

Annual report 2001



AL-ARAFAH ISLAMI BANK LIMITED

العرفة اسلامى بنك لميتيد

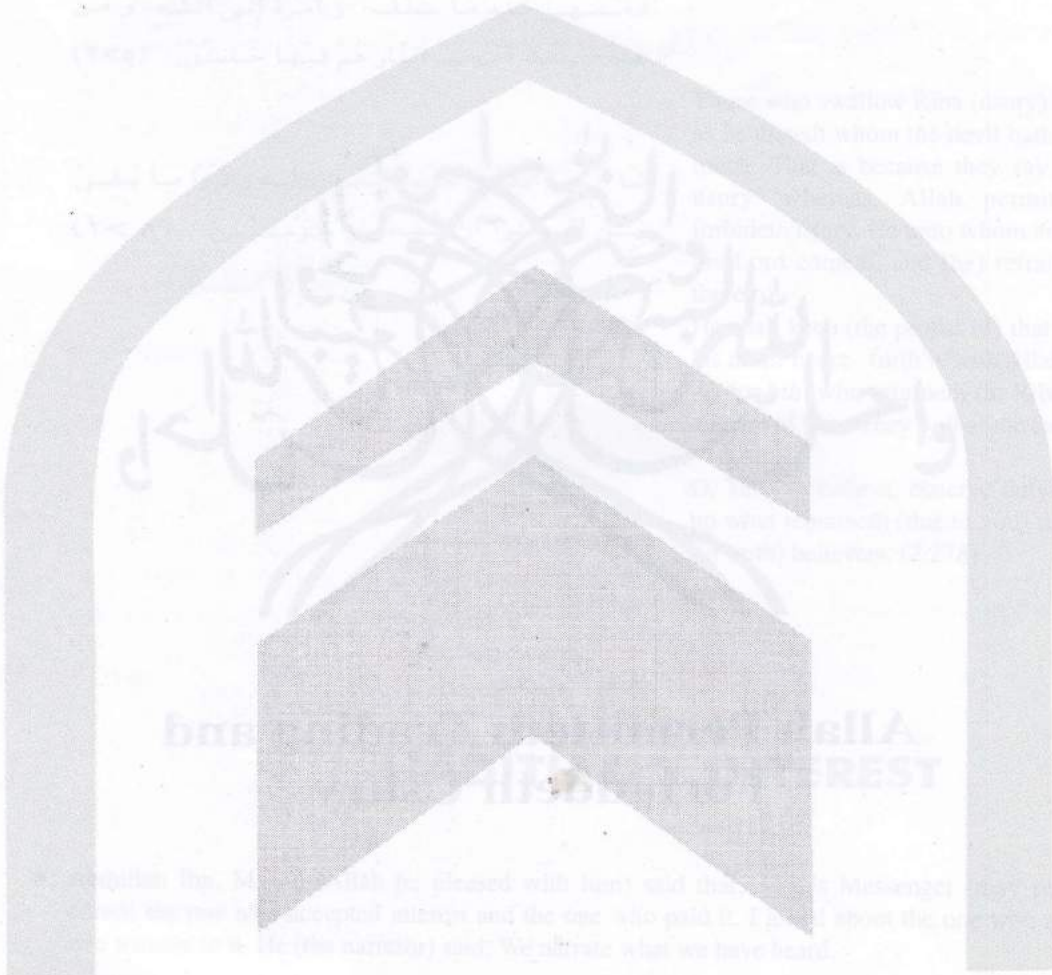
আল-আরাফাহ ইসলামী ব্যাংক লিমিটেড

শরীয়াহ ও আধুনিক ব্যাংকিং -এর এক অনন্য সমন্বয়



QUR'ANIC VERSES ON INTEREST

Annual Report 2001



আল-আরাফাহ ইসলামী ব্যাংক লিমিটেড
العرفه اسلامى بنك لميتيد

AL-ARAFAH ISLAMI BANK LIMITED
(A RARE COMBINATION OF SHARIAH AND MODERN BANKING)





**Allah Permitteth Trading and
Forbiddeth Usury**

আল-আরাফাহ ইসলামিক ব্যাংক লিমিটেড
AT-ARAFAH ISLAMIC BANK LIMITED
A RAFFLES COMPANY OF SINGAPORE AND MALAYSIA





QUR'ANIC VERSES ON INTEREST

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ
الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ. ذَلِكَ بِأَنَّهُمْ
قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ
وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ
فَانْتَهَى فَلَهُ مَا سَلَفَ. وَأَمْرٌ إِلَى اللَّهِ وَمَنْ
عَادَ فَأُولَئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ. (٢<٥)

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ
مِنَ الرِّبَا إِن كُنْتُمْ مُؤْمِنِينَ. (٢<٨)

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

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

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

O, Ye who believe, 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 Ibn. 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 acceptor 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.
-Tabranee





OPINION OF OTHER RELIGIONS AND GREAT MEN ON INTEREST

Interest has been banned in the two books of Hazrat 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 Musaism or Jewism. Musaic laws or commands of Musa are the basis of Hebrewism. Interest was totally prohibited in Musaic law. This rule was exclusively practiced by the Jews. In this ideology, there are clear directions on interest as other aspects of economics.

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.'





CONTENTS

The Seventh Board of Directors	6
The Second Shariah Council	7
Executives	8
Notice of the Seventh Annual General Meeting	9
Directors' Report	10
AIBL at a Glance	21
Shariah Council's Report	22
Auditors' Report to Shareholders	23
Balance Sheet	24
Profit & Loss Account	26
Cash Flow Statement	27
Notes to the Accounts	28
List of the Branches	37
Proxy Form	39





THE SEVENTH BOARD OF DIRECTORS

Sl. No.	Sponsor Directors	Occupation	Address
01.	Alhajj A.Z.M. Shamsul Alam	Secretary (Retd.)	15/3, New Baily Road, (1st Floor), Dhaka
02.	Alhajj Md. Harun-or-Rashid Khan	Business	House # 19/A, Road # 18, Banani, Dhaka.
03.	Alhajj Ahmed Ali	Business	96, Darus Salam, Mirpur, Dhaka.
04.	Alhajj Nazmul Ahsan Khaled	Business	760, Satmasjid Road, Dhanmondi, Dhaka.
05.	Alhajj Md. Saiful Alam	Business	Osman Manjil, (1st Floor), 950, Asadgonj, Chittagong.
06.	Alhajj Dr. Bahauddin Mohd. Yousuf	Business	House # 273, Road # 20, New DOHS, Dhaka
07.	Alhajj Abdul Malek Mollah	Business	Dhaka Dyeingh Garments, 2 New Eskaton, Mogbazar, Dhaka.
08.	Alhajj Dr. D.M. Amanul Hoque	Business	9/A, North Dhanmondi, Kalabagan, Dhaka.
09.	Alhajj Mohammad Haroon	Business	1025/B, Housing Society, Nasirabad, Chittagong
10.	Alhajj Badsha Meah	Business	1015/C, Housing Society, Nasirabad, Chittagong
11.	Alhajj Ezhar Meah	Business	1 Amir Ali Chow. Road, Amir Market, Khatungonj, Chittagong
12.	Alhajj Hafez Md. Enayetullah	Business	2 Makim Katara, Moulvi Bazar, Dhaka.
13.	Alhajj Nurul Hoque	Business	232-234, Tejgaon Industrial Area, Dhaka
14.	Alhajj Md. Anwar Hossain	Business	Road # 1, House # 6, Dhanmondi, Dhaka.
15.	Alhajj Kazi Md. Mofizur Rahman	Business	40/1, Inner Circular Road, New Paltan, Dhaka.
16.	Alhajj Mir Ahmed Sowdagar	Business	281, New Chaktai, Chittagong.
17.	Alhajj Mohammed Yahya	Business	House # 24, Road # 1, Zakir Hossain Road, Khulshi, Chittagong
18.	Alhajj Badiur Rahman	Business	Preapragon, Room No. 0506, 2 Paribagh, Dhaka.
19.	Alhajj Mohammad Mahtabur Rahman	Business	Post Box # 13754, Deira, Dubai, UAE
20.	Alternate Director : Syed Bashir Ahmed	Business	12/2, Tajmahal Road (Gr. Floor), Mohammadpur, Dhaka
	Alhajj Abdul Moktadir	Business	75/8 Sukhumvit Road Sol-3, Bangkok -10110, Thailand.
	Alternate Director : Kazi Shah Mufazzal Hossain (Kaikobad)	Business	10 Dilkusha, Jiban Bima Bhaban, (8th Floor), Dhaka
21.	Alhajj Kazi Abu Kawsar	Business	71 Motijheel C/A, Dhaka
22.	Alhajj Fazlur Rahman	Business	Post Box # 13754, Dubai, UAE
	Alternate Director : Janab Md. Kafilur Rahman	Business	M/S Kazi & Sons, Laldighir Par, Sylhet.
Director (Group B)			
23.	Alhajj Kh. Mesbahuddin Ahmed	Business	Preapragon, Room # 0505, 2 Paribagh, Dhaka.
24.	Alhajj Md. Seraj-ud-Dowla	Business	Mohammadia Housing, 93, Motijheel C/A, Dhaka.
Ex-Officio Director			
25.	Alhajj Mohammed Hossain		133 Modhubazar, Road # 9/A New, Dhanmondi, Dhaka
	Managing Director (up to 14/05/2002)		
	Alhajj Yousuf Ali Howlader		6-C/13/13 Mirpur, Dhaka
	Managing Director (from 15/05/2002)		

Md. Mahmudur Rahman
Company Secretary (In-charge)



THE SECOND SHARIAH COUNCIL*

Sl. No.	Name	Designation	Address	Telephone No.
01	Janab Moulana Mufti Abdur Rahman	Chairman	Founder Principal, Islamic Research Center, Boshundhara, Dhaka-1212	8825091 017-803409
02	Janab Moulana Md. Muhiuddin Khan	Member	Editor, "Mashik Madina" 38/2, Bangla Bazar, Dhaka-1100	9571348 (Off.) 7114555 (Off.) 7412130 (Res.)
03	Janab Moulana Yusuf Abdul Mazid	Member	Khatib, Tara Mosjid Armanitola 8 Abul Khairat Road, Dhaka-1100	7310949 (Res.) 019-364018
04	Janab Moulana Ruhul Amin Khan	Member	Executive Editor Daily Inqilab 2/1 R. K. Mission Road, Dhaka-1203	7122771 (Off.) 7122779 (Off.) 605169 (Res.)
05	Janab Moulana Ruhul Amin	Member	29/A, Rajani Chowdhury Road Gendaria Jame Mosjid Dhaka-1204	7410498 (Res.) 7412936 (Off.) 017-877450
06	Janab A.Z.M. Shamsul Alam	Member	15/3, New Baily Road, Dhaka	9569354 (Off.) 8312480 (Res.)
07	Janab Md. Mokhlesur Rahman	Member	41/1, Purana Paltan Line (5th floor) Dhaka-1000	9565960 (Off.) 8318416 (Res.)

*The Shariah Council is formed, vide Bangladesh Bank's letter of intent, BCD(P) 744 (ka) 2323, Dated 6-12-1994



Executives

Managing Director

Mohammed Hossain

Deputy Managing Director

Syed Abu Nasr

Executive Vice President

Nazrul Islam Khan
Qazi Abdur Razzaque

Senior Vice President

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

Vice President

Md. Tofazzal Hussain
Md. Anisur Rahman
Md. Abdul Matin
Md. Awokat Ali
Syed Golam Mustafa
Md. Wahidur Rahman
Md. Hazrat Ali Mallic
Md. Emdadul Haque
Md. Abdul Jalil Miah

Assistant Vice President

Md. Mizanur Rahman
Md. Mahtab Hossain
Hadi Ferdous Ahmed
A. H. M. Musa
Molla Ali Ahmed
A. H. M. Zahangir Alam Chowdhury
Md. Abdul Haque
Md. Nurul Absar
Nazir Ahmed Chowdhury
Md. Shahjahan
Md. Abul Qusem
Md. Enamul Haque
Khondoker Enayet Hossain
Md. Atiqur Rahman
Md. Anisur Rahman
Gazi Golam Mustafa
Mufizul Islam
Md. Zahirul Huq
Md. Kamal Uddin Bhuyan
Md. Sirajul Hoque
A. F. M. Nurul Haque
Mahmudur Rahman Miah
Mohd. Ziaul Karim Chowdhury
Md. Elias Mazumder
Md. Mosharraf Hossain Khan

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



AL-ARAFAH ISLAMI BANK LIMITED

Head Office, 161 Motijheel C/A, Dhaka-1000

NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of Al-Arafah Islami Bank Limited will be held at the auditorium of the BCIC Bhaban, Dilkusha, Dhaka-1000 on Thursday, the 25 July, 2002 at 10-00 a.m. to transact the following businesses:

1. To confirm the minutes of the Sixth Annual General Meeting held on 22nd December, 2001;
2. To receive, consider and adopt the Directors' Report, Audited Statements of Accounts with Auditors' Report thereon for the year ended on 31st December, 2001;
3. To declare Dividend for the year 2001;
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 elect 2 (two) Directors from the General Shareholders (Group-B) as per Article no. 90.1 Bank's Articles of Association
6. To appoint Auditors of the Company for the term until the next Annual General Meeting and to fix their remuneration;
7. 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: 15 June, 2002

(Md. Mahmudur Rahman)

Company Secretary

NOTE

1. The Share Transfer Register of the Company will remain closed from 11.07.2002 to 25.07.2002 (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. Rules regarding election of Directors from the General Shareholders and nomination form will be available in the registered office of the Bank and the Share Department from 13.07.2002. Last time of submitting nomination form to the Share Department is 12.00 noon of 17.07.2002 and last time of withdrawing nomination form is 12.00 noon of 18.07.2002. Selection of nomination form will be completed within 12.00 noon of 20.07.2002. List of the eligible candidates will be attached on the notice board of Bank's registered office/Share Department on 21.07.2002.
4. 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;
5. The Shareholders are requested to register their names in the concerned counter within 11:30 a.m. of the day of the AGM. Registration will be closed after 11:30 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 7th 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, 2001.

1. Economic Trends

Global economy

In recent years the frequent recession in International economy has made it complex to ascertain the trend of global economy. Increased US dominance in world economy, closeness of European Union countries through introducing Euro and emergence of China as a new economic power has given a new equation to global economy. Moreover, the uncertainty in economic stability which has been created by continuous international political instability, has moved the foundation of 3rd world economic & monetary system. Due to the economic boom and growth of the South Asian countries, in the 90's, they were considered as alternative trend of Europe and America. But huge investment in unproductive sector in guise of growth brought recession to the economy of those countries. Financial crisis of 1997-98 put ASEAN countries including Thailand, Indonesia, and Malaysia into great depression. Strong economy like Japan was also shook due to this recession. East Asian countries started to recover from this crisis in 1999 and 2000.

The terrorist attacks of September 11 in America again put the global economy into serious recession. After the attacks, assuming that this kind of terrorist attack may occur again, a tremendous crisis is created in the travelling and tourism industry, stock market, consumer goods and service sector of USA. The economic recession, which started due to continuous losses in tourism and service industry and lot of lay off not only affected USA, but also decreased growth of European Union seriously. Gradually the Asian economy, which was dependent on export to USA and Europe, was in crisis. The growth of China is stable which seems to remain stable in the future.

Bangladesh Economy:

Whole world has become inhabitant of single economy due to excellence in Information Technology and globalization. As a result being a country of third world Bangladesh becomes affected by any kind of economic recession of the developed world. Already weak infrastructure, poverty, corruption and decrease of export earning causes negative balance of payment, which ultimately hinders the development of the country. On top of that, recession of global economy doesn't, give slightest chance to remain stable.

Though election brought a great change in politics but unstable international politics didn't give chance to stabilize the national economy. As a result, foreign exchange reserve of Bangladesh ran to lowest limit in 2001. Decreases of export income and increases of import expenditure created a serious negative impact on balance of trade.



Agriculture Sector

Agriculture is the largest sector of financial activities. It is the prime source of employment and earning of rural people. Growth in this sector stood at 5.5% in 2000-2001, which was 6.9% in the previous year. Growth in sub sector of crop, live stock and forest property was 6.2%, 2.8% and 4.9% respectively. Contribution of agriculture sector in gross domestic product was 19.53% in the said year.

Industry

Industry is the next to agriculture in respect of contributing to the national income. Growth in promising industrial sector stood in 6.3% in 2000-2001 from 4.8% 1999-2000. but due to recession in global economy in the later half of the year and decreased demand of Bangladeshi goods in international market, production rate fell to 0.4%.

Foreign Exchange

According to balance of Foreign Exchange report of Bangladesh Bank deficit in foreign exchange trade stood \$2887 million. In the previous year it was \$ 2641 million. Reason of deficit increase of \$246 million is increase of import cost against decrease of export earning.

Inflation

Like previous year, tendency of overall inflation was downward in 2000-2001. Rate of inflation in 1999-2000 fiscal year was 3.9%. This year it decreased at 1.6%.

Foreign Currency Reserve

Exchangeable foreign currency reserve of Bangladesh Bank stood at US\$ 1306.7 million at June 2001 (including reserve kept in International Monetary Fund) decreasing US\$ 295.4 million or 18.4% from US\$ 1602.1 million at June 2000.

Balance of Payment

US\$ 326 million deficit is observed in 2000-2001 as against US\$ 325 million surplus in the previous year in balance of foreign payment.

2. Growth in Banking Sector :

Noteworthy improvement occurred in banking sector in the year 2000-2001. Deposit in total banking sector stood at Taka 816.53 billion in June 2001 while it was Taka 702.78 billion June 2000. Growth rate is 16.19%. Likewise investment was Taka 714.89 billion in previous year while it is Taka 841.08 billion this year. Growth rate is 17.65%. Besides 104 new branches were opened and 4 branches were closed this year. As a result total number of branches stood at 6156 in 30.06.2001 increasing 100 branches from 6056 in 30.06.2000.

3. Special features of the Bank:

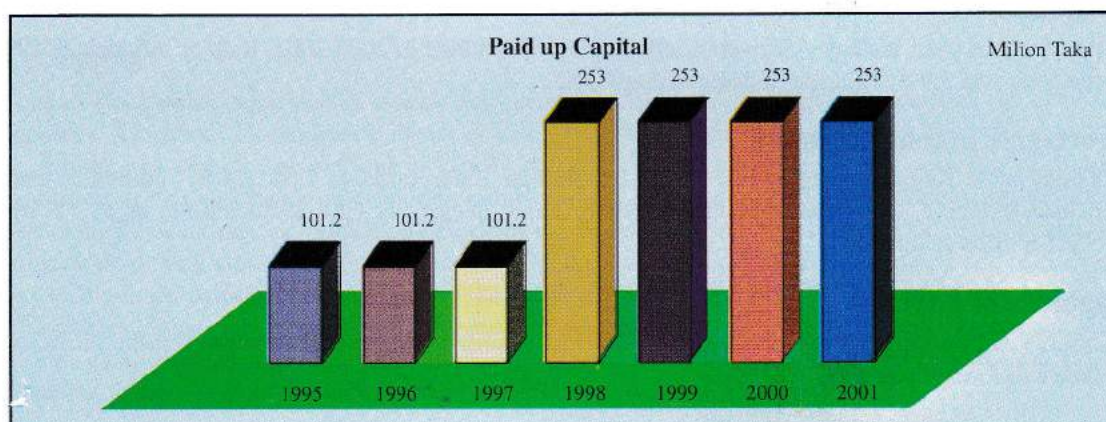
- ✧ All activities of the Bank are conducted on interest free system according to Islamic Shariah. Profit is the legal alternative of interest.
- ✧ The bank is committed to establish an economic system through social justice and equal distribution of wealth.
- ✧ According to the needs and demands of 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.
- ✧ To render improved services to the clientele imbued with the Islamic brotherhood, peace and fraternity based on the tenets of Qur'an and Shariah and by developing an institutional fraternity.
- ✧ During the period under review, 70% of the investment income has been distributed among the Mudaraba depositors.



- ✧ 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.
- ✧ To render improved services to the clients imbued with Islamic spirit of brotherhood, peace and fraternity and by developing an institutional cohesion.
- ✧ The bank is contributing parallelly to economic and philanthropic activities. AIBL English Medium Madrasah and AIBL library are among other mentionworthy.

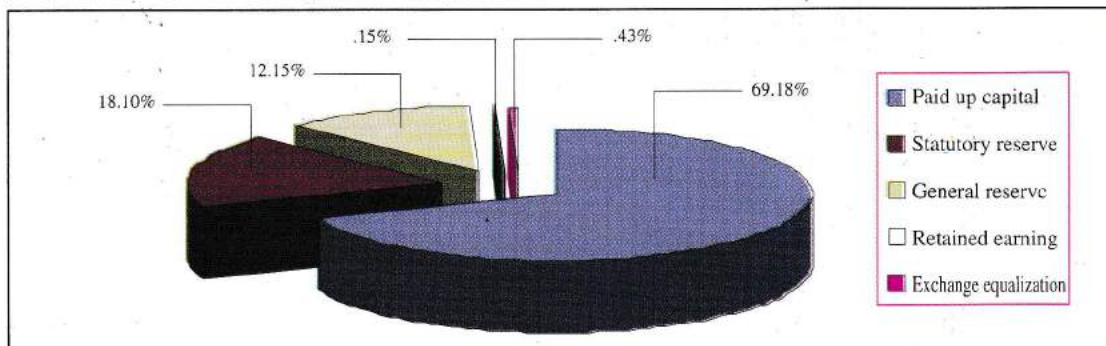
4. Capital

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.



STATEMENT OF CHANGES IN EQUITY

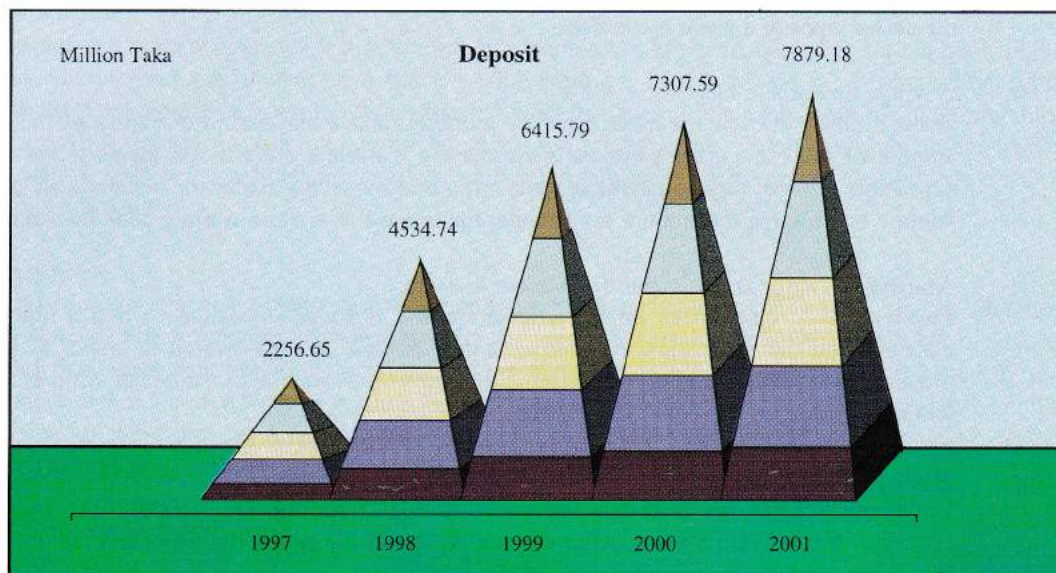
	Paidup Capital	Statutory Reserve	General Reserve	Other Reserve	Retained Earnings	Exchange Equalisation	Total Taka
Balance at 1st January 2001	253,000,000	58,290,570	31,053,010	13,018,000	1,759,644	1,041,181	358,162,405
Addition during the year	-	7,896,098	13,370,990	(13,018,000)	17,766,220	521,253	26,536,561
Distributable Profit	-	-	-	-	(18,975,000)	-	(18,975,000)
Balance as on 31/12/2001	253,000,000	66,186,668	44,424,000	-	550,864	1,562,434	365,723,966





5. Deposit:

The deposit of the bank stood at Tk. 7879.18 million on 31.12.2001 against Tk. 7307.59 million as on 31.12.2000. The increase rate is about 7.82% as against 18.00% 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:

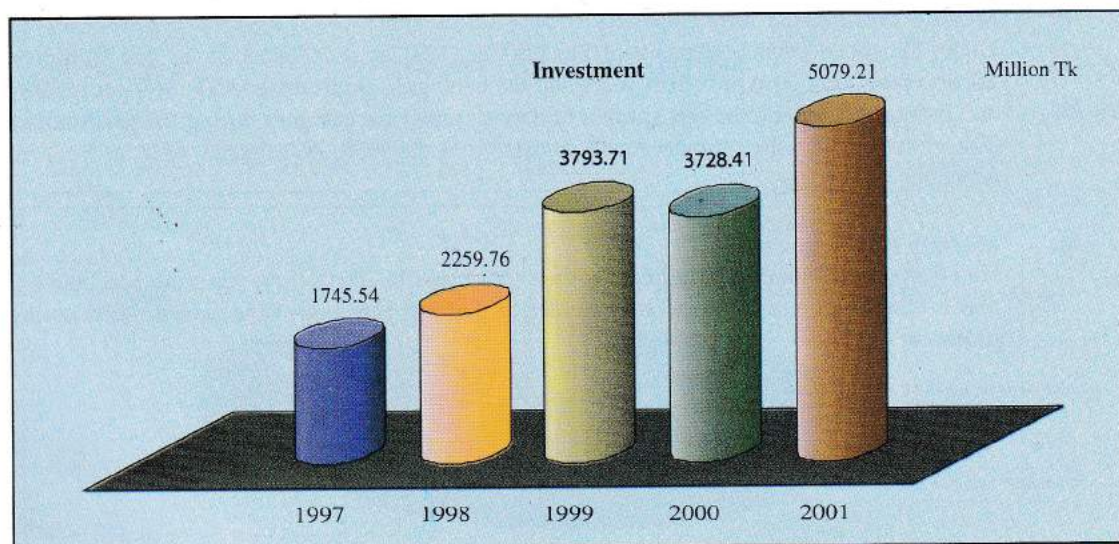
Fixed monthly installment for a particular period is to be deposited to defray the expenses of marriage and the bank allows double of saving or Tk. 30,000/- which is higher as investment to procure ornaments, furniture, fixture, etc., repayable in 24 monthly installment without any collateral security.

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, Inshallah.

6. Investment :

The total investment of the bank stood at Tk.5079.21 million against Tk. 3728.41 million during the corresponding period of last year. The percentage of increase is 36.23% as against 13.00% in banking sector.





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 Sirkatul 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:**
Entire capital is provided by the bank 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 ration 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.

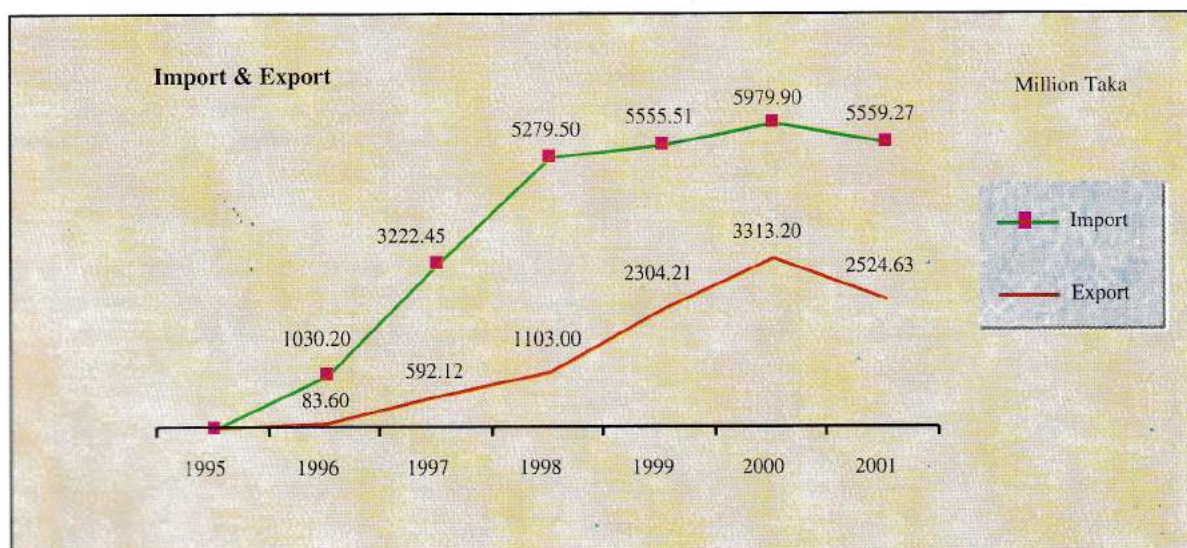
The bank has, in the meantime, introduced the following schemes for upliftment of the fixed wage earners as small traders and for income generating activities of the poor people:

Desired Durable Investment Scheme (DDIS)
Masjid Madrasah Based Investment Scheme (MMIS)
Small Business Investment Scheme (SBIS)
Special Pally Biniyog Prakalpa
Transport Investment Scheme.

7. Foreign Exchange Business:

A substantial amount of income of the bank has been derived from Foreign Exchange Business. The bank handled import business to the tune of Tk. 5559.27 million in the year 2001 as against Tk. 5979.90 million during the preceding year. On the other hand, the export business handled by the bank during the year amounts to Tk. 2524.63 million as against Tk. 3313.20 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. Besides our foreign exchange trade has improved due to introduction of SWIFT.





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					
		1996	1997	1998	1999	2000	2001
1.	Mudaraba Saving Deposit	7.03%	7.69%	7.98%	7.93%	7.82%	7.31%
2.	3 Month's Term Deposit	8.25%	9.03%	9.35%	9.30%	9.18%	8.57%
3.	6 Month's Term Deposit	8.62%	9.44%	9.77%	9.72%	9.60%	8.96%
4.	12 Month's Term Deposit	9.00%	9.85%	10.20%	10.15%	10.01%	9.35%
5.	24 Month's Term Deposit	9.19%	10.05%	10.40%	10.36%	10.22%	9.55%
6.	36 Month's Term Deposit	9.38%	10.26%	10.62%	10.57%	10.43%	9.75%
7.	Short Notice Deposit	3.28%	3.59%	3.72%	3.74%	3.74%	3.41%
8.	Monthly Hajj Deposit	9.94%	10.87%	11.27%	11.20%	11.06%	10.33%
9.	Monthly Term Savings Deposit	9.85%	10.77%	11.15%	11.10%	10.95%	10.23%
10.	One Time Hajj Deposit	10.32%	11.31%	11.68%	11.62%	11.47%	10.72%
11.	Monthly Savings Investment Deposit	9.19%	10.05%	10.41%	10.36%	10.22%	9.55%
12.	Monthly Profit Based Deposit	9.57%	10.46%	11.68%	11.63%	11.63%	11.63%
13.	Savings Bond					10.95%	10.23%

9. Election of Directors:

Group-A

As per article 98 of the Articles of Association of the bank, 7 (seven) Directors from Group "A" (1. Alhajj A. Z. M. Shamsul Alam 2. Alhajj Dr. D. M. Amanul Haque 3. Alhajj Mohammad Haroon 4. Alhajj Md. Badsha Miah 5. Alhajj Nurul Haque 6. Alhajj Mohammad Yahya and 7. Alhajj Abdul Moktadir.) will retire in this Annual General Meeting and as per article 100 all of them will be eligible for re-election.

Group-B

As per amended article 90.1 of the Articles of Association of the bank, 2 (two) Directors will be elected from Group-B (shareholders). It may be mentioned here that in the 4th AGM 1998 Honourable Director Janab Alhajj Kh. Mesbahuddin Ahmed and Janab Alhajj Md. Seraj-ud-Dowla were elected from Group-B. They will resign from the post of Director according to Rotation mentioned in article 98 of the Articles of Association.

10. Board / Committee Meeting:

During this year 27 regular and emergency Board Meetings have been held. Besides 28 meetings have been held during the year for Executive Committee and Policy Committee of the Board.

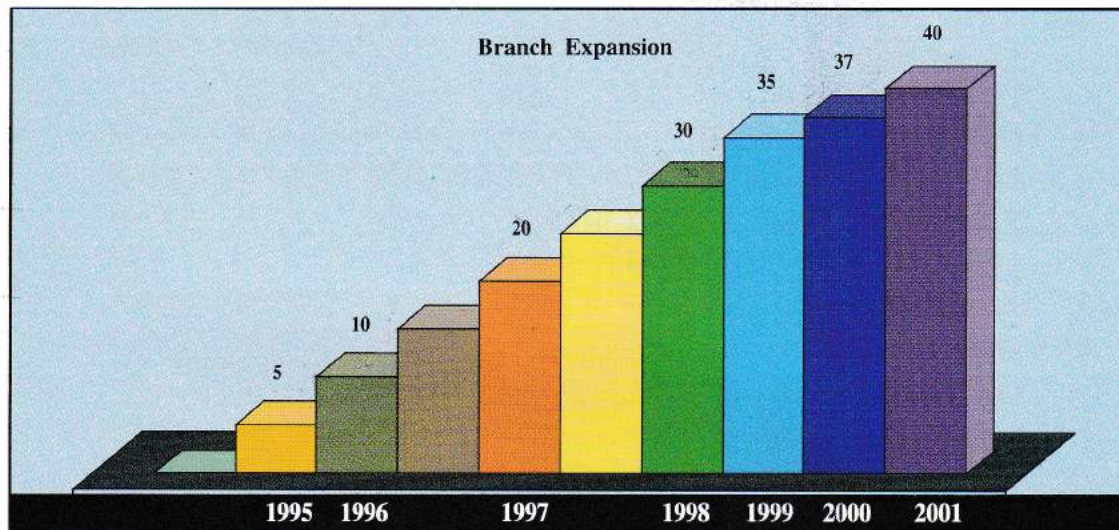
11. Dividend:

The Board of Directors has recommended 7.5% dividend for the shareholders for the year 2001. The issue needs ratification by the shareholders and therefore, the same has been placed before the AGM for approval.



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. Three new branches have been opened during this year and thus the total member of branches stood at 40. The bank will open another 5 branches in 2002. Total number of branches will be 45.



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 all the branches have been computerised.

14. Audit & Inspection:

In 2001, Audit and Inspection Department of this Bank has inspected 35 branches and Bangladesh Bank has inspected 16 branches including Head Office of the Bank.

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 are 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 programmes on banking and motivational programmes are being implemented. In 2001, a total number of 71 officers of different categories have been trained in 6 training courses during 182 working days covering 22147 man-hours. In the previous year, there were 17 training programmes in 450 working days and 63,272 man-hours where 298 officers were trained. Darse-i-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 programmes so implemented result in creating team spirit, increasing efficiency and discipline and rejuvenating moral values of the officers.



16. 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 2001 was 659 except the Managing Director and the Deputy Managing Director. The number was 674 on the same day of previous year.

The status of manpower as of 31.12.2001 is as follows:

Sl. No.	Designation	Nos.
1	Executive Vice President	02
2	Senior Vice President	06
3	Vice President	09
4	Asstt. Vice President	25
5	Senior Principal Officer	20
6	Principal Officer	22
7	Senior Officer	68
8	Officer	62
9	Probationary Officer	8
10	Junior Officer	115
11	Assistant Officer	189
12	MCG	87
13	Driver	7
14	Tea Boy	35
15	Driver	04
	Total	659

17. Activities of Shariah Council :

Shariah Council consists of 7 (seven) members including 5(five) Fakihs, 1(one) Economist and 1(one) Lawyer is playing an important role in connection with the compliance and implementation of Islamic Shariah principles in every sphere of banking operations.

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, 17 meetings of the Council have been held and the Council has answered various queries. The Chairman and Member Secretary inspected 11 branches and advised to implement Shariah principles and make all out effort to improve customer service. Shariah Council arranged Shariah related workshops to train up the Managers, second officers and investment officers in respect of Shariah. If any deviation is found in handling deposit and in day-to-day operation, immediate rectification is made. The Council is being consulted regarding investment product.



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 mentionworthy.

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 21,000 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 literature, Arabic, Children's literature in Bengali, English, Arabic and Urdu 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 2001. 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 : 25 July, 2002.

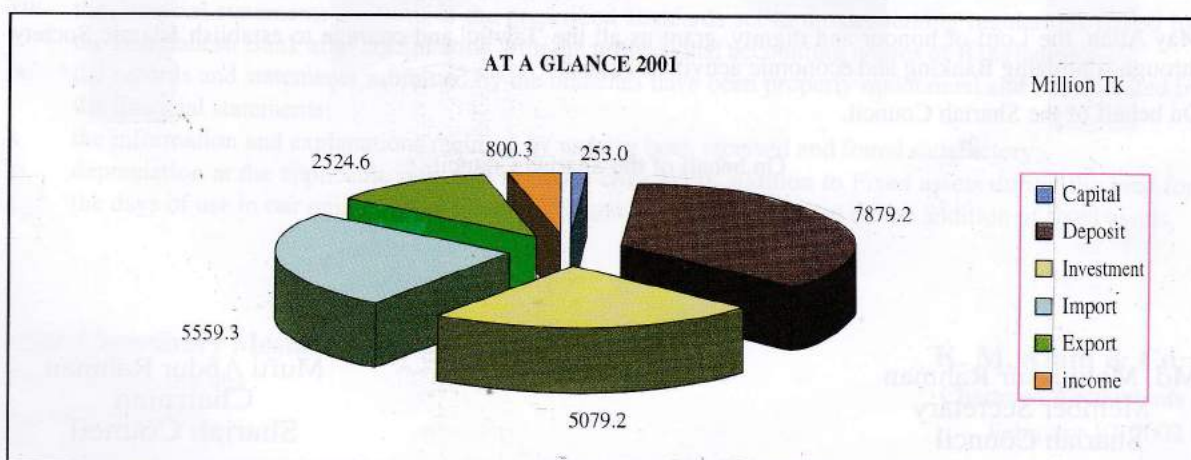
A.Z.M. Shamsul Alam
Chairman

**AIBL AT A GLANCE**

Million Taka

Particulars	1995	1996	1997	1998	1999	2000	2001
Authorized Capital	1000.00	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	253.00
Reserve Fund & Other Reserve	-	2.48	25.32	55.66	145.56	219.55	303.12
Shareholders Equity	99.21	103.93	129.09	309.27	299.86	326.07	365.72
Deposit	201.45	1305.63	2256.65	4534.74	6415.79	7307.59	7879.18
Investment	12.48	779.16	1745.54	2259.76	3793.71	3728.41	5079.21
Import	-	1030.20	3222.45	5279.50	5555.51	5979.90	5559.27
Export	-	83.60	592.12	1103.00	2304.21	3313.20	2524.63
Income	1.37	50.98	196.17	322.98	534.76	752.19	800.35
Total Expenditure	3.35	46.29	128.93	240.93	464.30	598.45	678.84
Profit before Tax	(1.98)	4.69	62.81	82.06	70.47	67.00	39.48
Profit After Tax and Provision	-	0.05	26.07	36.93	31.70	30.15	19.53
Income Tax	-	1.72	24.03	28.72	24.66	23.45	13.82
Total Assets	519.80	2412.91	3833.25	6749.48	7746.04	8584.95	9253.77
Fixed Assets	5.13	19.89	37.05	47.86	50.35	52.44	58.54
Earning per Share (Taka)	-	-	-	210.82	181.04	172.14	101.43
Dividend Per Share	-	-	25%	15%	12%	12%	7.5%

No. of Shareholders	23	23	23	7604	6319	5849	5778
Number of Employees	54	171	320	427	664	674	659
Number of Branches	5	10	20	30	35	37	40
Manpower per Branch	10	17	16	14	19	18	17





REPORT OF THE SHARIAH COUNCIL For the year ended on 31.12.2001 CE

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 2001, the Shariah Council in its different meetings reviewed various issues referred to it by the Board and Management of the Bank and other functions of the Bank. The honourable members of the Council, after reviewing those issues in 11 general meetings, 3 emergency meetings and 3 sub committee meetings, gave counseling and directives to the concerned management. After visiting 11 branches and meeting the employees/executives and valued clients of those branches in formal and informal meetings, the honourable Chairman and Member Secretary of the Shariah Council gave advice to all to comply with Shariah and improve the standard of customer service. The Murakibs of the Council submitted detailed reports to the Council after visiting 16 branches and observing day to day activities of the Branches, to give necessary directions and whether those are operated according to the Shariah Principles.

The Shariah Council observed and examined the Balance Sheet and the Profit & Loss Account of the Bank for the year 2001 and suggests as under:

The Shariah Council examined the Balance Sheet and the Profit & Loss Account of the Bank for the year 2001 and observes and suggests as under:

Opinion

1. The Management of the Bank is careful about implementing directions and advises given by the Shariah Council in all activities of the Bank.
2. The Shariah Council expresses its satisfaction as the Management cooperated to arrange "Banking Workshop on Shariah" to train Human Resources of the Bank on Shariah and taking special care about Shariah related matter in different training program.
3. Yet violation of Shariah principles in some aspects of Bai-Muazzal and Bai-Murabaha transaction is observed. More care is needed in this regard.
4. Practicing Shariah in respect of Foreign Exchange has improved in comparison with other years.

Advise

1. The Bank should give emphasis on invest more money in Mudaraba and Musharaka mode of investment.
2. The Management should Strengthen micro-credit project and introduce rural development project to improve the socio-economic condition of the rural people.
3. The Shariah Council is attracting attention of the Management to publish books regarding Islamic Economics, Banking, research works about trade & business and translation of books of this subject.
4. The Shariah Council is attracting attention of the Management to make all out effort and motivational promotion to incorporate Islamic Economics and Banking in the curriculum of different educational institutions of Bangladesh.

May Allah, the Lord of honour and dignity, grant us all the 'Tawfiq' and courage to establish Islamic Society through islamizing Banking and economic activities. Ameen!

On behalf of the Shariah Council,

On behalf of the Shariah Council,

Md. Mokhlesur Rahman
Member Secretary
Shariah Council

Mufti Abdur Rahman
Chairman
Shariah Council



AUDITORS' REPORT TO SHAREHOLDERS

To the Shareholders of Al-Arafah Islami Bank Limited

We have audited the accompanying Balance Sheet of Al-Arafah Islami Bank Limited as of December 31, 2001, 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, 2001 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, 2001 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 and other assets 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;
- xi. depreciation at the applicable rates has not been charged on addition to Fixed assets during the year for the days of use in our opinion, depreciation charged should be days wise on the addition of fixed assets.

Alam Chowdhury Mostafa & Co.
Chartered Accountants
February 10, 2002

K. M. Alam & Co.
Chartered Accountants
February 10, 2002



BALANCE SHEET

As at 31 December, 2001

PROPERTY AND ASSETS	Note	2001 Taka	2000 Taka
Cash			
In hand (including foreign currencies)	4	192,089,596	158,923,570
With Bangladesh Bank and Sonali Bank (including foreign currencies)		546,825,007	731,175,298
		738,914,603	890,098,868
Balance with other Banks and Financial Institutions	5		
In Bangladesh		3,161,487,885	3,424,441,337
Outside Bangladesh		33,924,748	9,591,768
		3,195,412,633	3,434,033,105
Money at call and short notice	6		
Investment	7		
Government			
Others			
Investment and Advances	8		
Murabaha, Bai-Moazzal etc.		4,638,477,866	3,381,472,930
Bills Discounted and purchased		440,733,543	346,936,152
		5,079,211,409	3,728,409,082
Fixed Assets	9	58,537,327	52,442,794
Other Assets	10	181,690,919	479,963,147
Non Banking Assets	11		
Total Assets		9,253,766,891	8,584,946,996
Liabilities			
Borrowings from other Banks and financial institutions			
Deposit and other Accounts	13		
Current Accounts and Others		555,303,133	780,660,897
Mudaraba Term Deposit		2,209,877,204	2,120,407,753
Mudaraba Savings Deposit		3,406,120,075	3,285,534,187
Mudaraba Short Notice Deposit		182,176,616	158,521,381
Special Deposit		1,407,812,717	893,010,615
Bills Payable		117,887,576	69,454,854
		7,879,177,321	7,307,589,687
Other Liabilities	14	1,054,852,038	951,289,095
Total Liabilities		8,934,029,359	8,258,878,782



	Note	2001 Taka	2000 Taka
Capital/Share holders equity			
Paid up Capital	15	253,000,000	253,000,000
Statutory Reserve	16	66,186,668	58,290,570
Investment Loss Offsetting Reserve (ILOR)	17	-	13,018,000
General Reserve		-	-
Profit and Loss Account/Retained Earning	18	550,864	1,759,644
Total Share holders equity		319,737,532	326,068,214
Total Share holders equity			
Total Liability and Share holders equity		9,253,766,891	8,584,946,996

	Note	2001 Taka	2000 Taka
CONTRA ENTRIES			
Off Balance Sheet Items and Contingent Liabilities	19		
Acceptance and endorsement		320,101,000	534,122,856
Letters of Guarantee		185,722,141	164,384,490
Letters of Guarantee		633,634,680	669,114,655
Bills for Collection		43,532,174	63,794,383
Contingent Liabilities		249,366,000	146,324,000
		1,432,355,995	1,577,740,384
Less Margin		(165,260,000)	(110,198,000)
		1,267,095,995	1,467,542,384

Nazrul Islam Khan
Executive Vice President

Md. Yousuf Ali Howlader
Managing Director

Bodiur Rahman
Director

Kazi Md. Mofijur Rahman
Director

Kh. Mesbahuddin Ahmed
Director

Alam Chowdhury Mostafa & Co.
Chartered Accountants

K. M Alam & Co.
Chartered Accountants

**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December, 2001

Particulars	Note	2001 Taka	2000 Taka
Investment Income	20	641,574,229	563,495,859
Profit paid on deposit and borrowings	21	(506,899,149)	(465,501,574)
Net Investment Income		134,675,080	97,994,285
Income from Investment	22	-	-
Commission, exchange and brokerage	23	117,743,389	154,935,706
Other operating income	24	41,036,704	33,765,529
Total operating income		158,780,093	188,701,235
		293,455,173	286,695,520
Salaries and allowances (Including Managing Directors Remuneration)		85,821,221	59,491,896
Directors and Shariah Council fees and expenses		3,430,281	2,135,956
Rent, taxes, insurance, lighting etc.		19,340,701	18,539,377
Postage, telegram, telephone and stamp		11,877,526	12,145,549
Law charges		466,424	343,042
Auditors fees		80,000	80,000
Depreciation on and repairs to the banks properties		5,407,698	4,963,227
Stationery, printing, advertisement etc.		11,560,498	10,778,501
Other expenses	25	33,961,381	24,469,128
Total operating expenses		171,945,730	132,946,676
Profit before provision		121,509,443	153,748,844
Provision for investment and advances	26	79,270,990	73,728,088
Provision for Decrease in value of investment	27	-	-
Other provisions (ILOR)	28	-	-
Provision for AIBL Foundation	29	2,757,964	13,018,000
Total provision		82,028,954	86,746,088
Profit before Tax		39,480,489	67,002,756
Provision for Taxation		(13,818,171)	(23,450,965)
Profit after tax		25,662,318	43,551,791
Retained earning brought forward		1,759,644	1,968,404
		27,421,962	45,520,195
Appropriation	30		
Statutory Reserve		7,896,098	13,400,551
General Reserve		-	-
Proposed Dividend		18,975,000	30,360,000
		26,871,098	43,760,551
Retained earning		550,864	1,759,644
Earning per share		101.43	172.14

Nazrul Islam Khan
Executive Vice PresidentMd. Yousuf Ali Howlader
Managing DirectorBodiur Rahman
DirectorMd. Mofijur Rahman
DirectorKh. Mesbahuddin Ahmed
DirectorAlam Chowdhury Mostafa & Co.
Chartered AccountantsK. M. Alam & Co.
Chartered Accountants



CASH FLOW STATEMENT

For the year ended 31 December, 2001

Particulars	2001 Taka	2000 Taka
Cash Flow from Operating Activities		
Profit before provision for taxation	39,480,489	67,002,756
Depreciation	8,367,033	7,819,413
Increase /(Decrease) in operating expenses	47,847,522	74,822,169
Investment and advances	(1,350,802,327)	65,304,574
Other assets	298,272,228	(298,911,359) ✓
Increase / (Decrease) in operating assets	(1,052,530,099)	(233,606,785)
Deposit and other accounts	571,587,634	764,516,323
Others liabilities	76,726,772	61,196,045
Increase /(Decrease) in operating liabilities	648,314,406	825,712,368
Net cash flow from operating activities	(356,368,171)	666,927,752
Cash Flow from Investment Activities		
Investment purchase	-	-
Purchase of fixed assets	(14,461,566)	(9,912,228)
Net cash flow from investment activities	(14,461,566)	(9,912,228)
Cash Flow from Financing Activities	(359,444,737)	633,564,559
Dividend paid	(18,975,000)	(30,360,000)
Financed by share holders	-	-
Net cash flow from financing activities	(18,975,000)	(30,360,000)
Net Increase/ (Decrease) in cash	(389,804,737)	603,204,559
Opening cash & cash equivalent	4,324,131,973	3,720,927,414
Closing cash & cash equivalent	3,934,327,236	4,324,131,973

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133,70991



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2001

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 Shariah bank of Bangladesh rendering all types of commercial banking services under the regulation of Bank Companies Act, 1991. The Bank conducts its business on the principles of Murabaha, Bai-Salam, 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 Bank 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 1998.

3.2 Investments

- 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.
- 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 alongwith subsequent other circulars issued in this regard by the Bangladesh Bank.
- 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.
- Income was calculated on daily product basis but charged quarterly.

3.3 Fixed Assets and Depreciation

- Building, furniture and fixtures are stated at cost less accumulated depreciation.
- 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:

	Percentage
Furniture and Fixture	10.0
Motor Vehicles	20.0
Mechanical Appliances	15.0
Books	10.0

- Depreciation at the applicable rates has not been charged on addition to fixed assets during the year for the days of use.
- Maintenance and repairs cost when incurred are charged to Profit and Loss Account.



	2001 Taka	2000 Taka
4 Cash in hand		
In local currency	190,827,629	157,873,650
In Foreign currency	1,261,967	1,049,920
Total	192,089,596	158,923,570
Balance with Bangladesh Bank		
In local currency	392,515,659	602,061,080
In Foreign currency	55,760,767	20,368,853
Total	48,276,426	622,429,933
Balance with Sonali Bank		
In local currency	98,548,581	108,745,365
In Foreign currency	-	-
Total	98,548,581	108,745,365
Grand Total	738,914,603	890,098,868
5 Balance with other Banks and financial institutions		
In Bangladesh:		
Current Account	30,823,000	7,142,830
Mudaraba Short Notice deposit	1,774,000	1,682,992
Mudaraba term deposit	465,000,000	450,000,000
Mudaraba Saving deposit	2,663,890,885	2,965,615,515
	3,161,487,885	3,424,441,337
Outside Bangladesh		
Nostro Account	33,924,748	9,591,768
	3,195,412,633	3,434,033,105
6 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	-	-
	-	-

**8 INVESTMENT AND LOANS**

	2001 Taka	2000 Taka
a) Maturity grouping of loans and advances Including bills discounted and purchased Payable on demand	-	-
with a residual maturity of :		
Over 3 months but not more than 1 year	391,270,422	80,000,000
Over 1 year but not more than 5 year	3,805,861,877	2,903,289,082
Over 5 years	72,982,723	674,243,000
	809,096,387	70,877,000
	5,079,211,409	3,728,409,082
b) Investment and Loans in Bangladesh Murabaha, Bai-Muazzal, Hire Purchase, Musharaka etc.	5,079,211,409	3,728,409,082
	5,079,211,409	3,728,409,082
c) An analysis to disclose following Significant concentration :		
(1) Investment/Advance to Directors and others	222,773,000	182,979,000
(2) Investment/Advance to Managing Director	-	-
(3) Investment/Advance to customer (Group - wise)	3,986,738,409	2,675,730,082
(4) Industry wise Investment/Advance	869,700,000	869,700,000
d) Investment and Loans Classified as per Bangladesh Bank Circular	5,079,211,409	3,728,409,082
Unclassified (Including staff loan)	4,464,210,409	3,107,815,082
Sub Standard	56,556,000	93,985,000
Doubtful	62,213,000	97,094,000
Bad	496,232,000	429,515,000
Total	5,079,211,409	3,728,409,082
e) Particulars of Investment and loans	615,001,000	620,524,000
1) Investment considered good in respect of which Bank is fully secured.	5,036,526,279	3,698,461,082
2) Investment considered good for which the Bank holds debtors personal security.	-	-
3) Investment considered good and secured by personal security of one or more persons in addition to personal security of debtors	42,685,130	29,948,000
4) Investment considered bad or doubtful not provided for	-	-
	5,079,211,409	3,728,409,082
5) Investment due by directors or employees of the Bank or any of them either Severally or Jointly with any other persons.	267,890,000	201,482,000
6) Investment due by companies or firms in which the Directors of the Bank are interested as directors, partners, Managing agents or in the case of private companies as members.	222,773,000	182,979,000



	2001 Taka	2000 Taka
7) 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	62,183,000	138,205,000
8) Maximum total amount of investment 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.	120,000,000	120,625,000
9) Due from other banking companies	-	-

9. FIXED ASSETS SCHEDULE AS ON DECEMBER 31, 2001

Sl. No.	Particulars	Balance as on 31.12.00	Addition during the year	Transfer/ Disposal	Total as on 31.12.2001	Depreciation during the year	Written down value as on 31.12.2001
1	2	3	4	5	6	7	8
1	Furniture & Fixture	21,893,435	5,018,358	290,406	26,621,387	2,374,511	24,246,876
2	Mach. Appliances	23,629,772	5,096,016	121,011	28,604,777	4,015,586	24,589,191
3	Vehicles	2,103,829	4,672,125	-	6,775,954	995,887	5,780,067
4	Books	4,815,758	86,634	150	4,902,242	981,049	3,921,193
	Total	52,442,794	14,873,133	411,567	66,904,360	8,367,033	58,537,327

10. OTHER ASSETS

	2001 Taka	2000 Taka
1 Investment in share of subsidiary companies	-	-
2 Advance Rent	21,998,228	16,861,575
3 Stock of Stationery	10,988,863	9,412,249
4 AIB General Account	4,701,183	155,616,212
5 Suspense Account	6,830,862	6,405,008
6 DD payable without advice	7,215,288	7,600,417
7 Advance Income Tax (TDS)	69,356,977	53,980,338
8 Stamp in hand	97,803	113,833
9 Clearing adjustment	3,568,384	3,000,000
10 Prepaid Expenditure	349,402	209,846
11 Advance Deposit	2,059,758	1,534,708
12 Adjustment A/C Dr.	310,723	233,049
13 XPB Premium paid	6,124,800	6,124,800
14 WES Fund purchased	2,907,446	204,152,071
15 Accrued Income	29,455,000	14,719,041
16 Advance Income Tax	15,726,202	-
Total	181,690,919	479,963,147



	2001 Taka	2000 Taka
11. NON BANKING ASSETS		-
12. BORROWING FROM OTHER BANK AND AGENTS		-
13. DEPOSIT AND OTHER ACCOUNTS		
1 Repayable on demand		
a) Bank deposits	27,000	26,000
b) Other deposits	5,950,806,321	4,993,368,686
	5,950,833,321	4,993,394,686
2 Others (with agreed maturity dates or period of notice by residual maturity)		
a) Bank deposits	1,928,344,000	2,314,195,000
b) Other deposits	-	-
Grand Total	7,879,177,321	7,307,589,686
14. OTHER LIABILITIES		
1 Profit payable/Receivable (Investment)	407,130,634	296,623,905
2 Provision on investment and advance (a)	03,122,430	219,551,440
3 Compensation charge receivable (Profit Suspense) (b)	102,519,497	68,941,353
4 Reserve Available for Distribution	49,335,000	60,720,000
5 Provision for Income Tax	61,932,068	48,113,897
6 Zakat fund	3,277,333	3,357,333
7 Provided fund	20,692,318	14,056,143
8 WES Fund held	1,682,012	150,631,427
9 Social Security and Benevolent Fund	400,000	200,000
10 Adjusting Account (Cr)	3,992,916	2,082,940
11 Outstanding Expenses	632,003	705,609
12 F.C Charges	107,674	102,064
13 F.C held against BBLC	75,702,943	69,983,689
14 Clearing Adjusting Account	-	-
15 F.C Deposit Account	11,959,968	9,977,826
16 Exchange Equalisation	1,562,434	1,041,181
17 Provision for AIBL Foundation	2,757,964	-
18 Profit/Rent Suspense	-	831,288
19 Incentive Bonus (payable)	7,800,000	4,300,000
20 Hajj Foundation.	69,000	69,000
21 Compensation Realised	175,844	-
	1,054,852,038	951,289,095



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

1 Movement in specific provision for bad and doubtful debts

Provision held at the beginning of the year		188,498,430	110,998,851
Specific provision for the year	(+)	70,200,000	77,499,579
Recoveries and provisions no longer required	(-)	-	3,771,491
Net charge to Profit and Loss Account	(+)	-	73,728,088
Provision held at the end of the year		70,200,000	77,499,579
Total Provision (Cum)		258,698,430	188,498,430

2. MOVEMENT OF GENERAL PROVISION ON INVESTMENT AND ADVANCES

Provision held at the beginning of the year		31,053,010	34,557,000
Specific provision for the year		13,370,990	(3,503,990)
Provision held at the end of the year		44,424,000	31,053,010

b) Compensation Amount

Balance at the beginning of the year		68,941,353	3,771,491
Amount transferred to interest compensation amount during the year		37,878,144	68,941,353
Amount recovered from compensation account during the year		4,300,000	3,771,491
Amount written off during the year.		-	-
Balance at the end of the year		102,519,497	68,941,353

15. 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	1,26,500	1000	126,500,000
General public	1,26,500	1000	126,500,000
Government	-	-	-
	2,53,000		253,000,000

c) Break-up of Shares

Description	No. of Share holder	No. of Share	(%)
Less than 500	5727	89,740	35.47%
500 - 5000	36	63,385	25.05%
5001 - 10,000	15	99,875	39.48%
10001 - 20,000	-	-	-
20001 - 30,000	-	-	-
30001 - 40,000	-	-	-
Total	5778	253,000	100%



	2001 Taka	2000 Taka
16. STATUTORY RESERVE		
Opening Balance At The Commencement Of The Year	58,290,570	44,890,019
Add. Reserve @ 20% on net profit	7,896,098	13,400,551
Balance at the end of the year.	66,186,668	58,290,570
17. INVESTMENT LOSS OFFSETING RESERVE (ILOR)		
Opening Balance	-	-
There was no reserve under this caption during the year	-	13,018,000
Total	-	13,018,000
18. PROFIT AND LOSS ACCOUNT		
Profit before tax	39,480,489	67,002,756
Less : Provision for Taxation	13,818,171	23,450,965
Net Profit after Tax	25,662,318	43,551,791
Add : Retained earning brought forward	1,759,644	1,968,404
	27,421,962	45,520,195
Less : Statutory Reserve	(7,896,098)	13,400,551
	19,525,864	32,119,644
Less : Proposed Dividend (7.5%)	18,975,000	30,360,000
Retained earning	550,864	1,759,644
19. CONTINGENT LIABILITIES AND COMMITMENTS		
a) The claims against the Bank not acknowledged as debt	-	-
b) Money for which the bank is contingently liable in respect of guarantees given favouring :	-	-
Directors	5,369,000	72,611,000
Government	-	-
Bank and other financial institution	-	-
others	1,426,986,995	1,505,129,384
	1,432,355,995	1,577,740,384
Less: Margin	165,260,000	110,198,000
	1,267,095,995	1,467,542,384
20. INVESTMENT INCOME		
Investment and Advances	368,948,399	323,883,324
other Banks	272,625,830	239,612,535
	641,574,229	563,495,859
21. PROFIT PAID ON DEPOSIT AND BORROWING		
Profit on deposit	506,899,149	465,501,574
Profit on Borrowings	-	-
	506,899,149	465,501,574



	<u>2001</u> <u>Taka</u>	<u>2000</u> <u>Taka</u>
22. INCOME FROM INVESTMENT		
23. COMMISSION EXCHANGE AND BROKERAGE		
i) Commission	54,138,731	70,049,481
ii) Exchange	63,604,658	84,886,225
iii) Brokerage	-	-
	<u>117,743,389</u>	<u>154,935,706</u>
24. OTHER OPERATING INCOME		
Locker Rent	45,800	39,900
Telex charge recovered	8,323,783	10,472,687
P & T charge recovered	4,838,924	6,093,540
Legal expense recovered	3,330	-
Telephone and fax charges	863,562	775,071
Miscellaneous earning	25,650,010	11,705,477
Printing and stationery	835,285	4,678,854
Swift	476,010	-
	<u>41,036,704</u>	<u>33,765,529</u>
25. OTHER EXPENDITURE		
House Maintenance Allowances	5,434,203	2,321,966
Charge Allowances	599,250	486,392
Risk Allowances	319,037	298,096
Saturday Allowances	2,177,575	1,849,724
Corporate Allowances	240,000	150,968
Utilities	402,441	230,392
Honourarium	24,000	37,075
Car Allowances	1,678,360	1,424,076
Wages	4,434,201	3,794,329
Consultancy Tax	450,000	-
Incentive Bonus	7,800,000	4,300,000
Social Security & Benevolent fund	400,000	100,000
Zakat	-	1,173,678
Local Conveyance Allowance	526,223	400,927
Petroleum oil Lubricant & Expenses	1,347,930	1,015,264
Entertainment Expenses	1,029,533	1,136,660
Travelling Allowances	818,038	786,063
Air Condition Charge	-	11,900
Bank Charge	144,222	188,768
Liveries/Uniform	8,434	42,750
Donations	6,305	16,584
Subscription	300,250	311,800
Banks Clearing House Charges	39,961	32,804



	2001 Taka	2000 Taka
Transportation Charge	323,102	152,936
Evening Banking Allowances	98,209	51,150
News paper, Jurnal & Periodicals	262,991	219,976
WASA/Gas Charge	392,544	324,907
Washing Charges	153,006	127,000
Direct Expenses on Investment	(56,539)	(643,361)
Training Expenses	121,114	277,192
Upkeep of Branch	110,751	226,047
Computer Charges	1,095,534	970,140
Misc. Expenses	2,095,018	1,001,066
Excise duty	53,082	196,303
5th AGM	31,208	707,430
SWIFT	1,015,698	748,126
Closing Allowance	8,700	-
Gratuity	77,000	-
	33,961,381	24,469,128

26. PROVISION**Provision Against Investment and Advances**

i) On classified Investment and advance as per Bangladesh Bank Circular	70,200,000	73,728,088
i) On Un-classified Investment and advance	9,070,990	-
	79,270,990	73,728,088

27. PROVISION FOR DECREASE IN VALUE OF INVESTMENTS**28. OTHER PROVISIONS**

There was no provision under this caption during the year of audit

-	13,018,000
-	13,018,000

29. PROVISION FOR AIBL FOUNDATION

2,757,964	-
2,757,964	-

30. APPROPRIATION

Statutory Reserve	7,896,098	13,400,551
General Reserve	-	-
Dividend	18,975,000	30,360,000
	26,871,098	43,760,551

Nazrul Islam Khan
Executive Vice Presiden

Md. Yousuf Ali Howlader
Managing Director

Bodiur Rahman
Director

Kazi Md. Mofijur Rahman
Director

Kh. Mesbahuddin Ahmed
Director



LIST OF THE BRANCHES

Sl.	Name of the Branches	Opening date	Address	Telephone No.	Telex
1	Motijheel	27 September 1995	161, Motijheel C/A, Dhaka-1000	(02) 9569350	632409
2	Moulvi Bazar (D)	9 December 1995	3, Moulvibazar, Dhaka	(02) 7311989 7313900	632467
3	Laldighir Par	21 December 1995	1438-1439, Laldighirpar, Sylhet	(0821) 710809, 710265	
4	Agrabad	23 December 1995	34, Agrabad C/A, Chittagong	(031) 713372, 713373	633128
5	Khulna	27 December 1995	144, Sir Iqbal Road Khulna	(041) 722499, 722399	627265
6	Rajshahi	07 August 1996	239, Shahib Bazar, Boalia, Rajshahi	(0721) 775161, 775171	671619
7	Bogra	08 August 1996	21/1, Thana Road Kotwali, Bogra	(051) 73465, 73561	633714
8	Khatungonj	07 October 1996	146, Chan Miah Lane, Khatungonj Chittagong	(031) 622229 622230	633087
9	Barisal	30 October 1996	45, Sadar Road, Barishal	(0431) 53148 54276	
10	Shatkhirra	28 September 1996	2386, Main Road, Khan Market Sadar, Satkhira	(0471) 3606	
11	Nawabpur Road	23 July 1997	85-87, Nawabpur Road, Dhaka	(018) 212743, 7119494	671613
12	Benapole	30 July 1997	Plot No. 283-294, Benapole, Jessore	(04228) 8062	
13	VIP Road	01 August 1997	86, VIP Road, Shantinagar, Dhaka-1000	(02)9345871-2 018-212743	
14	Motijheel Corporate	26 August 1997	125, Motijheel C/A, Dhaka	(02) 9563873, 9563884 018-212748	
15	New Elephant Road	7 September 1997	91, New Elephant Road, Dhaka	(02) 9665323-4	
16	Uttara Model Town	15 September 1997	House #13, Road # 14/A Sector # 4, Uttara Model Town, Dhaka	(02) 8916454	
17	Jubilee Road	07 October 1997	221, Kader Plaza, Jubilee Road, Chittagong	(031) 637680-1 018-319480	
18	North-South Road	22 October 1997	23, Malitola Lane, North South Road,, Bangshal, Dhaka	(02) 9667460 9667419	
19	Mohakhali	12 November 1997	56-59, Amtali, Mohakhali, Dhaka	(02) 8810587 8810419	
20	Mirpur	21 December 1997	5/H-G, Darus Salam Road, Mirpur-1, Dhaka	(02) 9008123 9010623	

**LIST OF THE BRANCHES**

Sl	Name of the Branches	Opening date	Address	Telephone No.	Telex
21	Mymensingh	07 June 1997	12 Choto Bazar, Kotwali, Mymensingh	(091) 53614	
22	Zindabazar	23 July 1998	Jalalabad House Jindabazar Main Road, Sylhet	(0821)722078-9	
23	Mouchak	03 August 1998	90/A, 90/1 Siddeswari Circular Road, Mouchak, Dhaka	(02)8322373 9339006	
24	Saidpur	08 October 1998	13 Railway Engineering Plot, Zikrul Hoque Road, Saidpur, Nilphamari	0552-2804 688145	
25	OR Nizam Road	18 October 1998	943, O.R. Nizam Road Chittagong	031-656567-8 018-310770	
26	Moulvibazar (Syl)	22 November 1998	99-100, Central Road, Moulvibazar, Sylhet	(0861) 54106-7	
27	Choumuhani	25 November 1998	857, 858 Hazipur, Feni Road Choumuhani, Noakhali	(0321) 51000 51105	
28	Comilla	29 November 1998	257, 240 Hazi Mansion, Monoharpur, Comilla	64546 64647	
29	Jessore	08 December 1998	30, M.K. Road, Jessore	(0421)-73494 73569	
30	Dhanmondi	15 December 1998	Ahmed Tower, House # 54 Road # 4/A, Dhanmondi, Dhaka	8610913	
31	Mohadebpur	08 December 1999	Plot No.-425, Mohadebpur Naogaon	07425-81042 17425	
32	Madhabdi	18 December 1999	691-694 Madhabdi Bazar, Madhabdi, Narshingdhi	9351805 06251318	
33	Pagla	23 December 1999	Plot No.-573, Pagla, Fatullah Narayangonj	017-5255881 7604356	
34	Rupashpur	28 December 1999	Plot No.-1021, Rupashpur, Srimangal, Moulvibazar	08626-88130	
35	Joydebpur	30 December 1999	Nasir Super Market (1st Floor) Chandra Chourasta, Joydebpur, Gazipur	9256196 018-212745	
36	Mohammadpur Krishi Market	19 December 2000	38 Ka Tajmahal Road, Block-C, (West) Mohammadpur, Dhaka-1207	9112329 8119811	
37	Narayangonj	21 December 2000	71, Bangabandhu Road, DIT Plot no. 11, Narayangonj	7615821-2	
38	Companigonj	01 August 2001	Companigonj Bazar, Muradnagar, Comilla	081-77308-167 011-811711	
39	Gallai	~ 06 August 2001	Abeda Nur Foundation Complex, Gallai Chandina, Comilla	011-811263	
40	Islampur	05 October 2001	Rowshan Plaza, 29/31, Islampur Road, Dhaka-1100	7393800	



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 Seventh Annual General Meeting of the Company to be held on 25 July 2002, Thursday, 10.00 a.m. at BCIC Auditorium, Dilkusha, Dhaka and at any adjournment thereof.
Signed this in my / our presence on day of 2002.

Revenue
Stamp

Signature of Proxy

Signature of Shareholder(s)

N.B:

1. 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.
2. Signature of the shareholder should agree with the specimen signature registered with the Company.



AL-ARAFAH ISLAMI BANK LIMITED

ATTENDANCE SLIP

I hereby record my attendance of the Seventh Annual General Meeting of the Company being held on 25 July 2002, Thursday, 10.00 a.m. at BCIC Auditorium, Dilkusha, Dhaka.

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.

