rating Officer
 Credit Rating Information and Services Ltd.

[Signature]
Khandaker Raihan Ali FCA
 MD & CEO (CC)
 Prime Bank Investment Limited

Page 17 of 17

[Signature]
MUHAMMED NADIM FCA
 DMD & Chief Financial Officer (CFO)
 Financial Administration Division
 Al-Arafah Islami Bank Limited
 Head Office, Dhaka.

[Signature]
Md. Mahmudur Rahman
 Deputy Managing Director &
 Company Secretary
 Al-Arafah Islami Bank Ltd.
 Head Office, Dhaka.

[Signature]
Farman R. Chowdhury
 Managing Director & CEO
 Al-Arafah Islami Bank Ltd.
 Head Office, Dhaka.

CREDIT RATING REPORT

On

AL-ARAFAH ISLAMI BANK LIMITED

REPORT: RR/44933/21

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CRISL long-term rating is valid for only one year and short term rating for six months from the date of rating. After the above periods, these ratings will not carry any validity unless the bank goes for rating surveillance.

CRISL followed Bank/FI Rating Methodology published in CRISL website www.crislbd.com

Address:

CRISL
 Nakshi Homes
 (4th & 5th Floor)
 6/1A, Segunbagicha,
 Dhaka-1000
 Tel: 9530991-4
 Fax: 88-02-9530995
 Email:
crisldhk@crislbd.com

Rating Contact:

Md. Asiful Huq
 Chief Rating Officer
asif@crislbd.com

Analysts:

Md. Saiful Alam Shimul
saiful@crislbd.com

Armanur Rahman

armanur@crislbd.com

Entity Rating

Long Term: AA
 Short Term: ST-2

Outlook: Stable

AL-ARAFAH ISLAMI BANK LIMITED

ACTIVITY

Islamic Shariah Based
 Commercial Banking

**COMMENCEMENT OF
 OPERATION**

1995

MANAGING DIRECTOR

Farman R. Chowdhury

TOTAL ASSETS

Tk. 418,298.65 million

TOTAL EQUITY

Tk. 25,455.84 million

TOTAL LOANS & ADV

Tk. 308,620.66 million

Date of Rating: July 18, 2021	Valid up to: July 17, 2022	
	Long Term	Short Term
Surveillance Rating	AA	ST-2
Outlook	Stable	

1.0 RATIONALE

CRISL has reaffirmed the Long Term rating "AA" (pronounced as double-A) and the Short Term rating "ST-2" to Al-Arafah Islami Bank Limited (AIBL). The above has been done after a thorough and comprehensive analysis of the operational and financial performance of the bank along with its relevant quantitative, qualitative, and other related factors. The basis of the evaluation was the financials of the bank up to December 31, 2020 and other widespread factors up to the date of rating.

The above ratings have been assigned in consideration of its fundamentals such as average financial performance, good capital adequacy, average liquidity, good non-funded business, good operational network, experienced top management, etc. CRISL, however, observed few limitations which include downturn in profitability indicators, moderate asset quality, considerable rescheduled and stay order loan etc. However, these factors are not expected to have any significant impact on the AIBL during the rating validity period.

During the period of FY 2020, the overall consolidated financial performance of the bank remained stable. During the period net investment income stood at Tk. 9,774.63 million in FY 2020 against Tk. 10,207.24 million in FY 2019. The total operating income decreased by 5.72% and stood at Tk. 13,430.10 million in FY 2020 compared to Tk. 14,244.81 million in FY 2019. The total operating profit before tax and provision declined by 14.92% and stood at Tk. 6,687.76 million in FY 2020 against Tk. 7,860.63 million in FY 2019. During the surveillance year, the total provision of the Bank came down to Tk. 1,887.90 million in FY 2020 from Tk. 2,867.66 million in FY 2019 due to decrease in the form of provision for classified investment (Loan relaxation policy of Bangladesh Bank due to Covid-19 Pandemic situation). The net profit after provision & tax increased due to the decrease in provision for classified investment as well as for the decrease of tax provision and stood at Tk. 2,571.81 million in FY 2020 against Tk. 2,427.64 million in FY 2019 registering a positive growth of 5.94%. The Net Profit/Interest Margin (NIM) of the bank declined to 2.81% in FY 2020 from 3.21% in FY 2019 as the profit on investment of the bank was lower than the profit paid on deposits & borrowing. The Return on Average Assets (after-tax) slightly moderated to 0.64% in FY 2020 from 0.67% in FY 2019 which was lower compared to the PCB industry average. The Return on Average Equity (after-tax) registered a slight improvement and stood at 10.37% in FY 2020 against 10.19% in FY 2019. AIBL's Return on Average Risk-Weighted Assets declined to 1.11% in FY 2020 from 1.12% in FY 2019 respectively.

Overall stand-alone asset quality of the bank is moderate compared to private sector banks in the industry. Total investment (including bills purchased and discounted) of the bank increased to Tk. 303,210.41 million in FY 2020 from Tk. 283,247.58 million in FY 2019, indicating an increase of 7.05%. Out of total investments, 96.12% is unclassified investment and 3.88% is classified investment in FY 2020. AIBL's gross Non-Performing Investment (NPI) decreased to Tk. 11,769.58 million as of December 31, 2020, from Tk. 14,100.42 million as of December 31, 2019, with a decrease of Tk. 2,330.84 million due to new Investment (based on classification as per BB circular regarding Covid-19). The gross NPI ratio of the bank decreased and stood at 3.88% in FY 2020 from 4.98% in FY 2019. AIBL made substantial rescheduling of investment and stay order investment (amounting to Tk. 21,959.80 million and Tk. 11,051.80 million) during FY 2020.

The overall standalone liquidity of AIBL is found average as of December 31, 2020. AIBL has been maintaining Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) in line with the Bangladesh Bank requirement over the years. The Investment and advance to deposit ratio slightly declined and stood at 92.97% in FY 2020 and 95.20% in FY 2019.

Page 1 of 22

MUHAMMED NADIM FCA
 DMD & Chief Financial Officer (CFO)
 Financial Administration Division
 Al-Arafah Islami Bank Limited
 Head Office, Dhaka

Md. Mahmudur Rahman
 Deputy Managing Director &
 Company Secretary
 Al-Arafah Islami Bank Ltd.

Farman R. Chowdhury
 Managing Director & CEO
 Al-Arafah Islami Bank Ltd.
 Head Office, Dhaka

For President & CEO

Md. Asiful Huq

Chief Rating Officer

Credit Rating Information and Services Ltd.

CREDIT RATING REPORT

On

AL-ARAFAH ISLAMI BANK LIMITED

Again, the investment to deposit & equity ratio slightly declined to 86.63% in FY 2020 compared to 88.54% in FY 2019 respectively. The liquidity coverage ratio stood at 114.13% and the net stable funding ratio stood at 121.21% as of December 31, 2020.

The stand-alone Capital to Risk-Weighted Asset Ratio (CRAR) of the bank is good and in line with requirements under the risk-based capital adequacy framework of Basel-III. The Capital to Risk-Weighted Asset Ratio (CRAR) on core capital (Tier-1) stood at 9.15% and on supplementary capital (Tier-II) stood at 6.33%. The Capital to Risk-Weighted Asset Ratio (CRAR) increased to 15.48% as of December 31, 2020, against 13.88% as of December 31, 2019. The minimum capital requirement stood at Tk. 30,260.47 million (including conservation buffer 12.50%) against which the total capital stood at Tk. 37,081.73 million in FY 2020.

The overall operating efficiency of the bank registered moderate downturn in FY 2020 compared to the previous year. It appears that the growth of the operating expense of the bank has been lower than the growth of operating income during FY 2020 and the efficiency ratio increased to 50.20% in FY 2020 from 44.82% in FY 2019. Accordingly the yield per TK. 100 staff cost decreased to Tk. 146.48 in FY 2020 from Tk. 187.26 in FY 2019.

The Banks rated in this category are adjudged to be of high quality, offer higher safety, and have high credit quality. This level of rating indicates a banking entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions. The Short Term rating indicates a high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

CRISL also viewed the bank with a "Stable" outlook and does not foresee any significant changes in its overall operational performance in near future.

2.0 CORPORATE PROFILE

2.1 Genesis

Al-Arafah Islami Bank Limited (AIBL) was established on June 18, 1995, under the Companies Act, 1994 as a banking company with limited liability by shares. It is an interest-free Shariah Bank of Bangladesh rendering all types of commercial banking services under the regulation of the Bank Companies Act, 1991 (as amended in 2013). The bank conducts its business on the principles of Musharaka, Bai-Murabaha, Bai-Muazzal, and Hire Purchase transactions approved by Bangladesh Bank. Naturally, its modes and operations are substantially different from those of other conventional commercial banks. There is a Shariah Supervisory Committee in the bank who maintains constant vigilance to ensure that the activities of the bank are being conducted as per Shariah guidelines. The Shariah Supervisory Committee consists of prominent Ulama, reputed Bankers, renowned Lawyers, and eminent Economists. The bank went for a public issue of share in the year 1998 and its shares are listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). As of July 12, 2021, the market capitalization of AIBL stood at Tk. 24066.789 million. The bank is operating its business throughout the country with a network of 184 Branches (02 more branches added during FY 2020) and 167 ATM booths.

At Present, the bank has 02 (two) subsidiary companies namely AIBL Capital Market Services Limited, and AIBL Capital Management Limited. In 2019, AIBL liberated from the rights as subsidiary by selling some of the shares of Millennium Information Solution Limited which was acquired as per the 250th meeting of the Board dated November 30, 2013. The principal activities of the Bank are to provide a comprehensive range of financial services including commercial banking, consumer banking, trade finance, and other related custody and clearing services to the customers following the provisions of Bank Companies Act, 1991 (as amended), Bangladesh Bank's directives and the principles of Islamic Shariah. As of December 31, 2020, the authorized and paid-up capital of the bank stood at Tk. 15,000.00 million and Tk. 10,649.02 million respectively. The Head Office of the Bank is located at 63, Purana Paltan, Dhaka-1000.

CREDIT RATING REPORT On AL-ARAFAH ISLAMI BANK LIMITED

2.2 Ownership Pattern

During the surveillance period, no major changes occurred in the shareholding pattern of the bank. AIBL is continuing with diversified shareholding among local corporate bodies, local sponsors, and the general public. As of December 31, 2020, the Bank has a total of 1064.90 million ordinary shares of Tk. 10.00 each owned by 22,142 shareholders. Out of total outstanding shares, the Sponsors or Promoters held 41.87% (41.54% in YE2019) followed by Institutional Shareholders 21.88% (23.75% in YE2019), and General Public 36.25% (34.71% in YE2019). Moreover, from further analysis, it has been found that 393 shareholders are holding 92.59% of total shares in the range of 100,001 to more than 1,000,000 indicating concentrated ownership status among a few shareholders.

2.3 Operational Network

AIBL has a wide operating network, which is continuously expanding. As mentioned earlier, the bank has 184 Branches, 167 ATM booths, and 02 (two) Subsidiary Companies. Besides, as on December 31, 2020, AIBL has 400 Agent Banking outlets (135 more outlets added during FY 2020) through 264 agents to bring the unbanked population under banking services to comply with Bangladesh Bank's instruction. The bank has 344 correspondent banking relationships that are being maintained with different reputed banks in 54 countries of the world.

Operating with 184
Branches

2.4 Business Profile

The bank offers a wide range of Shari'ah based deposit and investment products to cater to every customer segment such as individuals, small and medium-sized enterprises, and corporate bodies. Under the guidance of the Shari'ah Supervisory Committee, the bank designed all deposit & investment products & services and formulated policy guidelines, working procedures for banking activities. The Investment portfolio of the bank is still concentrated on trading, construction business, and transport & communication, etc. with a continuous focus on term deposit in deposit portfolio.

Currently, AIBL's savings products are Short Notice Deposit (SND), Monthly Hajj Deposit, Monthly Installment Term Deposit (ITD), One Time Hajj Deposit, Marriage Saving Investment Scheme (MSIS), and Special Saving (Pension) Scheme, Kotipoti Deposit Scheme, Double benefit Scheme, etc. with deposit products for the farmers, workers of garments industries, freedom fighters, students, etc.

Diversified products line

AIBL's investment products are categorized as Investment in Agricultural Sector, Industrial Sector, Business Sector, Foreign Trade, Construction and Housing, Hire Purchase (HPSM), Transportation Sector, Small Enterprise Investment Schemes, Village and Small Investment Schemes, Cottage, Micro, Small and Medium Enterprises Investment (CMSME), etc. AIBL has micro-investment programs for the poorest people of the country such as the

Rural Agricultural Investment Scheme (RAIS), Al-Arafah Khamarbari Investment Scheme, Mudaraba Animal Husbandry Scheme, Grameen Small Investment Scheme (GSIS), Al-Arafah Solar Energy Investment Scheme, Micro-Enterprise Investment Scheme, etc.

With the supportive role of Bangladesh Bank, the bank has implemented some projects successfully such as MasterCard, debit and credit card & Merchant Banking, National Payment Gateway (NPG), Agent Banking, Mobile Banking, Internet Banking, SMS Banking, Business Process Automation (BPA), Enterprise Resource Management (EAMS), etc.

2.4.1 Off-shore Banking

The bank obtained the Off-shore Banking Unit License on February 17, 2014, from Bangladesh Bank and commenced the operation of this unit from May 22, 2014. The Off-shore Banking Unit is governed under the rules and guidelines of the Bangladesh Bank. The total investment stood at Tk. 13,043.96 million in FY 2020 and Tk. 9,143.79million in FY 2019. The investment income stood at Tk. 568.89 million in FY 2020 and Tk. 507.29million in FY 2019. The net investment income stood at Tk. 56.91 million in FY 2020 and Tk. 50.75million in FY 2019. The profit after tax stood at Tk. 56.57 million in FY 2020 and Tk. 50.75million in FY 2019. Its office is located at 63 Purana Paltan, Dhaka-1000.

Page 3 of 22

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Md. Asiful Haq
Chief Rating Officer
Credit Rating Information and Services Ltd.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Kazi Sanjana Taufique
MD & CEO (CC)
Prime Bank Investment Ltd.

CREDIT RATING REPORT

On

AL-ARAFAH ISLAMI BANK LIMITED

2.4.2 AIBL Capital Market Services Limited

AIBL Capital Market Services Limited (AIBL CMSL), a subsidiary company of AIBL, was incorporated on September 20, 2010. Currently, the paid-up capital of CMSL stood at Tk. 4,000.00 million against the authorized capital of Tk. 10,000.00 million of which AIBL is holding 60.50% of total outstanding shares. The main objective of the company is to act as a member of the Dhaka Stock Exchange and Chittagong Stock Exchange to carry on the business of broker, dealers in stocks, shares, and secure commercial papers, bonds, debentures stock, foreign currencies, treasury bills or any instruments.

2.4.3 AIBL Capital Management Limited

AIBL Capital Management Limited (AIBL CML), a subsidiary company of AIBL, was incorporated on October 25, 2011. As on December 31, 2020 the paid-up capital of the company stood at Tk. 500.00 million against an authorized capital of Tk. 2,000.00 million of which AIBL is holding 98% of total outstanding share. The main objectives of the company are to carry out the business of Merchant Banking in all its aspects including Issue Management (IPO, Right Share Issue, Bond Issue, etc.), Portfolio Management, Underwriting, Corporate Advisory Services, Pre-IPO Placement, Investment Analysis, and Research, etc.

2.5 Market Position

The market share of AIBL decreased in FY 2020 in terms of loans and advances/investment among Private Commercial Banks (PCBs). As on December 31, 2020, in the banking industry (excluding inter-bank and Government deposits) of Bangladesh, the total deposit increased to Tk. 13,791,504.49 million against Tk. 12,144,553.01 million in FY 2019 indicating 13.56% growth from last year whereas the total loan/investment increased to Tk. 11,227,892.73 million against Tk. 10,378,648.32 million in FY 2019 indicating 7.56% growth from last year, shared by 61 scheduled banks consisting of 06 State-Owned Commercial Banks (SCBs), 03 specialized banks, 09 foreign banks, and 43 Private Commercial Banks (PCBs) including 10 Islamic banks.

AIBL's deposit base (consolidated) stood at Tk. 326,023.41 million as of December 31, 2019, from Tk. 297,241.81 million of the previous year indicating 2.36% of the market share against 2.45% in that of the previous year. In the same period, the investment (consolidated) of AIBL stood at Tk. 308,620.66 million against Tk. 288,486.02 million indicating 2.75% market share against 2.78% in that of the previous year. The growth rate of the deposit of AIBL was 9.68% against the industry growth rate of 13.56% and the growth rate of investment was 6.98% against the industry growth rate of 7.56% as on December 31, 2020. The above scenario reveals that the bank's investment growth has been less than deposit growth. In addition to that, in FY 2020, the bank's import business stood at Tk. 169,378.90 million from Tk. 171,611.70 million in FY 2019. The export business stood at Tk. 104,939.40 million in FY 2020 from Tk. 108,967.10 in FY 2019 respectively.

3.0 INDUSTRY ANALYSIS

3.1 Economy Projection

The banking sector in Bangladesh is passing through a difficult time and beset with many internal and external problems. The impact of COVID 19 added fuel to the above situation. The Bangladesh Bank has been forced to act and issued a large number of circulars recently to combat the situation arising from liquidity, stressed assets, over borrowing by the government etc. to tackle the financial impact of COVID -19.

World Bank in its latest report on "South Asia Economic Focus" reveals that given the significant uncertainty pertaining to both epidemiological and policy developments, real GDP growth of Bangladesh Economy for FY21 could range from 2.6 to 5.6 percent depending on the pace of the ongoing vaccination campaign, whether new restrictions to mobility required and how quickly the world economy recovers.

International Monetary Fund (IMF) in its latest report titled "World Economic Outlook: Managing Divergent Recoveries" has scaled up its projection for the economic growth of Bangladesh to 5 per cent for 2021, up from 4.4 per cent it forecast in October last year.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Page 4 of 22

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mostafizur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

For President & CEO
Md. Asiful Haq
Chief Rating Officer
Credit Rating Information and Services Ltd.

Prime Bank Investment Limited
MD & CEO (CC)
Khan Rashedul Alam FCA

CREDIT RATING REPORT On AL-ARAFAH ISLAMI BANK LIMITED

According to the IMF, the country will return to its high growth trajectory next year, when the gross domestic product (GDP) is projected to expand by 7.5 per cent.

The United Nations Committee for Development Policy (CDP) has recommended graduation of Bangladesh from the category of Least Developed Country (LDC) as it fulfilled the eligibility criteria in terms of per capita income, human assets and economic and environmental vulnerability.

The global growth contraction for 2020 is estimated at -3.5 percent, 0.9 percentage point higher than projected. IMF in its latest publication in 'World Economic Outlook Update' reveals that although recent vaccine approvals have raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook. Amid exceptional uncertainty, the global economy is projected to grow 5.5 percent in 2021 and 4.2 percent in 2022. The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis.

3.2 Sector at year-end 2020

Though major key indicators registered slight improvement year on year basis (mainly due to flexibility & relaxation in loan classification and rescheduling at nominal down payment with extended tenure) overall banking sector's health was at stake. Huge classified loan and stressed assets continue to become the major source of concern. Though central bank has taken a number of steps and policy measures to curb the situation, people's confidence -that has been eroded to a great extent due to liquidation process of one listed leasing company and another near to die listed leasing company- are yet to be restored. Surplus Liquidity was there in the banking system all the year round.

In order to ease the doing business in the Bangladesh with an objective to boost country's overall economy and to keep the GDP growth momentum 5.24% in FY 2019-20 (8.15% in FY2018-19) central bank has taken a number of steps. Fixing the lending rate at 9% is aimed to ensure supply of capital at lower rate. Moreover, though no circular has been issued, Govt. instructs all scheduled banks not to offer more than 6% interest rate to depositors. Guideline of Internal Credit Risk Rating (ICRR) in 2018 has started functioning fully from October 2019. During the year central bank accorded approval to one more scheduled bank namely Citizens Bank Plc after immediate past approval of Bengal Commercial Bank Ltd.

3.3 Major Issues and Public Confidence

The overall scenario of the banking sector in Bangladesh remained volatile and facing moderate level of turbulence with multiple challenges in area of weak governance, poor asset quality, dwindling profitability, declining interest rate, marginal capital adequacy, excess liquidity and poor risk management especially in SCBs and specialized banks. All these together contributed for lack of confidence in public mind and caused prolonged liquidity crunch after scam in some scheduled commercial banks and non-bank financial institutions.

3.4 Asset Quality

Extending credit to economic sectors and maintaining asset quality were major challenges as usual for overall banking sector like previous years. Licensing to new banks to work vis a vis large number of existing scheduled banks raised question over its future profitable and sustainable operation amid current severe competition in the sector. Non-performing assets remained the grave concern in the industry. Asset quality of all types of banks registered slight improvement in FY 2020 compared to FY 2019 due to central bank's forbearance policy and relaxation of loan classification and flexible rescheduling support. NPL ratio in the banking sector further declined to 8.06% in Q4, 2020 from 8.88% in Q3, 2020 and against 10.30 percent in Q4, 2019 and 10.30 in Q4, 2018. Total Classified loan of banking sector stood at Tk. 944.4 billion with provision shortfall of Tk. 26.4 billion at Q1, FY2021. However, industry's classified loan came down to Tk. 882.8 billion with provision shortfall of Tk. 1.3 billion at Q2, FY2021. Non-performing loan in state owned commercial banks and specialized banks remained worse than industry average.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Page 5 of 22

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

For President & CEO
Md. Asiful Haq
Chief Rating Officer
Credit Rating Information and Services Ltd.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

CREDIT RATING REPORT

On

AL-ARAFAH ISLAMI BANK LIMITED

3.5 Capital Adequacy

The overall performance of the banking sector in terms of capital adequacy was not satisfactory though there was slight improvement in ratios movement. Capital to Risk weighted asset ratio of the industry increased to 11.9% in Q3, 2020 from 11.6% in Q2, 2020 and against 11.6% in Q4, 2019. State owned Commercial Banks (SCB) and specialized banks were non-compliant in terms of Basel capital maintenance. CRAR of SCBs stood at 8.3% in Q3, 2020 whereas CRAR of specialized bank stood at - 33.70% in the same period. CRAR of PCBs declined to 13.3% in Q3, 2020 from 13.62% in Q4, 2019. Over the years Capital adequacy maintenance of Foreign Commercial Banks are satisfactory. CRAR of FCBs stood at 25.6 % in Q3, 2020.

3.6 Profitability

Profitability performance of the banking sector during FY2020 was not satisfactory except foreign commercial banks. Regulatory compulsion of single digit lending rate, low credit demand, moderate foreign trade and disruption in both demand and supply side in the economy inflicted by prolonged COVID 19 pandemic caused concern and affected banking sector profitability. Moreover, regulatory forbearance not to transfer all interest receipts from loans to income account directly during moratorium era, one percent additional provision for uncollected loans and advances and prevailing excess liquidity in the banking system contributed towards moderate profitability during the period. Return on Asset (ROA) and Return of Equity (ROE) of overall industry stood at 0.25% and 4.28% respectively in FY 2020 against 0.4% and 6.8% in FY2019 while 0.3% and 3.9% respectively in FY 2018 and 0.70% and 9.60% respectively in FY2017. Profitability performance of both SCBs and specialized Banks were worse and incurred loss in FY2020. Return on Asset (ROA) and Return of Equity (ROE) of FCB stood at 2.13% and 13.10% respectively in FY2020 against 2.3% and 13.4 % respectively in FY2019 while 2.2% and 12.4% respectively in FY2018 and 2.2% and 11.3% respectively in FY 2017. Profitability performance of industry's PCBs also registered downturn. ROA & ROE of PCBs came down to 0.7% and 10.22% respectively in FY2020 against 0.8% and 11.2% respectively in FY2019.

3.7 Liquidity

The liquidity conditions in the banking sector remained adequate and improved further at the end of Q1FY21, partly due to easing CRR policy, higher remittance inflows, and intervention in the foreign exchange market. Likewise, excess liquidity, the excess of CRR and SLR as a percent of total demand and time liabilities (TDTL), increased to 12.6 percent in Q1FY21 compared to that of 10.7 percent in Q4FY20. Industry's AD ratio came down to 72.7% in Dec.2020 from 74% in Sep. 2020 against 77.3 % in December, 2019. Industry's deposit growth (year on year) excluding interbank stood at 13.1% in Dec. 2020 against advance growth (year on year of 8.2 % in Dec. 2020). Against the backdrop of impact of coronavirus and its effect on national economy BB has made downward revision of repo rate and cut CRR requirement of all scheduled banks as a part govt. policy support to curb the COVID-19 impact, specially to ensure smooth supply of fund for hard hit large, medium and small manufacturing and service sectors industries.

3.8 Licensing to New Bank & Challenges Ahead

In addition to licensing of nine scheduled banks in 2013 Bangladesh Bank continued to issue license to new banks soon after the countrywide parliamentary election at year end of 2019. During the year NRB Commercial Bank, one out of nine newly licensed banks has been listed with the bourse through issuing IPO. Despite the existence of a good number of scheduled banks, issuing license to new banks brought serious criticism regarding justification of new banks. The profitability performance of new banks is gradually improving except one newly licensed bank due to its small size up to this stage. The special challenges for new banks are low spread, comparatively high cost of fund, negligible non-funded business, high operating cost due to opening new branch at rural area where loan growth is excessively negligible. Lack of credit line from foreign bank in case of import business continued to become the major challenges that the new banks are facing. Against the above backdrop central bank has extended the time line of IPO of new banks for different tenure based on their application.

CREDIT RATING REPORT On AL-ARAFAH ISLAMI BANK LIMITED

4.0 CORPORATE GOVERNANCE

4.1 The Board of Directors

Twenty members Board

The Board of Directors of AIBL Chaired by Alhajj Abdus Samad, constituted of 20 Directors excluding the Managing Director (Ex officio Director) as on December 31, 2020. Mr. Farman R. Chowdhury is the Managing Director of the bank with a strong academic and professional background as well as banking exposures of over 34 years. The Board appointed Alhajj Md. Amir Uddin PPM, Mr. M Kamaluddin Chowdhury and Mr. Mahbubul Alam as Independent Directors. The Board conducted 12 meetings in FY 2020 against 11 meetings in FY 2019. The Board is involved in the setting of key targets for the bank management and monitoring the progress, approval of long term strategic plan, expansion of business, appointment of key management people and purchase of bank's property and adopts sufficient risk management systems to mitigate the core risk of the bank.

4.2 Key Board Committees

To manage the banking operation efficiently, there are four Board Committees such as Executive Committee, Audit Committee, Risk Management Committee, and Shariah Supervisory Committee. The Board also responsibly ensures good corporate governance, devises policies, and determines both short-term and long-term objectives & goals of the Bank.

4.2.1 Executive Committees

The Executive Committee is comprised of Seven-members and is Chaired by Alhajj Salim Rahman. The Committee reviews different operational affairs including administration and investment, development & expansion of business of the Bank, etc. The Committee conducted 14 meetings in FY 2020 and 15 meetings in FY 2019.

4.2.2 Audit Committees

The Audit Committee (AC) is comprised of five-members and is headed by Mahbubul Alam. The other four members are Alhajj Nazmul Ahsan Khaled, Alhajj Abdul Malek Mollah, Alhajj Niaz Ahmed, Alhajj Md. Amir Uddin PPM. AC members play a key role in the finalization of the financial statements of the bank and other roles under specific Terms of Reference (ToR) that sets out its responsibilities and composition. The Committee conducted 07 meetings in FY 2020 and 09 meetings in FY 2019.

4.2.3 Risk Management Committees

The Risk Management Committee has been formed with five members and is Chaired by Mr. Badiur Rahman to formulate and implement appropriate strategies for risk assessment, its control, and management. The other four members are Alhajj Ahamedul Hoque, Alhajj Engr. Khandaker Mesbah Uddin Ahmed, Md. Rafiqul Islam, M. Kamaluddin Chowdhury. The Committee conducted 06 meetings in FY 2020 and 04 meetings in FY 2019.

4.2.4 Shariah Supervisory Committees

AIBL is operating based on Islamic Shariah and therefore strict adherence to Shariah principles is the core strategy of the banking business. So, the bank has no other alternative but to comply with Shariah in all activities under the guidance of the Shariah Supervisory Committee. The Shariah Supervisory Committee is composed of eight members and Chaired by Mufti Sayeed Ahmad Muzaddedi. The committee specialized in Fiqhul Muamalat (Islamic Commercial Law) according to guidelines given by the Bangladesh Bank to ensure whether all banking operations are transacted following Islamic Shariah i.e. Qur'an, Sunnah, Ijma and Ijtihad. The Committee reviews different operational issues and gives an independent opinion based on Islamic Shariah. It also provides necessary guidelines and creates awareness about the compliance of Shariah. For effective compliance of Shariah in all the areas, some important programs i.e. Shariah Training and Awareness Programs, Clients Get together, etc. were conducted during the year FY 2020. The Committee conducted 06 meetings in FY 2020 and 06 meetings in FY 2019 to discuss the matters of the Bank to give opinions & directives and given solutions thereof from the viewpoint of Shariah Principles.

During the surveillance period, Shariah Secretariat of the Bank under the direct supervision of

Page 7 of 22

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

For President & CEO
Md. Asifur Haq,
Chief Rating Officer
Credit Rating Information and Services Ltd.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Prime Bank Investment Limited

CREDIT RATING REPORT On AL-ARAFAH ISLAMI BANK LIMITED

the Shariah Supervisory Committee undertook different programs for Shariah compliance in the Bank. During FY 2020, the Committee has visited 184 branches out of 184 that was 182 branches out of 182 in FY 2019 and inspected them by the Shariah Muraqib. The team observed the Shariah compliances, gave necessary instructions on the spot, and submitted the report to the Council. They have also submitted corrective measures to rectify the laws in implementing Shariah guidelines into the banking operations.

4.3 Delegation of Power

To run the day to day banking activities properly and without any hindrance, AIBL Board has delegated requisite power to the management (in terms of credit, administrative and financial). Credit approval authority is delegated with different limits in different sectors to the Managing Director, Deputy Managing Director (DMD), Senior Executive Vice President (SEVP), Executive Vice President (EVP), Senior Vice President (SVP), Vice President (VP), Senior Assistant Vice President (SAVP) and Assistant Vice President (AVP) are also enjoying certain credit approval authority. The maximum limit is delegated to the Managing Director to the tune of Tk. 10.00 million, DMD Tk. 2.00 million, EVP Tk. 0.80 million, SVP Tk. 0.60 million, VP Tk. 0.40 million and AVP Tk. 0.30 million. Proposal beyond delegation is submitted to the EC or to the Board for approval. Board framed policy & procedures for the bank's expenditure.

4.4 Management Team

The Management Committee of AIBL is headed by Mr. Farman R. Chowdhury, the Managing Director of the Bank with strong academic and professional background as well as Banking exposures over 34 years. In the management team, Mr. Farman R. Chowdhury is aided by eight Deputy Managing Directors, twelve Senior Executive Vice President, eight Executive Vice Presidents, fifty-three vice presidents, twenty-one Senior Assistant Vice President, one hundred and thirty-three Assistant Vice Presidents who lead different Wings, Divisions & Branches. The day-to-day banking functions are handled by these professionals with modern banking knowledge and experience. The above management team provides a wide succession plan and has the acumen to carry out the objectives of the bank smoothly. The management of the bank has several Management Committees to handle the banking operation efficiently such as Management Committee (MAN-COM) and Asset Liability Management Committee (ALCO). The two important Management Committees namely MAN-COM and ALCO are headed by the Managing Director. The committees meet at least once every month. The main functions of the MAN-COM are to look after the general banking business. In monthly ALCO meetings, relevant issues like economic forecast, market status, peer group analysis, projections on profit rate and exchange rate and spreads; balance sheet gap in

liquidity structure & profit rate sensitivity of gap, pertinent to the ratio analysis, internal Transfer Pricing, Contingency Funding Plan, Stress Testing, Liquidity Coverage Ratio (LCR), Transfer Pricing mechanism for internal funding and investments in Government securities, regulatory & other audit compliance are discussed and decisions are taken for the interest of the bank.

4.5 Human Resources Management (HRM)

AIBL has been following Board approved structured human resources policies that include some benefits such as contributory provident fund, gratuity, leave encashment facility, Group insurance, etc. The banks' total HR base stood at 3866 and 3795 as of December 31, 2020, and December 31, 2019, respectively. Out of the total HR base, there are 294 executives, 2,907 officers, and 665 other staff. During FY 2020 and FY 2019, the bank recruited (fresh and experienced) NIL and 173 employees respectively.

During FY 2020, AIBL's Training Institute conducted 63 programs which include 04 training courses, 49 workshops, 01 EDPs, and 10 outreach programs. There were 5791 participants who attended the programs during the period from January to December 2020. Out of the significant number of workshops were arranged for fulfilling the requirements of current issues relating to banking operations like as "Prevention of Money Laundering and Combating Financing of Terrorism" and "Capacity Building in Banking Operation". The employee turnover rate stood at 1.35% in FY 2020 compared to 1.40% in FY 2019.

Structured Human
Resource policy

Page 8 of 22

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

For President & CEO
Md. Asiful Haq
Chief Rating Officer
Credit Rating Information and Services Ltd.

CREDIT RATING REPORT On AL-ARAFAH ISLAMI BANK LIMITED

4.6 Management Information System (MIS)

AIBL is running centralized operations for all branches with 100+ ATM. Bank have a Datacenter and Disaster Recovery site (DRS). The Bank's Core Banking System (CBS) is "ABABIL" developed by Millennium Information Solution Ltd. In terms of modernization "ABABIL" reached 9th position in the global ranking for Islamic Banking Software as per Gartner report. CBS uses 3-tier application architecture with ORACLE Database (11g Enterprise Edition) along with other Oracle products like Active Data Guard (ADG) for ensuring data replication to the Disaster Recovery Site (DRS) maintaining consistency and accuracy with efficiency and quality of service. With the supportive role of Bangladesh Bank, AIBL has implemented the following projects successfully such as MasterCard debit and credit card & Merchant Banking, National Payment Gateway (NPG), Agent Banking, Mobile Banking, Internet Banking, SMS Banking, Business Process Automation (BPA), Enterprise Resource Management (EAMS), Human Resource Management (HRMS), Batch, EFT & Real Time Gross Settlement (RTGS), Sanction Screening Software, etc. Moreover, AIBL has taken a different number of IT projects to become one of the best technologically advanced banks in the country within next 3 years, ensuring 100% Regulatory Compliance by taking highest possible ICT security measures within a year and taking necessary steps to earn the highest level of satisfaction by the end-users in ICT Supports Service by 2020.

Good IT infrastructure

5.0 RISK MANAGEMENT

The risk management framework of the bank has been established based on guidelines given by Bangladesh Bank that defines Risk Management structure, role, responsibilities, and the processes to identify, quantify, and manage risk within the framework under the given policy. The unit is responsible for measurement, integration, and monitoring of all risks within the risk appetite set by the Board of Directors.

5.1 Investment Risk Management

CRISL opines that the bank may face substantial credit (investment) risk due to damage caused by COVID-19 pandemic in different business clusters (Corporate, SME, Retail, Micro, Cottage and Agriculture) of its operation. As the collection from various business segments has slowed down during the current situation of economic fallout, bank's loan (investment) growth may be hampered in the days to come. Moreover, the bank needs to maintain cautious lending to provide loan while implementing the Govt. declared various stimulus packages; otherwise it may hit credit risk further against the backdrop of current scenario.

The bank established an Investment Risk Management framework as directed by Bangladesh Bank through the introduction of Risk Management policy guidelines along with the implementation of the Investment Risk Grading. The Investment Risk policy is reviewed from time to time for the adoption of new techniques/ policies for measurement and management of risk in line with the socio-economic scenario and investment environment of the country.

To manage the investment risk, AIBL formed an investment risk management committee that supervises and monitors issues related to investment concentration, investment risk grading, corporate client rating, non-performing investment, residual risk against investment, provision against classified investment, investment mix, asset quality, etc. The bank formulated investment policies in compliance with regulatory requirements covering investment assessment, collateral requirements, risk grading & reporting, documentation, legal formalities & procedures. The bank has segregated investment approval, investment administration, investment recovery, and legal authority. The bank has segregated duties of the officers/executives involved in investment related activities.

Based on the designation of officials, authorization limits have been carefully allocated in branches, zonal offices and head office for the approval and renewal of investment facilities. Board is the supreme authority to approve investment beyond the discretionary power of branches, zonal officials, Head Office Executives, MC, and EC.

CRISL observed that the bank has scope to do further due diligence to investment

CREDIT RATING REPORT

On

AL-ARAFAH ISLAMI BANK LIMITED

requirement of existing/proposed borrower as well as rescheduling clients, negligence of which will further hamper the asset quality of the bank to a great extent.

While reviewing the risk weight wise distribution of on-balance sheet (consolidated) exposure under Investment (credit) risk, it was revealed that 18.79% of the exposures falls under 0% risk category, 10.84% under 20% risk, 2.18% under 40.00%, 36.52% under 50% risk, 8.36% under 60.00%, 1.99% under 75%, 0.52% under 80.00%, 11.26% under 100%, 7.49% under 125%, 1.47% under 150% risk weight and 0.59% under credit risk mitigation. Considering the corporate exposure segment (dynamic risk weight), 89.38% exposure has been rated by ECAs while rest 10.62% of corporate exposure is unrated.

Likewise, the risk weight wise distribution of on-balance sheet (solo) exposure under Investment (credit) risk, it was revealed that 18.93% of the exposures falls under 0% risk category, 10.97% under 20% risk, 2.20% under 40.00%, 36.81% under 50% risk, 8.43% under 60.00%, 2.01% under 75%, 0.52% under 80.00%, 11.67% under 100%, 0.14% under 120%, 6.24% under 125%, 1.48% under 150% risk weight and 0.60% under credit risk mitigation. Again on the corporate exposure segment (dynamic risk weight), 89.38% exposure has been rated by ECAs while rest 10.62% of corporate exposure is unrated.

CRISL observes that unrated corporate exposure of the bank needs to be rated to know the actual position of CRAR and the bank should also keep the rating updated of both corporate and SME clients to manage CRAR.

5.2 Asset Liability Management

Asset-Liability Management (ALM) is an integral part of the Bank Management that manages the bank's on and Off-Balance sheet position to offer competitively priced products and services to the customers. AIBL has an Asset Liability Committee-ALCO, comprising of the senior members of the management, Chaired by the Managing Director to take strategic decisions on fixation of asset-liability pricing, responding to market scenarios. In monthly ALCO meetings, relevant issues like economic forecast, market status, peer group analysis, projections on profit rate and exchange rate and spreads; balance sheet gap in liquidity structure & profit rate sensitivity of gap, pertinent to the ratio analysis, internal Transfer Pricing, Contingency Funding Plan, Stress Testing, Liquidity Coverage Ratio (LCR), Transfer Pricing mechanism for internal funding and investments in Government securities, regulatory & other audit compliance are discussed and decisions are taken for the interest of the bank. The Committee conducted 12 meetings and 12 meetings in FY 2020 and FY 2019 respectively.

5.3 Operational Risk Management

5.3.1 Internal Control and Compliance (ICC)

Internal control is the process, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations, and internal policies. To this effect, the bank has formed an Internal Control & Compliance (ICC) division headed by Deputy Managing Director. The ICC division has been segregated to three departments namely, audit & inspection department, audit monitoring department, and regulatory compliance department. AIBL's internal control contains self-monitoring mechanisms and to ensure effective control, the Investment documentation checklist, and quarterly operation report have been developed and implemented. Internal audit and internal control teams carry out regular audit and surprise/special inspection of the branches to mitigate operational risk and restrain the possibility of circumvention or overriding the control procedure. ICC division submits a parallel comprehensive internal audit report to the Managing Director and the Audit Committee. Within 02 (two) months after receiving the audit report, the audit monitoring department completes the compliance report and submits the report to the audit committee for their review. The committee reviews the system of internal control and the audit process for compliance with rules, regulations, and code of conduct, financial reporting process, and also suggests actions to remedy the lapses/irregularities. By this time the ICC division has introduced concurrent audit, surprise inspection, auto information system, Quarterly Audited System, and mandatory leave policy to boost-up the functions of internal control and compliance. As per approved Annual Audit Plan, Audit & Inspection Division has completed 100% audit including Surprise & Special audit in the Branch and Head office.

Page 10 of 22

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Md. Asiful Haq
For President & CEO
Chief Rating Officer
Credit Rating Information and Services Ltd.

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT On AL-ARAFAH ISLAMI BANK LIMITED

5.3.2 Prevention of Money Laundering & Financing of Terrorism

Money Laundering and Financing of Terrorism are alarming threats worldwide. As such, AIBL has established a framework for Anti Money Laundering (AML)/Combating Financing of Terrorism (CFT) compliance based on relevant laws enacted by the Government of Bangladesh to combat money laundering/terrorist financing and in line with the rules governing the conduct of all account relationships issued by Bangladesh Financial Intelligence Unit (BFIU). A separate policy for AML/CFT has been approved by the Board of Directors and is reviewed periodically, while the Compliance Unit carries out sample testing bank-wide to ensure adherence. For mitigating the risk the bank has a Central Compliance Unit (CCU) at Head office. AIBL's Central Compliance Unit (CCU) is a strong committee comprising of several heads of divisions/wings engaged in customer transactions under different products. The unit reviews the anti-money laundering activities of the bank regularly. The bank has a designated Chief Anti Money Laundering Compliance Officers (CAMLCO) at Head office and Branch Anti Money Laundering Compliance Officers (BAMLCO) at branches. The compliance officers review the Suspicious Transaction (STR) and record them properly. Manuals have been established for the prevention of money laundering and transaction profile has been introduced. Branches are under special AML/ CFT compliance monitoring by the Anti-Money Laundering Division (The operational unit of CCU), Internal Audit & Inspection Division (AID) as well as by the Zonal Offices. Department of Banking Inspection (DBI) of Bangladesh Bank and Bangladesh Financial Intelligence Unit (BFIU) also conducts regular and special audits of the branches and Head Office on AML/CFT compliance issues. Pieces of training are continuously given to all categories of officers and executives for developing awareness and skill for identifying suspicious activities. The bank submits the STR, CTR, and other periodical reports to Bangladesh Bank on time. During FY 2020, 14 workshops were arranged (11 workshops were in FY 2019) for fulfilling the requirements of current issues relating to banking operations like "Prevention of Money Laundering and Combating Financing of Terrorism".

5.4 Market Risk

Major market risks arise from profit rate risk, equity and commodity financing risk, and foreign exchange risk. The position of AIBL stands as follows:

5.4.1 Profit Rate risk

The Asset Liability Committee (ALCO) of AIBL monitors and evaluates the overall profit rate structure. AIBL has been following a competitive profit rate and has the flexibility of setting profit rates according to market conditions and Bangladesh Bank ceilings. The ALCO has established its Profit Rate Policy to monitor and for minimization of profit rate risks at an acceptable level. These guidelines and actions are taken in adherence to the policies issued by Bangladesh Bank from time to time. The Bank analyzes different factors such as Rate Sensitive (RS) Gap Analysis and Duration Gap Analysis. ALM desk of Treasury Front Office and Investment Division of Head Office analyzes and submits a proposal for the review of profit rates considering previously mentioned factors, on deposit and investment respectively as and when necessary. AIBL always observe market scenario and adjusts its interest rate accordingly to retain core depositors.

5.4.2 Equity Risk

The bank is exposed to equity risk due to the existence of exposure in the capital market. The bank is managing the risk by keeping its exposure within the regulatory limits and diversified equity mix. As of December 31, 2020, the cost price of equity investment (only quoted portion) increased to TK. 184.73 million against the market value of TK. 156.44 million resulting in an unrealized loss of TK. 28.29 million. The capital market exposure stood 24.97% against the regulatory limit of 25.00% of total capital. In the unquoted share category, it has an investment in swift share, SIBL Mudaraba subordinate bond, Central Depository Bangladesh Limited, and Millennium Information Solution Limited.

5.4.3 Foreign Exchange Risk

As per foreign exchange risk management guidelines, the bank has established a separate treasury department at Head Office. The risks are measured and monitored by the Treasury Department. The department monitors the FX price changes. Treasury Division always monitors the market scenario of risks and manages the foreign operations in such a way that earnings are not hampered against any adverse movement in market prices. All foreign

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Page 11 of 22

MUHAMMAD NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office Dhaka

For President & CEO
Md. Asifur Haq
Chief Rating Officer
Credit Rating Information and Services Ltd.

Khanzafer Rahman, FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT On AL-ARAFAH ISLAMI BANK LIMITED

exchange transactions are revalued at the mark to market rate as determined by Bangladesh Bank at the month-end. All Nostro (27nos) accounts are reconciled on monthly basis and outstanding entry beyond 30 days is reviewed by the management for its settlement. Regulatory reports are submitted on time to Bangladesh Bank. At present, 344 correspondent banking relationships are being maintained with different reputed banks in 54 countries of the world.

6.0 PERFORMANCE

6.1 Analytical Framework

The analytical framework is mainly based on the consolidated financials of the bank. CRISL analyzed the financial performance of the bank considering it as a single economic entity after taking into account of parent and subsidiary operations of 02 (two) subsidiaries of AIBL. Moreover, it discussed and reviewed the operational performance of the subsidiary operation of the bank as a separate and individual entity in line with the International Financial Reporting Standards (IFRS) and BB guidelines.

6.2 Financial Performance (Consolidated)

The overall financial performance of the Bank has been found average in FY 2020 though major profitability performance indicators of the bank were almost stable and found marginally lower as compared to the PCB industry average. CRISL opines that bank's profitability in coming days will largely depend on turnaround in local and global economy with resumption of normalcy of business activity that was hit-hard by COVID-19, success of ongoing vaccination drive, govt. policy stance & action plan to address second wave or any future COVID related contingency, increase in purchasing power of general people, rise in employment, current growth of remittance inflow, private sector credit demand and boost in foreign trade etc. Moreover, imposition of lending cap may narrow down bank's spread. Apart from that regulatory restriction of not to book interest on loan and advances for April and May of 2020 and to transfer it to block account lingered the collection efficiency of the bank.

CRISL opines that as the bank has significant exposure is SME sector, due to restriction on lending; the bank's SME portfolio operation may face a severe setback in coming days as operating cost in SME segment is comparatively high. Moreover, this segment is hit hard by COVID-19 fallout and the shock absorption capacity of a small business unit is comparatively low, which may affect badly on the bank's earnings in this segment. Profit earnings from other segments will also be affected which may pull down the bank's overall profitability. With the decline in trade finance, bank fee and commission-based earnings will suffer a setback. Earnings from capital market operation (through the Brokerage House, Merchant Bank Operation) are also likely to increase under the current context as average turnover in the country's both the bourses are increasing. All these together may affect the bank's overall profitability in the coming year.

AIBL's investment income decreased by 8.61% and stood at Tk. 26,331.28 million in FY 2020. On the other hand, profit paid on deposits & borrowing decreased by 11% and stood at Tk. 16,556.64 million in the same period. Therefore, net Profit Income stood at Tk. 9774.63 million in FY 2020 against Tk. 10,207.24 million in FY 2019. The total operating income decreased by 5.72% and stood at Tk. 13,430.10 million in FY 2020 compared to Tk. 14,244.81 million in FY 2019.

Out of total operating income; 72.78% came from net investment income; 19.56% came from the commission, exchange, and brokerage, 5.08% came from investment income from shares and 2.58% came from other operating income. The total operating profit before tax and provision declined by 14.92% and stood at Tk. 6,687.76 million in FY 2020 against Tk. 7,860.63 million in FY 2019. During the surveillance year, the total provision of the Bank came down to Tk. 1,887.90 million in FY 2020 from Tk. 2,867.66 million in FY 2019 due to decrease in the form of provision for classified investment (Loan relaxation policy of Bangladesh Bank due to Covid-19 Pandemic situation). The net profit after provision & tax increased due to the decrease in provision for classified investment as well as for the decrease of tax provision and stood at Tk. 2,571.81 million in FY 2020 against Tk. 2,427.64 million in

Average financial performance

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Page 12 of 22

MUHAMMED NADIM FCA
MD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director &
Al-Arafah Islami Bank
Head Office, Dhaka
For President & CEO
Md. Asiful Haq
Chief Rating Officer
Credit Rating Information and Services Ltd.

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT On AL-ARAFAH ISLAMI BANK LIMITED

FY 2019 registering a positive growth of 5.94%. The Net Profit/Interest Margin (NIM) of the bank declined to 2.81% in FY 2020 from 3.21% in FY 2019 as the profit on investment of the bank was lower than the profit paid on deposits & borrowing.

The weighted average profit rate of loan/investment (year-end) stood at 7.96% in FY 2020 against 9.60% in FY 2019 whereas weighted average profit rate of deposits (Year-end) stood at 5.04% in FY 2020 and 6.34% in FY 2019 resulting in a spread of 2.92% in FY 2020 against 3.26% in FY 2019.

The Return on Average Assets (after-tax) slightly moderated to 0.64% in FY 2020 from 0.67% in FY 2019 which was lower compared to the PCB industry average. The Return on Average Equity (after-tax) also registered a slightly improvement and stood at 10.37% in FY 2020 against 10.19% in FY 2019. AIBL's Return on Average Risk-Weighted Assets declined to 1.11% in FY 2020 from 1.12% in FY 2019 respectively.

CRISL reviewed the 1st quarter unaudited financial statements of FY 2021 and found that the net profit after tax of AIBL stood Tk. 226.45 million in three months operation of FY 2021 which was Tk. 538.20 million in the corresponding period of the previous year.

6.2.1 Stand Alone Operations

On a standalone basis, the financial performance of the Bank has also been found average in FY 2020. The financial performance of the bank was mainly dominated by profit on investment (interest on loan & advances) and commission, exchange & brokerage income. The investment income of the bank decreased by 8.41% and stood at Tk. 26,169.24 million in FY 2020 and Tk. 28,571.10 million in FY 2019. The net investment income of the bank also decreased by 3.61% and stood at Tk. 9,783.69 million in FY 2020 and Tk. 10,149.81 million in FY 2019.

The bank earned a total operating income of Tk. 13,275.60 million in FY 2020 and Tk. 14,044.41 million in FY 2019. The total operating income consisted of net investment income of Tk. 9,783.69 million, income from investment in shares & securities of Tk. 679.34 million, commission, exchange, and brokerage of Tk. 2,500.61 million and other operating income of Tk. 311.96 million. Against the operating income, the bank incurred the total operating expense of Tk. 6,614.51 million in FY 2020 which was Tk. 6,242.63 million in FY 2019. The profit before provision and tax stood at Tk. 6,661.09 million in FY 2020 and Tk. 7,801.77 million in FY 2019. The net profit after tax increased to Tk. 2,550.79 million in FY 2020 and Tk. 2,413.57 million in FY 2019 registering a 5.69% increase from last year.

6.2.2 Subsidiary Operations

AIBL Capital Market Services Limited, a brokerage house operation consisting of DSE & CSE membership, was incorporated on September 20, 2010, as a subsidiary company of Al-Arafah Islami Bank Limited with an authorized capital of Tk. 10,000.00 million and paid-up capital of Tk. 4,000.00 million. The investment income declined to Tk. 201.66 million in FY 2020 from Tk. 255.09 million in FY 2019 indicating 20.94% of negative growth and net investment loss stood at Tk. 16.00 million in FY 2020 against net investment income of Tk. 48.97 million in FY 2019. After deducting all the expenses, the net profit after tax & provision rose to Tk. 16.40 million in FY 2020 from Tk. 9.42 million in FY 2019. The net profit after tax & provision increased in FY 2020 due to decrease in provision for investment and taxation.

AIBL Capital Management Limited, a full-fledged merchant bank operation of the bank was incorporated on October 25, 2011, with an authorized capital of Tk. 2,000.00 million and paid-up capital of Tk. 500.00 million and came into operation in the same year. AIBL Capital Management Limited invested in the capital market and the market value of the portfolio stood at Tk. 163.76 million with the face value of Tk. 158.73 million as of December 31, 2020, resulting in an unrealized loss of Tk. 5.03 million. However, no provision has been made for diminution in the value of the investment in listed securities for FY 2020. As of December 31, 2020, the investment decreased to Tk. 113.37 million from Tk. 113.63 million in the previous year due to decrease in margin investment. The investment income declined to Tk. 6.95 million in FY 2020 from Tk. 8.46 million in FY 2019 showing 17.91% of negative growth in the form of margin profit income and profit on MTDR. However, net investment income decreased to Tk. 6.95 million in FY 2020 from net investment income of Tk. 4.46 million in FY 2019. In

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Page 13 of 22

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

For President & CEO
Md. Asiful Haq
Chief Rating Officer
Credit Rating Information and Services Ltd.

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT On AL-ARAFAH ISLAMI BANK LIMITED

FY 2020, the operating income decreased to Tk. 4.97 million from Tk. 6.51 million in FY 2019 due to major changes in capital gain. After deducting all the expenses, the net profit after tax and provision stood at Tk. 4.62 million in FY 2020 and Tk. 4.65 million in FY 2019 showing 0.67% of negative growth.

6.3 Operating Efficiency (Overall)

The overall operating efficiency of the bank registered moderate downturn in FY 2020 compared to the previous year. The operating efficiency is reviewed in terms of operating income, operating expenses, cost-to-income ratio, and yield per Tk.100 staff cost. The overall operating efficiency of AIBL decreased during FY 2020. The operating income of the bank rose to Tk. 13,430.10 million (Tk. 13,275.60 million as the standalone basis) in FY 2020 from Tk. 14,244.81 million (Tk. 14,044.40 million as the standalone basis) in FY 2019 showing a negative growth of 5.72%. On the other hand, operating expenses increased to Tk. 6,742.33 million (Tk. 6,614.51 million as the standalone basis) in FY 2020 from Tk. 6,384.18 million (Tk. 6,242.63 million as the standalone basis) in FY 2019 with a growth of 5.61% mainly due to an increase of salary & allowances and depreciation and repairs to the bank's properties.

It appears from the above that the growth of the operating expense of the bank has been lower than the growth of operating income during FY 2020 and the efficiency ratio increased to 50.20% in FY 2020 from 44.82% in FY 2019. In consideration of the pandemic COVID-19's (second wave) impact, CRISL views that operating efficiency of AIBL may dwindle due to upward trend in operating expenses and downward pressure on operating income (reduction in loan/investment, export, import, remittance flow, etc.). Accordingly the yield per Tk. 100 staff cost decreased to Tk. 146.48 in FY 2020 from Tk. 187.26 in FY 2019.

7.0 ASSET MANAGEMENT

7.1 Non Performing Investment (NPI) (Solo Basis)

Overall asset quality of the bank is moderate compared to private sector banks in the industry. Reported asset quality of the bank registered slight improvement due to regulatory forbearance of not to classify overdue loan account during pandemic situation as well for relaxation in loan restructuring to help out COVID-19 inflicted banking industry and in line with govt. policy through implementing a series of Govt. declared stimulus package to revitalize COVID-19 stricken economy. Credit demand in the economy was not that much as expected due to closure of many business industries which ultimately resulted in moderate growth in AIBL's loan book.

CRISL opines that asset quality of the bank may register decline in the days to come due to hard hit of economy caused by Corona virus pandemic as almost all business segments (Corporate, SME, Agriculture, Cottage & Micro, Retail) of the economy are severely affected. Though Govt. has declared various stimulus packages for various business clusters along with policy changes (revision of CRR, ADR, Repo Rate), bank's credit risk in the current context will further amplify in line with global business scenario. As the world is predicted to be hit hard by deep economic recession, Bangladesh economy including its banking sector will also face a huge blow in coming days. CRISL opines that in current context of second wave, moderate vaccination rate, and as well as in post pandemic situation bank asset quality will be at risk due to recovery risk arising out of business challenges in post pandemic situation aligned with global economic scenario. Expiry of regulatory relaxation may result decline in bank asset quality in coming days.

Total investment (including bills purchased and discounted) of the bank increased to Tk. 303,210.41 million in FY 2020 from Tk. 283,247.58 million in FY 2019, indicating an increase of 7.05%. Out of total investments, 96.12% is unclassified investment and 3.88% is classified investment in FY 2020. Total unclassified investment stood at Tk. 297,992.53 million where 98.29% is standard investment and 1.71% is Special Mentioned Accounts (SMA) investment in FY 2020. AIBL's gross Non-Performing Investment (NPI) decreased to Tk. 11,769.58 million as of December 31, 2020, from Tk. 14,100.42 million as of December 31, 2019, with a decrease of Tk. 2,330.84 million due to new Investment (loan) classification as per BB circular regarding Covid-19.

Moderate asset quality

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Page 14 of 22

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

For President & CEO
Md. Asifur Haq
Chief Rating Officer,
Credit Rating Information and Services Ltd.

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT On AL-ARAFAH ISLAMI BANK LIMITED

Out of the total non-performing investment, 76.63% investment is bad/loss, while 14.44% is sub-standard and 8.96% is doubtful. However, out of total Non-Performing Investment, the bad/loss amount was significant in the last two years. During FY 2020, AIBL has written off Tk. 121.32 million and realized Tk. 56.95 million that was previously written off. Moreover, lawsuits have been filed to recover written off investment amounting to Tk. 7,328.75 million. The gross NPI ratio of the decreased and stood at 3.88% in FY 2020 from 4.98% in FY 2019. AIBL made substantial rescheduling of investment and stay order investment (amounting to Tk. 21,959.80 million and Tk. 11,051.80 million) during FY 2020. Stressed asset ratio of the bank (Non-performing investment, rescheduled investment and stay order investment) stood at 14.77% in FY 2020.

The total provision requirement of AIBL was Tk. 10,771.61 million (general & specific provision including off-balance sheet) in FY 2020 and against the requirement, provision maintained by AIBL stood at Tk. 10,771.61 million in FY 2020.

While analyzing, CRISL observed that Top-20 defaulters of the bank were holding Tk. 5,483.40 million of total NPI as of December 2020 which is 46.59% of the total non-performing investment.

7.2 Sectoral Concentration

The total investment portfolio of the bank is diversified among some prospective economic sectors of the country. The management has defined different lending caps for different sectors depending on the investment demand and the investment risk thereon. As of December 31, 2020, the investment portfolio of the bank shows concentration towards the industry which grabs a large portion (43.89%) of the investment portfolio, followed by Trade Service (34.34%), Construction (10.83%), Transport & Communication (8.15%), Agriculture (1.71%) and service and others (1.07%).

Under the above circumstances, it has been revealed that the bank has concentrated more in industry and Trade Service during 2020. While analyzing, CRISL observes that the bank does sectoral study to a limited scale to compare various economic sectors where the bank has exposure. CRISL believes the bank would be benefitted from having a separate study for each sector for smooth identification of sectoral prospects as well as sectoral threats/ drawbacks.

The bank disbursed maximum investment and advances to Dhaka Division (78.06%) followed by Chattogram Division (12.21%), Khulna Division (1.71%), Rajshahi Division (3.05%), Rangpur Division (2.89%), Mymensingh (0.65%), Barisal Division (0.99%), Sylhet Division (0.42%). Significant investment in Dhaka and Chattogram division was due to business localization.

7.3 Large & Director's Investment

The Bank has considerable large investment exposure in FY 2020. AIBL has 37 large investment accounts of Tk. 130,589.60 million (42.31% of total investments) in FY 2020 (funded and non-funded). Large investment exposure of the bank is within the allowable limit. CRISL observes that all large investment exposure of the bank should be rated to assess the probable business risk involved with an investment in such clients.

7.4 Rescheduled Investments

AIBL rescheduled a significant amount of investment during FY 2020 which amounted to Tk. 21,959.80 million in FY 2020. Total recovery from the rescheduled investment stood at Tk. 2,113.40 million in FY 2020 and Tk. 912.70 million in FY 2019.

7.5 Off Balance Sheet Exposure

Total off-balance sheet exposure of AIBL increased to Tk. 97,941.97 million as on December 31, 2020, against Tk. 80,399.08 million as of December 31, 2019, having a growth of 21.82%. The Off-Balance Sheet exposure consists of Acceptance and Endorsement of Tk. 54,176.67 million (55.32%), Letter of Guarantee of Tk. 10,511.21 million (10.73%), Irrevocable Letter of Credit of Tk. 28,867.36 million (29.47%) and Bills for the collection of Tk. 4,386.74 million (4.48%). Therefore, the off-Balance sheet Risk-Weighted Assets stood at

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Significant rescheduled
loan

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT

On

AL-ARAFAH ISLAMI BANK LIMITED

Tk. 12,469.50 million which is 5.15% of total Risk-Weighted Assets in FY 2020 and Tk. 7,194.35 million which is 3.24% of total Risk-Weighted Assets in FY 2019. The bank made provision of Tk. 935.50 million against off-balance sheet exposure in FY 2020, compared to Tk. 778.50 million in FY 2019.

While reviewing the risk weight-wise classification of the credit equivalent of off-balance sheet exposure (consolidated), it has been revealed that 37.78% falls under 20% risk category followed by 58.28% under 50% risk category, 1.70% under 75% risk category, and 2.24% under 100% risk category.

8.0 CAPITAL ADEQUACY

Good capital adequacy

The overall capital adequacy of the bank is good and in line with requirements under the risk-based capital adequacy framework of Basel-III. The total RWA of the bank (standalone basis) stood at Tk. 242,083.78 million as of December 31, 2020, of which 90.25% emanated from credit risk, 8.16% from operational risk and 1.59% from market risk. Based on the above the minimum capital requirement stood at Tk. 30,260.47 million (including conservation buffer 12.50%) against which the total capital stood at Tk. 37,081.73 million in FY 2020. The Capital to Risk-Weighted Asset Ratio (CRAR) on core capital (Tier-1) stood at 9.15% and on supplementary capital (Tier-II) stood at 6.33%. The Capital to Risk-Weighted Asset Ratio (CRAR) increased to 15.48% as of December 31, 2020, against 13.88% as of December 31, 2019.

The total RWA of the bank (consolidation basis) stood at Tk. 245,788.56 million as of December 31, 2020, of which 90.07% emanated from credit risk, 8.17% from operational risk and 1.76% from market risk. Based on the above the minimum capital requirement stood at Tk. 24,578.86 million against which the total capital stood at Tk. 39,258.14 million in FY 2020. The Capital to Risk-Weighted Asset Ratio (CRAR) on core capital (Tier-1) stood at 9.74% and on supplementary capital (Tier-II) stood at 6.24%. The Capital to Risk-Weighted Asset Ratio (CRAR) slightly increased to 15.97% as of December 31, 2020, from 14.58% as of December 31, 2019.

The Bank is presently in the process of preparation and finalization of the Internal Capital Adequacy Assessment Process (ICAAP) for December 31, 2020. Total capital requirement of the bank under pillar-I and pillar-II risk as per ICAAP based on audited accounts of FY 2020 stood at Tk. 39,258.09 million and against which bank's total capital stood at Tk. 32,553.18 million as of December, 2019.

Stress Testing Analysis

Individual Shocks	Change in CRAR (Minor Shock)	CRAR after Shock (%)	Change in CRAR (Moderate Shock)	CARAR after Shock (%)	Change in CRAR (Major shock)	CRAR after shock (%)
Performing loan directly downgraded to B/L : Sectoral Concentration 1	-0.20	15.07	-0.60	14.67	-1.01	14.26
Performing loan directly downgraded to B/L : Sectoral Concentration 2	-0.02	15.25	-0.06	15.21	-0.10	15.17
Increase in NPL's due to default of top 10 large loan borrowers	-6.03	9.24	-13.81	1.46	-18.87	-3.60
Negative shift in NPLs categories	-0.36	14.91	-0.74	14.54	-1.47	13.80
Decrease in the FSV of the collateral	-0.35	14.92	-0.70	14.57	-1.42	13.86
Increase in NPL	-1.22	14.05	-4.36	10.91	-9.70	5.58
Change in interest rate	-0.00	15.27	0.00	15.27	0.00	15.27
FEX: Currency Appreciation	-0.04	15.23	-0.08	15.19	-0.12	15.16
Equity shock	0.01	15.26	-0.02	15.25	-0.04	15.23
Combined shock	-1.98	13.29	-5.90	9.38	-12.74	2.54

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Page 16 of 22

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Md. Asifur Haq
Chief Rating Officer
Credit Rating Information and Services Ltd.

Khandoker Rathan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT On AL-ARAFAH ISLAMI BANK LIMITED

AIBL is compliant in maintaining capital adequacy according to the Pillar-I risk under Basel III capital requirement, but any major change in the risk indicators can affect the overall capital adequacy of the bank. From the above analysis it has been revealed that CRAR of the bank is highly sensitive to increase in NPI due to default of Top 10 large loan borrowers.

9.0 LIQUIDITY FUNDING (SOLO BASIS)

9.1 Liquidity

Average liquidity

The overall liquidity of AIBL has been found average as of December 31, 2020. AIBL has been maintaining Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) in line with the Bangladesh Bank requirement over the years. As of December 31, 2020, the CRR requirement stood at Tk. 13,637.96 million and against which AIBL kept Tk. 26,864.75 million with a surplus of Tk. 13,226.79 million. As on the same date, AIBL maintained the SLR as per the requirement which stood at Tk. 19,106.48 million and against which AIBL kept Tk. 23,458.00 million with a surplus of Tk. 4441.52 million.

The liquid asset ratio of AIBL improved to 23.40% of December 31, 2020, from 21.18% of December 31, 2019. The Investment and advance to deposit ratio slightly declined and stood at 92.92% in FY 2020 and 95.20% in FY 2019. Again, the investment to deposit & equity ratio slightly declined to 86.63% in FY 2020 compared to 88.54% in FY 2019 respectively. The liquidity coverage ratio stood at 114.13% and the net stable funding ratio stood at 121.21% as of December 31, 2020. Advance/Investment to Deposit Ratio (IDR/ADR) of the bank, declined to 97.89% as of December 31, 2020, against 99.06% as of December 31, 2019.

The maturity analysis of AIBL shows that the bank had Tk. 29,769.38 million positive gap for a one-month maturity bucket where the asset was Tk. 92,142.23 million and liability was Tk. 62,372.85 million. In 1 to 3 months maturity bucket, the liquidity gap was Tk. -99,657.50 million and the cumulative liquidity gap was of Tk. -69,888.12 million. In 3 to 12 months maturity bucket, the negative liquidity was Tk. -19,369.41 million and cumulative liquidity was Tk. -89,257.53 million.

9.2 Fund Management

The total fund of AIBL mainly consisted of 79.00% deposits and others, 5.73% shareholders equity, 5.45% from placement from banks & other financial institutions, and 9.82% other liabilities. The total deposit rose to Tk. 326,310.05 million as of December 31, 2020, against Tk. 297,525.77 million as on December 31, 2019, registering 9.67% of growth. Total deposits consist of fixed deposits of Tk. 164,296.14 million (50.35%), savings deposit of Tk. 54,879.13 million (16.82%), current deposit and other accounts of Tk. 37,331.44 million (11.44%), other Mudaraba Deposits of Tk. 66,743.97 million (20.45%), bills payable of Tk. 3,059.38 million (0.94%). The bank's costs of funds stood at 7.50% in FY 2020 and 9.02% in FY 2019. However, in the funding mix, a high-cost term deposit (around 71%) still dominates as compared to the low-cost CASA deposit (around 29%).

AIBL is mainly dependent on customer deposit which is profit rate sensitive. Current imposition of lending cap at the rate 9% on all unclassified loan except retail loan & pre-shipment export credit may create pressure on bank to maintain earlier spread. On the other hand, though there is no specific circular or regulatory restriction on deposit rate, bank may face trouble to attract depositors at 5-6% interest rate given the more than 10% rate of return of National Savings certificate and current level of inflation in the market.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandaker Rahman Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

For President & CEO
Md. Asifur Huq
Chief Rating Officer
Credit Rating Information and Services Ltd.

Page 17 of 22

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office Dhaka

CREDIT RATING REPORT

On

AL-ARAFAH ISLAMI BANK LIMITED

10.0 OBSERVATION SUMMARY

Rating Comforts: <ul style="list-style-type: none"> • Average financial performance • Good capital adequacy • Average liquidity • Good non-funded business • Diversified business mix • Good operational network • Experienced top management 	Rating Concerns: <ul style="list-style-type: none"> • Moderate asset quality • Downturn in profitability indicators • Significant reschedule of investment • High large loan exposure • Significant concentration of classified loan among top 20 defaulter • Exposed to capital market investment risk • Substantial stay order loan • Asset management company yet to come into operation
Business Opportunities: <ul style="list-style-type: none"> • Expansion of branch network • Portfolio diversification in low risk category business segment including SME • Prudent management of brokerage house & merchant bank operation • Client rating to enhance capital base of the bank 	Business Challenges: <ul style="list-style-type: none"> • Impact of COVID-19 in the local and global economy • Profit rate cap • Maintain a stable & quality loan growth • Compliance with Basel-III • Entrance of new bank • Regulatory pressure for minimizing profit rate spread • Significant classified loan in the industry

11.0 PROSPECTS

Having many hurdles and challenges, Bangladesh Economy registered a growth of 5.24% in FY2019-2020 against 8.15% in FY2018-19 and during FY2017-18, GDP growth rate of Bangladesh economy reached 7.86% and crossed more than 7% growth for the last four consecutive fiscal years in the history of Bangladesh. Bangladesh has been graduating to a middle income one after passing 42 years as a least developed country.

Though the government has been implementing massive development works in light of the "Vision-2021" and "Vision-2041" with an objective to become an upper middle-income country due to serious impact of COVID-19 and aftermath pandemic Bangladesh economy is likely to be affected and which in turn may take a serious toll on local economy. Country's export earnings (mainly RMG, jute goods, lather, frozen shrimps & fish), remittance inflow will fall substantially in coming days. Further decline in consumption and domestic demand, along with fall in investment may trigger limited economic activity which will ultimately affect all major economic sectors. Apart from corporate manufacturing and service sector industry, small & medium business segment and even retail business segment of bank industry is likely to be affected to a great extent. Classified loan in banking sector may soar in coming days along with provision shortfall if no further relaxed classification guidelines or flexible rescheduling facility is given. Scheduled banks (specifically SCBs, SDBs, and major PCBs) other than few FCBs may not be able to keep its current profit growth in CY2021. Excess Liquidity in the banking industry may hinder overall banking sector profitability amid low credit demand. With lower than 6% interest rate depositors may not be interested to keep their funds in the banking institution against the backdrop of current 5.6% inflation (F2020) leaving negligible real return for the savers. Workers remittance from Gulf countries may fall in coming days amid unemployment crisis which is expected to hit banks' earnings to a great extent from remittance inflow. Capital market has been passing through a very tough time and despite the regulatory intervention and motivational direct policy support by central bank, scheduled banks' earning through direct investment or through its subsidiary operations (like brokerage house, merchant bank and asset management company) from capital market may not be up to the mark. Against all the above backdrops, successful run for newly licensed commercial bank along with other major scheduled banks will be a big challenge in next year.

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


CREDIT RATING REPORT
On
AL-ARAFAH ISLAMIC BANK LIMITED

However, Govt. has rightly taken various stimulus packages to curb the massive impact of coronavirus outbreak on local economy. And central bank is engaged in devising various policies and formulating different guidelines and strategies along with policy decisions of revising CRR, SLR requirement, lowering Repo rate, flexibility in maintaining AD ratio; all of which are aimed to assist and boost country's banking sector, which might create a positive impact on banking sector in the short run.

END OF THE REPORT

(Information used herein is obtained from sources believed to be accurate and reliable. However, CRISL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. All rights of this report are reserved by CRISL. Contents may be used by news media and researchers with due acknowledgement)

[We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.]


For President & CEO
Md. Asiful Huq
Chief Rating Officer
Credit Rating Information and Services Ltd.


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islamic Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islamic Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islamic Bank Ltd
Head Office, Dhaka


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

CREDIT RATING REPORT
On
AL-ARAFAH ISLAMI BANK LIMITED

12.0 CORPORATE INFORMATION:
Date of Registration : June 18, 1995

Date of Opening Ceremony : September 27, 1995

Board of Directors:

Mr. Alhajj Abdus Samad	Chairman
Mr. Alhajj Mohammad Abdus Salam	Vice Chairman
Mr. Alhajj Md. Enayet Ullah	Director
Mr. Alhajj Salim Rahman	Director
Mr. Alhajj Md. Liakat Ali Chowdhury	Director
Md. Alhajj Nazmul Ahsan Khaled	Director
Mr. Alhajj Abdul Malek Mollah	Director
China Builders & Machineries Ltd. (Represented by Mr. Alhajj Md. Harun-ar-Rashid Khan)	Nominee Director
Mr. Alhajj Md. Anowar Hossain	Director
Mr. Alhajj Badur Rahman	Director
Mr. Alhajj Engr. Kh. Mesbahuddin Ahmed	Director
Mr. Alhajj Ahamedul Hogue	Director
Mr. Alhajj Abu Naser Mohammad Yeashea	Director
Mr. Alhajj Niaz Ahmed	Director
Mr. Alhajj Mohammed Emadur Rahman	Director
Mr. Mr. Md. Rafiqul Islam	Director
Mr. Alhajj Mohammed Haroon	Director
Mr. Alhajj Md. Amir Uddin PPM	Independent Director
Mr. Mahbubul Alam	Independent Director
Mr. M Kamal Uddin Chowdhury	Independent Director
Mr. Farman R. Chowdhury	Managing Director & Ex-Officio Director

Auditor: 1. Hussain Farhad & Co.
Chartered Accountants

 2. Shafiq Basak & Co.
Chartered Accountants

Kazi Sanjana Taufique
 Chief Executive Officer (Acting)
 UCB Investment Limited

For President & CEO
 Md. Asiful Haq
 Chief Rating Officer
 Credit Rating Information and Services Ltd.

Khandoker Raihan Ali FCA
 MD & CEO (CC)
 Prime Bank Investment Limited

CREDIT RATING REPORT

On

AL-ARAFAH ISLAMIC BANK LIMITED

13. FINANCIALS (Consolidated)

A) Balance Sheet as on December 31

(Figures in Million Tk.)

Balance Sheet	FY 2020	FY 2019
Cash In Hand	2,898.20	3,063.28
Cash with BB & It Agents Banks	28,660.90	27,705.40
Cash with Other Banks/FIs	16,561.84	11,593.62
Money at Call & Short Notice	14,270.01	12,000.00
Total Cash	62,390.96	54,362.30
Investment in Securities (Govt.)	19,583.83	14,500.00
Investment in Others Securities	1,979.84	1,670.52
Total Investment in Share and Securities	21,563.67	16,170.52
Total General Investment and Bills	308,620.66	288,486.02
Fixed Assets	5,813.88	4,351.93
Other Asset	19,838.60	17,630.17
Non-Banking Assets	50.88	50.88
Total Assets	418,298.65	381,051.81
Placement from Banks and others FIs	24,000.48	27,546.38
Current A/Cs & Others A/Cs	37,331.44	30,701.54
Bills Payable	3,059.38	3,584.86
Savings Bank Deposits	51,879.13	45,211.43
Term Deposits	164,009.50	162,587.89
Deposits Under Schemes	66,743.97	55,156.10
Total Deposit	326,023.41	297,241.81
Subordinated Bond	11,200.00	6,800.00
Other Liabilities	25,315.42	19,616.74
Total Outside Liabilities	392,842.81	356,903.60
Paid Up Capital	10,649.02	10,649.02
Reserves & Others	14,806.82	13,499.19
Shareholders' Equity	25,455.84	24,148.21
Total Liabilities and Shareholders' Equity	418,298.65	381,051.81

B) Income Statements for the period ended

(Figure in Million Tk.)

Income Statement	FY 2020	FY 2019
Investment Income	26,331.28	28,811.65
Profit Paid on Deposit & Borrowings	16,556.64	18,604.42
Net Investment Income	9,774.63	10,207.24
Investment Income (Share & Securities)	681.94	770.63
Fees, Commission, Exchange & Brokerage	2,627.55	29,16.08
Other Operating Income	345.98	350.86
Total Operating Income	13,430.10	142,44.81
Total Non Profit Income	3,655.46	4,037.57
Salary Allowance & PF	4,565.75	4,197.62
Other Operating Expenses	2,176.58	2,186.56
Total Operating Expenses	6,742.33	6,384.18
Profit/Loss Before Provisions	6,687.76	7,860.63
Provision for Unclassified Investments	1,034.47	291.88
Provision for Classified Investments	686.70	2,465.23
Provision for Investments & Others	166.73	110.54
Total Provisions	1,887.90	2,867.66
Net Profit/Loss Before Taxes	4,799.87	4,992.97
Provisions for Tax	2,228.06	2,565.33
Net Profit/Loss After Tax	2,571.81	2,427.64

CREDIT RATING REPORT

On

AL-ARAFAH ISLAMI BANK LIMITED

CRISL RATING SCALES AND DEFINITIONS LONG-TERM - BANKS

RATING	DEFINITION
AAA Triple A (Highest Safety)	Bank rated in this category is adjudged to be of best quality, offer highest safety and have highest credit quality. Risk factors are negligible and risk free, nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of banks.
AA+, AA, AA- (Double A) (High Safety)	Bank rated in this category is adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.
A+, A, A- Single A (Adequate Safety)	Bank rated in this category is adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
BBB+, BBB, BBB- Triple B (Moderate Safety)	Bank rated in this category is adjudged to offer moderate degree of safety for timely repayment of financial obligations. This level of rating indicates that a bank is under-performing in some areas. These entities are however, considered to have the capability to overcome the above-mentioned limitations with special care and cautious operation. Risk factors are more variable in periods of economic stress than those rated in the higher categories.
BB+, BB, BB- Double B (Inadequate Safety)	Bank rated in this category is adjudged to lack of key protection factors, which results in an inadequate safety. This level of rating indicates a bank as below investment grade but deemed likely to meet obligations when due. Overall quality may move up or down frequently within this category.
B+, B, B- Single B (Risky)	Bank rated in this category is adjudged to be with high risk. Timely repayment of financial obligations is impaired by serious problems which the entity is faced with. Whilst an entity rated in this category might be currently meeting obligations in time, continuance of this would depend upon favorable economic conditions or on some degree of external support.
CCC+, CCC, CCC- Triple C (Vulnerable)	Bank rated in this category is adjudged to be with vulnerable protection factors. This rating indicates that the degree of certainty regarding timely payment of financial obligations is doubtful unless circumstances are favourable.
CC+, CC, CC- Double C (Highly Vulnerable)	Bank rated in this category is adjudged to be with high vulnerable position. This rating indicates that the degree of certainty regarding timely payment of financial obligations is quite lower unless overall circumstances are favourable or there is possibility of high degree external support.
C+, C, C- (Near to Default)	Bank rated in this category is adjudged to be with near to default in timely repayment of financial obligations. This type rating may be used to cover a situation where a insolvency petition has been filed or similar action has been taken, but payments on the obligation are being continued with high degree of external support.
D (Default)	Bank rated in this category is adjudged to be either currently in default or expected to be in default. This level of rating indicates that the entity is unlikely to meet maturing financial obligations and calls for immediate external support of a high order.

For long-term ratings, CRISL assigns + (Positive) sign to indicate that the issue is ranked at the upper-end of its generic rating category and - (Minus) sign to indicate that the issue is ranked at the bottom end of its generic rating category. Long-term ratings without any sign denote mid-levels of each group.

SHORT-TERM - BANKS

ST-1	Highest Grade Highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding. Safety is almost like risk free Government short-term obligations.
ST-2	High Grade High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
ST-3	Good Grade Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.
ST-4	Moderate Grade Moderate liquidity and other protection factors quality issues as to invest grade. Risk factors are larger and subject to more variation.
ST-5	Non-Investment Grade Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.
ST-6	Default Issuer failed to meet scheduled principal and/or interest payments.

Annexure – II (Due Diligence Certificate of the Trustee)


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahabubur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Due Diligence Certificate of the Trustee

June 07, 2021

The Chairman

Bangladesh Securities and Exchange Commission
Securities Commission Bhaban
Plot E-6/C, Agargaon, Sher-e-Bangla Nagar
Dhaka 1207, Bangladesh

Dear Sir,

**ISSUANCE OF BDT 5000.00 MILLION OF AL-ARAFAH ISLAMI BANK LIMITED-
AIBL MUDARABA PERPETUAL BOND**

We, the under-noted Trustee to the above mentioned forthcoming issue, state as follows:

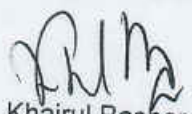
1. We, while act as trustee to the above mentioned issue on behalf of the eligible investors, have examined the draft information Memorandum (IM), legal and other documents and materials as relevant to our decision; and
2. On the basis of such examination and the discussions with the issuer, its directors and officers, and other agencies; independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer;

WE CONFIRM THAT:

- (a) All information and documents as are relevant to the issue have been received and examined by us and the draft Information Memorandum, draft Deed of Trust and draft Subscription Agreement forwarded to the Commission has been approved by us;
- (b) We have also examined all documents of the assets to be charged with the Trust and are satisfied that the assets bear the value, title and charge status as disclosed in the Information Memorandum;
- (c) While examining the above documents, we find that all the requirements of the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 have been complied with;
- (d) We shall act as trustee to the issue as mentioned above as per provisions of the Deed of Trust to be executed with the issuer and shall assume the duties and responsibilities as described in the Deed of trust and in the Information Memorandum;
- (e) We shall also abide by the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 and conditions imposed by the Commission as regards of the issue; and
- (f) The above declarations are unequivocal and irrevocable.


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


Khairul Bashar A. T. Mohammed
Chief Executive Officer
MTB Capital Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Annexure – III (Due Diligence Certificate of the Issue Manager/s)


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Due diligence certificate by Issue Manager
Prime Bank Investment Limited
[Rule 4(2)(a)]

To
The Bangladesh Securities and Exchange Commission

Sub: Issuance of 100,000 Number of Unsecured, Contingent-Convertible and Floating Rate Perpetual Mudaraba Bond of Al-Arafah Islami Bank Limited of BDT 5,000 each Totaling BDT 500,000,000/- of Al-Arafah Islami Bank Limited.

Dear Sir,

We, the issue manager(s) to the above-mentioned forthcoming issue, state and confirm as follows:

- (1) We have examined all the documents submitted with the application for the above-mentioned issue, visited the premises of the issuer or originator and interviewed the chairperson, directors and key management personnel of the issuer or originator in connection with the finalization of the information memorandum pertaining to the said issue;
- (2) On the basis of such examination and the discussions with the directors, officers and auditors of the issuer or originator, other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer or originator.

WE CONFIRM THAT:

- (a) The information memorandum filed with the Commission is in conformity with the documents, materials and papers relevant to the issue;
- (b) All the legal requirements relating to the issue as also in the rules, notification, guidelines, instructions, etc. framed/issued by the Commission, other competent authorities in this behalf and the government have been duly complied with;
- (c) The disclosures made in information memorandum are true, fair and adequate to enable the investors to make a well informed decision for investment in the proposed issue and such disclosures are in accordance with the requirements of the Companies Act, 1994, the Trust Act, 1882, the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 and other applicable laws;
- (d) Besides ourselves, all the intermediaries named in the information memorandum are registered with the Commission and till date such registrations are valid;
- (e) We have satisfied ourselves about the capability of the underwriters to fulfil their underwriting commitments;
- (f) The proposed activities of the issuer for which the funds are being raised in the present issue fall within the 'main objects' listed in the object clause of the Memorandum of Association or other

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Prime Bank Investment Limited
(A Subsidiary of Prime Bank Limited)

Corporate Office: Tajwar Centre (5th Floor), House: 34, Road No: 19/A, Block: E, Banani, Dhaka-1213
Phone: +8802-48810315-16, Fax: +8802-48810314, Email: info@pbil.com.bd

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office Dhaka

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office Dhaka

charter of the issuer or originator and that the activities which have been carried out till now are valid in terms of the object clause of its Memorandum of Association;

- (g) Necessary arrangements have been made to ensure that the moneys to be received pursuant to the issue shall be kept in a separate bank account and shall be used for the purposes disclosed in the use of proceeds section of the information memorandum;
- (h) All the applicable disclosures mandated in the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 have been made in addition to other disclosures which, in our view, are fair and adequate to enable the investor to make a well-informed decision;
- (i) We enclose a note explaining how the process of due diligence has been exercised by us in view of the nature of current business background or the issuer or originator, situation at which the proposed business stands, the risk factors, sponsors experiences etc. We also confirm that the due diligence related process, documents and approval memos shall be kept in record by us for the next 5 (five) years after the issue of securities for any further inspection by the Commission;
- (j) We enclose a checklist confirming rule-wise compliance with the applicable provisions of the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 containing details such as the rule number, its text, the status of compliance, page numbers of the information memorandum where the rules have been complied with and our comments, if any;
- (k) We also declare that we have managed the following issue of securities of the following issuers including originators in the last 05 (five) years:

SL. No.	Name of the Issue	Issue Date	Issue Price	Dividend Payment History (Year Wise)					Category, if listed
				2016	2017	2018	2019	2020	
01.	Sea Pearl Beach Resort & Spa Ltd.	March 28, 2019	10.00	0%	0%	0%	5% B	1% C	B
02.	Fortune Shoes Limited	July 24, 2016	10.00	0%	12% B	15% B	18% B 2% C	5% B 5% C	A

Place: Dhaka, Bangladesh
Date: July 27, 2021


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Prime Bank Investment Limited
(A Subsidiary of Prime Bank Limited)

Corporate Office: Tajwar Centre (5th Floor), House: 34, Road No: 19/A, Block: E, Banani, Dhaka-1213
Phone: +8802-48810315-16, Fax: +8802-48810314, Email: info@pbil.com.bd


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

Due diligence certificate

by
UCB Investment Limited
[Rule 4(2)(a)]

To
The Bangladesh Securities and Exchange Commission

Sub: Issuance of and 100,000 units under public offer of Unsecured, Contingent-Convertible and Floating Rate Mudaraba Perpetual Bond of Tk. 5,000 each amounting to Tk. 500,000,000 by Al Arafah Islami Bank Limited.

Dear Sir,

We, the issue manager(s) to the above-mentioned forthcoming issue, state and confirm as follows:

(1) We have examined all the documents submitted with the application for the above-mentioned issue, visited the premises of the issuer or originator and interviewed the chairperson, directors and key management personnel of the issuer or originator in connection with the finalization of the information memorandum pertaining to the said issue;

(2) On the basis of such examination and the discussions with the directors, officers and auditors of the issuer or originator, other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer or originator.

WE CONFIRM THAT:

(a) The information memorandum filed with the Commission is in conformity with the documents, materials and papers relevant to the issue;

(b) All the legal requirements relating to the issue as also in the rules, notification, guidelines, instructions, etc. framed/issued by the Commission, other competent authorities in this behalf and the government have been duly complied with;

(c) The disclosures made in information memorandum are true, fair and adequate to enable the investors to make a well informed decision for investment in the proposed issue and such disclosures are in accordance with the requirements of the Companies Act, 1994, the Trust Act, 1882, the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 and other applicable laws;

(d) Besides ourselves, all the intermediaries named in the information memorandum are registered with the Commission and till date such registrations are valid;

(e) We have satisfied ourselves about the capability of the underwriters to fulfil their underwriting commitments;

(f) The proposed activities of the issuer for which the funds are being raised in the present issue fall within the 'main objects' listed in the object clause of the Memorandum of Association or other charter of the issuer or originator and that the activities which have been carried out till now are valid in terms of the object clause of its Memorandum of Association;


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

Bulus Center (17th Floor), Plot-CWS-(A)-1 Road No-34, Gulshan Avenue, Dhaka-1212.
E-mail: support@ucb-investment.com


Kazi Sanjaria Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited

(g) Necessary arrangements have been made to ensure that the moneys to be received pursuant to the issue shall be kept in a separate bank account and shall be used for the purposes disclosed in the use of proceeds section of the information memorandum;

(h) All the applicable disclosures mandated in the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 have been made in addition to other disclosures which, in our view, are fair and adequate to enable the investor to make a well-informed decision;

(i) We enclose a note explaining how the process of due diligence has been exercised by us in view of the nature of current business background or the issuer or originator, situation at which the proposed business stands, the risk factors, sponsors experiences etc. We also confirm that the due diligence related process, documents and approval memos shall be kept in record by us for the next 5 (five) years after the issue of securities for any further inspection by the Commission

(j) We enclose a checklist confirming rule-wise compliance with the applicable provisions of the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 containing details such as the rule number, its text, the status of compliance, page numbers of the information memorandum where the rules have been complied with and our comments, if any;

(k) We also declare that we have not managed issuance of securities in the last 05 (five) years.

Place: Dhaka, Bangladesh
Date: July 27, 2021



Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka.


Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Annexure – IV (Due Diligence Certificate of the Underwriter)


Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited


Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited


MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka


Md. Mahmudul Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka.


Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka



ইসলামী ব্যাংক ক্যাপিটাল ম্যানেজমেন্ট লিমিটেড
Islami Bank Capital Management Limited
(A subsidiary of Islami Bank Bangladesh Limited)

Annexure-IV

DUE DILIGENCE CERTIFICATE BY THE UNDERWRITER(S)
[See Rule 4 (2)(a)]

To

The Bangladesh Securities and Exchange Commission

Sub: Issuance of 100,000 Number of Unsecured, Contingent-Convertible and Floating Rate Perpetual Bond Tk. 5000 each of Al-Arafah Islami Bank Limited.

Dear Sir,

We, the under-noted Underwriter(s) to the above-mentioned forthcoming issue, state individually and collectively as follows:

- (1) We, while underwriting the above-mentioned issue on a firm commitment basis, have examined the draft information memorandum, other documents and materials as relevant to our underwriting decision; and
- (2) On the basis of such examination and the discussions with the issuer or originator, its directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer or originator.

WE CONFIRM THAT:

- (a) We are registered with the Bangladesh Securities and Exchange Commission as a merchant banker and eligible to carry out the underwriting activities. Our present paid-up capital stands at Tk. 300,000,000 (Taka Thirty Crore Only) and we have the capacity to underwrite a total amount of Tk. 1,500,000,000 (Taka One Hundred Fifty Crore Only) as per relevant legal requirements. We have committed to underwrite for up to Tk. 100,000,000.00 (Ten Crore only) for the upcoming issue.
- (b) At present, the following underwriting obligations are pending for us: (Name of issue and amount underwritten)

Sl. No.	Name of the Company	Amount Underwritten (in BDT)
01	Master Feed Agrotec Ltd.	12,500,000.00
02	Subra Systems Ltd.	20,000,000.00
03	Achia Sea Foods Ltd.	10,000,000.00
04	Union Bank Ltd.	250,000,000.00
Total		292,500,000.00

- (c) All information as are relevant to our underwriting decision have been received by us and the draft IM forwarded to the Commission has been approved by us;
- (d) We shall subscribe and take up the un-subscribed securities against the above-mentioned issue within 15 (fifteen) days of calling up thereof by the issuer or originator; and
- (e) This underwriting commitment is unequivocal and irrevocable.

For the Underwriter:

Mohammad Abdur Rahim, FCA
Managing Director & CEO

Place: Dhaka;
Date: July 08, 2021

Md. Mahmudur Rahman
Deputy Managing Director &
Company Secretary
Al-Arafah Islami Bank Ltd.
Head Office, Dhaka

Farman R. Chowdhury
Managing Director & CEO
Al-Arafah Islami Bank Ltd
Head Office, Dhaka

MUHAMMED NADIM FCA
DMD & Chief Financial Officer (CFO)
Financial Administration Division
Al-Arafah Islami Bank Limited
Head Office, Dhaka

Head Office: R2, Dhaka-1000, Bangladesh (5th Floor), Dhaka-1000, Bangladesh

Kazi Sanjana Taufique
Chief Executive Officer (Acting)
UCB Investment Limited

Khandoker Raihan Ali FCA
MD & CEO (CC)
Prime Bank Investment Limited