

Preliminary Report to the shareholders of Albaraka Bank Limited

Audited results for the year ended 31 December 2010

Statement of comprehensive income

	2010	2009	% change
	R'000	R'000	
Income earned from advances	180 378	186 052	(3,0)
Income earned from equity finance	37 060	27 789	33,4
Gross income earned	217 438	213 841	1,7
Income paid to depositors	(123 002)	(121 245)	1,4
Net income before impairment for credit losses	94 436	92 596	2,0
Impairment for credit losses	(506)	(1 123)	(54,9)
Net income after impairment for credit losses	93 930	91 473	2,7
Net non-Islamic income	-	-	-
Fee and commission income	12 315	7 777	58,4
Other operating income	1 341	1 944	(31,0)
Net income from operations	107 586	101 194	6,3
Operating expenditure	(90 838)	(82 928)	9,5
Profit before taxation	16 748	18 266	(8,3)
Taxation	(5 484)	481	-
Total comprehensive income for the year, net of tax, attributable to equity holders	11 264	18 747	(39,9)
Weighted average number of shares in issue ('000)	15 000	15 000	-
Basic and diluted earnings per share (cents)	75,1	125,0	(39,9)

Statement of financial position

	2010	2009	% change
	R'000	R'000	
Assets			
Property and equipment	98 882	95 264	3,8
Investment properties	10 339	-	-
Intangible assets	22 713	19 839	14,5
Deferred tax asset	5 831	7 193	(18,9)
Investment securities	7 239	6 535	10,8
Advances and other receivables	1 925 988	1 578 876	22,0
Equity finance	471 650	480 028	(1,7)
Cash and cash equivalents	282 382	192 901	46,4
Total assets	2 825 024	2 380 636	18,7
Equity and liabilities			
Equity			
Share capital	150 000	150 000	-
Reserves	83 367	78 853	5,7
Shareholders' interest	233 367	228 853	2,0
Liabilities			
Welfare and charitable funds	2 812	7 233	(61,1)
Accounts payable	18 231	14 890	22,4
Deposits from customers	2 570 614	2 129 660	20,7
Total equity and liabilities	2 825 024	2 380 636	18,7

Statement of changes in shareholders' equity

	Share capital	Investment risk reserve	Retained income	General credit risk reserve	Regulatory credit risk reserve	Shareholders' interest
	R'000	R'000	R'000	R'000	R'000	R'000
2010						
Balance at beginning of year	150 000	2 605	64 992	600	10 656	228 853
Transfer to / (from) reserves		(2 605)	13 861	(600)	(10 656)	-
Total comprehensive income for the year			11 264			11 264
Dividends paid			(6 750)			(6 750)
Balance at end of year	150 000	-	83 367	-	-	233 367
2009						
Balance at beginning of year	150 000	2 605	52 995	600	10 656	216 856
Total comprehensive income for the year			18 747			18 747
Dividends paid			(6 750)			(6 750)
Balance at end of year	150 000	2 605	64 992	600	10 656	228 853

Commentary on the audited results for the year ended 31 December 2010

While demand for credit was relatively slow in the first two quarters of the year, the third quarter ushered in a welcome change in tempo. The increase in demand for credit gained momentum in the fourth quarter, thereby enabling the bank to grow its gross advances book by a commendable 21,5% (R341,9 million) for the year to R1,9 billion. However, the relatively late surge in advances growth did little to compensate for the overall effects of the downward pressure in yields and, as a result, income earned from advances decreased by 3,0% to R180,4 million for the year.

However, it is pleasing to report that, due to the evenly-paced 20,7% (R441,0 million) growth in the deposit book, the bank experienced a significant increase in excess liquidity which ultimately led to an equivalent increase in the bank's investment in equity finance for the better part of the year before declining by R8,4 million to R471,7 million at the end of the year. As a result, the bank's income from equity finance increased by 33,4% to R37,1 million in spite of the generally lower yields which prevailed during the year.

As a result of the foregoing, the bank's net income before impairment for credit losses increased by a marginal 2,0% to R94,4 million. The improvement in impairment for credit losses and in fee and commission income contributed to a R6,4 million increase in the bank's net income from operations to R107,6 million.

The R7,9 million (9,5%) increase in operating expenditure was brought about by a combination of an increase of R4,7 million (9,7%) in staff costs, and R2,7 million (57,2%) in depreciation and amortisation of property, equipment and intangible assets. The increase in staff costs was partially due to a demand for extra resources during the implementation of a new banking system, as well as normal inflationary adjustments. The increased depreciation and amortisation charges are the result of the implementation of the electronic banking offering launched in November 2009, coupled with the aforementioned new banking system which went live on 1 August 2010.

During the course of the year, the bank's wholly-owned subsidiary company, Albaraka Properties (Proprietary) Limited, purchased vacant land adjacent to the new head office premises in Kingsmead Office Park for an amount of R10,3 million.

For and on behalf of the board

17 March 2011

Adnan Ahmed Yousif
CHAIRMAN

Shabir Chohan
CHIEF EXECUTIVE

Business address and registered office

Albaraka Bank Limited is an Authorised Financial Services and Credit Provider and subscribes to the Code of Banking Practice, Reg No. 1989/003295/06, FSP No. 4652, NCR No. NCRCP14
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