INTEGRATED ANNUAL REPORT **2012**

Your Partner Bank

alBaraka

VISION, MISSION, VALUES, CODE OF BUSINESS CONDUCT, STRATEGIC OBJECTIVES AND HIGHLIGHTS

Vision
We believe society needs a fair and equitable financial system; one which rewards effort and contributes to the development of the community.

Mission
To meet the financial needs of communities across the world by conducting business ethically, in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with the customers, staff and shareholders who participate in our business success.

Values
Partnership
Our shared beliefs create strong bonds that form the basis of long-term relationships with customers and staff;

Driven
We have the energy and perseverance it takes to make an impact in our customers' lives and for the greater good of society;

Neighbourly
We value and respect the communities we serve. Our doors are always open; our customers always experience a warm-hearted, hospitable welcome and accommodating service;

Peace-of-mind
Our customers can rest assured that their financial interests are being managed by us to the highest ethical standards;

Social contribution
By banking with us, our customers make a positive contribution to a better society; their growth and our growth will benefit the world around us.

Code of business conduct
Al Baraka Bank has in place a Code of Business Conduct which gives effect to the business culture of the financial institution and actions of its employees.

Principles contained in the Code of Business Conduct include:

- Reflecting the Islamic economic system and complying with Shariah requirements in all activities undertaken by the bank;
- Conducting its affairs with integrity, sincerity and accountability, whilst displaying the highest moral standards;
- Achieving customer service excellence as a way of life in a pro-active and dedicated way;
- Displaying the highest levels of customer confidentiality at all times;
- Creating opportunities for the commitment, loyalty and growth of staff;
- Conforming to International Financial Reporting Standards and to Accounting and Auditing Organisation for Islamic Financial Institutions Standards, as well as complying with all laws and regulations;
- Addressing all instances of commercial crime by adopting a policy of zero tolerance against offenders;
- Avoiding being compromised by conflicts of interest; and
- Instilling in staff a discipline of avoiding private business relationships with customers and suppliers.

Strategic Objectives, Business and Financial Highlights

Primary strategic objectives
- Increasing returns to shareholders;
- Promoting customer service excellence;
- Developing innovative products; and
- Utilising enhanced technology.

Business highlights
- Launch of full foreign exchange licence;
- Launch of cheque book facility.

Financial highlights
- Profit after taxation increased by 59,3% to R25,3 million;
- Total assets exceeded R3,7 billion;
- Total deposits of R3,3 billion;
- Gross advances to customers increased by R356,6 million; and
- Shareholders' equity of R361,8 million.

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COMPANY PROFILE

Al Baraka Banking Group – Bahrain
Albaraka Bank Limited in South Africa is a subsidiary of Al Baraka Banking Group, which is based in Bahrain.

This internationally-acclaimed banking group enjoys an extensive global footprint in the form of subsidiary banking units and representative offices in 15 countries providing banking services through no fewer than 400 branches. Al Baraka Banking Group is listed on the Bahrain and Dubai financial exchanges.

Created to meet the need for Islamic banking services world-wide, Al Baraka Banking Group provides a comprehensive range of Shariah-compliant retail, corporate and investment offerings, as well as treasury services. The group is striving to become a totally integrated financial institution, capable of delivering to customers a full bouquet of financial products designed to meet the evolving needs of its escalating customer-base.

The group is ideally positioned to capitalise on rapid growth within its niche market as demonstrated by its 2012 results. Al Baraka Banking Group's 2012 net income totalled US$235,0 million and total assets increased to US$19,0 billion.

International subsidiaries within Al Baraka Banking Group include:
Banque Al Baraka D'Algerie S.P.A. in Algeria, Al Baraka Islamic Bank B.S.C. in Bahrain, Al Baraka Bank Egypt in Egypt, Jordan Islamic Bank in Jordan, Al Baraka Bank Lebanon S.A.L. in Lebanon, Al Baraka Bank Pakistan in Pakistan, Al Baraka Bank in South Africa, Al Baraka Bank Sudan in the Sudan, Al Baraka Bank Syria in Syria, Al Baraka Bank Tunisia in Tunisia, Al Baraka Türk Participation Bank in Turkey and Al Baraka Banking Group representative offices in Indonesia, Libya and Saudi Arabia and a branch in Iraq.

Al Baraka Bank – South Africa
Established in 1989, Albaraka Bank Limited remains the only fully-fledged Islamic bank in the country. Following a faith-based system of financial management and drawing its guiding principles from Shariah, Al Baraka Bank offers a viable alternative to conventional banking models.

Shariah promotes profit-sharing, while prohibiting the payment or the receiving of interest in any transaction. With its head office in Durban, the bank's national footprint includes seven retail branches, three corporate banking offices and one business office, making available a wide range of sophisticated and fully Shariah-compliant financial products and services.

Al Baraka Bank is owned by both local and international investors. Primary shareholders, as at 31 December 2012, included the Bahrain-based Al Baraka Banking Group B.S.C. (62,15%), DCD Holdings (SA) (Pty) Ltd. (8,61%), DCD London and Mutual plc (4%), Johannesburg-based Timewest Investments (Pty) Ltd. (7,67%) and Sedfin (Pty) Ltd. (3,33%). The balance of the bank's shareholding comprised foreign and local shareholders.

Given the South African subsidiary's impressive growth, Al Baraka Banking Group has progressively increased its shareholding in Al Baraka Bank in South Africa. This operation has emerged to become an integral part of the international group. Utilising its international linkage and coupled with its recent growth trajectory, Al Baraka Bank is intent on taking Islamic banking to a new level in South Africa as a highly professional, effective and efficient financial services provider at the leading-edge of Islamic banking in this country.

Al Baraka Bank's board of directors comprises both local and international business people, all displaying exceptional individual business skills and collective expertise and experience in Islamic banking.

Al Baraka Bank adheres strictly to Shariah in its day-to-day business operations, whilst ensuring that all its products and services comply with Islamic business principles. The bank has an internal Shariah Department, an independent Shariah Supervisory Board and is a member of the international Accounting and Auditing Organisation for Islamic Financial Institutions. Its financial products are regularly reviewed and audited to maintain ongoing compliance with Shariah.

Al Baraka Bank also makes available a significant contribution to the ongoing socio-economic development of South Africa and its people through a comprehensive Corporate Social Investment Programme.

With its pleasing track-record and positioning as 'your partner bank,' Al Baraka Bank is continuing to attract steady and increasing public support as a financial institution committed to adherence to Islamic business principles. Al Baraka Bank is a highly professional, fully-fledged and viable alternative to conventional banking in South Africa.

TEN-YEAR REVIEW

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Statement of Financial Position (Rm)										
Share capital	225	225	150	150	150	150	150	89	53	41
Shareholders' interest	362	347	233	228	217	202	187	118	75	58
Deposits from customers	3 322	2 881	2 571	2 130	1 624	1 449	1 254	1 004	885	749
Advances and other receivables	3 269	2 826	2 395	2 057	1 604	1 478	1 300	1 009	836	543
Total assets	3 716	3 246	2 825	2 381	1 871	1 686	1 470	1 179	1 012	859
Statement of Comprehensive Income (Rm)										
Profit before taxation	34	26	17	18	31	27	15	10	8	5
Total comprehensive income for the year	25	16	11	18	21	18	10	7	5	3
Share Statistics (Cents)										
Basic and diluted earnings per share	112	77	74	125	145	121	102	128	129	77
Headline earnings per share	114	76	69	121	144	121	101	134	102	83
Dividend per share	45	45	45	45	35	25	20	-	-	-
Net asset value per share	1 608	1 541	1 551	1 522	1 446	1 344	1 249	1 330	1 415	1 440
Ratios (%)										
Return on average shareholders' interest	7,1	4,6	4,8	8,2	10,4	9,4	7,0	8,9	8,9	5,5
Return on average total assets	0,7	0,5	0,4	0,9	1,2	1,2	0,7	0,7	0,5	0,4
Shareholders' interest to total assets	9,7	10,7	8,2	9,6	11,6	12,0	12,7	10,0	7,4	6,7

Shareholders' interest
Ordinary share capital, share premium and distributable reserves.

Return on average shareholders' interest
Total comprehensive income for the year, expressed as a percentage of the weighted average shareholders' interest adjusted relative to the timing of the introduction of any additional capital in a particular year.

Return on average total assets
Total comprehensive income for the year, expressed as a percentage of the weighted average total assets in a particular year.

Basic and diluted earnings per share
Total comprehensive income for the year, divided by the weighted average number of ordinary shares in issue adjusted relative to the timing of the issue of any additional ordinary shares in a particular year.

DIRECTORATE AND ADMINISTRATION

Board of directors
During the 2012 financial year, Al Baraka Bank's board of directors comprised the following members:

Non-executive
AA Yousif (57)
Bahraini
- MBA
- Joined the board in 2005
- Non-executive chairman
- Currently president and chief executive of Al Baraka Banking Group

MG McLean (65)
- AEP - UNISA
- Joined the board in 2001
- Non-executive director
- Member of the board credit committee

Independent non-executive
SA Randeree (51)
British
- BA (Hons) MBA
- Joined the board in 2003
- Vice chairman of the board and lead independent director
- Chairman of the directors' affairs committee; interim chairman of the board credit committee
- Member of the remuneration committee

F Kassim (54)
Sri Lankan
- EMP – Harvard Business School
- Joined the board in 2006
- Independent non-executive director
- Member of the directors' affairs committee

A Lambat (54)
- CA (SA)
- Joined the board in 2006
- Independent non-executive director
- Chairman of the risk and capital management committee
- Member of the audit committee

Adv. AB Mahomed SC (67)
- BA LLB
- Joined the board in 1989
- Independent non-executive director
- Chairman of the remuneration committee
- Member of the audit committee and risk and capital management committee

MS Paruk (58)
- CA (SA)
- Joined the board in 2004
- Independent non-executive director
- Chairman of the audit committee
- Member of the risk and capital management committee and board credit committee

YM Paruk (54)
- Joined the board in 2003
- Independent non-executive director
- Member of the risk and capital management committee and the remuneration committee

M Youssef Baker (58)
Egyptian
- B.Sc Economics and Political Science
- Joined the board in 1992
- Independent non-executive director
- Chairman of the social and ethics committee
- Member of the audit committee and the directors' affairs committee

Executive
SAE Chohan (47)
- CA (SA)
- Joined the board in 2004
- Chief executive
- Member of the board credit committee and the social and ethics committee

MJD Courtiade (59)
French
- CA (SA)
- Joined the board in 2004
- Financial director
- Member of the risk and capital management committee.

Company secretary
CT Breeds BA LLB

Shariah Supervisory Board
Dr. AS Abu Ghudda, Chairman (Syrian)
Mufti SA Jakhura
MS Omar B.Comm LLB

Registered office
2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street, Durban, 4001

Transfer secretaries
Computershare Investor Services (Pty) Ltd.
70 Marshall Street, Johannesburg, 2001

Auditors
Ernst & Young Inc.
1 Pencarrow Crescent, Pencarrow Park, La Lucia Ridge Office Estate, Durban, 4051

Company details
Registered name: Albaraka Bank Limited
Registration Number: 1989/003295/06
FSP Number: 4652
NCR Registration Number: NCRCP14
Albaraka Bank Limited is an Authorised Financial Services and Credit Provider
Albaraka Bank Limited is an Authorised Dealer in foreign exchange

Business and postal address
Head Office:
2 Kingsmead Boulevard, Kingsmead Office Park,
Stalwart Simelane Street, Durban, 4001
PO Box 4395, Durban, 4000

Retail branches:
General Manager: D Desai

Kingsmead (Durban)
Regional Manager: F Randeree
2 Kingsmead Boulevard, Kingsmead Office Park,
Stalwart Simelane Street
Durban, 4001
PO Box 4395, Durban, 4000

Overport (Durban)
Branch Controller: A Mahomed
Shop 11, Gem Towers, 98 Overport Drive,
Durban, 4001
PO Box 4395, Durban, 4000

Fordsburg (Johannesburg)
Area Manager: N Cassim
Ground Floor, Baitul Hamd, 32 Dolly Rathebe Road,
Fordsburg, 2092
PO Box 42897, Fordsburg, 2033

Lenasia (Johannesburg)
Manager: N Seedat
Shop 20, Signet Terrace, 82 Gemsbok Street,
Extension 1, Lenasia, 1827
PO Box 2020, Lenasia, 1820

Laudium (Pretoria)
Sales Manager: A Dhooda
Laudium Plaza, Cnr. 6th Avenue and Tangerine Street,
Laudium, 0037
PO Box 13706, Laudium, 0037

Athlone (Cape Town)
Manager: A Abrahams
Cnr. 42 Klipfontein and Belgravia Roads,
Athlone, 7764
PO Box 228, Athlone, 7760

Port Elizabeth
Manager: FI Shah
Shop 5A, Pamela Arcade, 87 2nd Avenue, Newton
Park, Port Elizabeth, 6001
PO Box 70621, The Bridge, 6001

Business office:
Killarney (Johannesburg)
Acting Manager: N Seedat
First floor, Office 105, Office Towers,
Killarney Mall, Killarney.

Corporate offices:
General Manager: I Yuseph

Durban
Manager: M Ameen
2 Kingsmead Boulevard, Kingsmead Office Park,
Stalwart Simelane Street, Durban, 4001
PO Box 4395, Durban, 4000

Cape Town
Manager: P Kumble
Cnr. 42 Klipfontein and Belgravia Roads,
Athlone, 7764
PO Box 228, Athlone, 7760

Gauteng
Regional Manager: AR Gangat
3rd floor, 63 Dolly Rathebe Road, Fordsburg, 2092
PO Box 42897, Fordsburg, 2033

Economic overview

The South African economy was not expected to grow particularly strongly in 2012, mainly because the country's most important trading partner, Europe, would underperform significantly. European countries were engulfed in a programme of fiscal austerity aimed at constraining further increases in Government debt and, as a result of subdued exports to a market which accounts for 30% of South Africa's exports, weighed down on domestic economic growth.

Concerns regarding the possibility of a renewed downturn in the US economy associated with that country's fiscal problems and indications of slowing growth in many emerging markets – most notably China – also helped depress domestic growth.

Confidence was further eroded by industrial unrest on South Africa's mines, its road freight transport industry and its agricultural sector. Unrest sources were multi-faceted and, in part, linked to high levels of inequality and the desire by the working class to make up for an erosion of their disposable income through higher inflation by demanding huge wage increases.

The unrest was also derived from political tensions ahead of the ANC's Mangaung Elective Conference in December. In the event, the immediate outcome of the conference was more favourable than many had anticipated. The election as deputy president of the ANC of Cyril Ramaphosa, who headed the National Planning Commission responsible for the National Development Plan designed to tackle South Africa's structural economic weaknesses, provides hope that issues limiting sustainable growth in the economy will be addressed. The National Development Plan encapsulates proposals for improving education and skills development, promoting small business activity and defusing tensions between business and labour, all critical to improving productivity and reducing unemployment, poverty and inequality.

In addition, the plan deals with factors such as tackling corruption, encouraging infrastructural development, improving Governmental processes to enhance such development and creating an enabling environment in which Government and business may co-operate to address challenges. It is too early to assess whether this new hope will translate into reality, but frequent outbreaks of social unrest remain disturbing. The impact of social and industrial unrest and associated downgrades of South Africa's credit rating have helped to weaken the Rand so as to render domestic industry more competitive in the short-term. However, possible increased inflationary pressures are likely to prevent interest rates from falling further.

Looking ahead, the global environment shows signs of improvement on the back of massive additions of liquidity aimed at resurrecting growth and preventing another major slowdown.

This should assist in sustaining domestic economic growth at a reasonable level. Encouragingly, business opportunities are developing in the rest of sub-Saharan Africa, the benefits of which should rub-off, to some extent, on South Africa's own economic performance. In the longer-term, concerns remain that the build-up of sovereign debt in developed economies will require severe long-term fiscal austerity, weighing down on both the world and domestic economic environments for years to come.

The global environment shows signs of improvement on the back of massive additions of liquidity aimed at resurrecting growth

The artificial stimulus provided by loose monetary policy globally is not a sustainable solution, even if – in the shorter-term – it may boost financial markets. For South Africa to prosper in such an environment, it is essential that the country address its structural weaknesses and to diversify its trade and investment relations into rapidly-growing emerging markets.

Al Baraka Banking Group

The highly acclaimed Bahrain-based Al Baraka Banking Group, with subsidiary banking units in no fewer than 15 countries around the world, is a major shareholder in South Africa's Al Baraka Bank.

Employing some 10 000 members of staff world-wide, the group's assets totalled US$19,0 billion and net income generated totalled US$235,0 million in the 2012 financial year.

The group's new state-of-the-art head office in Bahrain is to be completed during the course of 2013 and stands as a clear reflection of Al Baraka Banking Group's cutting-edge position in the global banking environment and its status as the world's principal Islamic banking group – an image it projects throughout its subsidiary network.

TEAMWORK REMAINS THE ULTIMATE COMPETITIVE ADVANTAGE, BOTH BECAUSE IT IS SO POWERFUL AND SO RARE

Such is the esteem in which the group is held, that Mr Adnan Ahmed Yousif, its president and chief executive – who is also chairman of the South African unit – was presented with the 2012 LARIBA Award for Excellence in Achievement in October 2012. The award was made in recognition of his leadership role in consolidating and operating one of the largest Islamic banking groups in the world. The humbling accolade has spurred the group to redouble its efforts to continue the pioneering work first initiated by HE Sheikh Saleh Kamel, chairman of Al Baraka Banking Group.

In looking forward, the group has established a high-powered think-tank, involving representatives from a number of its international subsidiaries, to give due consideration to how best existing and future information technology systems and solutions may be effectively harnessed for the betterment of the group and its subsidiaries and the enhancement of its service of clients globally.

Shariah banking

Adherence without compromise to Shariah compliance is – and remains – the cornerstone of Al Baraka Bank's existence in South Africa.

We regard such compliance as paramount, given our status as South Africa's only fully-fledged Islamic bank and, accordingly, attribute extensive resources to staff training and interventions to improve controls and structures in the pursuit of unquestionable adherence.

In view of the importance we accord Shariah compliance, and as has been previously reported, our bank is a member of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), widely acclaimed for the standards it sets. These are the very standards to which we adhere in the execution of our business operations. We also take guidance from the Shariah Supervisory Board, which is an independent body of specialist jurists in Islamic commercial jurisprudence.

Lastly, we display – throughout our national network of offices and branches – our Shariah Certificate; a document which is our pledge to clients, potential new clients and other stakeholders that we, at Al Baraka Bank, will continue to remain resolute in our commitment to Shariah.

South African financial performance

Coming off the back of conservative results since the 2008/2009 global slow-down, Al Baraka Bank achieved its best ever results in the 2012 financial year.

This is indicative of the fact that our pragmatic approach, austerity measures implemented and adoption of a range of new and innovative interventions to promote business growth since the ravages of the 2008/09 global financial melt-down have paid handsome dividends. Our 2012 financial year's results indeed reflect a paradigm shift and provide the ideal springboard to a new and sustained growth trajectory.

The financial year saw growth in the bank's gross advances book of 15,0% or R356,6 million, while the deposit book grew by 15,3% or R440,5 million to R3,3 billion. The equity finance book grew by 18,8% or R86,6 million. After allowing for profits shared with and paid to depositors, our net income before impairment for credit losses increased by 16,9% to R124,1 million. Improved fee and commission income and other income gave effect to increasing the bank's net income from operations by R20,6 million or 16,5% to R145,8 million. Total assets exceeded R3,7 billion.

During the review period we worked especially diligently to introduce financial products to close the loop on our product bouquet. Our efforts ensured the provision of a full range of products, meeting requirements to make the transition to become a fully-fledged and competitive commercial bank.

This was a momentous milestone in our 24-year history, serving the public as a niche-market financial institution and laying the foundation necessary to ensure that Al Baraka Bank is able to take its rightful place as a significant player in South Africa's financial sector. We have worked tirelessly for some years to reach our goal of becoming a commercial bank and regard this as a major step in the bank's ongoing development. Whilst we most certainly serve – in the main – an important and significant niche market in South Africa, by making the transition to commercial bank status allows us now to shed the small, niche bank persona.

Our product growth during the review period included making a noteworthy change to our foreign exchange offering.

Our bank has enjoyed Authorised Dealer with Limited Authority status, allowing for retail foreign exchange and an ability to purchase and sell foreign bank notes to clients, since 2008. However, it was always our intention to move the bank to the next level, becoming an Authorised Dealer. This ambition was realised in the 2012 financial year. The new licence opened the door to our launch in December 2012 of a full suite of international banking products designed to allow our corporate clients to transact seamlessly with the rest of the world by offering them an efficient, professional and personal service to establish documentary credits, negotiate or pay bills or make telegraphic transfers for imports. In addition, it further enabled the bank's ability to leverage off the client bases of Al Baraka Banking Group and its global subsidiaries.

Having a full foreign exchange licence clearly places Al Baraka Bank in an advantageous and privileged position as ours is one of only 24 institutions in

South Africa able to offer a complete bouquet in international banking.

This milestone, coupled with our existing range of traditional commercial banking products, was further augmented in 2012 with the introduction of a cheque book facility. Internal trials went live in October 2012, with full roll-out to interested clients at the beginning of January 2013. The move was in answer to rising demand from our client base for a cheque facility in spite of the growth of online banking and a decrease in maximum cheque values. By providing our private and corporate clients access to a cheque account, we have added a complementary product to our existing payment channels offering.

Ours is a commercial South African bank, offering a full range of products and with significant international links, as an integral and important subsidiary to one of the largest Islamic banking groups in the world. It is our intention, therefore, to capitalise on our new-found position of financial sector strength to further grow our product portfolio into the future.

Our new product introduction initiatives of 2012 were positively supported by the exceptional performance of our Shariah-compliant unit trust, the Old Mutual Al Baraka Equity Fund. Old Mutual became involved in this fund in 2010 and it was rated as both one of the top-performing general equity funds in South Africa and one of the foremost Shariah-compliant equity funds in the world during the 2011 financial year. Pleasingly, this impressive performance extended through the period under review.

Access to our bank by clients and prospective new clients is of paramount importance to us and we place a high priority on identifying ways and means to provide facilities to our ever growing client base. In 2011 we extended our national network of seven branches and three corporate offices by opening a business office in Killarney, Gauteng. The office, opened in March 2012, aiming to service the needs of the area's professional market. The business office proved an instant success, exceeding expectations and bringing much needed financial services to role-players in the area. Such was the office's impact that we commenced the process of identifying a regional office in Gauteng which, once established, will increase our footprint in the country.

A 2011 decision, based on professional advice received, to take up the residual assets and liabilities of our wholly-owned subsidiary company, Albaraka Properties Proprietary Limited, in 2012 followed by the dissolution of the subsidiary, was rescinded during the review period. Following a thorough investigation, we believe it not to be in the best interest of the bank to follow-through on the original decision. We, thus, continue operating Albaraka Properties Proprietary Limited.

Further to our property development activities, a decision relating to vacant land, owned by the bank and currently being used as parking, adjacent to our Durban head office at Kingsmead Office Park, was made during the 2012 financial year. Consideration is now being given to the best development option for this portion of land.

Finally, the benefits of a sizeable in-house, back-office business process re-engineering initiative, implemented in 2011, manifested themselves during the period under review. Actions to improve client application times, so enhancing customer service experiences, proved hugely successful and resulted in the upgrade of our innovative Credit Application Processing System. It is envisaged that the continued application of this system into the future will take our service delivery to a new level.

Dividend

The bank takes pleasure in the fact that for the seventh consecutive year we have been in a position to pay a dividend to shareholders.

The bank's board approved a dividend of 45 cents per share for the 2012 financial year.

Corporate governance

Al Baraka Bank fully embraces the principles of fairness, accountability, responsibility and transparency, as referred to in the King Report on Corporate Governance for South Africa (King III).

We recognise these principles as being the pillars of sound corporate governance; pillars which, if adhered to, provide a business with integrity in the eyes of all those with whom such an enterprise interacts. In our every dealing and relationship with stakeholders, we actively strive to give effect to sound and ethical governance behaviour as – and in an effort to remain – a good corporate citizen.

Al Baraka Bank consciously endeavours to remain at the forefront of the financial environment in terms of our commitment to King III and, in so doing, regularly reviews and benchmarks its governance principles against best practice.

In keeping with this, our remuneration policy will again be submitted to our shareholders at our next annual general meeting. They will be required, on a non-binding basis, to vote on the policy.

Given that our bank operates within a highly structured, regulated and legal environment, we have pro-actively addressed the Basel III criteria, putting into place – by way of an especially convened committee – a range of measures designed to ensure the bank's full compliance with such criteria. We also continue focusing on evolving legal circumstances, recently adopting, through shareholders, a new Memorandum of Incorporation in order to meet the requirements of the Companies Act, No. 71 of 2008, as amended.

Information technology
The 2013 financial year provided the bank the opportunity to continue deriving the benefits of our new banking system, the Equation Banking and Branch Automation System, introduced in 2010.

In addition, we began and will continue providing inputs to the Bahrain-led initiative to develop information technology systems and solutions designed to take the group forward in an effective manner, thereby enhancing the financial services offered to clients.

Corporate social investment
The socio-economic empowerment of South Africa's disadvantaged members of society, irrespective of race, gender or creed, remains a focus for our bank.

We acknowledge the need for private sector intervention in this arena and, accordingly, continue delivering on our broad five-point Corporate Social Investment programme which was initiated in 1994 for the benefit of those in need in the fields of education, healthcare, poverty alleviation, humanitarianism and security.

During the 2012 financial year Al Baraka Bank donated funds totalling R4,2 million to deserving organisations and causes across South Africa and we remain committed to assisting in making a positive difference to the lives of the needy in this country.

Future prospects
The bank's primary focus for 2013 and beyond is to increase its traditionally low levels of non-funding income through services it can now offer as a fully-fledged commercial bank. We are intent on looking to create additional and alternative revenue streams within the fields of electronic banking, unit trusts and foreign exchange.

In order to enhance our growth trajectory for the further stimulation of the development of the bank, we aim to give serious consideration to the injection of additional capital and, in particular, to continue developing and introducing innovative financial products for the benefit of existing clients and the attraction of prospective new clients. In this regard, a previous review of the feasibility of introducing Takaful (Shariah-compliant Islamic insurance), which was at the time deferred, is to be renewed in line with increasing public interest in such a product.

We are also in the preliminary stages of looking into the possibility of developing and rolling-out a mobile banking product.

In conclusion, we recognise that the future in South Africa's financial sector is not without its challenges, given the ongoing economic stagnation in parts of Europe and the United States of America, which continues to have a ripple effect around the globe.

However, having developed a full range of products, which classifies our business as a fully-fledged commercial bank – and one which is also Shariah-compliant – we are quietly confident about being able to continue showing positive growth and will set-out now to significantly grow our client base amongst all sectors of the market.

Appreciation
Interventions designed to improve profitability and increase assets, which were implemented in the 2011 financial year in response to the negative impact of the 2008/09 recession and sluggish economic recovery since, have paid off handsomely, given our impressive 2012 results.

This performance is, in no small measure, due largely to the commitment and diligence of our board, executive team and, of course, our staff. We must, therefore, extend our most grateful thanks to all those associated with the bank for the delivery in 2012 of a magnificent business effort.

Credit must go to members of the board whose studied guidance of the bank and strategic inputs has kept our business on a satisfyingly upward trajectory in spite of the economic challenges we have faced in recent times. Their banking expertise and business acumen is an invaluable asset to our financial institution.

Of course, we must extend a sincere vote of thanks to Al Baraka Banking Group and the immense role it has played and, indeed, continues to play in support of our business activities in South Africa. Such support has most certainly provided the foundation for the bank's growth.

To those with whom we have partner relationships – our shareholders and private, business and corporate clients – we offer our profound thanks. Your continued backing of the bank is the driving force behind our business success.

We commit ourselves to the further growth and development of the bank as a mainstream, commercial banking institution and a financial role-player of growing stature in South Africa's financial sector.

We thank Almighty Allah, Most Gracious, and pray that He will continue guiding us to success in future.

……………………………

Adnan Ahmed Yousif
Chairman

Shabir Chohan
……………………………

Shabir Chohan
Chief executive

HUMAN RESOURCES REPORT

The human resources function at Al Baraka Bank is considered to be a strategic enabler in terms of the acquisition, development and retention of the bank's intellectual capital.

We realise that employee satisfaction has a direct bearing on the delivery of customer service excellence and, therefore, we strive to maintain an engaged workforce through constantly improving the organisational climate. Through our fostering of healthy employee relations, members of staff enjoy a secure and productive environment where collaborative relationships form the cornerstone of the bank's business success.

Remuneration committee

The remuneration committee of the board comprises three non-executive directors, one of whom is the deputy chairman of the board.

This committee plays an integral role in ensuring return on investment on shareholder value. This is accomplished through the members' active involvement in working towards best practice with regard to appropriate recognition and remuneration, in relation to the industry sector within which the bank operates.

Social and ethics committee

The social and ethics committee of the board is also closely aligned to employee activities. The committee delivers a governance function, ensuring that our members of staff are provided with a safe and equitable working environment; an environment free from unfair discrimination and which is in keeping with international labour standards.

We place a high premium on social investment. This is maintained through the alignment of the efforts of the social and ethics committee, together with work undertaken by Al Baraka Bank's internal charitable and welfare committee. A number of deserving beneficiaries within the community were identified and assisted with disbursements designed to promote empowerment and upliftment during the 2012 financial year.

Operating within an ethical environment is a core value we of Al Baraka Bank hold dear. Various initiatives, inclusive of our employee ethical behaviour survey, the anonymous whistle-blowing report line and fraud awareness presentations, have combined to re-enforce the critical need for all our members of staff and management teams to, at all times, conduct themselves in an ethical manner.

Succession planning

In keeping with strategic direction provided by and received from Al Baraka Banking Group, a comprehensive succession planning strategy has been developed and implemented by our bank.

The intention behind this vital intervention is to ensure that our company continues to grow and is able to maintain seamless operations in the event of the natural attrition of managerial and/or scarce skills.

The strategies we have put into place have been specifically designed to ensure the development of a robust structure of talent through the creation of a leadership pipeline and on-going career development activities throughout the employment life-cycle. This talent management practice provides for both contingency needs and the retention of intellectual capital within the organisation.

Graduate development programme

Al Baraka Bank has for the past four years taken on a number of newly qualified graduates, allowing them to spend a 12-month period within the bank's business environment and exposing them to the workings of the various departments. This new learning opportunity both provides young graduates with the opportunity to acquire invaluable work experience and presents the bank with potential managers whom it is able to groom for the future.

Talent acquisition

Al Baraka Bank's long-term strategy is to become an employer of choice. It is our intention to develop the bank to become one of the best companies in the financial industry sector for which to work.

We seek the continuous enhancement of our internal and external talent acquisition selection tools and processes, ensuring that we pro-actively attract high-calibre candidates who appropriately fit the business culture of the bank.

In line with this, it is a pleasure to report that our graduate programme continues being most successful. We take comfort from the realisation of a positive return on our investment in young aspiring professionals; young people who have demonstrated a passion for Islamic banking.

Recognition

A special employee recognition awards function was hosted by the bank at our Durban head office during 2012. This event proved to be a resounding success, achieving the desired objective of celebrating the successes of our top-performers and recognising them for the invaluable contributions they have made to our company. The ethos of employee recognition, in terms of customer service excellence and outstanding performance ideals, has certainly filtered through the bank nationally.

Performance management

An automated performance management system was introduced in 2012 to complement the existing suite of human resources information systems. The creation of a high performance organisation, using

KNOWING IS NOT ENOUGH; WE MUST APPLY. WILLING IS NOT ENOUGH; WE MUST DO

this system as a tool, will be closely aligned to our recognition and remuneration strategy going forward.

Training and development

Our training and development committee has played a pivotal role in ensuring the execution of the bank's training and development strategy.

The identification and development of scarce skills has received priority to make sure of the continuity of specialist functions within the bank.

We have partnered with the BANKSETA, as a stakeholder, so as to secure funding for various development opportunities geared to the improvement of the skills of our members of staff. A 2012 highlight included our securing of funding for the National Certificate in Banking Learnership scheme. Some 25 learners nationally – predominantly at branch level – were selected to further develop their careers in banking.

Recognition by Al Baraka Banking Group

Our bank has been recognised by Al Baraka Banking Group for the participation of our members of staff at group level and the quality of skills they have brought to such involvement.

We are pleased that a number of our senior managers have played an active role in various committees at group level and will continue to contribute meaningfully to the achievement of the organisation's strategic objectives.

	AIC*		White		Total		Total
	male	female	male	female	male	female	
Executive management	2	-	1	-	3	-	3
General management	5	-	-	-	5	-	5
Professionally qualified and experienced specialists, senior and mid-management	26	9	2	2	28	11	39
Skilled technical and academically qualified workers, junior management and supervisors	52	51	3	-	55	51	106
Semi-skilled and discretionary decision-making	32	67	-	-	32	67	99
Unskilled and defined decision-making	7	11	-	-	7	11	18
Total	124	138	6	2	130	140	270

* *AIC = African, Indian and Coloured*

Remuneration paid to employees who have a material impact on the banks' exposure to risk

Aggregate compensation of other executive, general and senior management who have a material impact on the banks' exposure to risk equated to R9,7 million (2011: R8,3 million)

Details pertaining to the decision-making process used to determine the bank's compensation policy, its remuneration committee composition and mandate, as well as the most important design characteristics of its compensation system are disclosed in the corporate governance report.

INFORMATION TECHNOLOGY REPORT

The financial and technology landscapes have been transformed markedly in recent years against the backdrop of a highly competitive environment.

Emphasis has been placed on revenue generation, the reduction of costs, innovation of products and services, improved customer service and the realisation of organisational efficiencies and investments, whilst also reinforcing robust governance principles on an on-going basis.

The congruency of the financial and technological elements and their inherent inter-dependencies are starkly noticeable, with the properties of information technology bearing considerable influence over organisational strategies, contemporary challenges and sustainable growth. Both group and bank, being at the forefront of their core business, recognise these properties and the benefits associated with harnessing them to leverage internal cross-sectional advantages, whilst ensuring the bank remains competitive. There exists an ability to adapt dynamically to market changes, meeting the broader strategic objectives of a complex business and technology environment. In this regard, the bank ably responded to market needs, implementing systems integrated into the current core banking environment to address global trading capabilities, the latter representing a turning point in the positioning of the bank. A further milestone was achieved when the bank's portfolio of products and services was broadened to include cheque accounts. The externally-hosted system which facilitates the cheque account product is an extension of the electronic banking system environment.

In other developments, customer service improvement and processing efficiencies were targeted, resulting in the streamlining of certain applications and processes, including the enhancement of the Credit Application Processing System (CAPS). The introduction of IT3B Statements as part of the bank's 24/7 Online Statement System, which enables secure customer access via the internet, led to further efficiencies from a customer services perspective. On the hard technology front, several older PABX units located at branches were upgraded to renew and expand customer communication requirements, with an opportunity to standardise technologies adopted. From a networking infrastructure perspective, the bank's existing data network was extended to incorporate the strategically positioned Killarney Mall business office, with its relatively low system and technology dependencies at this stage.

Broadly, however, the increased portfolio of products and services, coupled with the incremental growth and strategic positioning of the business, is anticipated to create an increased dependency on underlying networks, systems and technologies adopted. It will, therefore, be essential to acquire supplementary technologies, including replication mechanisms to ensure the high availability of critical business systems, for continuity purposes. As a growing organisation, the bank recognises the value of business process re-engineering initiatives and, accordingly, plans to engage the creativity of its key resources to refine and automate processes wherever possible, create business intelligence information stacks and maximise the use of existing technologies, which are targeted contributors of greater efficiencies, lower costs and increased benefits for all stakeholders.

Looking ahead, the bank seeks to explore mobile banking solutions to encourage innovative, cross-platform user delivery and consumption channels, whilst garnering the attractiveness of social media integration to stimulate consumer responsiveness. We now look to bold initiatives, capitalisation on existing investments and the leveraging of technologies which promote an optimistic outlook. We believe it prudent to take cognisance of a constantly evolving and sophisticated security landscape and, with this in mind, the hardening of appropriate security monitoring and enforcement mechanisms, supplemented by sound governance principles and controls, will assist in bolstering the barriers to a variety of technology threats and risks. In line with this, the introduction of the Protection of Personal Information Act is a welcome measure to reinforce appropriate layers of information security standards, benefiting customers and financial institutions alike.

Business Continuity and Disaster Recovery Report

The board of directors and management of Al Baraka Bank recognise that our financial institution is not immune to business disruptions arising from the effects of suspended operations which are the result of natural disasters, systems failures, power outages and similar events.

We are aware that such disruptions could have dire consequences on the bank's activities insofar as its business operations, public image and reliability of services are concerned. In an effort to minimise disruption to the continued activities of the bank, the risk and capital management committee of the board, together with management, has ensured the compilation and update of individual business continuity plans in terms of each business unit and the bank as a whole, taking into consideration the following essential components:

- The continuation of minimum, but indispensable banking services during and after a disaster;
- The provision of alternative communications with relevant stakeholders, including customers, employees, directors and regulators;
- The identification of alternative physical locations for employees and/or customers;
- The continuation of banking business with critical suppliers, contractors and other banks; and
- Compliance with regulatory reporting.

Relevant business continuity plans have been compiled to address failures which impact on information technology systems, as well as on the individual business units and branches. In this regard, the bank's recovery objectives are designed to ensure:

- That critical personnel are available and are on stand-by to manage the disruption;
- The continuation of critical operations and services with minimum disruption during or after a disaster;
- That the likelihood of impact of risks resulting from disruption is minimised; and
- That the level of recovery and complete banking services are quickly attained.

In the event of an off-site recovery being necessitated through the complete or partial loss of premises or loss of information technology systems or a combination thereof, the bank has access to five fully equipped disaster recovery centres located within South Africa. Each comprises secure off-site facilities with a range of dedicated high-performance servers, desktop computers and networking equipment, as well as desk and seating arrangements, printing and telephony services, access to general amenities and access to professional on-site engineers.

In terms of data strategy, the bank utilises the services of recognised off-site storage facilities nationally to store back-up tapes, whilst on-premise tapes pending transit are stored in safes. Back-ups are regularly tested to ensure that data is recoverable and that data integrity is reliable.

The recovery methodology adopted is the simulation of a disaster as close to the real event as possible. This involves performing the necessary recovery processes initially within a controlled environment.

The purpose is to establish the impact of any major variances in the technology and processes, as well as to test the theory of the recovery plans.

Testing of the bank's disaster recovery processes is conducted four times a year, with two tests conducted within the KwaZulu-Natal region, one test in Gauteng and one in the Cape Town region. Each regional test includes a simulated branch recovery, as well as a full recovery at the disaster recovery centre in conjunction with key service providers and external participants. Thus, the recovery efforts represent eight effective tests being conducted per annum, incorporating both off- and on-site branch recoveries per region.

The business continuity plans and disaster recovery processes are reviewed by internal audit on an annual basis, ensuring that these plans and processes remain current and effective. The organisation-wide business continuity plans are stored on a combination-locked flash drive with documents password-protected and under the custody of executives, general managers, branch managers and risk and IT managers.

Finally, the bank recognises the need to facilitate the higher availability of critical business systems, particularly in view of strategic business growth, a broader base of products and services and an increased dependency on the information technology and systems environment.

Accordingly, an investigation into appropriate high-availability system replication solutions to facilitate quicker recovery time-frames is envisaged.

CORPORATE GOVERNANCE REPORT

Al Baraka Bank's governance process
Al Baraka Bank fully embraces the principles incorporated in King III. The board of directors and management remain committed to the highest level of corporate governance, seeking to provide, through the implementation of sound values and a well defined governance structure, long-term sustainable value for all its stakeholders.

The board strives to ensure, through its adoption of the principles of good corporate governance, the creation of an ethical foundation which promotes the well-established principles of responsibility, accountability, fairness and transparency.

The King III report on corporate governance remains the bank's primary framework in respect of governance matters. The board of directors confirms that Al Baraka Bank has, except where indicated, applied in all material respects the King III corporate governance principles. The board recognises that corporate governance remains a dynamic process; a process which requires the board to monitor developments and to take cognisance of changing legislation, regulations and best practice developments.

Business processes have been reviewed and re-assessed to ensure that they meet the requirements of the Companies Act 2008, as amended. The company's new Memorandum of Incorporation was approved at a special general meeting of shareholders held in March this year, replacing in its entirety the previously existing Memorandum and Articles of Association.

Board of directors

Role and function of the board
The board of directors is the custodian of corporate governance for the bank. Through our governance structures, operational practices and processes – which the board has put in place – the bank seeks to create a balance which drives the sustainability of the business, whilst simultaneously addressing the social, environmental and transformational challenges of the financial sector within which it operates.

Board structure and composition
Al Baraka Bank has a unitary board structure. The roles and responsibilities of the chairman and the chief executive have been defined by the board and are separate.

As at 31 December 2012, the board comprised 11 directors, seven of whom were independent non-executive directors and two of whom were non-executive directors. The remaining two directors consisted of the chief executive and the financial director.

The directors collectively bring a wide range of skills, experience and knowledge to the board. This balanced blend of attributes enables the board of directors to guide decision-making and strategy and to discharge its duties and responsibilities in an appropriate manner. In order to ensure that the composition, skills, experience and demographic profile of the board remains relevant and appropriate to the environment within which the bank operates, the directors' affairs committee conducts an annual review of the board's composition. The composition of the board ultimately ensures that no single individual director has unfettered powers of decision-making.

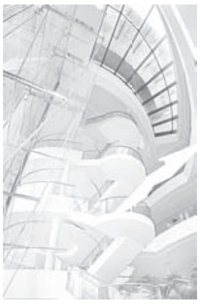
The chairman of the board of directors, Mr AA Yousif, is classified as a non-executive director by virtue of the fact that he holds the position of president and chief executive of Al Baraka Banking Group. The board of directors considers Mr Yousif to be the best person to fulfil the role of chairman of Al Baraka Bank, given his extensive and wide ranging knowledge of, and experience in, Al Baraka Banking Group and the banking industry as a whole.

Mr SA Randeree has been appointed as the lead independent director to facilitate matters discussed by the board of directors when the chairman may, or is seen to have a conflict of interest.

Independence of directors
The independence of directors is reviewed annually by the directors' affairs committee for approval by the board. Independence is determined in accordance with criteria set out in King III. The board fully subscribes to the principle contained in King III that an independent director should be independent in character and judgement, as well as being independent in fact and in the perception of a reasonably informed outsider.

The board assessed the independence of those independent directors who have served on the board for more than nine years, as is the recommended practice in terms of King III. Currently, there are

> The King III report on corporate governance remains the bank's primary framework in respect of governance matters



GOOD CORPORATE GOVERNANCE IS ABOUT 'INTELLECTUAL HONESTY' AND NOT JUST STICKING TO RULES AND REGULATIONS

two such independent directors, namely, Adv. AB Mahomed SC and Mr YM Paruk. Having subjected both the directors to a rigorous review in respect of their independence, the board came to the unanimous conclusion that both Adv. AB Mahomed SC and Mr YM Paruk are independent in character and judgement, notwithstanding their length of service on the board.

Succession planning

The board acknowledges the importance of succession planning. Through their annual review of the composition of the board and the respective board committees, which is conducted by the directors' affairs committee, the directors are satisfied that the board has appropriate depth from a succession planning perspective.

No new directors were appointed to the board during the course of the 2012 financial year. All board appointments, when they occur, need to comply with the requirements of applicable legislation, being the Companies Act 2008, as amended, and the Banks Act, 1990, as amended. In terms of the Banks Act, board candidates must be approved by the Reserve Bank, prior to appointment.

Strategy formulation

The board is responsible for determining the strategy of the bank. The board, being responsible for the overall performance of the bank, monitors the implementation of the approved strategy, which reflects the bank's performance targets. Through reports submitted to the board on a quarterly basis, the financial performance of the bank is closely monitored.

As part of the regulatory environment, the board is required to confirm Al Baraka Bank's corporate governance and risk management objectives for the forthcoming year. Having conducted an evaluation of the 2012 corporate governance and risk management objectives, the board is of the opinion that these objectives have, in the main, been attained.

Delegation of authority

Through its well-established governance structure, the board is able to retain effective control of the business. The current governance structure allows the board to delegate appropriate and relevant powers of authority to several board committees and the chief executive, such that the chief executive can manage the bank on a day-to-day basis. The board has formulated its own levels of materiality, reserving specific powers for itself. In order to ensure that delegated powers of authority remain both relevant and material, they are subjected to a regular process of review.

Director training and induction

Given the nature of the changing environment within which the bank operates, ongoing director education remains an area of focus. Directors are, therefore, kept informed of applicable legislation and regulations insofar as these may impact on the operations of the bank, as well as any changes to rules and business codes which might also affect the manner in which the bank is required to conduct its business. As part of the bank's commitment to the ongoing education of directors, said directors are encouraged to attend external courses, the costs of which are for the bank.

Newly appointed directors receive a governance portfolio containing information relevant to the bank and its operations, including board-approved policies, financial reports, the board charter and those of the board committees, minutes of meetings and key legislation and regulations. A meeting with selected management representatives is scheduled with the newly appointed directors in order to introduce them to the bank, its operations and members of the management team.

Board evaluation and assessment

The performance of the board is evaluated on an annual basis, which is in keeping with the recommendations of King III. This process includes an assessment of the performance and effectiveness of the board as a whole, an evaluation of each committee by members of the committee and an assessment of the chairman and the chief executive. The year under review also saw the introduction of a self-assessment process in respect of directors. The results of the assessments are discussed by the board, having been subjected to in-depth analysis by the directors' affairs committee. No matters of a material nature emerged from the evaluations.

Board meetings

The board held four meetings during 2012. Over and above its quarterly meetings, the board may meet on an ad hoc basis as and when circumstances require. Meetings are scheduled well in advance for the forthcoming year, in consultation with the directors. Directors who are not in a position to attend meetings of the board and the board committees upon which they serve, have an opportunity to link-up via tele-conference and other electronic means, such that their views and comments may be taken into consideration when issues are discussed by the board or board committees.

In order to allow the board to discharge its corporate responsibilities, the board and board committees may, where necessary, seek independent professional advice on any subject matter, such that the directors may give effect to their obligations as directors. The cost of obtaining such independent advice will be at Al Baraka Bank's expense. Where the need arises, directors are free to engage with members of management, in the absence of executive directors with such meetings being co-ordinated through the office of the chief executive. As part of our commitment to an open and transparent corporate governance process, directors engage with management at board and board committee meetings.

The board has a well defined charter which comprehensively records the duties and responsibilities of the board, including the following:

- Formulation of the bank's strategic plan and overall management of the bank;
- Determination of board committees;
- Implementation of effective risk management processes;
- Approval of budgets;
- Monitoring the performance of the chief executive, executive directors and executive management;
- Compliance with laws and regulations;
- Reputational risk;
- Stakeholder communication;
- Directors selection, orientation and evaluation; and
- Board and board committee composition.

The table below outlines attendances at 2012 board and board committee meetings.

Board committees
Board committees constitute an integral part of Al Baraka Bank's corporate governance framework. The board has established a number of committees to assist it in fulfilling its objectives, inclusive of the audit committee, the risk and capital management committee, the board credit committee, the directors' affairs committee, the remuneration committee and, more recently, the social and ethics committee, which arises out of the requirements of the Companies Act, 2008, as amended.

The board has also established a board property committee, whose mandate is to oversee the development of sites 23 and 24 at Kingsmead Office Park. Unlike the other committees, the board property committee is not a permanent committee and will cease to exist once these sites have been developed. All board committees, with the sole exception of the board property committee, operate in terms of written mandates, setting out the roles, responsibilities, composition and terms of reference of the respective committees.

Whilst the board committees assist the board in fulfilling its objectives, it is the board of directors which bears the ultimate responsibility for the performance of the bank. The minutes of all board committee meetings are circulated to the directors. In addition, the chairman of each committee provides the board with feedback on material matters discussed at each committee meeting, as

Name of Director/ Member	Board	Audit	Risk and capital	Board credit	Directors affairs	Remuneration	Social and ethics	Board property
AA Yousif	3/4 [1]	-	-	-	-	-	-	-
SA Randeree	4/4 [2]	-	-	4/4 [1]	2/2 [1]	3/3	-	-
F Kassim	4/4	-	-	-	2/2	-	-	-
A Lambat	4/4	4/5	4/4 [1]	-	-	-	-	-
Adv. AB Mahomed SC	4/4	4/5	4/4	-	-	3/3 [1]	-	-
MG McLean	4/4	-	-	4/4	-	-	-	-
MS Paruk	4/4	5/5 [1]	3/4	4/4	-	-	-	2/2 [1]
YM Paruk	4/4	-	4/4	-	-	3/3	-	2/2
M Youssef Baker	4/4	5/5	-	-	2/2	-	2/2 [1]	-
SAE Chohan	4/4	-	-	4/4	-	-	2/2	2/2
MJD Courtiade	4/4	-	4/4	-	-	-	-	-
EM Hassan	-	-	-	3/4 [3]	-	-	-	-
Y Nakhooda	-	-	3/4 [4]	-	-	-	-	-
Adv. MA Vahed	-	-	-	-	-	-	2/2 [5]	-

[1] = Chairman, [2] = Deputy Chairman, [3] = General Manager: Credit

[4] = Manager: Risk, [5] = Executive: Regulatory and Compliance

well as on matters requiring approval by the board. In order to assist the board and board committees in the execution of their duties and responsibilities, a number of management committees have also been established.

These management committees include the executive management committee, the executive credit committee, the management risk committee, the assets and liabilities committee, the FICA executive committee and the IT steering committee.

Ad hoc committees are established from time to time, such as the bank's Basel III committee, to ensure compliance with Basel III requirements.

Having reviewed the responsibilities relating to the terms of reference of the respective committees, the bank is satisfied that the committees have fulfilled their mandates appropriately. The primary responsibility undertaken by each board committee during the year under review is set out hereunder:

Audit committee
The responsibilities of the audit committee are a function of the Companies Act, 2008, as amended, and the Banks Act 1990, as amended. The statutory report of the audit committee is included in the annual financial statements.

The internal audit department tabled its risk-based functional plan to the audit committee which approved the plan. Internal audit also undertook an assessment of the state of the bank's internal controls.

Members of the audit committee are all independent non-executive directors. The audit committee met five times during 2012.

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MS Paruk
Chairman: audit committee

Risk and capital management committee
The role of the risk and capital management committee is to assist the board in addressing issues of risk and capital management and ensuring compliance with the Banks Act.

The function of the risk and capital management committee is to:
- Ensure the establishment of an independent risk management function, including the provision of training for board members in different risk areas to which the bank is exposed;
- Develop a risk mitigation strategy to ensure that the bank manages its risk in an optimal manner and to assist the board in ensuring that a formal risk assessment is undertaken at least annually;
- Approve new products and ensure that adequate measures have been taken to address all related risks before making recommendations to the board for the approval of such products;
- Assist the board in its evaluation of the adequacy and efficiency of risk policies, procedures, practices and controls applied by the bank; and
- Ensure that processes relating to capital in terms of the bank's internal capital adequacy programme are adequately set aside to the level of risk facing the bank.

The risk and capital management committee is chaired by an independent non-executive director. The risk and capital management committee met four times in 2012.

The risk and capital management committee is satisfied that it discharged its responsibilities in accordance with its charter.

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A Lambat
Chairman: risk and capital management committee

Credit committee

The role of the credit committee is to review and manage the bank's overall credit risk strategy and to approve advances in terms of board-approved delegations.

The credit committee gives effect to its role by, inter-alia:

- Ensuring that the bank's credit risk management process is aligned with the group's credit risk strategy;
- Approving credit authority and mandate levels, in accordance with its delegated powers of authority;
- Reviewing the bank's credit risk management policy for adequacy;
- Assessing the adequacy of Al Baraka Bank's provisioning policy;
- Monitoring credit recovery processes;
- Ensuring adherence to prudential limits; and
- Reviewing stress testing scenarios in respect of credit risks.

Credit committee meetings are also attended by the financial director and management representatives from both the credit and legal departments.

The credit committee met four times during 2012, and is chaired by an independent non-executive director.

The credit committee is satisfied that it discharged its responsibilities in accordance with its charter.

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SA Randeree
Interim chairman: credit committee

Directors' affairs committee

The role of the directors' affairs committee is to assist the board by evaluating the appropriateness of corporate governance structures and practices throughout the bank. The directors' affairs committee gives effect to its role by:

- Reviewing the structure, size, skills, experience and composition of the board which is required for its effective functioning;
- Maintaining a board directorship continuity programme;
- Facilitating an annual assessment of the board and board committees and the contribution of individual directors;
- Identifying, evaluating and recommending nominees to the board of directors and other entities in terms of an agreed process. To this end, the directors' affairs committee serves as the nominations committee for directors;
- Providing a forum for non-executive directors to meet in the absence of executive directors and management; and
- Monitoring the effectiveness of the bank's governance structures.

The membership of the directors' affairs committee is limited to non-executive directors, in accordance with the requirements of the Banks Act. The chief executive attends meetings at the invitation of the directors' affairs committee. The directors' affairs committee met twice during 2012.

The directors' affairs committee is satisfied that it discharged its responsibilities in accordance with its charter.

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SA Randeree
Chairman: directors' affairs committee

CORPORATE GOVERNANCE IS CONCERNED WITH HOLDING THE BALANCE BETWEEN ECONOMIC AND SOCIAL GOALS AND BETWEEN INDIVIDUAL AND COMMUNAL GOALS

Remuneration committee
The role of the remuneration committee is to advise the board on a wide range of human resources issues. These include:
- Facilitating the creation of an environment where employees who demonstrate the qualities of initiative, effort, ability, enterprise and loyalty are able to develop meaningful and rewarding careers within Al Baraka Bank;
- Ensuring that an employment equity policy exists and is appropriately implemented. The policy is to address, inter-alia, issues impacting on anti-discrimination, resolution of disputes and disciplinary action;
- Making recommendations to the board on succession planning matters;
- Ensuring that the bank's compensation policy is adjusted for all types of risk; and
- Ensuring that incentive payments are directly linked to the contribution of the individual and the performance of the business.

The chief executive attends meetings of the remuneration committee by invitation, but does not participate in discussions and decisions regarding his own remuneration and benefits.

The remuneration committee is chaired by an independent non-executive director and met on three occasions in 2012.

The remuneration committee is satisfied that it discharged its responsibilities in accordance with its charter.

Social and ethics committee
The role of the social and ethics committee is to monitor Al Baraka Bank's activities, having due regard to legislation and best practice in the areas of ethics and stakeholder management, with particular reference to employees, communities, consumers and the environment.

The social and ethics committee has its own charter which sets out the duties and responsibilities of the committee.

During the course of the year, the committee considered issues impacting on the environment as well as issues which form part of the bank's corporate social investment programme. In this regard, the committee is looking to incorporate aspects of Al Baraka Banking Group's own corporate social investment programme into the South African programme.

The chairman reports annually to the shareholders on the activities of the committee.

The social and ethics committee is chaired by an independent non-executive director. The composition of the social and ethics committee meets with the requirements of Regulation 43 of the Companies Act.

The social and ethics committee met twice in 2012.

The social and ethics committee is satisfied that it discharged its responsibilities in accordance with its charter.

Adv. AB Mahomed SC
Chairman: remuneration committee

M Youssef Baker
Chairman: social and ethics committee

Company secretary

All Al Baraka Bank directors have access to the services of the appropriately qualified and experienced company secretary.

The company secretary maintains an arms length relationship with the board and is not a director.

The company secretary has a direct line of communication to the chairman and provides the board and individual directors with guidance as to how their responsibilities should be discharged in the best interests of the bank.

Preparation of board and board committee packs is the responsibility of the company secretary, with the ongoing education of the directors also being a function which falls within the ambit of the company secretary.

Ethics

Al Baraka Bank has a well-defined and relevant code of business conduct; a code which contains important values and objectives which are aligned with King III principles. Sound values, entrenched within the bank's system of corporate governance, will benefit not only the bank, but all its stakeholder groups.

The code, depicted in full at the beginning of this document, also serves to support the King III principle that ethics constitutes the very foundation of corporate governance.

Codes of transformation

Al Baraka Bank is in the process of obtaining an independent assessment of the bank's Broad-Based Black Economic Empowerment performance through an accredited verification agency.

The bank has also noted the introduction of the approved Financial Sector Code, towards the latter part of 2012, which will be used as the code against which to measure the bank's Broad-Based Black Economic Empowerment performance in future.

SUSTAINABILITY REPORT

Introduction

King III recommends that companies should regularly prepare integrated reports, detailing the impact such companies have on the economic, environmental and social well-being of the communities with whom they regularly interact.

It is recognised that stakeholders increasingly require supplementary information from the companies with which they inter-relate; information pertaining to a company's economic, environmental and social performance, as well as its more traditional financial performance.

The preparation of a sustainability report provides evidential information regarding a company's record in terms of its history, past performance and future scheduled activities, all of which have a direct or indirect bearing on the 'triple bottom line.'

In line with this practice, Al Baraka Bank's own integrated report tenders a holistic and integrated account of both the bank's sustainability and its financial accomplishments. The bank remains steadfast in its adoption of fair and equitable business practices, designed to integrate economic, environmental, social and ethical values, so advancing the continued transformation and sustainability of the bank going forward.

It therefore follows that it makes good business sense to adopt an eco-efficiency approach to our company operations. This methodology is based on a simple proposition; that a significant reduction in waste generation and operational inefficiencies will result in our ability to generate financial savings, together with the simultaneous safeguarding of the environment.

Company overview

As South Africa's only fully-fledged Islamic bank, Al Baraka Bank remains unswerving in its commitment to the provision of Shariah-compliant banking in this country. Our vision is to provide society with a fair and equitable financial system; one which rewards effort and contributes to the development of the community we serve. In realising such a vision, Al Baraka Bank conducts its business in an ethical manner and in accordance with Islamic beliefs, practising the highest professional standards and sharing the mutual benefits derived with its customers, staff and shareholders.

Al Baraka Bank is working towards the realisation of a business strategy which maximises profits, while increasingly contributing to the best practice defence of the environment.

Strategic business objectives, competencies and key performance indicators

The bank is engaged in meeting four broad strategic business objectives, inclusive of:

- Increasing returns to shareholders;
- Promoting customer service excellence;
- Developing innovative products; and
- Utilising enhanced technology.

Identification of risks and opportunities

The bank sets out to continuously identify risks and opportunities, utilising various methods and processes to effectively manage the risks and to take advantage of the opportunities it encounters in its day-to-day business activities. In executing such enterprise risk management strategies, the bank endeavours to manage its overall financial risk, as well as those risks associated with strategy, operations, reporting and regulatory compliance.

Organisational and governance structure

Al Baraka Bank adheres strictly to the principles of good governance with respect to its business operations, in line with the four pillars which effectively underpin good corporate governance, being responsibility, accountability, fairness and transparency.

This it achieves through the employment of its own internal King III committee, which is mandated to give effect to King III recommendations within the company's governance framework. This ensures continuous improvement with regard to transparency of information and the adoption of the best practice ideal.

Being a Shariah-compliant bank, it should be recognised and accepted that the following is prohibited:

- Collection or payment of interest;
- Transactions which involve excessive risk and speculation; and
- Investment in prohibited activities.

In faithfully following Islamic business principles, Al Baraka Bank remains true to Shariah Standards published by the Accounting and Auditing Organisation for Islamic Financial Institutions. It actively avoids any investment in non-Shariah-compliant fixed-income instruments or securities, does not hold cash balances in interest-bearing accounts or assets and does not invest in any company which may be involved in alcohol, tobacco, pork, casinos, hotels or conventional banks.

Managing sustainable development

Business sustainability centres on a paradigm shift away from the customary short-term focus on profitability to the stimulation of more enduring performance in terms of economics, governance, social matters, ethics and the environment. This, in turn, has the effect of creating sustainable shareholder value, while also managing the interests of a range of other stakeholder groups.

The economic, environmental and social features which have a bearing on the methodology behind which our bank conducts its business activities in a sustainably responsible manner are fully documented herein:

Economic
As a Shariah-compliant banking enterprise, Al Baraka Bank places great store in responsible financing, promoted through its adherence to requirements set out in the National Credit Act.

We seek constantly to create long-term and sustainable economic value for the benefit of the bank's stakeholders. We develop and implement effective and efficient risk management systems geared to complementing the bank's adherence to best governance practices, compliance with all laws and regulations and alignment with good ethical conduct.

Through the responsible implementation of such systems, it is the bank's intention to significantly grow shareholder value.

Environmental
Embedded in the charter of our social and ethics committee of the board is a commitment to pro-actively defend the environment and conserve natural and renewable energy resources.

Although recognising that our bank's environmental impact is not as profound as may be experienced in South Africa's manufacturing sector, we are, nevertheless, extremely mindful of the importance of the role we can and must play enterprise-wide in promoting energy conservation and the considered usage of scarce and non-renewable resources.

The bank follows a continuous assessment approach to environmental sustainability, identifying and implementing measures to minimise our company's eco-footprint throughout our national network of operations.

Such measures include, but are not necessarily limited to:

- The switch from conventional light bulbs to high-performance, energy-saving LED down-lighters, in line with a rebate offering provided by energy utility, Eskom;
- The maximisation of natural light at Al Baraka Bank outlets and, especially, its Durban-based head office and Kingsmead branch which were both architecturally designed specifically to filter natural light;
- The minimising of paper usage within the organisation by staff, through the promotion of electronic communication, and the facilitation of electronic communication with the bank's shareholders, replacing wherever possible the provision of printed materials and notifications;
- The encouragement of shareholders to adopt electronic communication with the bank's transfer secretaries as the norm in an effort to reduce paper consumption, curtail the need for road and/or air transport and minimise postage requirements;
- The effective sorting and recycling of a variety of waste materials;
- The automatic shutdown of both the centrally-ducted air-conditioning and lighting systems throughout the bank's iconic head office by way of the building's in-built management system; and
- The development of an atrium, bedded with indigenous plants and vegetation to promote improved air quality within the confines of this multiple-volume four-storey building.

An electricity and water management system has been introduced at the bank's head office and Kingsmead branch, enabling management to monitor consumption of these resources on a monthly basis.

We seek constantly to create long-term and sustainable economic value for the benefit of the bank's stakeholders

The embryonic management system has already shown a marked saving in electricity usage; a consequence of the recent introduction throughout the structure of LED down-lighters.

This is being followed by a second phase action, inclusive of the development and implementation of conservation targets for both electricity and water consumption.

Social
It is acknowledged that South Africa remains beset by a plethora of socio-economic problems. It is further accepted that companies within the private sector have an obligation, as responsible citizens, to be seen – through direct involvement – to be providers of solutions to the country's socially-based challenges.

Our bank has, since 1994, employed a five-point corporate social investment programme to make significant contributions to the upliftment and empowerment of society's disadvantaged. Our areas of focus mirror the areas of greatest need in the country, namely education, health, poverty alleviation, security

GOING LOW-CARBON IS THE ONLY OPTION FOR A PROFITABLE, FUTURE-PROOF BUSINESS

and humanitarianism.

Such is the importance the bank attaches to its social role, that its entire corporate social investment programme is driven by the social and ethics committee of the board, supported by management's charitable and welfare committee. Our corporate social investment activities are regularly reported to Al Baraka Banking Group, the Bahrain-based international banking group of which Al Baraka Bank in South Africa is a subsidiary.

The 2012 financial year alone saw the bank contribute some R4,2 million to a range of organisations we identified as having proven needs within the framework of our programme.

Stakeholder engagement
In response to King III requirements, Al Baraka Bank has formulated a stakeholder policy through which we engage with a wide range of stakeholder groups.

Customers
Our customers provide the bank with a business purpose and mission and we accordingly and diligently work to ensure that our business is, and will remain, customer-centric.

The bank actively engages with customers so as to gain insights to their financial product needs and expectations, while offering professional advice about our extensive existing product offerings.

We are intent on delivering to our customers an exceptional banking experience and, therefore, place a high premium on the provision, by our members of staff, of service excellence as a way of life. This is tested through regular and random customer interactions to gauge their sentiments regarding service experiences at the bank. Such feedback enables us to identify shortcomings and to implement, where necessary, corrective actions.

Our customer service centre sharecall telephone facility is a vital mechanism through which we are able to rapidly attend to customer queries, concerns, complaints and compliments. It, together with other channels of interaction, permits us to swiftly and accurately analyse customer information so as to better understand the evolving financial product needs of those who bank with us.

We also utilise customer feedback in deliberations concerning the identification, development and introduction of additional new products and services.

Employees
Recruitment and training –
Our members of staff are the bank's single most important asset.

As a financial institution, we operate in a highly regulated business and legal environment; an environment which necessitates the highest of standards, absolute integrity, total honesty, high morals, complete accountability and a strong disposition towards customer service.

Against this background, we seek staff of the highest calibre, setting out to attract, develop and retain top talent. To ensure members of staff reach their full potential, the bank has in place a range of training and development interventions, all geared towards the creation of a high performance culture within the bank.

We are committed to the principles which drive transformation and are consequently steadfast in our desire to ensure the practice of fair, professional and scientific recruitment, in the knowledge that this will give effect to the appropriate placement of identified talent within the correct positions. The bank also has in place access to various Islamic educational initiatives, together with a successful graduate programme, which offers university graduates the opportunity to experience all aspects of the banking environment in a fixed term.

BANKSETA funding has been secured for the sponsorship of a series of relevant management and executive courses, providing participants with opportunities for career growth.

Managing diversity –
The bank recognises the importance of diversity within the workplace.

Developing a business culture which encompasses the beliefs and values of all is important to us. Our goal is to bring together the shared skills and work-related activities of members of staff in such a way as to foster new perspectives, so giving rise to innovative and inclusive business solutions.

We actively support the well-established and widely recognised concept of diversity and use it to inspire amongst our members of staff the need for mutual respect, a sense of belonging, a feeling of self-worth and the fortitude to contribute to the company's decision-making processes.

Transformation –
Transformation, in the South African business context, remains an area of focus.

The bank is supportive of the underlying transformation principles, including the need to employ representatives of historically disadvantaged groups, inclusive of women and those with disabilities. We also recognise and endorse the transformational policies of the Department of Trade and Industry, applying, where appropriate, our preferential procurement policy.

The bank welcomes the finalisation of the Financial Sector Code, which we will use in future to report our Black Economic Empowerment performance. In addition, the bank has engaged a leading ratings agency with a view to securing for the bank a verifiable Broad-Based Black Economic Empowerment certification rating.

Employment equity –
Al Baraka Bank embraces the employment equity ideal and remains committed to recruiting staff from the ranks of the historically disadvantaged.

In addition, we regard as critical the need to accelerate the role of women in business and so ensure, wherever possible, the promotion and appointment of women to senior management positions within the bank.

Employee wellness –
A healthy workforce is a productive workforce.

In recognition of this, we take the health and welfare of our members of staff very seriously and have developed a health and wellness policy. The primary objective behind such a policy is to advance the overall health and well-being of our staff complement. This is achieved through a series of interventions addressing health education and other related issues, supportive of lifestyle changes which are aimed at improving productivity and the general well-being of staff.

Staff communication –
The bank is aware of the importance of keeping staff informed about developments affecting the bank and utilises a range of communication channels to ensure that every individual is made aware of our strategic direction and other information connected with our business activities.

Channels we employ for such internal communication include:

- **The chief executive's address:** A quarterly briefing of all staff following each meeting of the bank's board;
- **The intranet site:** An internal online communications tool for accessing posted information;
- **Social media:** A critical channel of communication utilised by management to communicate quickly and universally with staff;
- **The contact centre:** An email and telephonic contact point regarding a variety of employee-related issues;
- **Employee self-service facility:** A mechanism to allow staff to attend to a number of human resources activities electronically, such as applying for leave, acquiring payslips and the like; and
- **Tip-offs Anonymous:** A dedicated external fraud hotline which operates on the basis of anonymity.

Shareholders:
The bank regularly provides shareholders with relevant information, delivered in a timely manner and in accordance with the requirements of the Companies Act, 2008, as amended, in an effort to encourage and entrench the principles of transparency and accountability through constructive two-way communication.

We actively encourage our shareholders to attend the bank's annual general meetings. We promote the presence of the chairmen of our various committees of the board and the Shariah Supervisory Board at such meetings in order that they may provide informed responses to shareholder queries. In addition, the chairman of the social and ethics committee of the board utilises the annual general meeting platform to deliver a detailed report on the activities and workings of the committee, in keeping with the requirements of the Companies Act.

Our board is of the opinion that well-informed shareholders have a well-defined appreciation for the bank and its operations, so enabling them to make informed decisions in the best interest of the bank.

Community:
In keeping with our company's positioning statement, 'Your Partner Bank', we look to create sound partnerships with the different communities within which we operate, in a concerted effort to ensure the relevance of our offerings and the essence of both the business and social role we play within such communities.

The tools used to engage with community members are varied and include personal interaction, involvement in and sponsorship of community service events, communication via both social media and print media, the provision of special-purpose publications – such as the integrated annual report – SMS messaging and our interactive website. The effective two-way use of such channels provides our bank with invaluable insights to community needs, expectations and aspirations.

Regulators and industry bodies:
As a registered bank, we enjoy established relationships with industry regulators and ensure the bank's formal adherence to the legal and regulatory requirements of such regulators. This we achieve through ongoing interaction with these bodies by way of statutory reporting activities and scheduled prudential visits.

The bank also interacts with financial industry and related bodies, such as the Banking Association of South Africa and, more recently, the South African Banking Risk and Information Centre in order to keep abreast of emerging trends and developments within the financial sector. This makes certain the bank's ability to deliver best industry practises for the benefit of all our stakeholders.

Media:
Al Baraka Bank employs and actively develops a relationship-building strategy with key members of South Africa's business media (print and electronic) in order that we may both prominently position the brand in the public domain and publicise newsworthy events involving the company, thus keeping our broad stakeholder groups informed.

Suppliers:
Given our commitment to the ideals behind Broad-Based Black Economic Empowerment, the bank employs a preferential procurement policy through

which suppliers from historically disadvantaged backgrounds are, where appropriate, utilised.

Such a mechanism is designed to facilitate the growth and development of these enterprises. This policy is further offset by a fast-track payment system, pursuant to the completion and delivery of commissioned works, thereby facilitating improved cash flows within such companies as a means of pro-actively promoting their long-term business sustainability.

Conclusion

The detail contained in our sustainability report best evidences, in all respects, the bank's discharge of its sustainability responsibilities, the rendering of highly ethical management and control qualities and the delivery of professional communication with its various stakeholder groups.

Importantly, this report also demonstrates for the benefit of all our stakeholder groups Al Baraka Bank's standing within South Africa's financial sector as a responsible corporate citizen.

Although still in its infancy, sustainability reporting is becoming a progressively more important measure, enabling stakeholders to acquire insight to and an assessment of a company's 'triple bottom line' of economic, environmental and social performance. In line with this, the bank recognises the importance of continuously expanding and developing our future sustainability reporting abilities.

Accordingly, the bank is devoting significant resources to the more efficient evaluation and quantification of its sustainability measures in future. We view the sustainability reporting process as more than an exercise in mere reporting.

It allows us to focus on integrated performance, while affording the bank a unique business opportunity to identify otherwise latent revenue streams and to reduce company costs.

Lastly, no assurance has been attained relating to Al Baraka Bank's sustainability measures for the 2012 financial year.

COMPLIANCE REPORT

The regulatory landscape has changed significantly over the years with a slew of new legislation emerging. In this regard, Al Baraka Bank ensures the continuous up-skilling of compliance personnel in order to facilitate capable and exceptional service delivery, given that the focus of the bank's compliance function is the effective monitoring of regulatory and reputational risk.

It is accepted that regulatory risk is the risk that the bank could be exposed to penalties and sanctions for failing to comply with the statutory, regulatory and supervisory requirements imposed by the South African Reserve Bank and any other regulatory bodies by which Al Baraka Bank is regulated.

Reputational risk is regarded as being the risk that the bank could be exposed to negative publicity as a consequence of, inter-alia, contravening laws applicable to the bank.

Accordingly, our compliance personnel work to support management in complying with both the letter and spirit of the law and other supervisory requirements. Our compliance officer operates in line with an authority delegated by the board and in terms of a board-approved compliance charter. The compliance officer has unfettered access to the chief executive, the audit committee and the chairman of the board.

Reports and updates are submitted to the audit committee, board and the South African Reserve Bank on a regular basis and cover a range of compliance matters. During the 2012 financial year no material issues of non-compliance were reported.

Regulatory developments which had a significant impact on Al Baraka Bank during the 2012 financial year included:

- **Anti-money laundering control and combating of terrorism legislation**
  With long-standing procedures and policies in place, the bank enjoys a systematic approach to detecting suspicious activity and reporting such transactions, in the prescribed format, to the authorities. Given that there have been significant enhancements to technology related to anti-money laundering and terrorist detection, the bank continues to explore all relevant systems or processes to assist in this function. The bank's focus on such compliance is maintained by dedicated branch staff, the anti-money laundering officer and the compliance officer.

- **Financial Advisory and Intermediary Services Act**
  Al Baraka Bank's licence allows for the implementation of a number of interventions designed to give effect to compliance with the Financial Advisory and Intermediary Services Act (FAIS Act).

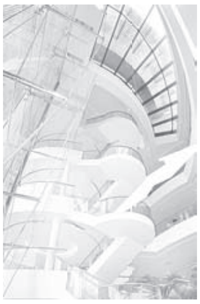
  Such interventions include:
  - Identifying and appointing additional representatives, establishing training necessities and updating the required register;
  - Reviewing processes, communication, promotional and other materials so as to ensure that they are aligned with the requirements of the FAIS Act and codes of consumer protection;
  - Up-skilling staff to make certain they meet FAIS qualification requirements; and
  - Updating the bank's own FAIS policy and procedure document as and when necessary.

- **Home Loan and Mortgage Disclosure Act**
  This piece of legislation was introduced as a means of levelling the playing fields with regard to access by historically disenfranchised members of society to residential property finance. The introduction of this Act has led to extensive system changes. The bank annually provides necessary statistics to the Office of Disclosure, located within the Department of Human Settlements.

- **Consumer Protection Act**
  As a result of the Consumer Protection Act (CPA), which came into effect on 01 April 2011, the bank established a committee responsible for unpacking all the relevant provisions. This culminated in the successful incorporation of the CPA into the bank's policies and procedures, ensuring that such provisions are thoroughly embedded within the fabric of the bank's operation.

- **Companies Act 2008**
  With the Companies Act, No. 71 of 2008, as amended, coming into effect on 01 May 2011, the bank created a companies act committee to examine the Act and Regulations.

> Our compliance personnel work to support management in complying with both the letter and spirit of the law and other supervisory requirements



INTEGRITY IS ONE THING YOU CAN'T AFFORD TO LOSE

The implementation of provisions thereof is continuing.

- **Protection of Personal Information Bill**
  With the imminent promulgation of the Protection of Personal Information Bill, the bank has proactively established a project team which will be responsible for driving its implementation, as it pertains to the bank.

- **Foreign Account Tax Compliance Act**
  The Foreign Account Tax Compliance Act (FATCA) imposes a penal withholding tax on foreign entities which refuse to disclose the identities of USA persons with offshore bank accounts and/or investments that commit tax evasion.

  Al Baraka Banking Group has conducted an assessment of FATCA compliance by the group and each of its subsidiaries and relevant reports have been issued to each unit. Our bank has formed a task force and steering committee to ensure compliance with FATCA.

Monitoring is viewed as an essential element of the compliance function. Accordingly, an extensive monitoring plan has been incorporated into the bank's system. The monitoring of legislation has been further enhanced through the introduction of new compliance software.

Four internal control officers – one each in the Durban and Athlone regions and two in the Gauteng region – assist with the monitoring of compliance in line with legislation. These reports are submitted to monthly management EXCO and quarterly FICA EXCO meetings.

The bank applies a zero tolerance approach to non-compliance and prides itself on maintaining a rich culture of compliance to laws, rules, standards and policies.

The need and, indeed, requirement for absolute compliance is repeatedly emphasised by the bank with a view to entrenching a collective staff mind-set which gives effect to full compliance with all relevant laws.

SHARIAH REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

In the name of Allah, the All Compassionate, the Most Merciful

To the shareholders of Albaraka Bank Limited
We have reviewed the principles and the contracts relating to the transactions and applications introduced by Al Baraka Bank during the year under review. We have also conducted our review to form an opinion as to whether Al Baraka Bank has complied with Shariah Rules and Principles in accordance with the Shariah Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the resolutions issued by the Shariah Supervisory Board of the bank.

Al Baraka Bank's management is responsible for ensuring that the bank complies with Islamic Shariah Rules and Principles. It is the Shariah Supervisory Board's responsibility to form an independent opinion, based on its review of the operations of Al Baraka Bank and report to you.

We conducted our review, which included examining, directly or indirectly through the Shariah Department, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the bank, including interviews with members of management.

The scope of the audit included:
- Financial Statements for the year ended 31 December 2012;
- Murabaha Financing;
- Musharaka Financing;
- Equity Murabaha Transactions;
- Profit Distribution;
- Disposal of Impermissible Income;
- Foreign Exchange Transactions; and
- Review and Approval of Zakah Calculation.

We planned and performed our review so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Al Baraka Bank has not violated Islamic Shariah Rules and Principles.

In our opinion:
1. The contracts, transactions and dealings entered into by Al Baraka Bank during the year under review are generally in compliance with Shariah Rules and Principles;
2. The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Islamic Shariah Rules and Principles;
3. An amount of impermissible income has been designated to be paid to charity;
4. In relation to certain transactions which were erroneously transacted, we directed management to rectify the same; and
5. Zakah of the bank was calculated at 31c per share. Shareholders are advised to discharge this Zakah individually, as the bank is not mandated to discharge this on their behalf.

We beg the Almighty to grant us all the success in this World and the Hereafter.

Dr Abdus Sattar Abu Ghudda Chairman	**Sheikh Mahomed Shoaib Omar** Member	**Mufti Shafique Jakhura** Member

30 January 2013

SHARIAH SUPERVISORY BOARD

Shariah Supervisory Board of Al Baraka Bank
The Shariah Supervisory Board is an independent body comprising specialist jurists in Islamic commercial jurisprudence and is entrusted with directing, reviewing and supervising the activities of Al Baraka Bank, thus ensuring that the bank complies with Shariah.

The board sets out to ensure that all Shariah matters regarding Al Baraka Bank are dealt with in a professional manner and in strict accordance with the standards set by AAOIFI.

The Shariah Supervisory Board's rulings and resolutions are binding on the bank.

It is the responsibility of the Shariah Supervisory Board to carry out regular audits of transactions and, based on its reviews of the bank's business operations, to form an independent opinion.

Al Baraka Bank's Shariah Supervisory Board comprises:

Dr Abdus Sattar Abu Ghudda (Syrian)
Dr Ghudda is the senior Shariah consultant for the Al Baraka Banking Group. He is also a director of the Department of Financial Instruments at Al Baraka Investment and Development Company and is a member of the Shariah Supervisory Boards of several Islamic financial institutions. He is an active member of the OIC Islamic Fiqh Academy and AAOIFI. He was responsible for the research and compilation of the Encyclopaedia of Fiqh of the Kuwait Ministry of Awqaf and Islamic Affairs and is a former member of the Ministry's Fatwa Board. He has taught fiqh and Islamic studies in Kuwait and Saudi Arabia. Dr Ghudda obtained BA degrees in Islamic Shariah and in Law from Damascus University. He went on to earn his MA degree in Shariah and hadith and his PhD in Shariah and comparative fiqh from Al-Azhar University in Cairo.

Sheikh Mahomed Shoaib Omar
Sheikh Omar serves as a member of the Shariah Supervisory Board of Al Baraka Bank. He completed his LLB at the University of KwaZulu-Natal in 1979 and studied Arabic and Islamic Law under Mufti Taqi Usmani in 1982. He was also a student of Qadhi Mujahidul Islam, the founder of the Islamic Fiqh Academy of India. He was granted the right of appearance in the High and Constitutional Courts of South Africa in 1995. He currently practices as an attorney and has written a number of books and numerous articles on Islamic law and commerce.

Mufti Shafique Ahmed Jakhura
Mufti Jakhura serves in the Fatwa Department preparing and issuing Islamic juristic rulings at the Darul Ihsan Research Centre in Durban.

He has established and heads the Centre for Islamic Economics and Finance SA – a non-profit organisation dedicated to increasing awareness and providing education in the fields of Islamic economics and finance.

In 2002 he completed, with distinction, the Aalimiyah Course at Madrasah Taleemuddeen, in Durban and in 2005 completed a three-year specialisation course in Islamic Jurisprudence (Fiqh and Fatwa) from Jamia Darul Uloom Karachi, under the guidance of Mufti Taqi Usmani, which culminated in the submission of a thesis on the topic of Shirkat and Mudharabat. He also has an Advanced Diploma in Islamic Banking and Finance from the Centre for Islamic Economics, based in Karachi.

Shariah supervision of the Old Mutual Al Baraka Shariah funds
The partnered Old Mutual Albaraka Shariah funds are managed in strict accordance with Shariah. The funds afford opportunities for Muslim investors seeking socially and morally responsible investments on the Johannesburg Securities Exchange.

The appointment of an independent Shariah Supervisory Board indicates the absolute commitment to both Shariah and Islamic economic principles. The Shariah Supervisory Board comprises Mufti Justice (retired) Muhammad Taqi Usmani (Chairman), Dr Muhammad Imran Ashraf Usmani, Sheikh Mahomed Shoaib Omar and Mufti Zubair Bayat, and meets at least once annually.

The board has also appointed a local Shariah sub-committee, comprising Sheikh Mahomed Shoaib Omar and Mufti Zubair Bayat, who examine the Shariah compliance status of prospective companies and the core activities and financials of every company in the fund universe so as to ensure that each and every company complies with Shariah principles as set by AAOIFI. All investments made by the fund ensure ongoing compliance with Shariah board directives.

The local sub-committee meets at least four times a year in order to ensure the execution of its mandate and to report to the Shariah Supervisory Board annually.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

NATURE OF BUSINESS	Islamic Financial Services
AUDITORS	Ernst & Young Inc.
REGISTERED OFFICE	2 Kingsmead Boulevard Kingsmead Office Park Stalwart Simelane Street Durban 4001 P O Box 4395 Durban 4000
PARENT AND ULTIMATE HOLDING COMPANY	Al Baraka Banking Group B.S.C.
REGISTRATION NUMBER	1989/003295/06
COUNTRY OF INCORPORATION	Republic of South Africa

CONTENTS

The financial statements of Albaraka Bank Limited have been audited in compliance with S30 of the Companies Act of South Africa. Albaraka Bank Limited's financial manager, Rishaad Bismilla CA(SA), and general manager: finance, Abdullah Ameed CA(SA), were responsible for the preparation of the financial statements.

DIRECTORS' RESPONSIBILITY STATEMENT AND COMPANY SECRETARY STATEMENT

The company's directors are responsible for the preparation and fair presentation of the group annual financial statements and separate parent annual financial statements, comprising the audit committee report, company secretary statement, directors' report, the statement of financial position as at 31 December 2012 and the statement of comprehensive income, the statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the group's and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group annual financial statements and separate parent annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group annual financial statements and annual financial statements
The group annual financial statements and annual financial statements, as set out on pages 34 to 83, were approved by the board of directors on 15 March 2013 and signed on their behalf by:

……………………………..
Adnan Ahmed Yousif
Chairman

……………………………..
Shabir Chohan
Chief executive

Company secretary statement
In terms of the provisions of the Companies Act, I certify that Albaraka Bank Limited has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns and notices prescribed by the Companies Act, and that all such returns and notices are true, correct and up-to-date.

……………………………..
Colin Breeds
Company secretary
Durban
15 March 2013

AUDIT COMMITTEE REPORT

During the financial year ended 31 December 2012, the committee convened five times to discharge both its statutory and board responsibilities. As an overview only, and not to be regarded as an exhaustive list, the committee carried out the following duties:

Annual financial statements
The committee has evaluated the annual financial statements. Amongst others, the committee:
1. Reviewed the principles, policies and accounting practices and standards adopted in preparation of the annual financial statements and commented thereon and monitored compliance with all statutory/legal/regulatory requirements; and
2. Reviewed interim reports and preliminary results announcements.

Since the annual financial statements complied, in all material aspects, with the principles, policies and accounting practices and standards adopted in the preparation of the annual financial statements and with the appropriate International Financial Reporting Standards and as no complaints relating to the accounting practices or the contents or auditing of the financial statements, or to any related matter, were received by the committee, the committee has approved and recommended the annual financial statements for approval to the board. The board has subsequently approved the financial statements, which will be presented to shareholders at the annual general meeting to be held on 21 June 2013.

Internal audit function
The committee has played an oversight role in respect of the internal audit function, which is performed in-house to ensure its effectiveness. Amongst others, the committee:
- Approved the internal audit mandate and ensured that internal audit is an effective risk-based function that adheres to the Institute of Internal Auditors Standards and Code of Ethics;
- Ensured that the internal audit plan was risk-based and addressed specific risks of the company;
- Approved the internal audit plan;
- Ensured that the charter used by internal audit was approved by the board;
- Reviewed the internal audit charter;
- Regularly met separately with the internal audit manager; and
- Did not receive any complaints relating to the internal audit of the company.

External audit and related matters
Ernst & Young Inc. (EY) are the company's appointed external auditors. The committee has played an oversight role in respect of the external audit process to ensure its effectiveness. Amongst others, the committee:
- Approved EY's terms of engagement;
- Reviewed the quality and effectiveness of the external audit process;
- Reviewed the external auditor's report to the committee and management's responses thereto;
- Reviewed significant judgements and/or unadjusted differences resulting from the audit, as well as any reporting decisions made;
- Maintained a non-audit services policy which determines the nature and extent of any non-audit services that EY may provide to the company/group;
- Regularly met separately in confidence with EY;
- Through enquiry, ascertained that EY has not identified any irregularity that required reporting thereof to IRBA; and
- Evaluated and were satisfied with the independence of EY.

Risk management, assurance and ethics
The committee formed an integral component of the risk management framework and amongst others, monitored financial reporting risks, internal financial controls, fraud risks and IT risks as these relate to financial reporting. The committee played an oversight role in respect of risk, combined assurance and ethics.

....
MS Paruk
Chairman: audit committee

INDEPENDENT AUDITOR'S REPORT

Report on the consolidated financial statements
We have audited the consolidated and separate financial statements of Albaraka Bank Limited set out on pages 34 to 83, which comprise the directors' report, statements of financial position as at 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements
The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Albaraka Bank Limited as at 31 December 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2012, we have read the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.
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Ernst & Young Inc.
Director – Emilio Pera
Registered Auditor
Chartered Accountant (SA)

26 March 2013

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors have pleasure in presenting their report for the year ended 31 December 2012.

Nature of the business
Albaraka Bank Limited is a registered bank domiciled in South Africa and has as its principal objective the operation of its business according to Islamic banking precepts. The bank serves the public through branches in Athlone (Cape Town), Fordsburg (Johannesburg), Killarney (Johannesburg), Laudium (Pretoria), Lenasia (Johannesburg), Kingsmead (Durban), Overport (Durban),Port Elizabeth and corporate offices in Cape Town, Durban, and Johannesburg.

The bank's parent and ultimate holding company is Al Baraka Banking Group B.S.C., a company incorporated in the Kingdom of Bahrain. The address of its registered office is PO Box 1882, Manama, Kingdom of Bahrain.

Share capital
The authorised share capital of the company comprises 30,0 million (2011: 30,0 million) ordinary shares of R10 each amounting to R300,0 million (2011: R300,0 million). The issued share capital of the company comprises 22,5 million (2011: 22,5 million) ordinary shares of R10 each amounting to R225,0 million (2011: R225,0 million).

Financial results
The results of the group and the company for the year ended 31 December 2012 are set out on pages 36 to 83.

Group structure
Albaraka Properties Proprietary Limited is a wholly-owned subsidiary of Albaraka Bank Limited.

On 27 October 2011, the board of directors of Albaraka Properties Proprietary Limited resolved to deregister Albaraka Properties Proprietary Limited and, therefore, classified it as a disposal group held for distribution. The residual assets were intended to be distributed to the holding company, Albaraka Bank Limited, in terms of Section 47 of the Income Tax Act, Section 8(25) of the VAT Act and Section 9(1)(l)(iii) of the Transfer Duties Act.

During the 2012 financial year further information came to light which caused the board of directors to reconsider and rescind their decision to dissolve Albaraka Properties Proprietary Limited. The initial benefits envisaged were outweighed by new costs identified with implementing the structure. On 14 September 2012 the board of directors resolved not to proceed with the dissolution and thus reverse its decision taken on 27 October 2011. Based on this decision, Albaraka Properties Proprietary Limited is no longer classified as a disposal group held for distribution to its owners and is disclosed as a going concern in its separate financial statements. As a result of the above, Albaraka Properties Proprietary Limited remains a fully consolidated subsidiary of Albaraka Bank Limited and is treated accordingly for purposes of the group financial statements.

Dividends
On 16 March 2012 the directors declared a dividend of 45 cents (2011: 45 cents) per share amounting to R10,13 million (2011: R6,75 million) paid to shareholders registered as at close of business on 08 June 2012.

Events after the reporting period
On 15 March 2013 the directors declared a dividend of 45 cents (2012: 45 cents) per share amounting to R10,13 million (2012: R10,13 million) payable on 18 October 2013 to shareholders registered as at close of business on 04 October 2013.

Directors
The directors of the company during the year under review were:

Non-executive
AA Yousif, Chairman, Bahraini
OA Suleiman, Sudanese **
MG McLean

Independent non-executive
SA Randeree, Vice chairman, British*
F Kassim, Sri Lankan
A Lambat, CA (SA)
Adv. AB Mahomed SC
MS Paruk, CA (SA)
YM Paruk
M Youssef Baker, Egyptian

Executive
SAE Chohan, CA (SA), Chief executive
MJD Courtiade, CA (SA), Financial director, French

** Retired on 1 January 2012

* Independent from 16 March 2012

Secretary
The secretary of the company is CT Breeds whose business, postal and registered addresses are as follows:

Business address
2 Kingsmead Boulevard
Kingsmead Office Park
Stalwart Simelane Street
Durban
4001

Postal address
P O Box 4395
Durban
4000

Registered address
2 Kingsmead Boulevard
Kingsmead Office Park
Stalwart Simelane Street
Durban
4001

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	Group		Company	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
Assets					
Property and equipment	3	**98 655**	100 435	**73 008**	79 017
Investment properties	4	**10 552**	10 682		
Intangible assets	5	**19 570**	19 007	**19 570**	19 007
Investment in and amount due by subsidiary company	6			**22 903**	15 045
Deferred tax asset	7	**2 222**	3 019	**13 616**	8 755
Investment securities	8	**8 719**	7 576	**8 719**	7 576
Advances and other receivables	9	**3 269 322**	2 825 687	**3 269 133**	2 825 529
South African Revenue Service	10	**649**	1 899	**671**	1 899
Cash and cash equivalents	11	**306 552**	277 392	**306 552**	277 392
Total assets		**3 716 241**	3 245 697	**3 714 172**	3 234 220
Equity and liabilities					
Equity					
Share capital	12	**225 000**	225 000	**225 000**	225 000
Share premium	12	**29 866**	29 866	**29 866**	29 866
Retained income		**106 912**	91 782	**106 011**	81 043
Shareholders' interests		**361 778**	346 648	**360 877**	335 909
Liabilities					
Welfare and charitable funds	13	**4 418**	2 795	**4 418**	2 795
Accounts payable	14	**23 199**	9 791	**22 104**	9 098
South African Revenue Service	15	**231**	1 094	**158**	1 049
Provision for leave pay	16	**5 111**	4 341	**5 111**	4 341
Deposits from customers	17	**3 321 504**	2 881 028	**3 321 504**	2 881 028
Total liabilities		**3 354 463**	2 899 049	**3 353 295**	2 898 311
Total equity and liabilities		**3 716 241**	3 245 697	**3 714 172**	3 234 220

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Income earned from advances		**240 181**	204 529	**240 181**	204 529
Income earned from equity finance		**23 060**	26 399	**23 060**	26 399
Gross income earned		**263 241**	230 928	**263 241**	230 928
Income paid to depositors	18	**(139 175)**	(124 829)	**(139 175)**	(124 829)
Net income before impairment for credit losses		**124 066**	106 099	**124 066**	106 099
Impairment for credit losses	9.3.3	**(3 850)**	(895)	**(3 850)**	(895)
Net income after impairment for credit losses		**120 216**	105 204	**120 216**	105 204
Net non-Islamic income	19	**-**	-	**-**	-
Fee and commission income	20	**21 385**	17 623	**21 585**	17 823
Other operating income	21	**4 156**	2 306	**21 437**	5 999
Net income from operations		**145 757**	125 133	**163 238**	129 026
Operating expenditure	22	**(111 363)**	(99 320)	**(114 927)**	(103 032)
Finance costs				**(9 737)**	(9 480)
Profit before taxation		**34 394**	25 813	**38 574**	16 514
Taxation	23	**(9 139)**	(9 962)	**(3 481)**	(7 974)
Total comprehensive income for the year, net of tax, attributable to equity holders		**25 255**	15 851	**35 093**	8 540
Weighted average number of shares in issue ('000)		**22 500**	20 625		
Basic and diluted earnings per share (cents)	24	**112,2**	76,9		

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital	Share premium	Retained income	Shareholders' interest
	R'000	R'000	R'000	R'000
Group				
2012				
Balance at beginning of year	**225 000**	**29 866**	**91 782**	**346 648**
Total comprehensive income			**25 255**	**25 255**
Dividends paid			**(10 125)**	**(10 125)**
Balance at end of year	**225 000**	**29 866**	**106 912**	**361 778**
2011				
Balance at beginning of year	150 000		82 681	232 681
Rights issue	75 000	30 000		105 000
Share issue costs		(134)		(134)
Total comprehensive income			15 851	15 851
Dividends paid			(6 750)	(6 750)
Balance at end of year	225 000	29 866	91 782	346 648
Company				
2012				
Balance at beginning of year	**225 000**	**29 866**	**81 043**	**335 909**
Total comprehensive income			**35 093**	**35 093**
Dividends paid			**(10 125)**	**(10 125)**
Balance at end of year	**225 000**	**29 866**	**106 011**	**360 877**
2011				
Balance at beginning of year	150 000		79 253	229 253
Rights issue	75 000	30 000		105 000
Share issue costs		(134)		(134)
Total comprehensive income			8 540	8 540
Dividends paid			(6 750)	(6 750)
Balance at end of year	225 000	29 866	81 043	335 909

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Cash flow from operating activities					
Cash generated from operations	26.1	**37 316**	33 678	**27 576**	24 636
Changes in working capital	26.2	**16 099**	(122 549)	**15 675**	(121 168)
Taxation paid	26.3	**(8 027)**	(7 117)	**(8 027)**	(7 117)
Dividends paid	26.4	**(10 125)**	(6 750)	**(10 125)**	(6 750)
Increase in South African Revenue Service liability		**-**	229	**-**	229
Net cash inflow/(outflow) from operating activities		**35 263**	(102 509)	**25 099**	(110 170)
Cash flow from investing activities					
Purchase of property and equipment	26.5	**(6 060)**	(7 023)	**(6 060)**	(6 852)
Purchase of investment properties	26.6	**(22)**	(343)		
Purchase of intangible assets	26.7	**(265)**	(401)	**(265)**	(401)
Purchase of investment securities		**(77)**	(42)	**(77)**	(42)
Proceeds from disposal of property and equipment		**4**	14	**4**	14
Dividend income		**317**	448	**18 317**	4 448
(Increase)/decrease in investment in and amount due by subsidiary				**(7 858)**	3 147
Net cash (utilised)/generated in investing activities		**(6 103)**	(7 347)	**4 061**	314
Cash flow from financing activities					
Proceeds from rights issue		**-**	104 866	**-**	104 866
Net cash from financing activities		**-**	104 866	**-**	104 866
Net increase/(decrease) for the year		**29 160**	(4 990)	**29 160**	(4 990)
Cash and cash equivalents at beginning of year		**277 392**	282 382	**277 392**	282 382
Cash and cash equivalents at end of year	11	**306 552**	277 392	**306 552**	277 392

1. **Reporting entity**
   Albaraka Bank Limited is a company domiciled in South Africa. The company's registered address is 2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street (Stanger Street), Durban, 4001. The consolidated financial statements of the company for the year ended 31 December 2012 comprise the company and its subsidiary (together referred to as the "group"). The accounting policies below are applicable to both the company and group financial statements.

   The group is primarily involved in corporate and retail banking according to Islamic banking precepts.

2. **Basis of preparation**
   Statement of compliance
   The consolidated financial statements have been prepared in accordance with, and comply with the South African Companies Act and International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board.

   Basis of measurement
   The consolidated financial statements have been prepared on the historical cost basis except for fair-value-through-profit-or-loss financial assets which are measured at fair value.

   Functional and presentation currency
   These consolidated financial statements are presented in South African Rand which is the company's functional currency. All financial information is presented in South African Rand.

   Use of significant estimates and judgements
   The preparation of the group and company financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

   The key assumptions concerning the future and other key sources of uncertainty, at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

   In determining the rate intrinsic in finance leases, the company estimates any unguaranteed residual value which may be realised at the end of the lease. This unguaranteed residual is compared to the fair value of the underlying asset independently valued on a regular basis.

   Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

   In determining the extent to which the deferred tax assets may be recognised, management considers factors, such as the likely period of future operations, estimated profits which are adjusted for exceptional items and estimated taxable profits based on the applicable legislation, as well as future tax planning strategies.

   In determining the useful lives of property and equipment, management has exercised judgement as further detailed in accounting policy 4, Property and equipment.

   The impairment on advances comprises a specific impairment and portfolio impairment. The specific impairment is calculated by considering all loans that are categorised as bad (greater than 90 days in arrears). Each advance is then scrutinised to determine whether impairment is required by assessing the cash flow being received on the advance. In calculating the impairment against the individual advance the following assumptions were made:

   1. A constant cash flow would be received based on the recent payment history;
   2. The cash flow would be received for a period that was sufficient to repay the outstanding advance amount; and
   3. The discount rate used is equivalent to the mark-up profit rate on the advance.

   Where the expected payment is inadequate, the bank factors in the realisation of tangible collateral on hand to settle the exposure. The difference between the realisation value and the value of the exposure may result in a specific impairment.

   The portfolio impairment is calculated based on the historical trend of deterioration in the book from good to bad. The average deterioration of the book over the past 10 years has been used as the basis for providing the portfolio impairment.

   Management considers external economic and other indicators for their impact on the advances book and consequently the portfolio impairment. Another factor that is considered during this process and which requires management judgement applies to the weighting of security cover per product type.

3. **Basis of consolidation**
Investment in subsidiary
Subsidiaries are entities controlled by the bank. Control exists when the bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investment in subsidiary is carried at cost less accumulated impairment in the separate company financial statements.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

4. **Property and equipment**
Land is not depreciated. Items of equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Equipment, motor vehicles, buildings, tank containers, computer software and hardware, and leasehold improvements are depreciated on a straight line basis.

The re-assessed estimated useful lives are as follows:

Buildings – Owned	50 years
Buildings – Leased	15 years
Tank containers	20 years
Equipment	4 - 26 years
Vehicles	7 - 10 years
Computer hardware	2 - 18 years
Leasehold improvements	4 - 24 years

The assets' depreciation methods, residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. Management has exercised judgement in determining useful lives and residual values of each category of property and equipment as required by International Accounting Standard (IAS) 16 - Property, plant and equipment.

These judgements have been based on historical trends and the expected future economic benefits to be derived from the assets. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent expenditure relating to an item of property and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit for the year in the statement of comprehensive income in the year that the asset is derecognised.

5. **Impairment of non-financial assets**
The carrying amounts of the group's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that are independent from other assets and groups. In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit for the year in the statement of comprehensive income whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of its net selling price and its value in use.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill, a recognised impairment loss is not reversed.

6. **Provisions**
Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit for the year in the statement of comprehensive income net of any reimbursement.

7. **Contingencies and commitments**
Transactions are classified as contingencies where the group's obligations depend on uncertain future events and principally consist of third party obligations underwritten by the bank. Items are classified as commitments where the group commits itself to future transactions that will normally result in the acquisition of an asset.

8. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, advances and other receivables, cash and cash equivalents, loans and borrowings, and accounts payable. A financial instrument is initially recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial assets to another party without retaining control or substantially all the risks and rewards of the assets. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the group commits itself to purchase or sell the assets. Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are initially recognised at their fair value plus, in the case of financial assets and liabilities not at fair-value-through-profit-or-loss, any directly attributable incremental costs of acquisition or issue.

Available-for-sale financial assets

Available–for–sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held–for–trading nor designated at fair value through profit or loss. The group's investment in available-for-sale financial assets are stated at cost due to the unavailability of observable market data that is required to measure these investments at fair value.

Fair-value-through-profit-or-loss financial instruments

Financial assets and financial liabilities classified in this category are those that have been designated as such by management on initial recognition. Financial assets and financial liabilities at fair-value-through-profit-or-loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit for the year in the statement of comprehensive income.

Advances and other receivables

Advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the group does not intend to sell immediately or in the near term.

Advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective profit rate (EPR) method except when the group designates the advances at fair-value-through-profit-or-loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EPR. The losses arising from impairment are recognised in profit for the year in the statement of comprehensive income.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for as fair-value-through-profit-or-loss financial instruments or available-for-sale financial instruments. Dividend income is recognised in profit or loss when the group becomes entitled to the dividend.

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques which include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist and valuation models. The group uses widely recognised valuation models for determining fair value of common and more simple financial instruments where inputs into models are market observable.

For more complex instruments, the group uses proprietary models which are usually developed from recognised valuation models. Some or all of the inputs into these models may not be market observable and are derived from market prices, rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase in fair value indicated by valuation techniques is recognised in profit for the year depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable. The group complies with International Accounting Standard (IAS) 39 - Financial instruments: Recognition and measurement, and day one gains are immaterial to the operations of the group.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, liquidity risks as well as other factors. These adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the market rates at the reporting date. After initial measurement, financial liabilities are measured at amortised cost using the effective profit rate method.

Guarantees
In the ordinary course of business, the bank issues guarantees, consisting of letters of credit, letters of guarantees and confirmations. These guarantees are recognised as off-balance sheet items which are measured at fair value upon initial recognition and are not re-measured subsequently.

9. Impairment of financial assets
At each reporting date the group assesses whether there is objective evidence that financial assets not carried at fair-value-through-profit-or-loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. The group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant financial assets or cash-generating units found not to be specifically impaired are then collectively assessed for any impairment that has been incurred, but not yet identified.

Financial assets or cash-generating units that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar characteristics. In respect of advances refer to note 2 for use of estimates and judgements.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an advance by the group on terms that the group would otherwise not consider, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security, other observable data relating to a group of assets, such as adverse changes in the payment status of debtors, or issuers in the group or economic conditions that correlate with defaults in the group. Advances are stated after the deduction of specific and portfolio impairments.

Specific impairments represent the quantification of incurred losses from separately identified non-performing advances. The amount of specific impairment raised is the amount needed to reduce the carrying value of the asset to the expected ultimate net realisable value, taking into account the financial status of the underlying client and any security in place for the advances.

The impairment is raised through an allowance account and the amount of the loss is recognised in profit for the year in the statement of comprehensive income. In assessing the net realisable value, the expected future cash flows from advances are discounted to their present value at their original effective mark-ups.

Portfolio impairments cover losses which, although not specifically identified, are present in any portfolio of advances. The movements in provisions are recognised in profit for the year in the statement of comprehensive income.

10. Income tax expense
Income tax expense on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit for the year except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment of tax payable for previous years.

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

11. Revenue recognition

Income from Islamic activities

Income from Islamic activities comprises:

- Income earned from advances being profits attributable to the purchase and sale of moveable and immoveable property, manufacturing materials and finished products in terms of Musharaka or Murabaha arrangements. The profit is recognised over the period of each transaction either on the straight line or reducing balance basis, depending on the nature of the transaction;
- Income earned from equity finance transactions being profits attributable to the purchase and sale of equities in terms of Murabaha arrangements. The profit is recognised over the period of each transaction on the straight line basis;
- Fee and commission income for services rendered to customers. The income is recognised when earned; and
- Other operating income relating mainly to rental income earned on properties and tank containers. Rental income is recognised in profit or loss on a straight line basis over the lease term for properties.

Non-Islamic income

The group does not, as a policy, engage in any activities that involve usury. However, any non-Islamic income earned by the company, due to circumstances beyond its control, is transferred to the welfare and charitable fund. Fair value gains and losses on treasury bills are regarded as non-Islamic income and are therefore transferred to the welfare and charitable fund net of tax. Non-Islamic income is reported net of these transfers on the face of the statement of comprehensive income.

Dividend income

Dividends are recognised when the right to receive payment is established.

12. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group and company as a lessee

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of return on the remaining balance of the liability. Finance costs are recognised in profit for the year in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Group as a lessor

Leases where the group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rentals are recognised as revenue in the period in which they are earned.

13. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise short-term negotiable securities, cash and short-term funds.

14. Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the transfer is recorded at the carrying value of the property. If owner-occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

No assets held under operating leases have been classified as investment properties.

15. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognised as an intangible asset when the group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in profit and loss. During the period of development, the asset is tested for impairment annually.

Intangible assets are amortised on a straight line basis. The current estimated useful lives are as follows:

Computer software	3 – 7 years
Capitalised project costs	5 – 10 years

Computer software comprises acquired third party software and capitalised project costs represent internally generated costs.

16. Employee benefits

Defined contribution plan

Obligations for contribution to defined contribution pension plans are recognised as an expense in profit for the year in the statement of comprehensive income as incurred.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related time of service is provided.

17. Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

18. Related parties

A party is related to the company if any of the following are met:

- Directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with the company;
- It is a joint venture or an associate;
- The party is a member of the key management personnel of the entity or its parent; and
- The party is a close member of the family of any individual referred to above.

Close member of the family of an individual includes:

- The individual's domestic partner and children;
- Children of the individual's domestic partner; and
- Dependents of the individual or the individual's domestic partner.

1. Capital Adequacy

Introduction
Albaraka Bank Limited is a registered bank domiciled in South Africa and is subject to regulatory capital adequacy requirements under Basel II in terms of the Banks Act, No. 94 of 1990, as amended and Regulations relating thereto.

The bank has a wholly-owned subsidiary, which is a property owning company. The subsidiary is consolidated for accounting purposes and group annual financial statements are prepared annually. The subsidiary is consolidated for regulatory purposes in accordance with Regulation 36(2) of the Banks Act and Regulations.

Funds owned by the bank are subject to South African Exchange Control Regulations.

Capital structure
The capital base of the bank provides the foundation for financing, off-balance sheet transactions and other activities. The capital adequacy of the bank is measured in terms of the Banks Act, which dictates the requirements on how the bank must maintain a minimum level of capital based on its risk adjusted assets and off-balance sheet exposures, as determined by the provisions of Basel II. The capital structure of the bank is as follows:

	2012	2011
	R'000	R'000
Regulatory capital		
Tier 1		
Share capital	**225 000**	225 000
Share premium	**29 866**	29 866
Retained income	**106 011**	81 043
Less: Unappropriated profits	**(8 322)**	(596)
Total capital & reserves	**352 555**	335 313
Less: Prescribed deductions against capital and reserve funds	**(19 570)**	(19 007)
Total Tier 1 capital	**332 985**	316 306
Tier 2		
Portfolio impairment (net of deferred tax)	**7 779**	7 201
Total eligible capital	**340 764**	323 507
Capital adequacy ratios (Tier 1 %)	**12,16%**	12,81%
Capital adequacy ratios (Total %)	**12,44%**	13,10%
Minimum regulatory requirement ratios (Total %)	**9,50%**	9,50%

The bank's capital strategy plays an important role in growing shareholder value, and has contributed significantly to growth in the current year. The objective of active capital management is to:

- Enable growth in shareholder value; and
- Protect the capital base.

The bank's risk and capital management committee is responsible for the formulation, implementation and maintenance of the bank's capital management framework in order to achieve the above objectives and operates in terms of a board-approved capital management framework. It assists the board in reviewing the bank's capital requirements and management thereof.

The bank is committed to maintaining sound capital and strong liquidity ratios. The overall capital needs are continually reviewed to ensure that its capital base appropriately supports current and planned business and regulatory capital requirements.

In assessing the adequacy of the bank's capital to support current and future activities, the group considers a number of factors, including:

- An assessment of growth prospects;
- Current and potential risk exposures across all the major risk types;
- Sensitivity analysis of growth assumptions;
- The ability of the bank to raise capital; and
- Peer group analysis.

At 31 December 2012, the minimum capital requirements and risk-weighted assets of the bank for credit risk, equity risk, market risk and other risks as calculated under the standardised approach and for operational risk as calculated under the basic indicator approach in terms of the Banks Act and Regulations were as follows:

	Capital requirements		**Risk-weighted assets**	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Credit risk	**227 834**	201 097	**2 398 252**	2 116 811
Operational risk	**20 697**	18 887	**217 866**	198 811
Equity risk	**-**	2 149	**-**	22 621
Market risk	**177**	1 610	**1 860**	16 950
Other risk	**11 520**	10 831	**121 258**	114 012
	260 228	234 574	**2 739 236**	2 469 205

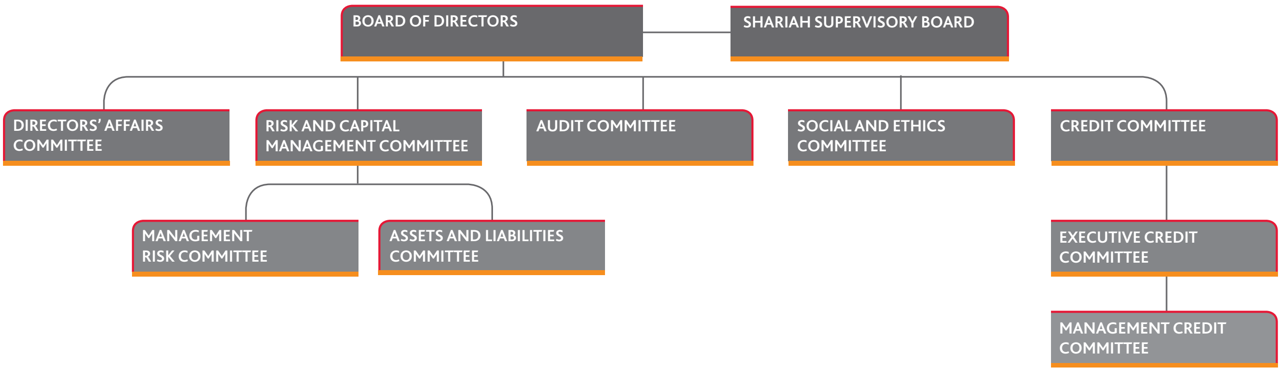
2. Risk management and assessment

Whilst the board is ultimately responsible for risk management and to determine the type and level of risk which the bank is willing to accept in conducting its banking activities, the effective management of risk has been delegated to five board committees, namely, the risk and capital management committee, the audit committee, the credit committee, the directors' affairs committee and the social and ethics committee. These committees are assisted by management committees (more particularly the assets and liabilities committee, the executive credit committee, the management risk committee) to discharge their responsibilities effectively. The composition, terms of reference and delegated powers of authority of the board and management committees are set by the board and are reviewed annually.

The board and management committees are responsible for developing and monitoring risk management policies and programmes in their specified areas. These policies and programmes are established to identify and analyse risks faced by the bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The risk management policies and programmes are reviewed regularly to reflect changes in market conditions and products offered. In addition, the bank has adopted a strategy that seeks to entrench at all levels within Al Baraka Bank a culture that is risk-management orientated.

2. Risk management and assessment (continued)

The structure and organisation of the risk management function is provided in diagrammatic form below:



The audit committee and risk and capital management committee are responsible for monitoring compliance with the risk management policies and programmes and for reviewing the adequacy of the risk management framework in relation to the risks faced by the bank. The audit committee is assisted in these functions by internal audit which undertakes regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The following are the major forms of risks to which the bank is exposed:
- Credit risk;
- Market risk;
- Equity risk;
- Liquidity risk;
- Profit rate risk;
- Shariah risk;
- Operational risk;
- Compliance risk; and
- Other risk.

2.1 Credit risk

Credit risk refers to the potential loss that the bank could sustain as a result of counter-party default and arises principally from advances to customers and other banks. The bank manages its credit risk within a governance structure supported by delegated powers of authority as approved by the board. The credit approval process is graduated, whereby increasingly higher levels of authorisation are required depending on the type and value of the transactions concerned. Applications for credit may therefore be considered progressively by line management, senior and executive management, the management credit committee, the executive credit committee, the board credit committee and the board itself.

A separate credit division, reporting to the chief executive and the credit committee of the board, is responsible for the oversight of the bank's credit risk, including:
- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities;
- Reviewing and assessing credit risk;
- Limiting concentrations of exposure to counterparties and by product; and
- Developing and maintaining risk gradings in order to categorise exposures to the degree of risk of financial loss faced and to focus management on the relevant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework is described under the section dealing with portfolio measures of risk.

Credit exposures are monitored primarily on performance. Defaulting accounts receive prompt attention. Initially they are dealt with by line management and, in instances where further degeneration occurs, they are handed over to the bank's collections and legal specialists.

Depending on the type of credit exposure, account reviews, which include the re-performance of qualitative and quantitative assessments, are performed annually.

The credit risk management process needs to identify all risk factors to enable such risks to be quantified and their impact on the pricing or credit risk to be taken into account. Pricing for credit risk is, therefore, a critical component of the risk management process. The main risk of default by the counter-party is mitigated by means of collateral security obtained from the debtor concerned.

For internal risk management and risk control purposes, credit risk is measured in terms of potential loss that could be suffered, taking into account the quantum of the exposures, the realisable value of the collateral security and the value, if any, that could be placed on the sureties.

The executive and board credit committees constantly monitor the credit quality of counter-parties and the exposure to them. Detailed risk reports are submitted to the aforementioned committees and also to the management credit committee on a regular basis.

Portfolio measures of credit risk
Credit loss expense is reported in accordance with International Accounting Standard (IAS) 39 Financial instruments: Recognition and measurement. Under these rules, losses are recognised and charged to the profit for the year in the statement of comprehensive income in the period in which they arise.

The occurrence of actual credit losses is erratic in both timing and amount and those that arise usually relate to transactions entered into in previous accounting periods. In order to make the business accountable for any credit losses suffered in a portfolio of advances that have not yet been individually identified as impaired, a credit impairment for incurred, but not reported losses, is created based on historic loss and estimated emergence patterns. Based on the performance of individual customers and the results of assessments performed, credit exposures are classified under five main categories, or risk gradings, which are Standard, Special Mention, Sub-standard, Doubtful and Loss.

- Exposures that are current and where full repayment of the principal and profit is expected are classified under the Standard category;
- Exposures where evidence exists that the debtor is experiencing some difficulties that may threaten the bank's position, but where ultimate loss is not expected - but could occur if adverse conditions continue - are classified under the Special Mention category;
- Exposures that show underlying, well-defined weaknesses that could lead to probable loss if not corrected are classified under the Sub-standard category. The risk that such exposures may become impaired is probable and the bank relies to a large extent on available security;
- Exposures that are considered to be impaired, but are not yet considered total losses because of some pending factors that may strengthen the quality of such exposures are classified under the Doubtful category;
- Exposures that are considered to be uncollectable and where the realisation of collateral and institution of legal proceedings have been unsuccessful are classified under the Loss category. These exposures are considered to be of such little value that they should no longer be included in the net assets of the bank;
- Exposures that are classified under the Sub-standard, Doubtful and Loss categories are regarded as non-performing; and
- Exposures that have not met their individual repayment terms are classified as past due exposures.

A default is considered to have occurred with regard to a particular obligor when either of the following events have taken place:
- The bank considers that the obligor is unlikely to pay its credit obligations to the bank, without recourse by the bank to actions such as realising security (if held); and
- The obligor is past due more than 90 days on any material credit obligation to the bank.

	Group and Company	
	2012	2011
	R'000	R'000
2. Risk management and assessment (continued)		
2.1 Credit risk (continued)		
Credit exposures		
Advances to customers	**2 735 213**	2 378 647
Advances and balances with banks	**598 088**	516 224
Advances and balances with central bank	**253 398**	219 552
Letters of credit, guarantees and confirmations	**143 670**	125 516
Total exposure	**3 730 369**	3 239 939
Impairment of advances	**(16 509)**	(16 319)
Net exposure	**3 713 860**	3 223 620

The group monitors concentrations of credit risk by geographical location, industry and product distribution.

	Group and Company	
	2012	2011
Geographical distribution of exposures		
Customer exposure		
KwaZulu-Natal	**1 493 802**	1 367 204
Gauteng	**955 099**	772 659
Western Cape	**429 982**	364 300
Total customer exposure	**2 878 883**	2 504 163
Bank exposure		
KwaZulu-Natal	**14 158**	7 586
Gauteng	**836 432**	728 190
United States of America	**896**	
Total bank exposure	**851 486**	735 776
Total exposure	**3 730 369**	3 239 939
Industry distribution of exposures		
Banks and financial institutions	**851 486**	735 776
Individuals	**865 570**	711 337
Other services	**2 013 313**	1 792 826
Total exposure	**3 730 369**	3 239 939

	Group and Company	
	2012	2011
	R'000	R'000
Product distribution analysis		
Property (Musharaka and Murabaha)	**1 929 112**	1 619 299
Equity finance	**548 088**	461 480
Instalment sales	**410 003**	397 834
Trade	**395 235**	360 771
Balances with local and central banks	**303 398**	274 296
Letters of credit	**152**	3 279
Guarantees and confirmations	**143 518**	122 237
Other	**863**	743
Total exposure	**3 730 369**	3 239 939
Residual contractual maturity of book		
Within 1 month - equity finance	**271 961**	282 392
- other	**407 398**	339 074
From 1 to 3 months - equity finance	**276 127**	179 088
- other	**345 395**	306 517
From 3 months to 1 year	**416 729**	393 006
From 1 year to 5 years	**1 071 415**	986 731
More than 5 years	**941 344**	753 131
Total exposure	**3 730 369**	3 239 939

	Group and Company							
	Advances to customers		Advances and balances with banks		Other exposures		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000
2. Risk management and assessment (continued)								
2.1 Credit risk (continued)								
Past due and individually impaired								
Standard category	**-**	-	**-**	-	**-**	-	**-**	-
Special mention category	**-**	-	**-**	-	**-**	-	**-**	-
Sub-standard category	**12 559**	11 032	**-**	-	**-**	-	**12 559**	11 032
Doubtful category	**4 262**	1 367	**-**	-	**-**	-	**4 262**	1 367
Loss category	**13 564**	15 957	**-**	-	**-**	-	**13 564**	15 957
Gross amount	**30 385**	28 356	**-**	-	**-**	-	**30 385**	28 356
Specific impairment	**(5 705)**	(6 316)	**-**	-	**-**	-	**(5 705)**	(6 316)
Carrying amount	**24 680**	22 040	**-**	-	**-**	-	**24 680**	22 040
Past due but not impaired								
Standard category	**536 495**	435 930	**-**	-	**-**	-	**536 495**	435 930
Special mention category	**177 272**	228 014	**-**	-	**-**	-	**177 272**	228 014
Sub-standard category	**8 686**	19 270	**-**	-	**-**	-	**8 686**	19 270
Doubtful category	**2 047**	4 803	**-**	-	**-**	-	**2 047**	4 803
Loss category	**16 258**	23 753	**-**	-	**-**	-	**16 258**	23 753
Carrying amount	**740 758**	711 770	**-**	-	**-**	-	**740 758**	711 770
Neither past due nor impaired								
Standard category	**1 964 070**	1 638 520	**851 486**	735 776	**143 670**	125 516	**2 959 226**	2 499 812
Carrying amount	**1 964 070**	1 638 520	**851 486**	735 776	**143 670**	125 516	**2 959 226**	2 499 812
Total carrying amount before portfolio impairment	**2 729 508**	2 372 330	**851 486**	735 776	**143 670**	125 516	**3 724 664**	3 233 622
Portfolio impairment - Standard category	**(10 804)**	(10 002)	**-**	-	**-**	-	**(10 804)**	(10 002)
Net carrying amount	**2 718 704**	2 362 328	**851 486**	735 776	**143 670**	125 516	**3 713 860**	3 223 620

The bank holds collateral against advances to customers in the form of mortgage interests over property or other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of the advance and are updated for commercial property and residential property supporting a revolving facility which are assessed on a three-year interval based on independent valuations. In other instances collateral is re-assessed when an advance is individually assessed as impaired. Collateral is generally not held over advances to banks. Financial assets classified as neither past due nor impaired are well diversified with 65% invested in property transactions, 17% in instalment sale transactions (equipment and motor vehicle) and 18% in trade finance transactions. All of the above exposures are collateralised in the form of property, assets, personal sureties and company guarantees. The maximum exposure to credit risk is calculated as being the maximum amount payable by customers, banks and other financial institutions (refer to note 29).

	Group and Company	
	Credit Exposure 2012 R'000	Collateral cover 2012 R'000

Collateral is held specifically in respect of advances and these predominantly comprise mortgage bonds over fixed property, notarial bonds over moveable property, cessions over cash deposits, insurance policies, book debts and unit trusts, as well as personal sureties and company guarantees.

Collateral is allocated per asset class as follows:

	Credit Exposure 2012 R'000	Collateral cover 2012 R'000
Standard Asset	**2 500 565**	**2 072 407**
Special Mention Asset	**177 272**	**193 436**
Sub-standard Asset	**21 245**	**23 830**
Doubtful Asset	**6 309**	**6 166**
Loss Asset	**29 822**	**35 319**
	2 735 213	**2 331 158**

	Group and Company	
	2012 R'000	2011 R'000
A distribution analysis of past due advances, impaired and past due and not impaired, is disclosed below:		
Past due and individually impaired		
- Individuals	**16 691**	13 183
- Other customers	**13 694**	15 173
	30 385	28 356
Past due but not impaired		
- Individuals	**246 266**	182 509
- Other customers	**494 493**	529 261
	740 759	711 770

2. Risk management and assessment (continued)

2.1 Credit risk (continued)

An aging analysis of past due advances which have not been impaired is disclosed below:

	Group and Company									
	Less than 30 days		30 to 60 days		60 to 180 days		Greater than 180 days		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Individuals	**207 972**	144 804	**27 739**	24 814	**4 312**	5 077	**6 243**	7 814	**246 266**	182 509
Other customers	**426 781**	488 807	**47 503**	22 925	**11 626**	7 893	**8 582**	9 636	**494 492**	529 261
	634 753	633 611	**75 242**	47 739	**15 938**	12 970	**14 825**	17 450	**740 758**	711 770

2.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate resulting in losses due to movements in observable market variables such as profit rates, exchange rates and equity markets. In addition to these and other general market risk factors, the risk of price movements specific to individual issuers of securities is considered market risk. Al Baraka Bank's exposure to market risk is limited in that the bank does not trade in marketable securities other than those that it is required to hold for liquid asset purposes, which are usually held to maturity and foreign currency, held in terms of its foreign exchange licence.

The bank's exposure to market risk at year end is tabled below:

		Group and Company	
		2012	2011
		R'000	R'000
Assets held under interest rate risk	- Treasury bills	**64 656**	53 691
Assets held under exchange rate risk	- Foreign currency held	**1 860**	1 356
		66 516	55 047

In accordance with Islamic banking principles, the bank does not levy interest on finance provided and is, therefore, not exposed to interest rate risk.

2.3 Equity risk

Equity risk relates to the risk of loss that the bank would suffer due to material fluctuations in the fair values of equity investments. Equity risk in the case of Al Baraka Bank, relates to its 100% investment in Albaraka Properties Proprietary Limited, a property-owning subsidiary, which sole assets are properties held in Athlone (Cape Town) and Kingsmead (Durban). In addition the bank owns 9,4% in Kiliminjaro Investments Limited, a property holding company which owns a property in Durban. The fair values of the underlying properties are obtained by an independent valuation on a periodic basis and compared to the cost of these investments to identify any need for impairment. The bank also has an investment in unit trusts which is classified as fair-value-through-profit-or-loss and is subject to regular monitoring by management and the board, but is not currently significant in relation to the overall results and financial position of the group.

2.4 Liquidity risk

Liquidity risk relates to the potential inability to repay deposits, fund asset growth or to service debt or other expense payments.

Liquidity risk is managed mainly by ensuring that the funding of the bank is sourced from a wide range of retail deposits with an appropriate spread of short, medium and long-term maturities. Exposure to large deposits is strictly controlled. ALCO monitors and reviews the maturity profiles of the bank's assets and liabilities on a regular basis to ensure that appropriate liquidity levels are maintained to meet future commitments.

The bank also has a policy of maintaining liquidity buffers (in the form of Treasury Bills and cash surpluses held on call) comfortably in excess of regulatory requirements. Refer to note 29 for details relating to liquidity risk management.

2.5 Profit rate risk

The bank is not exposed to interest rate risk. In keeping with Islamic banking principles, the bank does not levy interest on finance provided to debtors, but instead earns income either by means of buying the item to be financed from the supplier and on-selling the item to the bank's clients at an agreed mark-up or by entering into arrangements with the debtor in terms of which the bank shares in the profit generated by the debtor at an agreed profit sharing ratio. In a similar fashion, the bank's depositors do not earn interest on deposits placed with the bank, but instead earn income on their deposits based on their proportionate share of the profits earned from customers by the bank. There is no mismatch in terms of the earning profile of depositors and that of the bank. As the mark-up and profit sharing ratios are fixed, the bank is not subject to the risk of fluctuations in the fair value or cash flows as a result of these instruments.

2.6 Shariah risk

Shariah risk relates to the possibility that the bank may enter into or conclude transactions that may not be compliant with Islamic banking principles. It also relates to the risk of non-compliance with the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) Standards, to which the bank subscribes. In this regard, Shariah risk is closely linked to and embraces the following risks:

- Reputational risk;
- Profit rate risk;
- Liquidity risk; and
- Market risk.

Shariah risk is managed by monitoring, reviewing and supervising the activities of the bank to ensure that Shariah procedures, as prescribed by the Shariah Supervisory Board, are implemented and adhered to. The bank seeks to manage and minimise its exposure to Shariah risk by ensuring that the following measures are effectively implemented:

- The employment of adequate resources to manage and effectively mitigate, to the fullest possible extent, risk which could compromise Shariah compliance;
- Shariah reviews are carried out appropriately, and in a timely manner in accordance with Shariah Supervisory Board policies and plans;
- Confirmation that profits earned from clients and profits paid to depositors are strictly in accordance with Shariah principles;
- Profit distribution is managed by the bank in accordance with Shariah guidelines, as defined by the Shariah Supervisory board;
- Obtaining written Shariah Supervisory Board approval prior to the implementation of any new product or service and any proposed amendment to an existing bank product;
- The disposal of non-permissible income in terms of Shariah Supervisory Board rulings;
- The effective management and/or investment, in a Shariah-compliant manner, of excess liquidity; and
- The employment of a programme of continuous update by the bank of new developments, changes and amendments with regards to AAOIFI Shariah Standards.

2.7 Operational risk

Operational risk refers to those risks that do not have a direct financial impact as opposed to the pure financial risks, such as credit risk, liquidity risk and profit rate risk. Operational risk is the risk of loss that could arise as a result of breakdowns in internal controls and processes, system inefficiencies, theft and fraud.

The bank seeks to minimise its exposure to operational risk by various means, including the following:

- The establishment of an independent compliance function to monitor compliance with relevant laws and regulations and to facilitate compliance awareness within the bank;
- The establishment of board and management risk committees;
- The establishment of an independent internal audit function;
- The compilation of board-approved delegated powers of authority;
- The compilation of a policies and procedures manual;
- The provision of staff training (including fraud awareness programmes) and ensuring that staff are well versed with the bank's policies and procedures;
- Implementing comprehensive security measures to protect the bank's staff and to safeguard the bank's assets; and
- The establishment of a comprehensive insurance programme to protect the bank against material losses that may arise.

2.8 Compliance risk

Compliance risk refers to the risk that the bank could be exposed to for non-compliance with statutory, regulatory and supervisory requirements. These risks are addressed in the compliance report.

2.9 Other risk

Other risk relates to the bank's investment in fixed, moveable and other sundry assets.

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
3. Property and Equipment				
Cost				
Land and buildings	**76 237**	76 237	**63 444**	63 444
Vehicles	**3 085**	2 914	**3 085**	2 914
Equipment and computers	**24 151**	41 083	**24 151**	41 083
Leasehold improvements	**10 511**	12 786	**11 050**	13 325
Tank containers	**7 145**	7 145	**7 145**	7 145
Capital work in progress	**1 034**	2 337	**1 034**	2 337
	122 163	142 502	**109 909**	130 248
Accumulated depreciation and impairment	**(23 508)**	(42 067)	**(36 901)**	(51 231)
Land and buildings	**-**	-	**(13 393)**	(9 164)
Vehicles	**(1 695)**	(1 390)	**(1 695)**	(1 390)
Equipment and computers	**(12 074)**	(27 767)	**(12 074)**	(27 767)
Leasehold improvements	**(5 151)**	(8 629)	**(5 151)**	(8 629)
Tank containers	**(4 588)**	(4 281)	**(4 588)**	(4 281)
Carrying value	**98 655**	100 435	**73 008**	79 017
Land and buildings comprise the following commercial properties as described below:				
1. Commercial property in Cape Town described as Erf no. 33983 Cape Town in extent 610 square metres independently valued at R9,8 million in 2010. The property is leased partly to the bank and partly to third parties. The leases contain an initial non-cancellable period of three years. Commercial property comprises land and buildings at cost.	**3 655**	3 655		
2. Commercial property in Durban described as Portion 6 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is leased to the bank. The lease contains an initial non-cancellable period of ten years. The property was independently valued at R100,4 million in 2012. Commercial property comprises land at a cost of R3,5 million (2011: R3,5 million) and buildings thereon at a cost of R69,1 million (2011: R69,1 million).	**72 582**	72 582		
3. Land and buildings held under finance leases comprise Portion 6 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is measured at the present value of the minimum lease payments and is fully depreciated over the period of the lease. In determining the fair value of the property, the minimum lease payments were discounted taking into consideration an unguaranteed residual of R72,0 million (2011: R72 ,0 million) and calculating a rate intrinsic in the lease 14,3% (2011: 14,3%).			**50 051**	54 280
	76 237	76 237	**50 051**	54 280

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Carrying value at beginning of year	**76 237**	76 066	**54 280**	58 511
Additions	**-**	171	**-**	-
Depreciation	**-**	-	**(4 229)**	(4 231)
Carrying value at end of year	**76 237**	76 237	**50 051**	54 280

The residual value of buildings on a group basis exceeds their cost and hence no depreciation has been provided on buildings.

	Land and buildings R'000	Vehicles R'000	Equipment and computers R'000	Leasehold improvements R'000	Tank containers R'000	Capital work in progress R'000	Total R'000
Movement in property and equipment							
Group							
2012							
Net carrying value at beginning of year	**76 237**	**1 524**	**13 316**	**4 157**	**2 864**	**2 337**	**100 435**
Additions	**-**	**178**	**1 885**	**474**	**-**	**3 951**	**6 488**
Transfers	**-**	**-**	**(558)**	**1 477**	**-**	**(5 254)**	**(4 335)**
Disposals	**-**	**-**	**(21)**	**-**	**-**	**-**	**(21)**
Assets written-off	**-**	**-**	**(280)**	**-**	**-**	**-**	**(280)**
Depreciation for the year	**-**	**(312)**	**(2 265)**	**(748)**	**(307)**	**-**	**(3 632)**
Net carrying value at end of year	**76 237**	**1 390**	**12 077**	**5 360**	**2 557**	**1 034**	**98 655**
2011							
Net carrying value at beginning of year	76 066	1 689	14 081	3 875	3 171	-	98 882
Additions	171	206	2 111	2 458	-	2 077	7 023
Transfers	-	-	-	-	-	260	260
Disposals	-	-	(24)	-	-	-	(24)
Depreciation for the year	-	(371)	(2 845)	(2 176)	(307)	-	(5 699)
Impairment for the year	-	-	(7)	-	-	-	(7)
Net carrying value at end of year	76 237	1 524	13 316	4 157	2 864	2 337	100 435

3. Property and Equipment (continued)

Movement in property and equipment (continued)

Company

	Land and buildings R'000	Vehicles R'000	Equipment and computers R'000	Leasehold improvements R'000	Tank containers R'000	Capital work in progress R'000	Total R'000
2012							
Net carrying value at beginning of year	**54 280**	**1 524**	**13 316**	**4 696**	**2 864**	**2 337**	**79 017**
Additions	**-**	**178**	**1 885**	**474**	**-**	**3 951**	**6 488**
Transfers	**-**	**-**	**(558)**	**1 477**	**-**	**(5 254)**	**(4 335)**
Disposals	**-**	**-**	**(21)**	**-**	**-**	**-**	**(21)**
Assets written-off	**-**	**-**	**(280)**	**-**	**-**	**-**	**(280)**
Depreciation for the year	**(4 229)**	**(312)**	**(2 265)**	**(748)**	**(307)**	**-**	**(7 861)**
Net carrying value at end of year	**50 051**	**1 390**	**12 077**	**5 899**	**2 557**	**1 034**	**73 008**
2011							
Net carrying value at beginning of year	58 511	1 689	14 081	4 414	3 171	-	81 866
Additions	-	206	2 111	2 458	-	2 077	6 852
Transfers	-	-	-	-	-	260	260
Disposals	-	-	(24)	-	-	-	(24)
Depreciation for the year	(4 231)	(371)	(2 845)	(2 176)	(307)	-	(9 930)
Impairment for the year	-	-	(7)	-	-	-	(7)
Net carrying value at end of year	54 280	1 524	13 316	4 696	2 864	2 337	79 017

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
4. Investment properties				
Balance at beginning of year	**10 682**	10 339		
Additions	**22**	343		
Depreciation	**(152)**	-		
Balance at end of year	**10 552**	10 682		

Investment properties are only applicable at a group level and comprise the following land as described below:
Land in Durban described as Portion 4 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 2 140 square metres and Portion 5 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 1 528 square metres. The group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

The group carries investment properties at historic cost less provision for depreciation and impairment. The cost of the properties was considered to be equal to their fair value at the time of acquisition. The investment property was independently valued at R11,4 million as at 31 December 2011.

At the end of the 2011 financial period, capital expenditure was incurred to facilitate the generation of future income by the property. These costs were brought into use during the 2012 financial period, resulting in the depreciation charge depicted above.

5. Intangible assets

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Cost				
Computer software	**1 801**	1 578	**1 801**	1 578
Capitalised project costs	**24 730**	24 843	**24 730**	24 843
Capital work in progress	**2 484**	-	**2 484**	-
	29 015	26 421	**29 015**	26 421
Accumulated amortisation and impairment	**(9 445)**	(7 414)	**(9 445)**	(7 414)
Computer software	**(779)**	(946)	**(779)**	(946)
Capitalised project costs	**(8 666)**	(6 468)	**(8 666)**	(6 468)
	19 570	19 007	**19 570**	19 007

	Computer software R'000	Capitalised project costs R'000	Capital work in progress R'000	Total R'000
Movement in intangible assets				
Group and company				
2012				
Net carrying value at beginning of year	632	18 375	-	19 007
Additions	663	93	-	756
Transfers	(54)	1 107	2 484	3 537
Assets written off	(29)	(321)	-	(350)
Amortisation for the year	(190)	(3 190)	-	(3 380)
Net carrying value at end of year	1 022	16 064	2 484	19 570

	Computer software R'000	Capitalised project costs R'000	Capital work in progress R'000	Total R'000
5. Intangible assets (continued)				
Movement in intangible assets (continued)				
Group and company				
2011				
Net carrying value at beginning of year	631	22 082	-	22 713
Additions	328	73	-	401
Transfers	-	(266)	-	(266)
Amortisation for the year	(327)	(3 514)	-	(3 841)
Net carrying value at end of year	632	18 375	-	19 007

	Company 2012 R'000	Company 2011 R'000
6. Investment in and amount due by subsidiary company		
Albaraka Properties Proprietary Limited is 100% (2011: 100%) owned by Albaraka Bank Limited.		
The issued share capital of Albaraka Properties Proprietary Limited comprises 100 shares of R1 each (2011: 100 shares of R1 each).		
Shares at cost	*	*
Due by subsidiary	**22 903**	15 045
- Amounts owing by subsidiary	**92 609**	83 097
- Finance lease liability (note 30.3)	**(69 706)**	(68 052)
	22 903	15 045

* Amount less than R1 000.

The amount due by the subsidiary is profit-free.

The balance of the finance lease liability has been set off against the balance on the loan account as the bank has a legally enforceable right to set off these amounts in terms of the lease contract and intends to realise the asset and settle the liability simultaneously. The remaining balance is repayable on demand.

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

7. Deferred tax asset

Balance at beginning of year	**3 019**	5 831	**8 755**	9 578
Transfers to profit for the year	**(2 864)**	(745)	**1 005**	3 033
Recognition/(derecognition) of temporary differences arising on finance lease			**3 856**	(3 856)
Reversal of impairment/(impairment) of accumulated tax credits in subsidiary	**2 067**	(2 067)		
Balance at end of year	**2 222**	3 019	**13 616**	8 755

The deferred tax asset comprises the following:

Temporary differences arising on finance lease			**1 647**	3 856
Recognition/(derecognition) of temporary differences arising on finance lease			**3 856**	(3 856)
Deferred tax on accumulated tax credits in subsidiary	**2 458**	3 190		
Impairment of accumulated tax credits in subsidiary	**-**	(2 067)		
Temporary differences on financial assets	**(243)**	56	**(243)**	56
Impairment for doubtful advances	**1 198**	1 326	**1 198**	1 326
Other provisions	**11 665**	9 280	**11 684**	9 300
Prepaid expenses	**(139)**	(100)	**(133)**	(93)
Intangible assets, plant and equipment	**(12 717)**	(8 666)	**(4 393)**	(1 834)
	2 222	3 019	**13 616**	8 755

The expected manner of recovery of the deferred tax asset will be through the use thereof at tax rates applicable to companies at the time of such recovery. The temporary differences that arose on the finance lease between the bank and its subsidiary were derecognised in the prior period due the intended dissolution of Albaraka Properties Proprietary Limited. These temporary differences were recognised in the current year as Albaraka Properties Proprietary Limited returned to a going concern status and is therefore expected to generate sufficient future taxable profit to realise the deferred tax asset.

Further to this, the deferred tax asset created by the accumulated tax credits in the bank's subsidiary, which was impaired by the group in the prior year, was recognised in the current year to the extent that it is probable that the asset will be recovered through future taxable profits.

8. Investment securities

Unit trust investments				
Fair value at beginning of year	**4 976**	4 639	**4 976**	4 639
Additions at cost	**77**	42	**77**	42
Fair value gains	**1 066**	295	**1 066**	295
Fair value at end of year	**6 119**	4 976	**6 119**	4 976
Unlisted investments				
Kiliminjaro Investment Limited, at cost	**2 600**	2 600	**2 600**	2 600
	8 719	7 576	**8 719**	7 576

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

8. Investment securities (continued)

The bank's investment in unit trusts comprise 415 053 units (2011: 409 055 units) in the Old Mutual Albaraka Equity Fund. The cost of this investment is R5,3 million (2011: R5,2 million) and has been designated as a fair-value-through-profit-or-loss financial instrument on initial recognition. The investment is treated in this manner in order to eliminate any potential recognition inconsistencies that may arise on changes in the fair value of this instrument, had the instrument been classified on an alternate basis. The fair value of this investment is determined by quoted market prices and changes in fair value are recorded in profit or loss for the year.

Kiliminjaro Investments Limited is a property owning company of which the bank owns 9,4% (2011: 9,4%). The investment is classified as an available-for-sale financial instrument which is measured at cost, due to the fair value being indeterminable as there is no active market for unlisted shares of this nature.

9. Advances and other receivables

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
9.1 Sectoral analysis				
Advances to customers				
Property (Musharaka and Murabaha)	**1 929 112**	1 619 299	**1 929 112**	1 619 299
Instalment sale	**410 003**	397 834	**410 003**	397 834
Trade	**395 235**	360 771	**395 235**	360 771
Other	**863**	743	**863**	743
Gross advances to customers	**2 735 213**	2 378 647	**2 735 213**	2 378 647
Provision for impairment of doubtful advances	**(16 509)**	(16 319)	**(16 509)**	(16 319)
	2 718 704	2 362 328	**2 718 704**	2 362 328
Advances to banks				
Equity finance	**548 088**	461 480	**548 088**	461 480
Net advances	**3 266 792**	2 823 808	**3 266 792**	2 823 808
Other receivables	**2 530**	1 879	**2 341**	1 721
	3 269 322	2 825 687	**3 269 133**	2 825 529

Included under property are Musharaka advances amounting to R1 873,1 million (2011: R1 548,7 million)

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
9.2 Maturity analysis				
Advances to customers				
Within 1 month	**201 206**	147 813	**201 206**	147 813
From 1 month to 3 months	**257 517**	235 756	**257 517**	235 756
From 3 months to 1 year	**363 796**	341 116	**363 796**	341 116
From 1 year to 5 years	**1 054 920**	973 161	**1 054 920**	973 161
More than 5 years	**857 774**	680 801	**857 774**	680 801
	2 735 213	2 378 647	**2 735 213**	2 378 647
Equity finance				
Within 1 month	**271 961**	282 392	**271 961**	282 392
From 1 month to 3 months	**276 127**	179 088	**276 127**	179 088
	548 088	461 480	**548 088**	461 480
9.3 Analysis of impairment for doubtful advances				
9.3.1 Specific impairments	**5 705**	6 316	**5 705**	6 316
Balance at beginning of year	**6 316**	6 434	**6 316**	6 434
Charge to profit for the year	**3 252**	(5)	**3 252**	(5)
Bad debts written off	**(3 863)**	(113)	**(3 863)**	(113)
9.3.2 Portfolio impairments	**10 804**	10 002	**10 804**	10 002
Balance at beginning of year	**10 002**	8 271	**10 002**	8 271
Charge to profit for the year	**802**	1 731	**802**	1 731
	16 509	16 318	**16 509**	16 318
9.3.3 Impairment for credit losses				
Specific impairments	**3 252**	(5)	**3 252**	(5)
Portfolio impairments	**802**	1 731	**802**	1 731
Bad debts recovered	**(204)**	(831)	**(204)**	(831)
	3 850	895	**3 850**	895

There was a net increase in specific impairments of R3 252 433 for the year which was a result of impairments of R3 433 969 being raised and a further R181 536 being released.

10. South African Revenue Service

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Income tax	**649**	1 899	**649**	1 899
Value added taxation			**22**	-
	649	1 899	**671**	1 899

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
11. Cash and cash equivalents				
Cash on hand	**3 154**	3 096	**3 154**	3 096
Government and other stock	**64 656**	53 691	**64 656**	53 691
Balances with Central Bank	**188 742**	165 861	**188 742**	165 861
Placements with other banks	**50 000**	54 744	**50 000**	54 744
	306 552	277 392	**306 552**	277 392
The following banking facilities are available to the group:				
Letters of credit and guarantees	**5 000**	20 000	**5 000**	20 000
Foreign exchange facilities	**129 849**	2 752	**129 849**	2 752
Settlement facilities	**7 000**	14 200	**7 000**	14 200
	141 849	36 952	**141 849**	36 952

Deposits with the Central Bank of R133,5 million (2011: R112,3 million) and in Government stock of R64,7 million (2011: R53,7 million) represent mandatory reserve deposits and are therefore not available for use in the bank's daily operations.

	Group		Company	
12. Share capital and share premium				
12.1 Authorised share capital				
30 000 000 (2011: 30 000 000) ordinary shares of R10 each	**300 000**	300 000	**300 000**	300 000
12.2 Issued and fully paid share capital				
22 500 000 (2011: 22 500 000) ordinary shares of R10 each	**225 000**	225 000	**225 000**	225 000
12.3 Share premium				
Balance at beginning of year	**29 866**	-	**29 866**	-
Increase due to rights issue	**-**	30 000	**-**	30 000
Costs related to rights issue	**-**	(134)	**-**	(134)
Balance at end of year	**29 866**	29 866	**29 866**	29 866

	Group		Company	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000

13. Welfare and charitable funds

Gross income from non-Islamic activities during the year	**6 764**	7 261	**6 764**	7 261
Normal tax thereon	**(935)**	(1 149)	**(935)**	(1 149)
Net income from non-Islamic activities during the year	**5 829**	6 112	**5 829**	6 112
Donations and advances	**(4 206)**	(6 129)	**(4 206)**	(6 129)
Balance at beginning of year	**2 795**	2 812	**2 795**	2 812
Balance at end of year	**4 418**	2 795	**4 418**	2 795

14. Accounts payable

Sundry creditors	**15 571**	4 608	**15 526**	4 608
Accruals	**7 628**	5 183	**6 578**	4 490
	23 199	9 791	**22 104**	9 098

Terms and conditions of the above financial liabilities:
Sundry creditors are non-interest bearing and are normally settled on 30-day terms.

Accruals are non-interest bearing and have an average term of six months.

15. South African Revenue Service

Value Added Taxation	**73**	179		134
South African Revenue Service liability	**158**	915	**158**	915
	231	1 094	**158**	1 049

Payables to the South African Revenue Service in terms of Value Added Taxation are settled within 30 days to avoid penalties and interest.

The South African Revenue Service liability represents PAYE due to the revenue authorities and is expected to be settled within the following 6 months.

16. Provision for leave pay

Balance at beginning of year	**4 341**	3 609	**4 341**	3 609
Accrued and utilised during the year	**770**	732	**770**	732
Balance at end of year	**5 111**	4 341	**5 111**	4 341

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

17. Deposits from customers

Participation investment accounts	**1 514 592**	1 361 008	**1 514 592**	1 361 008
Savings accounts	**9 922**	15 437	**9 922**	15 437
Monthly investment plan	**115 425**	99 338	**115 425**	99 338
Haj investment scheme	**102 946**	91 106	**102 946**	91 106
Regular income provider	**1 370 425**	1 166 620	**1 370 425**	1 166 620
Electronic banking	**140 649**	104 744	**140 649**	104 744
Profits distributable to depositors	**25 511**	18 622	**25 511**	18 622
Other	**42 034**	24 153	**42 034**	24 153
	3 321 504	2 881 028	**3 321 504**	2 881 028
Maturity analysis				
Within 1 month	**1 209 748**	1 029 379	**1 209 748**	1 029 379
From 1 month to 3 months	**729 934**	693 407	**729 934**	693 407
From 3 months to 1 year	**1 353 670**	1 137 699	**1 353 670**	1 137 699
Greater than 1 year	**2 640**	1 921	**2 640**	1 921
More than 5 years	**25 512**	18 622	**25 512**	18 622
	3 321 504	2 881 028	**3 321 504**	2 881 028

The maturity of the deposit products offered by the bank range from current to 720 days. As such, amounts reflected as more than 5 years are representative of funds held as an investment risk reserve for the benefit of the total depositor pool. These funds are reserved for the protection of depositor monies should the need arise.

18. Income paid to depositors

Income paid to depositors is based on the profit sharing ratio agreed upon between the depositor and the bank at the time of the initial investment. On maturity, this income is either paid out to the depositor on instruction or reinvested on the depositors' behalf within the category of the initial deposit.

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

19. Net non-Islamic income

Interest income	**6 762**	7 066	**6 762**	7 066
Other non-Shariah-compliant income	**2**	195	**2**	195
	6 764	7 261	**6 764**	7 261
Amount transferred to welfare and charitable funds	**(6 764)**	(7 261)	**(6 764)**	(7 261)
	-	-	**-**	-

20. Fee and commission income

Service fees	**15 311**	12 416	**15 311**	12 416
Commission received on sale of unit trusts	**2 589**	2 112	**2 589**	2 112
Profit from foreign currency trading	**3 485**	3 095	**3 485**	3 095
Management fee from subsidiary			**200**	200
	21 385	17 623	**21 585**	17 823

21. Other operating income

Property rental income	**440**	438	**190**	161
Net parking income from investment property	**469**	30		
Tank container rental income	**834**	684	**834**	684
Dividend income	**317**	448	**18 317**	4 448
Fair value gain on financial instrument	**1 066**	295	**1 066**	295
Other	**1 030**	411	**1 030**	411
	4 156	2 306	**21 437**	5 999

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
22. Operating expenditure				
Operating expenditure includes:				
Auditor's remuneration				
Audit fees – current year	**2 208**	1 745	**2 168**	1 745
– prior year under provision	**299**	54	**299**	54
Fees for other services				
Tax consultancy	**54**	88	**54**	79
Other	**175**	382	**175**	329
	2 736	2 269	**2 696**	2 207
Consultancy fees	**3 296**	1 555	**3 234**	1 506
Depreciation of property and equipment	**3 632**	5 699	**7 861**	9 930
Depreciation on investment property	**152**	-		
Amortisation of intangible assets	**3 380**	3 841	**3 380**	3 841
Assets written off	**407**	-	**407**	-
Impairment of property and equipment	**-**	7	**-**	7
Loss on disposal of property and equipment	**17**	11	**17**	11
Change in estimate – VAT refund (note 32)	**1 296**	-	**1 296**	-
Operating lease charges	**1 884**	1 737	**2 137**	1 992
Research costs	**632**	-	**632**	-
Staff costs	**60 331**	53 200	**60 331**	53 200
Directors' emoluments			**4 194**	4 639
Executive services			**2 978**	3 374
Non-executive directors' fees			**1 216**	1 265

		Salary	Other benefits	Total
		R'000	R'000	R'000
Directors' emoluments				
22.1 Executive services				
Company only				
2012				
SAE Chohan	- Chief executive	**1 669**	**99**	**1 768**
MG McLean	- Deputy chief executive	**-**	**-**	**-**
MJD Courtiade	- Financial director	**1 160**	**50**	**1 210**
		2 829	**149**	**2 978**
2011				
SAE Chohan	- Chief executive	1 546	101	1 647
MG McLean	- Deputy chief executive	206	442	648
MJD Courtiade	- Financial director	1 079	-	1 079
		2 831	543	3 374

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
22.2 Non-executive directors' fees				
AA Yousif			**129**	124
Adv. AB Mahomed SC			**147**	145
F Kassim			**98**	90
A Lambat			**136**	131
MS Paruk			**179**	178
YM Paruk			**126**	123
SA Randeree			**150**	128
OA Suleiman			**-**	120
M Youssef Baker			**138**	122
MG McLean			**113**	104
			1 216	1 265

23. Taxation

	Group 2012	Group 2011	Company 2012	Company 2011
South African tax				
Normal - current year	**8 306**	7 563	**8 306**	7 563
- prior year	**-**	105	**-**	105
Attributable to income from non-Islamic activities (refer accounting policy 11 and note 13)	**(935)**	(1 149)	**(935)**	(1 149)
Deferred tax - current year	**797**	2 912	**(4 861)**	924
- prior year	**-**	(101)	**-**	(101)
Secondary tax on companies	**971**	632	**971**	632
Taxation attributable to Islamic activities	**9 139**	9 962	**3 481**	7 974
Reconciliation of taxation charge	**%**	%	**%**	%
Effective tax rate	**26,6**	38,6	**9,0**	48,3
Secondary tax on companies	**(2,8)**	(2,4)	**(2,5)**	(3,8)
Adjustable items:				
Non-taxable income and non-deductible expenditure	**(1,8)**	(0,1)	**11,5**	7,0
Recognition/(derecognition) of temporary differences on the finance lease			**10,0**	(23,4)
Reversal/(impairment) of deferred tax asset	**6,0**	(8,0)		
Current tax adjustment - prior year		(0,5)		(0,7)
Deferred tax adjustment - prior year		0,4		0,6
	28,0	28,0	**28,0**	28,0

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
24. Earnings per share				
Basic and diluted earnings per share are calculated on after tax income attributable to ordinary shareholders and a weighted average number of 22 500 000 (2011: 20 625 000) ordinary shares in issue during the year (cents)	**112,2**	76,9		
Headline earnings per share are calculated on headline earnings and a weighted number of 22 500 000 (2011: 20 625 000) ordinary shares in issue during the year (cents)	**114,1**	76,9		
Headline earnings per share are derived from:				
Profit for the year	**25 255**	15 851		
Loss arising on disposal of property and equipment	**17**	11		
Write-off of property, equipment and intangible assets	**407**	-		
Impairment of property and equipment	**-**	7		
	25 679	15 869		
25. Dividends				
A dividend of 45 cents per share (2011: 45 cents) was paid on 29 June 2012 to shareholders registered on the shareholders register of the bank at close of business on 8 June 2012.	**10 125**	6 750	**10 125**	6 750

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

26. Statement of cash flows

26.1 Cash generated from operations

	2012	2011	**2012**	2011
Profit before taxation	**34 394**	25 813	**38 574**	16 514
Adjustment for non-cash items:				
Depreciation of property and equipment	**3 632**	5 699	**7 861**	9 930
Depreciation of investment property	**152**	-		
Dividend income	**(317)**	(448)	**(18 317)**	(4 448)
Impairment of property and equipment	**-**	7	**-**	7
Amortisation of intangible assets	**3 380**	3 841	**3 380**	3 841
Loss on disposal of property and equipment	**17**	11	**17**	11
Assets written-off	**407**	-	**407**	-
Straight-lining of operating leases	**1**	44	**4**	70
Provision for leave pay	**770**	732	**770**	732
Impairment for credit losses	**(4 054)**	(1 726)	**(4 054)**	(1 726)
Fair value gain on financial instruments	**(1 066)**	(295)	**(1 066)**	(295)
	37 316	33 678	**27 576**	24 636

26.2 Changes in working capital

	2012	2011	**2012**	2011
Increase in deposits from customers	**440 476**	310 414	**440 476**	310 414
Increase/(decrease) in accounts payable	**12 646**	(4 694)	**12 213**	(3 350)
Increase in welfare and charitable funds	**2 559**	1 134	**2 559**	1 134
Increase in advances and other receivables	**(439 582)**	(429 403)	**(439 573)**	(429 366)
	16 099	(122 549)	**15 675**	(121 168)

26.3 Taxation paid

	2012	2011	**2012**	2011
Amount receivable at beginning of year	**1 899**	3 082	**1 899**	3 082
Amount charged to profit for the year	**(8 342)**	(7 139)	**(8 342)**	(7 139)
Amount charged to welfare and charitable funds	**(935)**	(1 161)	**(935)**	(1 161)
Amount receivable at end of year	**(649)**	(1 899)	**(649)**	(1 899)
	(8 027)	(7 117)	**(8 027)**	(7 117)

26.4 Dividends paid

	2012	2011	**2012**	2011
Amount outstanding at beginning of year	**-**	-	**-**	-
Dividends declared and paid	**(10 125)**	(6 750)	**(10 125)**	(6 750)
Amount outstanding at end of year	**-**	-	**-**	-
	(10 125)	(6 750)	**(10 125)**	(6 750)

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

26. Statement of cash flows (continued)

26.5 Purchase of property and equipment

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Land and buildings	**-**	(171)	**-**	-
Vehicles	**(178)**	(206)	**(178)**	(206)
Equipment and computers	**(1 764)**	(2 111)	**(1 764)**	(2 111)
Leasehold improvements	**(474)**	(2 458)	**(474)**	(2 458)
Work in progress	**(3 951)**	(2 077)	**(3 951)**	(2 077)
Change in accounting estimate – VAT on capital expenditure (note 32)	**307**	-	**307**	-
	(6 060)	(7 023)	**(6 060)**	(6 852)

26.6 Purchase of investment properties

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Land	**(22)**	(343)		
	(22)	(343)		

26.7 Purchase of intangible assets

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Computer software	**(663)**	(328)	**(663)**	(328)
Capitalised project costs	**(93)**	(73)	**(93)**	(73)
Change in accounting estimate – VAT on capital expenditure (note 32)	**491**	-	**491**	-
	(265)	(401)	**(265)**	(401)

27. Letters of credit, guarantees and confirmations

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Guarantees and confirmations	**140 218**	122 237	**143 518**	122 237
Letters of credit	**152**	3 279	**152**	3 279
	140 370	125 516	**143 670**	125 516

The above letters of credit, guarantees and confirmations are directly linked to the company's core activities and payments relating thereto will be made in the ordinary course of business.

28. Capital commitments

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Authorised but not yet contracted for	**-**	-	**-**	-
Authorised and contracted for				
- Property and equipment	**34**	1 075	**34**	1 075
- Intangible assets	**-**	9	**-**	9
	34	1 084	**34**	1 084

The expenditure will be financed from funds on hand and generated internally.

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

29. Financial instruments

29.1 Credit risk management - maximum exposure to credit risk

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Advances to customers (note 9.1)	**2 735 213**	2 378 647	**2 735 213**	2 378 647
Advances and balances with banks	**598 088**	516 224	**598 088**	516 224
Advances and balances with Central Bank	**253 398**	219 552	**253 398**	219 552
Letters of credit, guarantees and confirmations	**140 370**	125 516	**143 670**	125 516
	3 727 069	3 239 939	**3 730 369**	3 239 939

29.2 Currency risk management

The group's exposure to currency risk was as follows:

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Cash and cash equivalents				
- EUR	**57**	48	**57**	48
- GBP	**64**	20	**64**	20
- SAR	**31**	92	**31**	92
- USD	**1 620**	1 149	**1 620**	1 149
- Others	**88**	47	**88**	47
	1 860	1 356	**1 860**	1 356

29.3 Derivative instruments

The group did not trade in any derivative instruments during the year under review.

29. Financial instruments (continued)

29.4 Liquidity risk management

The table below shows an analysis of financial and non-financial assets and liabilities analysed according to when they are expected to be recovered or settled. The fair value of assets in the group and company are not materially different and thus only group disclosures have been presented.

	Carrying amount	Within 1 Month	1 to 3 months	3 months to 1 year	1 to 5 Years	More than 5 years
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2012						
Assets						
Advances and other receivables	**3 269 322**	**473 589**	**534 487**	**365 062**	**1 054 920**	**841 264**
South African Revenue Service	**649**	**-**	**-**	**649**	**-**	**-**
Investment securities	**8 719**	**-**	**-**	**-**	**-**	**8 719**
Cash and cash equivalents	**306 552**	**192 814**	**46 692**	**-**	**-**	**67 046**
	3 585 242	**666 403**	**581 179**	**365 711**	**1 054 920**	**917 029**
Liabilities						
Deposits from customers	**3 321 504**	**1 209 748**	**729 934**	**1 353 670**	**2 640**	**25 512**
Accounts payable	**23 199**	**22 539**	**348**	**173**	**-**	**139**
South African Revenue Service	**231**	**73**	**-**	**158**	**-**	**-**
Provision	**5 111**	**426**	**852**	**3 833**	**-**	**-**
Letters of credit, guarantees and confirmations	**140 370**	**16 532**	**41 187**	**49 632**	**16 495**	**16 524**
	3 490 415	**1 249 318**	**772 321**	**1 407 466**	**19 135**	**42 175**
Net liquidity gap	**94 827**	**(582 915)**	**(191 142)**	**(1 041 755)**	**1 035 785**	**874 854**
2011						
Assets						
Advances and other receivables	2 825 687	432 417	413 570	342 055	973 161	664 484
South African Revenue Service	1 899	-	-	1 899	-	-
Investment securities	7 576	-	-	-	-	7 576
Cash and cash equivalents	277 392	180 378	40 720	56 294	-	-
	3 112 554	612 795	454 290	400 248	973 161	672 060
Liabilities						
Deposits from customers	2 881 028	1 029 379	693 407	1 137 699	1 921	18 622
Accounts payable	9 791	9 005	417	210	-	159
South African Revenue Service	1 094	179	-	915	-	-
Provision	4 341	362	724	3 255	-	-
Letters of credit, guarantees and confirmations	125 516	13 978	30 041	51 890	13 570	16 037
	3 021 770	1 052 903	724 589	1 193 969	15 491	34 818
Net liquidity gap	90 784	(440 108)	(270 299)	(793 721)	957 670	637 242

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
29.5 Market risk				
The exposure to market risk is as follows:				
Investment securities - fair-value-through-profit-or-loss	**6 119**	4 976	**6 119**	4 976
Investment securities - available-for-sale	**2 600**	2 600	**2 600**	2 600
	8 719	7 576	**8 719**	7 576

29.6 Intrinsic rate risk

Loans and borrowings subject to intrinsic rate risk

	Intrinsic rate	Maturity	Company 2012 R'000	Company 2011 R'000
Current portion – less than 12 months			**8 179**	68 052
Non-current portion – greater than 12 months			**61 527**	-
Total obligations under finance leases (note 30.3)	**14,3%**	**2024**	**69 706**	68 052

Intrinsic rate risk is limited to the finance lease between the bank and its wholly-owned subsidiary. The total value of the finance lease liability has been classified as current in the 2011 financial year due to the intended dissolution of the subsidiary in that year.

29.7 Accounting classification and fair values

The fair value of assets in the group and company are not materially different and thus only group disclosures have been presented.

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost, are estimated by comparing market profit rates when they were first recognised, with current market rates for similar financial instruments. The estimated fair value of fixed profit bearing deposits is based on discounted cash flows using prevailing money-market profit rates for debts with similar credit risk and maturity. For those notes issued where quoted market prices are not available, a discounted cash flow model is used, based on a current profit rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

Set out herein is a comparison, by class, of the carrying amounts and fair values of the bank's financial instruments that are not carried at fair value in the financial statements.

	Non-financial instruments	Advances and receivables	Available-for-sale	Held to maturity	Fair-value-through-profit-or-loss	Carrying amount	Fair Value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
29. Financial instruments (continued)							
Group							
2012							
Assets							
Advances and other receivables	**2 530**	**3 266 792**	**-**	**-**	**-**	**3 269 322**	**3 269 322**
South African Revenue Service	**649**	**-**	**-**	**-**	**-**	**649**	**649**
Investment securities	**-**	**-**	**2 600**	**-**	**6 119**	**8 719**	**8 719**
Cash and cash equivalents	**-**	**241 896**	**-**	**64 656**	**-**	**306 552**	**306 552**
	3 179	**3 508 688**	**2 600**	**64 656**	**6 119**	**3 585 242**	**3 585 242**
Liabilities							
Deposits from customers	**-**	**-**	**-**	**-**	**3 321 504**	**3 321 504**	**3 321 504**
Accounts payable	**-**	**-**	**-**	**-**	**23 199**	**23 199**	**23 199**
South African Revenue Service	**-**	**-**	**-**	**-**	**231**	**231**	**231**
Provision for leave pay	**-**	**-**	**-**	**-**	**5 111**	**5 111**	**5 111**
	-	**-**	**-**	**-**	**3 350 045**	**3 350 045**	**3 350 045**
2011							
Assets							
Advances and other receivables	1 879	2 823 808	-	-	-	2 825 687	2 825 687
South African Revenue Service	1 899	-	-	-	-	1 899	1 899
Investment securities	-	-	2 600	-	4 976	7 576	7 576
Cash and cash equivalents	-	223 701	-	53 691	-	277 392	277 392
	3 778	3 047 509	2 600	53 691	4 976	3 112 554	3 112 554
Liabilities							
Deposits from customers	-	-	-	-	2 881 028	2 881 028	2 881 028
Accounts payable	-	-	-	-	9 791	9 791	9 791
South African Revenue Service	-	-	-	-	1 094	1 094	1 094
Provision for leave pay	-	-	-	-	4 341	4 341	4 341
	-	-	-	-	2 896 254	2 896 254	2 896 254

29.8 Fair value hierarchy

The fair value of assets in the group and company are not materially different and thus only group disclosures have been presented. The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis by class of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Group				
2012				
Financial assets				
Investment securities – fair-value-through-profit-or-loss				
- Unit trust investments	**6 119**	**-**	**-**	**6 119**
	6 119	**-**	**-**	**6 119**
Financial liabilities	**-**	**-**	**-**	**-**
2011				
Financial assets				
Investment securities – fair-value-through-profit-or-loss				
- Unit trust investments	4 976	-	-	4 976
	4 976	-	-	4 976
Financial liabilities	-	-	-	-

Financial instruments recorded at fair value
The following is a description of the determination of fair value for financial instruments which are recorded at fair value using quoted (unadjusted) prices.

Financial investments – Fair-value-through-profit-or-loss
Fair-value-through-profit-or-loss financial assets which are valued using quoted (unadjusted) prices consist of quoted equities.

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
30. Leases				
Operating leases				
30.1 Leases as lessee				
Non-cancellable operating lease rentals payable are as follows:				
Less than one year	**1 761**	1 301	**2 038**	1 429
Between one and five years	**233**	955	**539**	955
	1 994	2 256	**2 577**	2 384

The rentals disclosed above relate to the leasing of commercial premises, occupied by retail and corporate branches of Albaraka Bank Limited. These leases have an average life of between one and three years with renewal options included in the contracts. The inter-group operating lease rentals payable have only been disclosed in the comparative year up to the anticipated date of dissolution of the subsidiary. With the termination of the dissolution, the current period's disclosure extends to the expiration of the lease contracts. Operating lease rentals are accounted for on a straight line basis over the period of the lease.

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
30. Leases (continued)				
30.2 Leases as lessor				
Non-cancellable operating lease rentals receivable are as follows:				
Less than one year	**41**	247		
Between one and five years	**-**	41		
	41	288		

Operating lease rentals receivable relate to building premises owned by Albaraka Properties Proprietary Limited. The associated rental income is accounted for on a straight line basis over the period of the lease.

	2012		2011	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Finance leases				
30.3 Leases as lessee – company				
Less than one year	**8 729**	**8 179**	72 890	68 052
Between one and five years	**42 479**	**27 881**		
More than five years	**110 823**	**33 646**		
Total minimum lease payments	**162 031**	**69 706**	72 890	68 052
Less amounts representing finance charges	**(92 325)**		(4 838)	
Present value of minimum lease payments (note 6)	**69 706**	**69 706**	68 052	68 052

Albaraka Bank Limited has entered into a finance lease with its wholly-owned subsidiary, Albaraka Properties Proprietary Limited for the use of its property as the bank's corporate head office.

This lease is for an initial period of ten years with a five year renewal option. Rentals are escalated annually at 8%. No purchase option exists. Renewals are at the option of the bank.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are stated above. The rate intrinsic in the lease is 14,3% (2011: 14,3%) after considering the unguaranteed residual value of R72,0 million (2011: R72,0 million) which will be realised at the end of the lease. The minimum payments have all been classified as current in the 2011 comparative period due to the intended dissolution of the bank's subsidiary.

31. Retirement benefits

Albaraka Bank Limited contributes to the Albaraka Bank Provident Fund, a defined contribution plan.

The Fund is registered under and governed by the Pension Funds Act, 1956, as amended. Employee benefits are determined according to each member's equitable share of the total assets of the Fund.

The company's contribution for the year was R2,0 million (2011: R1,9 million).

32. Change in accounting estimate

As part of the annual assessment of the remaining useful lives of property and equipment and intangible assets, it was ascertained that, based on the pattern of use of a major part of these assets, an extension to the estimated useful lives was required due to the economic benefits associated with these assets being utilised over a significantly longer period than initially estimated.

The reason for this extended life is closely associated with the regular maintenance, upgrade and repair of these assets as well as business decisions to prolong the use of these assets to the point where maximum benefit is gained from them.

The results of this assessment were treated as a change in accounting estimate in terms of IAS 8 – Accounting policies, changes in accounting estimates and errors. The effect on the current period's depreciation charge were reductions of R1,8 million on property and equipment and R0,6 million on intangible assets.

During the 2012 financial period, the bank conducted a Value Added Tax (VAT) review, based on the Value Added Tax Act, No. 89 of 1991, in order to identify potential VAT savings.

The review revealed that the bank had not applied the VAT legislation to its best advantage, specifically where technical and specialised interpretations were required, which resulted in the bank having under-claimed VAT to the value of R2,1 million over the period evaluated, comprising R1,3 million on revenue expenditure and R0,8 million on capital expenditure.

The additional VAT claim was accepted by the taxation authorities and the full refund was received in December 2012.

The results of the assessment were treated as a change in accounting estimate in terms of IAS 8 – Accounting policies, changes in accounting estimates and errors.

The revenue component of the refund is presented within operating expenditure (note 22).

The capital component is presented within property and equipment and intangible assets (note 3 and note 5) under the transfers line.

The capital component resulted in a revision of the depreciation charge for the year in the sum of R0,6 million, which is presented within the depreciation and amortisation line in note 3 and note 5 respectively.

33. Related party information

The holding company of Albaraka Bank Limited at 31 December 2012 is Al Baraka Banking Group B.S.C. which is a company registered in the Kingdom of Bahrain and which holds 62.2% (2011: 61.8%) of the company's ordinary shares.

DCD Holdings (SA) Proprietary Limited and DCD London & Mutual Plc, a company incorporated in England and Wales, jointly hold 12,6% (2011: 12,6%) of the company's ordinary shares.

The Iqraa Trust is a registered trust whose beneficiaries are charitable, welfare and educational institutions.

The trust is one of various beneficiaries of the bank's charitable activities. Four of the bank's directors are also trustees of the trust.

The subsidiary of the bank and the related inter-company balances are identified in note 6.

The property rentals paid to the subsidiary for the year amounted to R255 099 (2011: R255 099). The bank also made finance lease repayments amounting to R8 082 183 (2011: R7 483 503) for the year.

As the subsidiary does not maintain a physical bank account, all revenue and expenditure transactions are facilitated by Albaraka Bank Limited and are accounted for via the inter-company account.

The remuneration paid to the directors is disclosed in note 22.

The management fee charged to the subsidiary is disclosed in note 20.

Albaraka Bank Limited enters into financial transactions, including normal banking relationships, with companies in which the directors of the bank have a beneficial interest. These transactions are governed by terms no less favourable than those arranged with third parties and are subject to the bank's normal credit approval policies and procedures.

Directors are required to declare their interest in such transactions and recuse themselves from participating in any meeting at which these matters are discussed. Any transactions, irrespective of size, have to be reviewed by the board.

In order to avoid conflicts of interest and with a view to ensuring transparency at all times, a register of directors' interests in companies containing the nature of such interests, as well as the nature and extent of the beneficial shares held in the companies is submitted to the board of directors annually for reviewing and updating.

Balances owing by/(to) related parties, including loans to executive and non-executive directors, are disclosed herein:

	Company 2012 R'000	Company 2011 R'000
Property finance - Musharaka and Murabaha		
Balance outstanding at beginning of year	**9 072**	4 741
Advances granted during the year	**-**	6 480
Repayments during the year	**(3 318)**	(2 881)
Profit earned	**1 583**	732
	7 337	9 072
Profit mark-up range for the year	**5,0% - 9,5%**	5,0% - 9,5%

The profit mark-up of 5% is in respect of advances to executive directors at subsidised rates which, at year end amounted to R108 049 (2011: R219 894)

	Company 2012 R'000	Company 2011 R'000
Instalment sale		
Balance outstanding at beginning of year	**914**	1 134
Advances granted during the year	**1 000**	130
Repayments during the year	**(625)**	(491)
Profit earned	**101**	141
	1 390	914
Profit mark-up range for the year	**9,0% - 15,0%**	9,5% - 15,0%
Trade finance		
Balance outstanding at beginning of year	**4 387**	3 800
Advances granted during the year	**8 158**	9 847
Repayments during the year	**(10 384)**	(9 484)
Profit earned	**1 630**	224
	3 791	4 387
Profit mark-up range for the year	**8,5% - 9,5%**	8,5% - 9,0%
Iqraa Trust		
Balance due to the trust at beginning of year	**(15)**	(1)
Funds received on behalf of the trust	**(4)**	(14)
Funds paid over to the trust	**14**	-
Balance due to the trust at end of year	**(5)**	(15)

During the year, the bank donated an amount of R2 455 837 (2011: R4 760 584) to the trust.

At 31 December 2012 funds deposited by the trust with the bank amounted to R31 980 711 (2011: R29 276 625)

Total exposure to related parties	**12 513**	14 358

Staff advances are conducted at subsidised profit rates. The amount subject to the subsidised profit rate is dependent on the staff member's position within the entity.

The total staff advances outstanding at the end of the period amounted to	**34 069**	27 200

34. Contingent liability

It was identified that certain contributions made by employees to third parties had been incorrectly classified by the bank. This could result in a possible obligation by the employees which the bank may bear. Discussions have been held by the bank and the relevant authority, as to how the obligation will be extinguished going forward and an independent tax advice has been obtained which supports the remedial actions proposed by the bank. Therefore the bank has determined that the likelihood of a future obligation materialising is not probable based on the information available at the date of the annual financial statements, and therefore no provision has been recognised. However it is possible that a further liability may arise.

35. Standards and interpretations not yet effective

	Effective Date
At the date of authorisation of the annual financial statements for the year ended 31 December 2012, the following accounting standards, interpretations and amendments were in issue, but not yet effective. These standards will be adopted at their effective dates, with no early adoption intended.	
IAS 27 Separate Financial Statements This revised standard is required for years commencing on or after 1 January 2013 and is not expected to have a significant impact on the current activities of the group.	1 Jan 2013
IAS 28 Investments in Associates and Joint Ventures This standard is required for years commencing on or after 1 January 2013 and is not expected to have a significant impact on the current activities of the group.	1 Jan 2013
IFRS 9 Financial Instruments The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. The effect of this standard on the group financial statements is in the process of being evaluated.	1 Jan 2015
IFRS 10 Consolidated Financial Statements This standard introduces a new single control model as the basis for consolidation applicable to all investees. It also introduces a changed definition of control. The effect of this standard on the group financial statements is in the process of being evaluated.	1 Jan 2013
IFRS 11 Joint Arrangements This standard establishes principles for the financial reporting by parties to a joint arrangement. The standard is not expected to affect the group financial statements.	1 Jan 2013
IFRS 12 Disclosure of Interests in Other Entities This standard combines, enhances and replaces disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is not expected to affect the group financial statements.	1 Jan 2013
IFRS 13 Fair Value Measurement This standard applies when other IFRS require or permit fair value measurements. It defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The group will modify its disclosures accordingly.	1 Jan 2013
IAS 19 Employee Benefits This standard combines changes to the corridor method and expected returns on plan assets This standard is not expected to affect the group financial statements.	1 Jan 2013

	Effective Date
IAS 32 Offsetting Financial Assets and Financial Liabilities This standard was amended to clarify the meaning of "legally enforceable right". This is not expected to impact the group financial statements.	1 Jan 2014
IFRS 10 Transitional Guidance amendments and Investment Entities The amendments clarify that an entity is not required to make adjustments to the previous accounting for its involvement with entities if the consolidation conclusion reached at the date of initial application is the same when applying IAS 27 and when applying IFRS 10.This is not expected to have an impact on the group financial statements.	1 Jan 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine This applies to all types of natural resources that are extracted using the surface mining activity process. This standard is not expected to affect the group financial statements.	1 Jan 2013
IAS 1 Presentation of Items of Other Comprehensive Income The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. This is not expected to affect the group financial statements.	1 Jul 2012
IFRS 1 First Time Adoption of IFRS The amendment clarifies the guidance relating to the repeat application of IFRS 1. This does not impact the group financial statements.	1 Jan 2013
IAS 1 Presentation of Financial Statements The amendment clarifies that comparative information in respect of the previous period forms part of a complete set of financial statements.	1 Jan 2013
IAS 16 Property, Plant and Equipment The amendment clarifies that servicing equipment is Property, Plant and Equipment when used during more than one period. This does not have an impact on the group financial statements.	1 Jan 2013
IAS 34 Interim Financial Reporting This amendment aligns the disclosure requirements in IAS 34 with those of IAS 8 Operating Segments. This is not expected to have an impact on the group financial statements.	1 Jan 2013

36. Adoption of new standards

	Effective Date
The following amendments to standards and new interpretations were adopted during the year, as they became effective for years commencing on or after 1 January 2012.	
IAS 12 Recovery of Underlying Assets	1 Jan 2012
IFRS 7 Transfers of Financial Assets	1 Jul 2011
IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 Jul 2011

AAOIFI STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Assets				
Cash and cash equivalents	**306 552**	277 392	**306 552**	277 392
Sales receivables	**1 402 558**	1 283 979	**1 402 558**	1 283 979
Musharaka financing	**1 863 370**	1 539 087	**1 863 370**	1 539 087
Investment securities	**8 719**	7 576	**8 719**	7 576
Investment in subsidiary company			**22 903**	15 045
Total investments	**3 581 199**	3 108 034	**3 604 102**	3 123 079
Other assets	**6 265**	7 539	**17 492**	13 117
Property and equipment	**98 655**	100 435	**73 008**	79 017
Investment properties	**10 552**	10 682		
Intangible assets	**19 570**	19 007	**19 570**	19 007
Total assets	**3 716 241**	3 245 697	**3 714 172**	3 234 220
Liabilities, unrestricted investment accounts and owners' equity				
Liabilities				
Customer current accounts and other	**182 683**	128 897	**182 683**	128 897
Payables	**28 541**	15 226	**27 373**	14 488
Other liabilities	**4 418**	2 795	**4 418**	2 795
Total liabilities	**215 642**	146 918	**214 474**	146 180
Equity of unrestricted investment account holders	**3 113 310**	2 733 509	**3 113 310**	2 733 509
Total liabilities and unrestricted investment accounts	**3 328 952**	2 880 427	**3 327 784**	2 879 689
Owners' equity	**387 289**	365 270	**386 388**	354 531
Share capital	**225 000**	225 000	**225 000**	225 000
Share premium	**29 866**	29 866	**29 866**	29 866
Reserves	**25 511**	18 622	**25 511**	18 622
Retained income	**106 912**	91 782	**106 011**	81 043
Total liabilities, unrestricted investment accounts and owners' equity	**3 716 241**	3 245 697	**3 714 172**	3 234 220

AAOIFI STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Income from sales receivables	**100 289**	97 738	**100 289**	97 738
Income from Musharaka financing	**162 952**	133 190	**162 952**	133 190
Return on unrestricted investment accounts before the bank's share as mudarib	**263 241**	230 928	**263 241**	230 928
Less: bank's share as mudarib	**(124 066)**	(106 099)	**(124 066)**	(106 099)
Return on unrestricted accounts	**139 175**	124 829	**139 175**	124 829
Bank's share in income from investment (as a mudarib and as a fund owner)	**124 066**	106 099	**124 066**	106 099
Bank's income from its own investments	**317**	448	**18 317**	4 448
Revenue from banking services	**15 311**	12 416	**15 311**	12 416
Other revenue	**9 913**	7 065	**9 394**	6 958
Total bank revenue	**149 607**	126 028	**167 088**	129 921
Administrative and general expenditure	**(108 201)**	(90 675)	**(117 273)**	(99 636)
Depreciation of property and equipment	**(3 632)**	(5 699)	**(7 861)**	(9 930)
Amortisation of intangible assets	**(3 380)**	(3 841)	**(3 380)**	(3 841)
Profit before taxation	**34 394**	25 813	**38 574**	16 514
Taxation	**(9 139)**	(9 962)	**(3 481)**	(7 974)
Profit for the period	**25 255**	15 851	**35 093**	8 540

AL BARAKA BANKING GROUP – HOLDING COMPANY AND SUBSIDIARIES

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