



ANNUAL REPORT 2000



আল-আরাফাহ্ ইসলামী ব্যাংক লিমিটেড
العشرفة اسلامى بنك لميتمد
AL-ARAFAH ISLAMI BANK LIMITED



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العرفة اسلامى بنك لميتيد
AL-ARAFAH ISLAMIC BANK LIMITED
(শরীয়াহ্ ও আধুনিক ব্যাংকিং-এর অনন্য সমন্বয়)



ANNUAL REPORT 2000



**Allah Permitteth Trading and
Forbiddeth Usury**

আল-আরাফাহ ইসলামিক ব্যাংক লিমিটেড
AL-ARAFAH ISLAMI BANK LIMITED
গণপ্রজাতন্ত্রী বাংলাদেশের ইসলামিক ব্যাংকিং সেক্টরে
গুরুত্বপূর্ণ ভূমিকা পালন করছে।





QUR'ANIC VERSES ON INTEREST

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ
 الَّذِیْنَ یَاْكُلُوْنَ الرِّبَا لَا یَتَّوْمُوْنَ اِلَّا كَمَا یَقُوْمُ
 الَّذِیْ یَتَّخِیْطُهُ الشَّیْطٰنُ مِنَ الْمَسْرِ. ذٰلِكَ بِاَنَّهُمْ
 قَالُوْا اِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَاَحَلَّ اللّٰهُ الْبَيْعَ وَ
 حَرَّمَ الرِّبَا فَمَنْ جَاءَهُ سَوْعِطَةٌ مِّنْ رَّبِّهِ
 فَانْتَهَسْ فَلَهٗ مَا سَلَفَ. وَاَمْرُهُ اِلَى اللّٰهِ وَمَنْ
 عَادَ فَارْتَدَّ اَصْحٰبُ النَّارِ هُمْ فِيْهَا خٰلِدُوْنَ. (۲۷۵)

Those who swallow Riba (usury) cannot rise up save as he ariseth whom the devil hath prostrated by (his) touch. That is because they say: Trade is just like usury: whereas, Allah permitteth trading and forbideth usury. He unto whom and admonition from his Lord cometh, and (he) refraineth (in obedience thereto).

He shall keep (the profits of) that which is past. And his affair hence- forth is with Allah.

As for him who returneth (to Riba) such are rightful owners of fire. They will abide therein. (2:275)

يٰۤاَيُّهَا الَّذِیْنَ اٰمَنُوْا اتَّقُوا اللّٰهَ وَذَرُوْا مَا بَقِيَ
 مِنْ الرِّبَا اِنْ كُنْتُمْ مُّؤْمِنِیْنَ. (۲۷۸)

O, Ye who believe, observe duty to Allah, and give up what remaineth (due to you) from usury, if ye are (in truth) believers. (2:278)

HADITH ON INTEREST

- Abdullah Ibne Masud (Allah be pleased with him) said that: Allah's Messenger (may peace be upon him) cursed the one who accepted interest and the one who paid it. I asked about the one who recorded it, and the two witness to it. He (the narrator) said: We narrate what we have heard.
-Muslim
- Jabir said that: Allah's Messenger (may peace be upon him) cursed the accepter of interest and its payer, and the one who records it, and the two witness; and he said: They are all equal.
-Muslim
- Abdullah bin Awfa narrated : Allah's Messenger said, convey the message of the Hell to those who do business of money based on interest.
-Tabraneer



OPINION OF OTHER RELIGIONS AND GREAT MEN ON INTEREST

Interest has been banned in the two books on Prophet Musa (A.) which are considered as the scriptures of the Jews. The 22nd line of Exodus goes as saying, “ If you lend money to a poor man, don't become money lenders and don't realise interest from him.”

Similarly, in 23rd line of the ancient scripture of the Jews entitled “Deuteronomy” states, “ You don't lend money to your brother for interest- i.e. interest on money, interest on foodstuff and interest on any thing which is lent.”

Hebrewism is known as Mosaism or Judaism. Mosaic laws or commands of Musa are the basis of Hebrewism. Interest was totally prohibited in Musaic law. This rule was exclusively practiced by the Jews. In this ideology, there are clear directions on interest as other aspects of economics.

One Jew couldn't take interest by lending money from another. But, taking interest was in practice by lending money to the people of other religions.

Some writers quoted from the book, 'Talmud' that the Hebrew prophets forbade interest not only from Jews but from all. (Eric Roll, A history of Economic Thought: Page 48)

Interest was prohibited from the beginning of the Christianity to the advent of the Reform Movement and from the Church under Pope in Rome to the division of other Churches. Christ said, “Lend hoping for nothing again.” (Luke VI 35, Hanley: History of Economic Thought. 1964, Page 101).

In Hinduism, usury business was restricted within the 'Baithayas.'



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**THE SIXTH BOARD OF DIRECTORS**

| Sl. No. | Sponsor Directors | Occupation | Address |
|---------|--|--------------------------------------|--|
| 1 | Alhajj A. Z. M. Shamsul Alam | Former Secretary of Bangladesh Govt. | 15/3. New Baily road, (1 st Floor), Dhaka |
| 2 | Alhajj Md. Harun-or-Rashid Khan | Business | House # 19, Road # 18/A, Banani, Dhaka |
| 3 | Alhajj Ahmed Ali | Business | 96, Darus Salam, Mirpur, Dhaka |
| 4 | Alhajj Nazmul Ahsan Khaled | Business | 760, Satmasjid Road, Dhanmondi, Dhaka |
| 5 | Alhajj Md. Saiful Alam | Business | Osman Manjil, (1 st Floor) 950, Asadgonj, Chittagong |
| 6 | Alhajj Dr. Bahauddin Mohd. Yousuf | Business | 273 New DOHS, Road No -20, Mohakhali, Dhaka |
| 7 | Alhajj Abdul Malek Mollah | Business | 2, New Eskaton, Dhaka Dyeing Garments & Building, Moghbazar, Dhaka |
| 8 | Alhajj Dr. D. M. Amanul Hoque | Business | 9/A, North Dhanmondi, Kalabagan, Dhaka |
| 9 | Alhajj Abdul Hadi | Business | 318, Sirajuddowlah Road, Chandanpura, Chittagong. |
| 10 | Alhajj Mohammad Haroon | Business | 1025/B, Housing Society, Nasirabad, Chittagong |
| | Alternate Director: Akbar Hossain | Business | 1025/B, Housing Society, Nasirabad, Chittagong |
| 11 | Alhajj Badsha Meah | Business | 1015/C, Housing society, Nasirabad, Chittagong |
| 12 | Alhajj Ezhar Meah | Business | 1, Amir Ali Chow. Road, Amir Market, Khatungonj, Chittagong |
| 13 | Alhajj Hafez Md. Enayetullah | Business . | 2, Makim Katara, Moulvi Bazar, Dhaka |
| 14 | Alhajj Nurul Hoque | Business | 232-234, Tejgaon Industrial Area, Dhaka |
| 15 | Alhajj Md. Anowar Hossain | Business | House #6, Road # 1, Dhanmondi, Dhaka |
| 16 | Alhajj Kazi Md. Mofizur Rahman | Business | 40/1, Inner Circular Road, New Paltan, Dhaka |
| 17 | Alhajj Mir Ahmed Sowdagar | Business | 281, New Chaktai, Chittagong |
| | Alternate Director: Alhajj Abdus Salam | Business | 281, New Chaktai, Chittagong |
| 18 | Alhajj Mohammed Yahya | Business | House # 24, Road #1, Zakir Hossain Road , Khulshi, Chittagong |
| 19 | Alhajj Badiur Rahman | Business | Preaprangon, room no. 0506, 2 paribagh, Dhaka |
| 20 | Alhajj Mohammad Mahtabur Rahman | Business | Post Box # 13754, Deira, Dubai, UAE |
| | Alternate Director: Syed Bashir Ahmed | Business | 12/2, Tajmahal Road (Gr. Floor), Mohammadpur, Dhaka |
| 21 | Alhajj Abdul Moktadir | Business | 75/8, Sukhumvit Road Sol-3, Bangkok-10110, Thailand |
| | Alternate Director: Kazi Shah Mofazzal Hossain (Kaikobad) | Business | 10, Dilkusha, Jiban Bima Bhaban, (8 th Floor), Dhaka |
| 22 | Alhajj Kazi Abu Kawsar | Business | 71, Motijheel C/A, Dhaka |
| 23 | Alhajj Fazlur Rahman | Business | Post Box # 13754, Dubai, UAE |
| | Alternate Director: Md. Kafiur Rahman | Business | M/S Kazi & Sons, Laldighir Par, Sylhet |
| | Director (B Group) | | |
| 24 | Alhajj Kh. Mesbah Uddin Ahmed | Business | Preaprangon, Room #0505, 2 Paribagh, Dhaka |
| 25 | Alhajj Md. Seraj-ud-Dowla | Business | Mohammadia Housing, 93, Motijheel C/A, Dhaka |
| | Director (Officio) | | |
| 26 | Alhajj Mohammed Hossain | Service | 133 Modhu Bazar, Road #9A New, Dhanmondi, Dhaka. |

Syed Golam Mostafa
Company Secretary



THE SECOND SHARIAH COUNCIL

| | |
|----------------------------------|------------------|
| Janab Moulana Mufti Abdur Rahman | Chairman |
| Janab Moulana Md. Muhiuddin Khan | Member |
| Janab Moulana Yusuf Abdul Mazid | Member |
| Janab Moulana Ruhul Amin Khan | Member |
| Janab Moulana Ruhul Amin | Member |
| Janab A. Z. M. Shamsul Alam | Member |
| Janab Md. Mokhlesur Rahman | Member-Secretary |



EXECUTIVES OF THE BANK

Managing Director Al-Hajj Mohammed Hossain

Senior Vice President

A. K. M. Fazlul Hoque
S. A. M. Habibur Rahman
A. N. M. Abdus Shahid
Syed Emdadul Hoque
Md. Abdul Gofran
Md. Golam Sarwar

Vice President

Md. Tofazzal Hossain
Md. Anisur Rahman
Md. Abdul Matin
Md. Awokat Ali
Md. Wahidur Rahman
Syed Golam Mostafa

Assistant Vice President

Md. Mizanur Rahman
Hadi Ferdous Ahmed
Mahtab Hossain
A. H. M. Musa
Md. Emdadul Huq.
Molla Ali Ahmed
A. H. M. Zahangir Alam Chowdhury
Md. Abdul Haque
Md. Abdul Jalil Miah
Md. Nurul Absar
Md. Nazir Ahmed Chowdhury
Md. Shahjahan
Md. Atiqur Rahman
Enamul Hoque
Abul Quashem
Khondoker Enayet Hossain
Md. Anisur Rahman
Gazi Golam Mostofa
Md. Sirajul Islam

Auditors

M. Ahmed & Co.

Chartered Accountants
7, Bangabandhu Avenue
Dhaka-1000

Alam Chowdhury Mostofa & Co.

Chartered Accountants
73/3, Green Road,
Dhaka

Registered Office

Rahman Mansion,
161, Motijheel C/A, Dhaka-1000, Bangladesh
Phone: pabx 9568007, 9560198, 9567885, 9567819
Fax: 880-2-9569351 Telex : 632409 AIBMBJ
E-mail : alarafah @ bangla.net, SWIFT : ALARBDDH



NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the Sixth Annual General Meeting of Al-Arafah Islami Bank Limited will be held at the auditorium of the Engineers' Institution Bangladesh, Ramna, Dhaka on Saturday, the 22nd December, 2001 at 10-00 a.m. to transact the following businesses:

1. To confirm the minutes of the Fifth Annual General Meeting held on 21st November, 2000;
2. To receive, consider and adopt the Directors' Report, Audited Statements of Accounts with Auditors' Report thereon for the year ended on 31st December, 2000;
3. To declare Dividend for the year 2000 as recommended by the Board of Directors;
4. To elect Directors in place of those who retire from office as per Article 98 and are eligible for re-election as per Article 100 of the Articles of Association of the Bank;
5. To appoint Auditors of the Company for the term until the next Annual General Meeting and to fix their remuneration;
6. To transact any other business with the permission of the Chair.

All the Shareholders of the Company are requested to make it convenient to attend the meeting on time.

By order of the Board

Date : Dhaka
19 November, 2001

Md. Mahmudur Rahman
Company Secretary (CC)

NOTE:

1. The Share Transfer Register of the Company will remain closed from 3rd December, 2001 to 22nd December, 2001 (both days inclusive);
2. A Shareholder of the Company entitled to attend and vote at the General Meeting may appoint a person as his/her proxy to attend and vote in his/her stead. Proxies must be submitted at the Registered Office/Share Department (125, Motijheel C/A, Dhaka-1000) of the bank at least 48 hours before the Meeting by filling up the proxy form fixing revenue stamp of Tk. 8.00;
3. The Shareholders, who are interested to put questions, are requested to send those to Head Office/Share Department (125, Motijheel Commercial Area, Dhaka-1000) before 7 (seven) days of the AGM;
4. The Shareholders are requested to register their names in the concerned counter by 11:00 a.m. of the day of the AGM. Registration will be closed after 11:00 a.m.;

REPORT OF THE BOARD OF DIRECTORS

IN THE NAME OF ALLAH, THE BENEFICENT, THE MERCIFUL

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

Assalamu-Alaikum-Wa-Rahmatullahe-Wa-Barakatuhu,

Dear Shareholders,

The Board of Directors has the great pleasure in welcoming you all to the 6th Annual General Meeting and placing before you the Annual Report along with the financial statement of the bank for the year ended on 31 December, 2000.

1. Economic Trends of Bangladesh:

The recession of global economy of 1997-98 affected the Third World economy adversely. Moreover, the devastating flood of 1998 affected the infrastructure of national economy severely. In comparison with that the trend of national economic growth was satisfactory during the 1999-2000 fiscal year. During this fiscal year, the country had GDP growth of 5.50% as against 4.90% of the previous year.

Agriculture

The economy of Bangladesh is mostly dependent on Agriculture. That's why it contributes a lot in sufficiency of food, poverty elevation and overall economic development. This year the contribution of agriculture in total GDP is 25.47%. The growth rate was 5.50% against 3.28% of the previous year.

Industry

The contribution of industrial sector in national economy is next to agriculture. It contributed 15.40% in total GDP against 11.20% of previous year. The growth rate stood at 4.30% which was 3.20% in the previous year.

Foreign Trade

According to the Annual Report of Bangladesh Bank, total import was US\$ 8,403.00 million, which is 4.8% more than the previous year. At the same time Export was US\$ 5762.00 million against US \$ 5324.00 million of previous year which is again 8.20% more. Other than these, Foreign Remittance increased US\$ 243.00 million and Trade Deficit reduced US\$ 53.00 million during the said fiscal year.

Capital Market

During the 1999-2000 fiscal year stability prevailed in both the Dhaka & Chittagong Stock Exchange. All share price index raised significantly. At December 31, 2000 the price index was 642.68 and 487.77 in Dhaka & Chittagong Stock Exchange respectively.



Inflation:

The tendency of inflation was downward during the year. The rate of inflation was 8.91% in 1998-99. It decreased to 3.45% in 1999-2000.

Foreign Exchange Reserve

Growth is also observed in foreign exchange reserve. It is US\$ 1602.00 million this year against US\$ 1523.00 million of previous year. Growth rate is 5.19%.

Overall balance of payment stood at surplus of US\$ 325.00 million against US\$ 171.00 million deficit of last year.

2. Growth in Banking Sector :

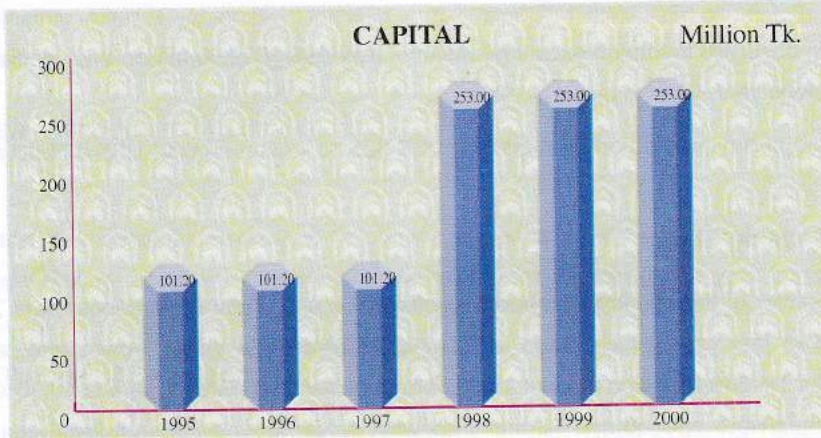
The Banking sector of the country also had a significant growth. Total Bank deposit was Tk. 592.34 billion in the 30th June of last year, which stood at Tk. 702.78 billion this year. Growth rate is 18.60%. Likewise Investment was Tk. 546.00 billion against 495.22 billion of last year. Growth rate is 10.30%. Other than these, 86 new branches were opened and 12 branches were closed during the said fiscal year. As a result, total number of branches came to 6056 at 30th June 2000 after increasing 74. Bank rate was reduced in August 1999 from 8% to 7% which was effective in the year 2000.

3. Special features of the Bank:

- a. All activities of the Bank are conducted on interest free system according to Islamic Shariah. Profit is the legal alternative of interest. Instead of taking interest the bank invests through different modes, like *Murabaha*, *Musharaka*, *Mudaraba*, *Bi-muazzal*, *Hire Purchase Shirkatul Meelk*, *Leasing*, *Qard*, etc. which are legal in the eye of Shariah. The aim of these kinds of investment is to achieve the economic prosperity of the masses and emancipation in the hereafter.
- b. The bank is committed to establish an economic system through social justice and equal distribution of wealth.
- c. According to the needs and demands of the existing society and the country as a whole the bank invests money to different Halal businesses. The bank participates in different activities aiming at creating jobs, implementing development projects taken by the government and developing infrastructure.
- d. To render improved services to the clients imbued with the Islamic brotherhood, peace and fraternity based on the tenets of Qur'an and Shariah and by developing an institutional fraternity.
- e. During the period under review, 70% of the investment income has been distributed among the Mudaraba depositors.
- f. According to Mudaraba system, the depositors are the partners of the investment income of the bank. The bank is committed towards establishing a welfare oriented banking system, economic upliftment of the low income group of people, create employment opportunities for the adults and to bring about change in the underdeveloped rural areas for ensuring balanced development of the country.
- g. To render improved services to the clients imbued with Islamic spirit of brotherhood, peace and fraternity and by developing an institutional cohesion.
- h. The bank is contributing parallel to economic and philanthropic activities. AIBL English Medium Madrasah and AIBL library are among other noteworthy.

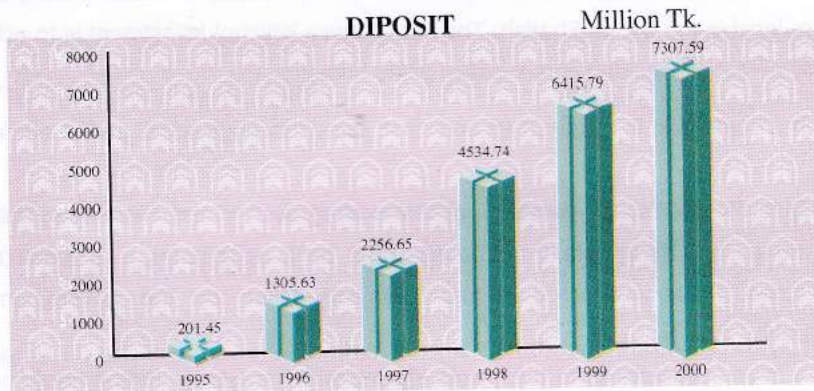
REPORT OF THE BOARD OF DIRECTORS

IN THE NAME OF ALLAN, THE BENEFICENT, THE MERCIFUL



4. Capital

As per requirements of the Bank Companies Act, 1991 and the Companies Act, 1994 the Bank issued share for public subscription in 1998 to raise the paid-up capital and it has been increased from Tk. 126.50 million to Tk. 253.00 million.



5. Deposit:

The deposit of the bank stood at Tk. 7307.59 million on 31.12.2000 against Tk. 6415.79 million as on 31.12.1999. The increase rate is about 13.90% as against 17.71% in banking sector. The Bank has, in the meantime, introduced the following schemes for mobilization of deposits and the schemes are becoming popular day by day:



a. Mudaraba Terms Savings Deposits:

Deposit in monthly installment @ Tk.200/-, Tk. 300/-, Tk. 500/-, Tk. 1000/- Tk. 1500/- & Tk. 2000/- is obtained under the aforesaid scheme for a tenure of 5, 8, 10 and 12 years and the same is withdrawable with profit at the end of the tenure.

b. Monthly Profit Based Term Deposit:

Under the above scheme, deposits of Tk. 1.00 lac, 1.10 lac, 1.20 lac, 1.25 lac and multiple thereof are accepted for a term of 5(five) years and the bank gave profit thereon Tk. 969 per month per lac and proportionately on the rest amount of deposit under the category during the year under review. The aforesaid rate shall, however, be adjustable at the close of calendar year on finalization of accounts.

c. Monthly Hajj Deposit:

Hajj deposits at Monthly installment from 1 (one) year to 20 (twenty) years are accepted under the above scheme to enable the account holder to perform Hajj out of the accumulated savings with profit.

d. One Time Hajj Deposit:

Under the above scheme, fixed amount of Hajj deposits are accepted from the clients for particular term and as per rules profit is accumulated thereon per year in this regard. As and when the fixed deposit is matured, Hajj expenses are defrayed by the same. Under the scheme, the guardians may also open Hajj Account to enable their successors to perform Hajj. Highest amount of profit is paid in the above types of deposit by the Bank.

e. Savings Investment Deposit:

Deposit under the scheme is accepted by monthly installment and after expiry of the term, double amount of such savings is given as investment in feasible sectors by the Bank as per choice of the depositors without any collateral security. Any one by saving under the scheme can take business venture on utilizing the amount saved under the scheme as well as availing bank investment.

f. Marriage Savings Deposits and Investment Scheme:

Fixed monthly installment for a particular period is to be deposited to defray the expenses of marriage and the bank allows double of saving or Tk. 30,000/- which is higher as investment to procure ornaments, furniture fixture, etc. repayable in 24 monthly installment without any collateral security.

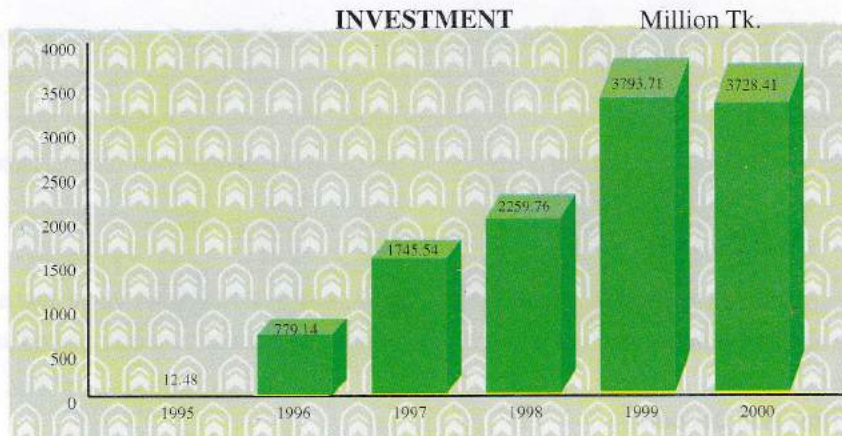
g. Savings Bond Deposit:

Under this scheme the bank has introduced saving bonds for Tk. 10,000/-, Tk. 25,000/- and Tk. 100,000/- for 3, 5 and 8 years. After the completion of the tenure the deposited money may increase by 1.5 even two times, Insha-Allah.



6. Investment:

The total investment of the bank stood at Tk. 3728.41 million against Tk. 3793.71 million during the corresponding period of last year. It indicates a decrease rate of 1.72%. In overall banking sector this rate was 10.47% increasing. The management of the Bank is trying its best to lessen its extra liquidity and increase good investment.



The bank extends investments to the clients under the following modes of investment under Islamic Shariah:

a. Murabaha:

Murabaha mode of finance means purchase of commodities as per request of the client permissible by Shariah and sale thereof with profit to the client i.e. cost plus sale of a commodity to the investment client. The commodity is procured at the instance of the investment client from a third party/firm. Purchase price and profit are disclosed to the client. Goods are kept under bank's custody as security and the client lifts the same gradually or at a time on payment of sale price of the commodity.

b. Bai-Muazzal :

Bai-Muazzal means cost plus sale of the commodity on deferred payment basis against adequate collateral. The commodity is procured at the instance of the investment client from a third party as per firm agreement between the client and the bank and sale price (bank's dues) is paid by the client within stipulated period of time. After having possession of the goods, the bank delivers the same to the client on credit which is required to be paid at a specified future date (adjust proportionately) with the progress of sale of goods within the given period.

c. Bai-Salam (Advance Sale):

Under this mode, the bank buys the goods from the producer/supplier on payment in advance after entering a firm contract and the goods are delivered/supplied to the bank at a future specified date. In the contract of Bai-Salam quantity, quality, shape, size, price and time of delivery of the goods are clearly specified.



d. Ijara Bil-Bai (Hire Purchase Under Shirkatul Meelk):

Durable items, like vehicle, machinery, equipment, etc., are purchased on equity participation by both the bank and the client and the same is handed over to the investment client on rental basis entering into an agreement with the client that principal amount shall be paid within a certain period of time by installments. Rent is to be paid on the principal outstanding till the ownership is transferred to the client on payment of the entire principal amount.

e. Mudaraba:

The bank provides entire capital against firm assurances of the entrepreneur that he will manage the business properly and efficiently. The entrepreneur manages the business as Manager. Profit is shared to the bank and entrepreneur as per agreed ratio, while the loss, if any is borne by the bank alone. Bank can supervise such investment if and when desired/required but cannot participate in the management of the business.

f. Musharaka:

Capital is provided by both bank and investment client on the basis of *Shirkatul Innan* principle of Islamic Shariah (Partnership). Profit is shared as per agreed ratio and loss is shared on equity ratio. The bank supervises the utilization of investment and participates in decision making.

g. Qard:

The bank also allows Qard in very special cases on obtaining proper security. Service charge equal to cost of fund is recovered on Qard amount.

h. Special Investment:

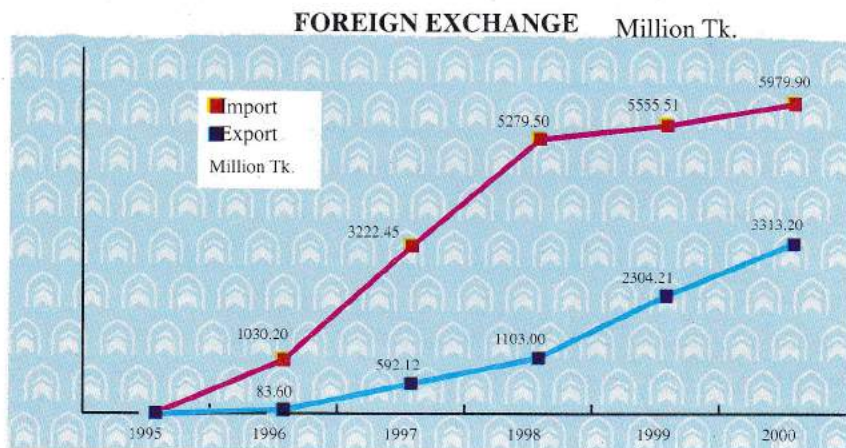
The bank also closely supervises and reviews the investment operation of the Bank with a view interalia to chalk out policy which would not only be innovative but also cover all sectors of the economy including income-generating activities.

The bank has, in the meantime, introduced the following schemes for upliftment of the fixed wage earners as small traders and for income generating activities of the poor people:

1. Desired Durables Investment Scheme (DDIS)
2. Masjid Madrasah Based Investment Scheme (MMIS)
3. Small Business Investment Scheme (SBIS)
4. Special Pally Biniyog Prakalpa
5. Transport Investment Scheme.

7. Foreign Exchange Business:

A substantial amount of income of the bank has been derived from International Trade. The bank handled import business to the tune of Tk. 5979.90 million in the year 2000 as against Tk. 5555.51 million during the preceding year. On the other hand, the export business handled by the bank during the year amounts to Tk. 3313.20 million as against Tk. 2304.21 million during the preceding year.



The bank is under correspondence with 35 foreign banks in 170 places of the globe for establishing correspondents and agency relationship. In addition to this, the Bank has entered in the SWIFT service, which makes the International Trade easier, smooth and effective.

8. Profit paid to the Depositors:

The rate of profit given to different types of deposit holders are given below in comparison with preceding years:

| SL No | Types of Deposit | Rate of Profit | | | | | |
|-------|------------------------------------|----------------|--------|--------|--------|--------|-------|
| | | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
| 1 | Mudaraba Saving Deposit | 6.32% | 7.03% | 7.69% | 7.98% | 7.93% | 7.82 |
| 2 | 3 Months' Term Deposit | 6.65% | 8.25% | 9.03% | 9.35% | 9.30% | 9.18 |
| 3 | 6 Months' Term Deposit | 7.75% | 8.62% | 9.44% | 9.77% | 9.72% | 9.60 |
| 4 | 12 Months' Term Deposit | 8.10% | 9.00% | 9.85% | 10.20% | 10.15% | 10.01 |
| 5 | 24 Months' Term Deposit | 8.20% | 9.19% | 10.05% | 10.40% | 10.36% | 10.22 |
| 6 | 36 Months' Term Deposit | 8.30% | 9.38% | 10.26% | 10.62% | 10.57% | 10.43 |
| 7 | Mudaraba Short Notice Deposit | 2.94% | 3.28% | 3.59% | 3.72% | 3.74% | 3.74 |
| 8 | Monthly Deposit Hajj | 7.78% | 9.94% | 10.87% | 11.27% | 11.20% | 11.06 |
| 9 | Monthly Term Savings Deposit | 8.70% | 9.85% | 10.77% | 11.15% | 11.10% | 10.95 |
| 10 | One Time Hajj Deposit | 9.13% | 10.32% | 11.31% | 11.68% | 11.62% | 11.47 |
| 11 | Monthly Savings Investment Deposit | 8.13% | 9.19% | 10.05% | 10.41% | 10.36% | 10.22 |
| 12 | Monthly Profit Based Deposit | 8.45% | 9.57% | 10.46% | 11.68% | 11.63% | 11.63 |
| 13 | Saving Band | - | - | - | - | - | 10.95 |



9. Election of Directors:

As per article 98 of the Articles of Association of the bank, 8 (eight) Directors from Group "A" 1. Alhaji Abdul Hadi 2. Alhaji Ejhar Miah 3. Alhaji Hafej Md. Enayet Ullah 4. Alhaji Md. Anwar Hossain 5. Alhaji Bodiur Rahman 6. Alhaji Md. Mahtabur Rahman 7. Alhaji Kazi Abu Kawsar and 8. Alhaji Fazlur Rahman will retire in this Annual General Meeting and as per article 100 all of them will be eligible for re-election.

10. Dividend:

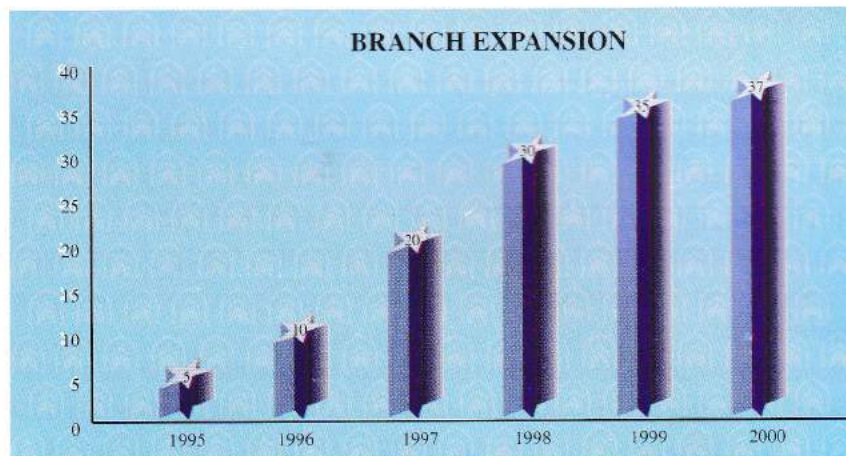
The Board of Directors has recommended 12% dividend for the shareholders for the year 2000. The issue needs ratification by the shareholders and therefore, the same has been placed before the AGM for approval.

11. Board / Committee Meeting:

During this year 25 Board Meetings and 24 Executive & Policy Committee Meetings have been held.

12. Branch Expansion:

The Bank is very much keen to open new branches in different areas in order to bring as many people as possible under the ambit of Islami banking. Two new branches have been opened during this year and thus the total number of branches stood at 37. Next year the Bank will open 3 new branches and the total number of Branches will be 40.



13. Customer Service:

To provide better customer service and to attain operational excellence, the bank is all along attaching importance. With this end in view computers have been to all the branches.

SWIFT: To provide fast and better customer service in International Trade, the Bank has become member of the SWIFT. As a result transactions regarding payment of Export & Import can be dealt quickly and clients will get competitive edge in comparison with other Banks.



14. Human Resources:

To commensurate with the expansion of the bank, experienced personnel have been recruited. The number of total manpower of the bank as of 31st December 2000 was 674 except the Managing Director. The number was 664 on the same day of previous year.

The status of manpower as of 31.12.2000 is as follows:

| SI No | Designation | Nos. |
|-------|--------------------------|------------|
| 1 | Senior Vice President | 06 |
| 2 | Vice President | 06 |
| 3 | Asstt. Vice President | 23 |
| 4 | Senior Principal Officer | 17 |
| 5 | Principal Officer | 17 |
| 6 | Senior Officer | 28 |
| 7 | Officer | 65 |
| 8 | Probationary Officer | 38 |
| 9 | Joint Officer | 15 |
| 10 | Deputy Officer | 28 |
| 11 | Asstt. Officer | 236 |
| 12 | Sub-Asstt. Officer | 15 |
| 13 | Staff Officer | 29 |
| 14 | MCG | 81 |
| 15 | Godown Supervisor | 29 |
| 16 | Godown Guard | 22 |
| 17 | Tea Boy | 08 |
| 18 | Driver | 10 |
| 19 | Cleaner | 01 |
| | Total | 674 |

15. Training & Motivation:

Training and motivation are utmost important to bring about positive change in the outlook of the manpower and to increase efficiency. Set of trained and efficient workforce is indispensable for any commercial bank and they are the fundamental strength of the bank. Well-trained and highly motivated personnel are a prerequisite for running Islami Bank in a traditional society like Bangladesh. Keeping this view in mind training programs on banking and motivational programs are being implemented. In 2000, a total number of 298 officers of different categories have been trained in 17 training courses during 450 working days covering 63,272 man-hours. In the previous year, training programs were limited within 25 courses in 317 working days and 74,981 man-hours where 521 officers were trained.

Dars-e-Quran is being held everyday before starting the normal business. Besides, everyday after Zuhar Prayer teaching on Hadith and other aspects of Islam are being discussed. Training and motivational programs



so implemented result in creating team spirit, increasing efficiency and discipline and rejuvenating moral values of the officers.

16. Audit & Inspection:

In 2000, Audit and Inspection Department of this Bank has inspected 30 branches and submitted report on them. At the same time, Bangladesh Bank has partially inspected 5 branches of the Bank for the same period.

17. Activities of Shariah Council:

Shariah Council consists of 7 (seven) scholars is playing an important role in connection with the compliance and implementation of Islamic Shariah principles based on Qur'an, Sunnah, Ijma and Ijtihad in every sphere of banking operations. The Council played a significant role to operate the overall activities of the Bank in accordance with the Shariah Principles.

The Management of the Bank seeks Shariah opinion on different issues and accordingly the Council accords guidelines and suggestions for implementation. In order to ensure implementation of Shariah principles in banking operations the Council conducts inspection of different branches. During this year, 7 meetings of the Council have been held. The Muraqib inspects branches and if any deviation is found in handling deposit and in day-to-day operation, immediate rectification is made. The Council is being consulted regarding the Investment products.

18. Activities of Al-Arafah Islami Bank Foundation:

A portion of income of the bank is being spent on philanthropic activities. Among other philanthropic activities, running of Al-Arafah English Medium Madrasah and Al-Arafah Islami Bank Library are noteworthy.

18.1 Al-Arafah English Medium Madrasah:

Al-Arafah English medium Madrasah has been established by the Al-Arafah Islami Bank Foundation with a view to building next generation according to the ideals of peace and equality of Islam and to establishing banking and other aspects of life in the way of Islam. The prime aim of this madrasah is to contribute towards building human resources and in the broader sense to ensure human welfare. With this in view Al-Arafah Islami Bank Foundation has established an English medium Madrasah at Dhanmondi in 1999. Such institution up to seventh grade of its kind is for the first time in Bangladesh.

18.2 Al-Arafah Islami Bank Library

The bank has established a public library at 32, Topkhana Road, the heart of Dhaka City containing more than 20,000 books with an intention of educating people and to improve their socio-economic condition. Books on Religion, Economics, Banking, Computer Science, Business Administration, Sociology, English Language, Arabic Language, Children's Literature in Bengali, English, Arabic and Urdu Languages of home and abroad have been procured. Textbooks of school, college and Madrasahs are also available.

In the audio-visual section of the library there are educative and character building CDs, films, audio-video cassettes which are regularly shown. Internet facilities are available for the readers/researchers.



19. Appreciation:

The Board of Directors expresses its gratitude to the Almighty Allah for enabling the Bank to achieve remarkable progress in all respect during the year 2000. The Board extends thanks to the Ministry of Finance, the Bangladesh Bank and other Government Agencies for providing assistance, support and co-operation. The Board of Directors also extends compliments to all shareholders, clients and well-wishers for their valuable support and confidence reposed in the Bank.

The Board of Directors also expresses its great appreciation and thanks to all officials of the Bank for their untiring efforts and dedication in bringing about better result during the year under report. The Board also hopes that they shall continue to strive hard to attain a much better result in the coming year.

May the Almighty Allah give us dedication, patience and fortitude to serve the cause of Islam and to go ahead with our mission to run the bank as per the principles of Islamic Shariah.

On behalf of the Board of Directors

Date: December 22, 2001

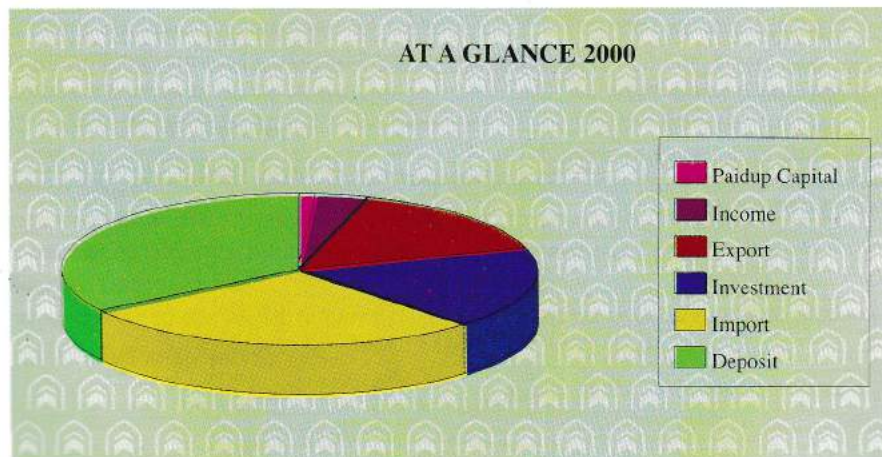
A.Z.M. Shamsul Alam
Chairman



SIX YEARS PROGRESS AT A GLANCE

(Taka in Million)

| Particulars | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|-----------------------------|---------|---------|---------|---------|---------|---------|
| Authorized Capital | 1000.00 | 1000.00 | 1000.00 | 1000.00 | 1000.00 | 1000.00 |
| Paid up Capital | 101.20 | 101.20 | 101.20 | 253.00 | 253.00 | 253.00 |
| Reserve Fund | - | 2.48 | 25.32 | 55.66 | 145.56 | 219.55 |
| Deposit | 201.45 | 1305.63 | 2256.65 | 4534.74 | 6415.79 | 7307.59 |
| Investment | 12.48 | 779.16 | 1745.54 | 2259.76 | 3793.71 | 3728.41 |
| Import | - | 1030.20 | 3222.45 | 5279.50 | 5555.51 | 5979.90 |
| Export | - | 83.60 | 592.12 | 1103.00 | 2304.21 | 3313.20 |
| Total Income | 1.37 | 50.98 | 196.17 | 322.98 | 534.76 | 752.19 |
| Profit before Tax | (1.98) | 4.69 | 62.81 | 82.06 | 70.47 | 67.00 |
| Profit After Reserve & Tax | - | 0.05 | 26.07 | 36.93 | 31.70 | 30.15 |
| Income Tax | - | 1.72 | 24.03 | 28.72 | 24.66 | 23.45 |
| Total Assets | 519.80 | 2412.91 | 3833.25 | 6749.48 | 7746.04 | 8584.95 |
| Fixed Assets | 5.13 | 19.89 | 37.05 | 47.86 | 50.35 | 52.44 |
| Dividend | - | - | 25% | 15% | 12% | 12% |
| Number of Shareholders | 23 | 23 | 23 | 7604 | 6319 | 5849 |
| Number of Branches | 05 | 10 | 20 | 30 | 35 | 37 |
| Number of Employees | 54 | 171 | 320 | 427 | 664 | 674 |
| Average Manpower per Branch | 10 | 17 | 16 | 14 | 19 | 18 |





ANNUAL REPORT OF THE SHARIAH COUNCIL 2000

Bismillahir Rahmanir Rahim

All praise be to Allah, the Lord of the Universe, and peace and blessings of Allah be upon the Prophet Muhammad (SM) and all other Prophets and their companions.

During the year 2000, the Shariah Council in its different meetings reviewed various operational issues, including those referred to it by the Board and Management of the Bank and furnished views and gave necessary advice thereon. The Chairman of the Council participated in different formal and informal meetings in connection with the Shariah matters. During the year, the inspection Team of the Shariah Council inspected a good number of big branches. 5 meetings of the Council were held during this year. About 20 (opinions/Fatuwas) have been delivered by the Council.

The Shariah Council examined the Balance Sheet and the Profit & Loss Account of the Bank for the year 2000 and observes and suggests as under:

1. The Management of the Bank is wholeheartedly conscious and active to implement the Rules and Principles of Shariah in all its operating activities.
2. More awareness and carefulness is needed in implementing the Shariah Principles in Murabaha and Bai Muajjal Investment.
3. The Shariah Council desires that the bank should give emphasis on invest more money in Mudaraba & Musharaka mode of investment side by side with the Murabaha & Bai-Muajjal mode.
4. The haziness & complexity to implement the Shariah Rules in respect of accounts kept with the Foreign Banks should be removed and transparency should be brought in this regard.
5. More emphasis should be given to expand the Micro Credit Schemes.
6. The Council expects that the management will invest a significant amount of money to improve the socio-economic condition of the rural people so that resources cannot be centralized within the rich people.

Council also expects that, the Authority of the Bank will be more dynamic and operative to implement the Shariah Principles in overall operations of the Bank.

May Allah, the Lord of honour and dignity, grant us all the success as Islami Bank and 'Tawfiq' to play pioneering role in establishing interest free society.

Ameen !

On behalf of the Shariah Council

Moulana Mufti Abdur Rahman
Chairman
Shariah Council



AUDITORS' REPORT TO THE SHAREHOLDERS

Bismillahir Rahmanir Rahim

We have audited the accompanying Balance Sheet of Al-Arafah Islami Bank Limited as of December 31, 2000 and the related profit and loss account and statement of cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements prepared in accordance with BAS, give a true and fair view of the state of the company's affairs as of December 31, 2000 and of the results of its operations and its cash flows for the year then ended and comply with the Bank Company Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- ii. in our opinion, proper books of account as required by law have been kept by the company as far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- iii. the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns;
- iv. the expenditure incurred was for the purposes of the company's business;
- v. the financial position of the company at December 31, 2000 and the profit for the year then ended have been properly reflected in the financial statements; the financial statements have been prepared in accordance with the generally accepted accounting principles;
- vi. the financial statements have drawn up in conformity with the Bank Company Act, 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- vii. adequate provisions have been made for advances which are in our opinion doubtful of recovery;
- viii. the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- ix. the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- x. the information and explanations required by us have been received and found satisfactory.

Alam Chowdhury Mostafa & Co.
Chartered Accountants
November 18, 2001

M. Ahmed & Co.
Chartered Accountants
November 18, 2001

**31 DECEMBER
BALANCE****PROPERTY AND ASSETS**

| | Note | 2000 Taka | 1999 Taka |
|--|------|----------------------|----------------------|
| Cash | 4 | | |
| In hand (including foreign currencies) | | 158,923,570 | 179,720,893 |
| With Bangladesh Bank and Sonali Bank (including foreign currencies) | | 731,175,298 | 470,069,840 |
| | | 890,098,868 | 649,790,733 |
| Balance with other Banks and Financial Institutions | 5 | | |
| In Bangladesh | | 3,424,441,337 | 3,052,516,972 |
| Outside Bangladesh | | 9,591,768 | 18,619,709 |
| | | 3,434,033,105 | 3,071,136,681 |
| Money at call and short notice | 6 | - | - |
| Investment | 7 | - | - |
| Government | | | |
| Others | | | |
| Investment and Advancas | 8 | | |
| Murabaha, Bai-Moazzal etc. | | 3,381,472,930 | 3,157,947,951 |
| Bills Discounted and purchased | | 346,936,152 | 635,765,705 |
| | | 3,728,409,082 | 3,793,713,656 |
| Fixed Assets | 9 | 52,442,794 | 50,349,979 |
| Other Assets | 10 | 479,963,147 | 181,051,788 |
| Non Banking Assets | 11 | - | - |
| Total Assets | | 8,584,946,996 | 7,746,042,837 |

sd/-
A.N.M. Abdus Shahid
Senior Vice President

sd/-
Mohammed Hossain
Managing Director

sd/-
Badiur Rhaman
Director

sd/-
Kh. Mesbah uddin Ahmed
Director



2000 SHEET

LIABILITIES AND CAPITAL

| | Note | 2000 Taka | 1999 Taka |
|---|------|----------------------|----------------------|
| Liabilities | | | |
| Borrowings from other Banks and financial institutions | 12 | | |
| Deposit and other Account | | | |
| Current Accounts and Others | 13 | 780,660,897 | 906,818,432 |
| Mudaraba Term Deposit | | 2,120,407,753 | 1,910,444,269 |
| Mudaraba Savings Deposit | | 3,285,534,187 | 2,832,365,715 |
| Mudaraba Sort Notice Deposit | | 158,521,381 | 151,435,749 |
| Bearer Certificate of Deposit | | - | - |
| Special Deposit | | 893,010,615 | 614,729,663 |
| Bills Payable | | 69,454,854 | 127,279,536 |
| | | 7,307,589,687 | 6,543,073,364 |
| Other Liabilities | 14 | 951,289,095 | 903,111,050 |
| Total Liabilities | | 8,258,878,782 | 7,446,184,414 |
| Capital /Share Holders equity | | | |
| Paid up Capital | 15 | 253,000,000 | 253,000,000 |
| Statutory Reserve | 16 | 58,290,570 | 44,890,019 |
| Investment Loss Offsetting Reserve (ILOR) | 17 | 13,018,000 | - |
| Profit and Loss Account/ Retained Earning | 18 | 1,759,644 | 1,968,404 |
| Total Shareholders equity | | 326,068,214 | 299,858,423 |
| Total Liability and Share holders equity | | 8,584,946,996 | 7,746,042,837 |
| CONTRA ENTRIES | | | |
| Off Balance Sheet Items and Contingent Liabilities | | | |
| Acceptance and endorsement | 19 | 534,122,856 | 486,515,100 |
| Letters of Guarantee | | 164,384,490 | 153,199,347 |
| Letters of Credit | | 669,114,655 | 716,721,536 |
| Bills for Collection | | 63,794,383 | 72,094,463 |
| Contingent Liabilities | | 146,324,000 | 212,656,909 |
| | | 1,577,740,384 | 1,641,187,355 |
| Less Margin | | (110,198,000) | (57,681,091) |
| | | 1,467,542,384 | 1,583,506,264 |

sd/-
Ahmed Ali
Director

sd/-
M. Ahmed & Co.
Chartered Accountants

sd/-
Alam Chowdhury Mostafa & Co.
Chartered Accountants

Al-Arafah Islami Bank Ltd.**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December, 2000

| | Note | 2000 Taka | 1999 Taka |
|---|------|--------------------|--------------------|
| Investment Income | 20 | 56,349,859 | 482,636,527 |
| Less: Profit paid on deposit and borrowings | 21 | 465,501,574 | 361,293,871 |
| Net Investment Income | | 97,994,285 | 121,342,656 |
| Income from Investment | 22 | - | - |
| Commission, exchange and brokerage | 23 | 154,935,706 | 117,361,680 |
| Other operating income | 24 | 33,765,529 | 27,158,710 |
| | | 188,701,235 | 144,520,390 |
| Total operating income | | 286,695,520 | 265,863,046 |
| Salaries and allowances (Including Managing Directors Remuneration) | | 59,491,896 | 53,507,002 |
| Directors and Sharia Council fees and expenses | | 2,135,956 | 719,327- |
| Rent, taxes, insurance, lighting etc. | | 18,539,377 | 16,732,276 |
| Postage, telegram, telephone and stamp | | 12,145,549 | 10,589,330 |
| Law charges | | 343,042 | 56,148 |
| Auditors fees | | 80,000 | 80,000 |
| Depreciation on and repairs to the banks properties | | 10,778,501 | 9,367,633 |
| Stationery, printing, advertisement etc. | | 4,963,227 | 3,935,850 |
| Other expenses | | 24,469,128 | 8,017,217 |
| Total Operating expenses | | 132,946,676 | 103,004,783 |
| Profit before provisions | | 153,748,844 | 162,858,263 |
| Provision for investment and advances | 25 | 73,728,088 | 92,392,744 |
| Provision for Decrease in value of investment | 26 | - | - |
| Other provisions (ILOR) | 27 | 13,018,000 | - |
| Total Provision | | 86,746,088 | 92,392,744 |
| Profit before Tax | | 67,002,756 | 70,465,519 |
| Provision for Taxation | | 23,450,965 | 24,662,932 |
| Profit after tax | | 43,551,791 | 45,802,587 |
| Retained earning brought forward | | 1,968,404 | 618,920 |
| | | 45,520,195 | 46,421,507 |
| Appropriation | 28 | | |
| Statutory Reserve | | 13,400,551 | 14,093,104 |
| General Reserve | | - | - |
| Dividends | | 30,360,000 | 30,360,000 |
| | | 43,760,551 | 44,453,104 |
| Retained earning | | 1,759,644 | 1,968,404 |
| Earning per share | | 172.14 | 181.04 |

sd/-
A.N.M. Abdus Shahid
Senior Vice President

sd/-
Mohammed Hossain
Managing Director

sd/-
Badiur Rhaman
Director

sd/-
Kh. Mesbah uddin Ahmed
Director

sd/-
Ahmed Ali
Director

M. Ahmed & Co.
Chartered Accountant

Alam Chowdhury Mostafa & Co.
Chartered Accountant



Al-Arafah Islami Bank Ltd.

NOTES TO THE ACCOUNTS

For the year ended December 31, 2000

1.0 STATUS OF THE BANK

Al- Arafah Islami Bank Limited was established in 1995 under the companies Act, 1994 as a banking Company with Limited Liability by shares. It is an interest free Sheriah bank of Bangladesh rendering all types of commercial banking services under the regulation of Bank Companies Act, 1991. The Bank conducts its business on the principles of Musaraka, Bai-Murabaha, Bai-muazzal and Hire Purchase transactions approved by Bangladesh Bank. Naturally, its modas operandi are substantially different from those of other conventional commercial banks. There is a Shariah Council in the bank who maintains constant vigilance to ensure that the activities of the bank are being conducted on the precepts of Islam.

2.0 NATURE OF BUSINESS

All kinds of commercial banking services are provided by the bank to the customers observing the provisions of Banking Companies Act, 1991, Bangladesh Bank's directives and the principles of Shariah.

3.0 SIGNIFICANT ACCOUNTING PRINCIPLES

3.1 Basis of accounting

These accounts are prepared according to the Banking Companies Act, 1991 on a going concern basis under the historical cost convention, which does not take into consideration the effect of inflation, on generally accepted accounting principles. The policies wherever appropriate are explained in the succeeding notes. The financial Statements have been prepared following the accounting policies of the bank, which are consistent with those of 1999 the Balance sheet and Profit and Loss Accounts have been prepared as per proforma given in revised section 38(4) of first schedule of Banking Companies Act, 1991 as per Bangladesh Bank BRPD Circular No. 03 dated April 18,2000.

3.2 Investments

- a) Investments are stated in the Balance Sheet at net balance after deduction of the accumulated balance of provision for bad and doubtful investments, profit/ compensation suspense account and credit balance of unearned income
- b) Income on investments has been accounted for on accrual basis, profit/rent/compensation accrued on classified investments have been accounted for as per BCD Circular 34 of 1989, BCD Circular 20 of 1994, BCD Circular 12 of 1995 and BRPD Circular 16 of 1998 and such amount was not taken into income.
- c) Compensation charged on unclassified overdue investments has been treated as income on conventional accounting basis. Such income is not permissible by Shariah for distribution as profit among the depositors and the shareholders. The amount of compensation is therefore provided as a component of provision to meet eventual loss on bad and doubtful investments only.
- d) Income was calculated on daily product basis but charged quarterly

3.3 Fixed assets and depreciation

- a) Furniture and fixtures are stated at cost less accumulated depreciation.
- b) Depreciation is charged at the following rates on a reducing balance method on all fixed assets other than motor vehicles which are depreciated on a straight line basis :

| Assets | Percentage |
|-----------------------|------------|
| Furniture and Fixture | 10 |
| Motor Vehicles | 20 |
| Mechanical Appliances | 15 |
| Books | 10 |

- c) Depreciation at the applicable rates has been charged on addition to fixed assets during the year for the days of use.
- d) Maintenance and repair costs when incurred are charged to Profit and Loss Account.

3.4 Allocation of distributable profit

The investment income is shared to the Bank and the Mudaraba Depositors at the rate determined by the management.

3.5 Exchange rates

- a) The transactions in foreign currencies are converted into equivalent Taka currency using the ruling exchange rates prevailed on the dates of such transactions.
- b) The assets and liabilities denominated in foreign currencies as on 30 December 2000 are translated into Taka currencies at the prevailing selling and buying rates of the concerned foreign currencies.
- c) Gains and loss of translation are dealt with through exchange account.

3.6 General

- a) Although the operation of the Bank are in strict compliance with the rules of Islamic Law (Shariah) related to the business activities, the financial statements have been prepared basically in accordance with the formats prescribed under the Banking Companies Act, 1991.
- b) The figures appearing in these accounts have been rounded off the nearest integer.
- c) Wherever necessary previous year's figures have been rearranged to conform to the current year's presentation.



| | 2000 Taka | 1999 Taka |
|---|----------------------|----------------------|
| 4. CASH | | |
| Cash in hand | | |
| In local currency | 157,873,650 | 177,033,060 |
| In Foreign currency | 1,049,920 | 2,687,833 |
| | 158,923,570 | 179,720,893 |
| Balance with Bangladesh Bank | | |
| In local currency | 602,061,080 | 222,261,881 |
| In Foreign Currency | 20,368,853 | 21,340,228 |
| | 622,429,933 | 243,602,109 |
| Balance with Sonali Bank | | |
| In local currency | 108,745,365 | 226,467,731 |
| In Foreign currency | - | - |
| | 108,745,365 | 226,467,731 |
| Total | 890,098,868 | 649,790,733 |
| 5. Balance with other banks and financial institutions | | |
| In Bangladesh : | | |
| Current Account | 7,142,830 | 18,143,902 |
| Mudaraba Short Notice deposit | 1,682,992 | 117,381 |
| Mudaraba term deposit | 450,000,000 | 450,000,000 |
| Mudaraba Saving deposit | 2,965,615,515 | 2,584,255,689 |
| | 3,424,441,337 | 3,052,516,972 |
| Outside Bangladesh | | |
| Nostro Account | 9,591,768 | 18,619,709 |
| | 3,434,033,105 | 3,071,136,681 |
| 6. MONEY AT CALL AND SHORT NOTICE | | |
| The Bank had no money at call and short notice | | |
| 7. INVESTMENTS | | |
| Government securities | - | - |
| Treasury Bills | - | - |
| ICB Debenture | - | - |
| Prize Bond | - | - |
| Other Investments | - | - |
| Shares | - | - |
| Debenture | - | - |
| Other Investments (DSE & CSE) | - | - |
| Gold | - | - |

| | 2000 Taka | 1999 Taka |
|--|----------------------|----------------------|
| 8. INVESTMENT AND LOANS | - | - |
| a) Maturity grouping of loans and advances Including bills discounted and purchased | | |
| Payable on demand | | |
| with a residual maturity of: | | |
| Not more then 3 months | 80,000,000 | 70,000,000 |
| Over 3 months but not more than 1 year | 2,903,289,082 | 3,289,204,656 |
| Over 1 year but not more than 5 year | 674,243,000 | 370,488,000 |
| Over 5 years | 70,877,000 | 64,021,000 |
| | 3,728,409,082 | 3,793,713,656 |
| b) Investment and Loans in Bangladesh | | |
| Murabaha, Bai-Muazzal, Hire Purchase, Musharaka etc. | 3,381,472,930 | 3,157,947,951 |
| | 3,381,472,930 | 3,157,947,951 |
| c) An analysis to disclose following Significant concentration : | | |
| Investment /Advance to Directors and others | 182,979,000 | 155,130,000 |
| Investment/ Advance to Managing Director | - | - |
| Investment/Advance to customer (Group-wise) | 2,675,730,082 | 3,573,313,656 |
| Industry wise Investment/ Advance | 869,700,000 | 65,270,000 |
| | 3,728,409,082 | 3,793,713,656 |
| d) Investment and Loans Classified as per Bangladesh Bank Circular | | |
| Unclassified (Including staff loan) | 3,107,815,082 | 3,461,645,656 |
| Sub Standard | 93,985,000 | 63,530,000 |
| Doubtful | 97,094,000 | 112,532,000 |
| Bad | 429,515,000 | 156,006,000 |
| | 3,728,409,082 | 3,793,713,656 |



| | 2000 Taka | 1999 Taka |
|--|----------------------|----------------------|
| e) Particulars of Investment and loans | | |
| i. Investment considered good in respect of which Bank is fully secured. | 3,698,461,082 | 3,768,830,656 |
| ii. Investment considered good for which the Bank holds debtors personal security. | - | 24,883,000 |
| iii. Investment considered good and secured by personal security of one or more persons in addition to personal security of debtors | 29,948,000 | - |
| iv. Investment considered bad or doubtful not provided for | - | - |
| | 3,728,409,082 | 3,793,713,656 |
| v. Investment due by directors of employees of the Bank or any of them either Severally or Jointly with any other persons. | 201,482,000 | 174,411,000 |
| vi. Investment due by companies our firms in which the Directors of the bank are Interested as Directors partners, Managing agents or in the case of private companies as members. | 182,979,000 | 155,130,000 |
| vii. Maximum total amount of investments including temporary Investments made at any time during the year to directors or employees of the bank or any of them either severally or jointly with any other persons. | 138,205,000 | 241,081,000 |
| Viii. Maximum total amount of investments including temporary Investment granted during the year to companies or firms in which the Directors of Bank interested as directors, partners or Managing agents or in the case of private companies as members. | 120,625,000 | |
| ix. Due from other banking companies | - | 231,800,000 |

9. FURNITURE AND FIXTURE LESS DEPRECIATION AS ON 31 DECEMBER 2000

| Particulars | Balance as on 31.12.99 Taka | Addition during the year Taka | Transfer/ Disposal Taka | Total as on 31.12.2000 Taka | Depreciation during the year Taka | Written down value as on 31.12.2000 Taka |
|---------------------|--------------------------------|----------------------------------|----------------------------|--------------------------------|--------------------------------------|---|
| Furniture & Fixture | 21,340,232 | 2,891,256 | - | 24,231,488 | 2,338,053 | 21,893,435 |
| Mach, Appliances | 20,656,232 | 6,557,838 | 42,500 | 27,171,570 | 3,541,798 | 23,629,772 |
| Vehicles | 3,040,991 | - | 148,256 | - | 788,906 | 2,103,829 |
| Books | 5,312,524 | 653,890 | - | 5,966,414 | 1,150,656 | 4,815,758 |
| Total | 50,349,979 | 10,102,983 | 190,756 | 57,369,471 | 7,819,413 | 52,442,794 |



| | 2000 Taka | 1999 Taka |
|---|--------------------|--------------------|
| 10. OTHER ASSETS | | |
| 1 Investment in share of subsidiary companies | - | - |
| 2 Advance Rent | 16,861,575 | 19,209,823 |
| 3 Stock of Stationery | 9,412,249 | 8,320,695 |
| 4 AIB General Account | 155,616,212 | - |
| 5 Suspense Account | 6,405,008 | 35,617,878 |
| 6 DD payable without advice | 7,600,417 | 7,230,007 |
| 7 Advance Income Tax (TDS) | 53,980,338 | 25,206,145 |
| 8 Stamp in hand | 113,833 | 44,182 |
| 9 Clearing adjustment | 3,000,000 | 8,368,697 |
| 10 Prepaid Expenditure | 209,846 | 142,501 |
| 11 Advance Deposit | 1,534,708 | 1,363,661 |
| 12 Adjustment A/C Dr. | 233,049 | 150,094 |
| 13 XPB Premium paid | 6,124,800 | 500,000 |
| 14 WES Fund purchased | 204,152,071 | 65,451,303 |
| 15 Accrued Income | 14,719,041 | 9,446,802 |
| | 479,963,147 | 181,051,788 |

11. NON BANKING ASSETS**12. BORROWING FROM OTHER BANK AND AGENTS**

| | 2000 Taka | 1999 Taka |
|---------------------------------------|----------------------|----------------------|
| 13. DEPOSIT AND OTHER ACCOUNTS | | |
| i Repayable on demand | | |
| a) Bank deposits | 26,000 | 26,000 |
| b) Other deposits | 4,993,368,687 | 4,374,131,364 |
| | 4,993,394,687 | 4,374,157,364 |
| ii Other deposits | | |
| a) From Bank | 2,314,195,000 | 2,168,916,000 |
| b) Other deposit | | |
| | 7,307,589,687 | 6,543,073,364 |

| | 2000 Taka | 1999 Taka |
|---|--------------|--------------|
| 14. OTHER LIABILITIES | | |
| 1. Profit Payable | 296,623,905 | 341,770,354 |
| 2. Provision on investment and advance (a) | 219,551,440 | 145,555,851 |
| 3. Compensation charge receivable (profit Suspense) (b) | 68,941,353 | 39,055,464 |
| 4. Dividend Payable | 60,720,000 | 30,360,000 |
| 5. Provision for Income Taxation | 48,113,897 | 53,382,490 |
| 6. Zakat fund | 3,357,333 | 2,185,873 |
| 7. Provided fund | 14,056,143 | 9,670,383 |
| 8. WES Fund held | 150,631,427 | 51,087,768 |
| 9. Social Security and Benevolent Fund | 200,000 | 100,100 |



| | 2000 Taka | 1999 Taka |
|--------------------------------|--------------------|--------------------|
| 10. Adjusting Account (Cr) | 2,082,940 | 696,178 |
| 11. Outstanding Expenses | 705,609 | 218,923 |
| 12. F.C. Charges | 102,064 | 36,006 |
| 13. F.C. held against BBLC | 69,983,689 | 172,489,212 |
| 14. Clearing Adjusting Account | - | 275,000 |
| 15. F.C. Deposit Account | 9,977,826 | 22,652,997 |
| 16. Exchange Equation | 1,041,181 | 657,800 |
| 17. AIBG Account | - | 30,946,593 |
| 18. Profit/ Rent Suspense | 831,288 | 301,058 |
| 19. Incentive Bonus (Payable) | 4,300,000 | 1,600,000 |
| 20. Hajj Foundation. | 69,000 | 69,000 |
| | 951,289,095 | 903,111,050 |

a) **Provision for bad and doubtful debts and general provision on Investments and advances**

i) **Movement in specific provision for bad and doubtful debts**

| | | | |
|--|-----|--------------------|--------------------|
| Provision held at the beginning of the year | | 110,998,851 | 48,704,895 |
| Specific provision for the year | (+) | 77,499,579 | 96,850,956 |
| Recoveries and provisions no longer required | (-) | 3,771,491 | 4,458,212 |
| Net charge to profit and Loss Account | (+) | 73,728,088 | 92,392,744 |
| Provision held at the end of the year | | 77,499,579 | 96,850,956 |
| Total Provision (Cum) | | 188,498,430 | 145,555,851 |

ii) **Movement of general provision on loans and advances**

| | | | |
|---|-----|-------------|------------|
| Provision held at the beginning of the year | | 34,557,000 | 23,132,894 |
| Specific provision for the year | (+) | (3,503,990) | 11,424,106 |
| Provision held at the end of the year | | 31,053,010 | 34,557,000 |

b) **Compensation Amount**

| | | | |
|--|-----|-------------------|-------------------|
| Balance at the beginning of the year | | 3,771,491 | 4,458,212 |
| Amount transferred to interest compensation amount during the year | (+) | 68,941,353 | 39,055,464 |
| Amount recovered from compensation account during the year | (-) | 3,771,491 | 4,458,212 |
| Amount written off during the year | | - | - |
| Balance at the end of the year | | 68,941,353 | 39,055,464 |

**1. CAPITAL****a) Authorised Capital**

The Authorized Capital of the Bank is 1,000,000 Ordinary Share of Taka 1,000 each.

b) Issued and paid up Capital

| Description | No. of Shares | Value per Share | Total Taka |
|---|----------------|-----------------|--------------------|
| Sponsors/ Promoters | 126,500 | 1,000 | 126,500,000 |
| General Public | 126,500 | 1,000 | 126,500,000 |
| Government of Peoples Republic of Bangladesh- | - | | - |
| Total | 253,000 | | 253,000,000 |

c) Breakup of Shares

| Description | No. of Share holder | No. of Share | (%) |
|----------------|---------------------|----------------|-------------|
| Less than 500 | 5,802 | 91,495 | 36.16% |
| 500 - 5000 | 32 | 61,630 | 24.36% |
| 5001 - 10,000 | 15 | 99,875 | 39.48% |
| 10001 - 20,000 | - | - | - |
| 20001 - 30,000 | - | - | - |
| 30001 - 40,000 | - | - | - |
| Total | 5,849 | 253,000 | 100% |

16. STATUTORY RESERVE

| | 2000 Taka | 1999 Taka |
|---|-------------------|-------------------|
| Opening Balance At The Commencement Of the Year | 44,890,019 | 30,796,915 |
| Add. Reserve @ 20% on net profit | 13,400,551 | 14,093,104 |
| Balance at the end of the year. | 58,290,570 | 44,890,019 |

17. INVESTMENT LOSS OFFSETING RESERVE

| | | |
|---|-------------------|---|
| There was no reserve under this caption during the year | 13,018,000 | - |
| Balance at the end of the year. | 13,018,000 | - |

18. PROFIT AND LOSS ACCOUNT

| | | |
|---------------------------------------|-------------------|-------------------|
| Profit Before tax | 67,002,756 | 70,465,519 |
| Less : Provision for Taxation | 23,450,965 | 24,662,932 |
| Net Profit after Tax | 43,551,791 | 45,802,587 |
| Add: Retained earning brought forward | 1,968,404 | 618,920 |
| | 45,520,195 | 46,421,507 |
| Less: Statutory Reserve | 13,400,551 | 14,093,104 |
| | 32,119,644 | 32,328,403 |
| Less: Proposed Dividend | 30,360,000 | 30,360,000 |
| Retained earning | 1,759,644 | 1,968,404 |



| 19. CONTINGENT LIABILITIES AND COMMITMENTS | 2000 Taka | 1999 Taka |
|--|----------------------|----------------------|
| a) The claims against the Bank not acknowledged as debt | - | - |
| b) Money for which the bank is contingently liable in respect of guarantees given favoring : | - | - |
| Directors | 72,611,000 | - |
| Government | - | - |
| Bank and other financial institution | - | - |
| Others | 1,505,129,384 | 1,641,187,355 |
| | <u>1,577,740,384</u> | <u>1,641,187,355</u> |
| | (110,198,000) | (57,681,091) |
| | <u>1,467,542,384</u> | <u>1,583,506,264</u> |
| | | |
| 20. INVESTMENT INCOME | | |
| Investment and Advances | 323,883,324 | 278,357,604 |
| Other Banks | 239,612,535 | 204,278,923 |
| | <u>563,495,859</u> | <u>482,636,527</u> |
| | | |
| 21. PROFIT PAID ON DEPOSIT AND BORROWING | | |
| Profit on deposit | 465,501,574 | 361,293,871 |
| Profit on Borrowings | - | - |
| | <u>465,501,574</u> | <u>361,293,871</u> |
| | | |
| 22. INCOME FROM INVESTMENT | | |
| | | |
| 23. COMMISSION EXCHANGE AND BROKERAGE | | |
| i) Commission | 70,049,481 | 58,764,260 |
| ii) Exchange | 84,886,225 | 58,597,420 |
| iii) Brokerage | - | - |
| | <u>154,935,706</u> | <u>117,361,680</u> |
| | | |
| 24. OTHER OPERATING INCOME | | |
| i) Locker Rent | 39,900 | 35,791 |
| ii) Telex charge recovered | 10,472,687 | 8,779,233 |
| iii) P & charge recovered | 6,093,540 | 3,786,830 |
| iv) Legal expense recovered | - | 3,260 |
| v) Telephone and fax charges | 775,071 | 592,580 |
| vi) Miscellaneous earning | 11,705,477 | 11,525,904 |
| vii) Printing and stationery | 4,678,854 | 2,435,112 |
| | <u>33,765,529</u> | <u>27,158,710</u> |



Al- Arafah Islami Bank Limited

| | 2000 <u>Taka</u> | 1999 <u>Taka</u> |
|---|---------------------|---------------------|
| 25. PROVISION | | |
| On classified Investment and advance as per Bangladesh Bank Circula | 73,728,088 | 80,968,638 |
| On Un-classified Investment and advance | - | 11,424,106 |
| | <u>73,728,088</u> | <u>92,392,744</u> |
| 26. PROVISION FOR DECREASE IN VALUE OF INVESTMENTS | <u>-</u> | <u>-</u> |
| 27. OTHER PROVISIONS | | |
| There was no provision under this caption during the year of audit | 13,018,000 | - |
| | <u>13,018,000</u> | <u>-</u> |
| 28. APPROPRIATION | | |
| Statutory Reserve | 13,400,551 | 14,093,104 |
| General Reserve | - | - |
| Proposed Dividend | 30,360,000 | 30,360,000 |
| | <u>43,760,551</u> | <u>44,453,104</u> |

sd/-
A.N.M. Abdus Shahid
Senior Vice President

sd/-
Mohammed Hossain
Managing Director

sd/-
Badiur Rhaman
Director

sd/-
Kh. Mesbah uddin Ahmed
Director

sd/-
Ahmed Ali
Director



LIST OF THE BRANCHES

| Sl. | Name of the Branches | Address | Telephone No. | Telex |
|-----|----------------------|--|--------------------------|--------|
| 1 | Motijheel | 161, Motijheel C/A, Dhaka-1000 | (02) 9569350 | 632409 |
| 2 | Moulvi Bazar | 3, Moulvibazar, Dhaka | (02) 231989 | 632467 |
| 3 | Laldighir Par | 1438-1439, Laldighirpar, Sylhet | (0821) 710809, 710235 | |
| 4 | Agrabad | 34, Agrabad C/A, Chittagong | (031) 713373 | |
| 5 | Khulna | 144, Sir Iqbal Road Khulna | (041) 722499, 722399 | |
| 6 | Rajshahi | 239, Shahib Bazar, Boalia, Rajshahi | (0721) 775161, 775171 | 775171 |
| 7 | Bogra | 21/1, Thana Road (1st Floor) Kotwali, Bogra | (051) 73465, 735621 | |
| 8 | Khatungonj | 146, Chan Miah Lane (1 st Floor) Khatungonj, Chittagong | (031) 622229 | |
| 9 | Barisal | 45, Sadar Road, Barisal | (0431) 53148 | |
| 10 | Shatkhira | 2386, Matin Road Khan Market (1 st Floor). Sadar, Satkhira | (0471) 3606 | |
| 11 | Nawabpur Road | 85/87, Nawabpur Road, Dhaka | (018) 212743 249494 | |
| 12 | Benapole | Plot No. 283-294, Benapole, Jessore | (04228) 8062 | |
| 13 | VIP Road | 86, VIP Road, Shantinagar Dhaka-1000 | (02) 9345871-2 | |
| 14 | Motijheel Corporate | 125, Motijheel C/A (Gr. Floor) Motijheel C/A, Dhaka | (02) 9563873, 9563884 | |
| 15 | New Elephant Road | 91, New Elephant Road, Dhaka | (02) 9665323-4 | |
| 16 | Uttara Model Town | House #13, Road # 14/A Sector#4, Uttara Model Town, Dhaka | (02) 8916454 | |
| 17 | Jubilee Road | Kader Plaza, 221 Jubilee Road, Chittagong | 031-637680-1 | |
| 18 | North-South Road | 23, Malitola Lane, North-South Road,, Bangshal, Dhaka | (02) 9667419, 9667460 | |
| 19 | Mohakhali | 56/59, Amtali, Mohakhali, Dhaka | (02) 8810587, 8810419 | |
| 20 | Mirpur | 5/H-G, Darus Salam Road, Mirpur-1, Dhaka | (02) 9008123 | |
| 21 | Mymensingh | 12 Choto Bazar, Kotowali, Mymensingh | (091) 53614 | |
| 22 | Zindabazar | Jalalabad House, Jindabazar Main Road, Kotowali, Sylhet | 0821-722078-9 | |
| 23 | Mouchak | 90/A, 90/1 Siddeswari Circular Road, Mouchak, Dhaka | (02) 842373, 9339006 | |
| 24 | Saidpur | 13 Railway Engineering Plot, Zikrul Hoque Road, Saidpur, Nilphamari | 0552-2804 | |
| 25 | OR Nizam Road | 943,O.R. Nizam Road Chittagong | 031-6556567, 656568 | |

**LIST OF THE BRANCHES**

| Sl. | Name of the Branches | Address | Telephone No. | Telex |
|------------|------------------------------|---|-----------------------------|--------------|
| 26 | Moulvibazar (Syl) | 99-100, Central Road, Moulvibazar, Sylhet | 0861-54106-7 | |
| 27 | Chaumuhani | 856, 858 Hazipur, Feni Road Chowmuhani, Noakhali | 0321-3000 | |
| 28 | Comilla | 257, 240 Hazi Mansion, Monoharpur, Kotowali, Comilla | 081-4647, 4546 | |
| 29 | Jessore | 30, M.K. Road, Jessore | (0421) 73494, 73567 | |
| 30 | Dhanmondi | Ahmed Tower, House # 54/1, Road # 4A, Dhanmondi, Dhaka | (02) 8610913 | |
| 31 | Mohadebpur | Plot No. 425, Mohadebpur Naogaon | (07425) 81042 | |
| 32 | Madhabdi | 691-694 Madhabdi Bazar, Madhabdi, Narshingdhi | 9351805 | |
| 33 | Pagla | Plot No. 573, Pagla, Fatullah Narayangonj | 7604356 017-5255881 | |
| 34 | Rupospur ✓ | Plot No.1021, Rupashpur, Srimangal, Moulvibazar | (08626) 88130 | |
| 35 | Joydebpur | Nasir Super Market (1 st Floor) Chandna Chourasta, Joydebpur, Gazipur | (0681) 56196 018 -212745 | |
| 36 | Mohammadpur Krishi Market | 38/8 Ka Tajmahal Road, Block-C, (West) Mohammadpur, Dhaka-1207 | 9112329 | |
| 37 | Narayangonj | 71, Bangabandhu Road, DIT, Plot no. 11, Narayangonj | 9564190 | |

AL-ARAFAH ISLAMI BANK LIMITED
161, Motijheel C/A, Dhaka-1000

PROXY FORM

Folio No.

No. of Shares

I/We being shareholder(s) of Al-Arafah Islami Bank Limited do hereby appoint Mr. /Mrs. of as my / our/ proxy, to attend and vote on my / our behalf at the Sixth Annual General Meeting of the Company to be held on 22 December, 2001 and at any adjournment thereof.

Signed this in my / our presence on day of 2001.

Revenue Stamp

Signature of Proxy

.....
Signature of Shareholder(s)

N.B:

- 2. This form of proxy, duly completed, must be deposited at least 48 hours before the meeting at the Company's Registered Office / Share Department (125, Motijheel C/A, Dhaka-1000). Proxy is invalid if not signed and stamped as shown above.
- 3. Signature of the shareholder should agree with the specimen signature registered with the Company.

ATTENDANCE SLIP

I hereby record my attendance of the Sixth Annual General Meeting of the Company being held on 22 December 2001 at the Institution of Engineers Bangladesh, Ramna, Dhaka-1000.

Name of the Shareholder / Proxy

Signature of Proxy

Folio No. :

No. of Shares :

.....
Signature of Shareholder
Date:

N.B. Shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and deposit the same at the entrance of the meeting hall. Seats in the auditorium are reserved only for the shareholders/proxies.