

CORPORATE GOVERNANCE AND SHARI'AH COMPLIANCE

Albaraka remains totally committed to complying with the provisions of the King Commission. During the year the Bank appointed a compliance officer in terms of the Banks Act to ensure that the Bank operates in compliance with all regulatory provisions.

Compliance with Islamic Shari'ah remains central to Albaraka Bank's operations. The Bank has established a Shari'ah Committee consisting of international and local Shari'ah scholars to continually look at the compliance of its operations to Shari'ah principles.

STRUCTURE OF THE DALLAH ALBARAKA GROUP

In my previous report to shareholders, I alluded to the intention of the Dallah Albaraka Group, to restructure its banking interests. The Group has since established the Albaraka Banking Group in the Kingdom of Bahrain to which all the Group's banking interests will ultimately be transferred. Albaraka Bank (South Africa) already enjoys a close relationship with the Dallah Albaraka Group and the proposed restructuring will result in greater benefits for the Bank.

PROSPECTS

The improved performance of the Bank over the past year, together with the generally more positive economic outlook specific to the Bank's area of operations, gives ground for encouragement. However, the overall scenario continues to be difficult to analyse with political events in a state of flux.

Some consensus appears to have been reached that prospects for a recovery in the US and European economies over the year ahead are improving .

Last year, I pointed out that forecasts at the time of writing suggested that the South African economy could grow by about 3,5% in the year then ahead. A great variety of events, some of which have been touched on in this report, pared that performance in practice down to about 2,4%. I am therefore hesitant to suggest any figure for the current year, however eminent or official its source might be.

To sum up, we are forecasting a fairly significant improvement in the Bank's profitability in the current year.

APPRECIATION

I give thanks to Almighty Allah for his blessings on all our endeavours without which nothing is possible.

The past year has witnessed a marked improvement in the affairs of Albaraka Bank in circumstances which – by and large – remain inimical to such improvement. This performance is largely due to the dedicated efforts of a wide range of people and institutions and I thank them as follows:

- My co-directors for their constant support and advice.
- Clients and shareholders of the Bank.
- The management and staff for their dedication and loyalty.
- The auditors and other consultants for their services and advice.
- The Dallah Albaraka Group for help and guidance.

- The Governor and personnel of the South African Reserve Bank and the Registrar of Banks for guidance and help whenever needed
- All others who have made a positive contribution to our success

May Allah Ta'ala continue to shower us with His mercy and blessings

A A Sabbahi
Chairman

Durban, 7 June 2002

