

As-Salaamu-Alaikum

The year ended 31 December 2001 has been among the best in terms of performance in the recent history of Albaraka Bank. The Chairman has set the scene in his statement pointing out that it was in many respects a difficult year and the overall improvement was achieved by the Bank against that background.

RESULTS

This report covers the 12 months ended 31 December 2001 and therefore a full conventional financial year. Following the decision to change the financial year end from 30 June to 31 December to coincide with that of the Dallah Albaraka Group, effectively the ultimate controlling shareholder of Albaraka Bank in South Africa – the previous financial period was unavoidably one of 18 months duration. This makes comparison between the two periods difficult when reviewing the results.

Although it remained a difficult operating environment overall, Albaraka Bank experienced a significantly better year. The Bank continued to achieve greater market penetration and simultaneously expanded operations into non-finance-related activities.

The Bank's deposit book grew by 21,1% from R373,1 million to R451,8 million at December 2001. Better utilisation of the funds available for investment resulted in a 38,6% growth in the advances book to R403 million thereby contributing significantly to the growth in income.

Following the more conventional practice of annualising the 18 month results, total income showed an 11,3% improvement to R50 million

in 2001. Income earned from financing activities increased by an annualised 8,3% and in line with this income paid to depositors was up by an annualised 9,4% to R25,8 million.

Operating income increased by 20,6% on an annualised basis to R21,5 million. Income from sources other than financing activities contributed significantly to this, increasing by 69% on an annualised basis to R3,8 million. A particularly pleasing feature, when compared to the previous period, was the substantial reduction in the bad and doubtful debt provisions from R5,2 million to R2,6 million.

Annualised operating expenditure, excluding exceptional items, increased by 16,2% to R17,6 million. Net income at R2,3 million rose by 19,2%, equivalent to 78 cents earnings per share while headline earnings per share increased by 44% to 121 cents.

CAPITAL ADEQUACY AND DIVIDENDS

Albaraka Bank is now poised for further expansion. South Africa's economy is growing and offers the Bank the opportunity to grow with it. This will require additional capital. In the planning of its capital requirements, the Bank will also take into consideration the new Basel Capital Accord, which is expected to be implemented in 2004.

Accordingly the Board deemed it prudent to pay a dividend of 30 cents per share to all shareholders registered in the books of the Bank as at 30 June 2002.

NEW PRODUCTS AND SERVICES

A focal point of Albaraka Bank's strategy in recent years has been the need to generate income from products and services not directly related to financing. Apart from the usual benefits of diversification which includes the spreading of risk, a feature of the income from many of the services is that they contribute directly to the income of the Bank. Many of these services have successfully reached the stage where they are making a meaningful contribution to the Bank's income. The more significant of them are the administration of estates, a joint venture set up to market the ownership of stainless steel liquid containers and fee income generated from structured trade finance.

For some time the Bank has been pursuing the development of new products and services. A summary of the more promising among them follows.

