



Abridged Integrated Annual Report
2013

Vision, Mission Values

Contents

Ten-Year Review	1
Directorate and Administration	2
Chairman and Chief Executive's Statement	3
Corporate Governance Report	5
Sustainability Report	7
Compliance Report	10
Shariah Report	11
Abridged Financial Statements	12
Directors' Responsibility Statement	13
Statement of Financial Position	14
Statement of Comprehensive Income	15
Statement of Changes in Shareholders' Equity	16
Statement of Cash Flows	17
Advances and Other Receivables	18
Welfare and Charitable Funds	19
Deposits from Customers	20
Earnings per Share	20

Al Baraka Bank ... Living the Partnership Ideal

Our success and that of our customers is closely entwined.

We are deeply committed, as 'your partner bank' to forming long-term relationships with our clients; partnerships in which both parties together achieve common goals, so realising infinitely more than would otherwise be possible.

We are intent on taking the time to become acquainted with our clients, to understand their personal needs and to offer tailored banking solutions to address those needs.

We focus on capitalising on arising opportunities. Our reward is in contributing to the overall development of the people, businesses and communities we exist to serve.

The full 2013 Al Baraka Bank Integrated Annual Report may be viewed and/or downloaded by visiting:
[www.albaraka.co.za/About alBaraka/Financial Information/Annual Reports/AnnualReport2013](http://www.albaraka.co.za/About%20alBaraka/Financial%20Information/Annual%20Reports/AnnualReport2013)

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.

Ten-Year Review



2013 2012 2011 2010 2009 2008 2007 2006 2005 2004

Statement of Financial Position (Rm)

Share capital	225	225	225	150	150	150	150	150	89	53
Shareholders' interest	381	362	347	233	228	217	202	187	118	75
Deposits from customers	3 941	3 322	2 881	2 571	2 130	1 624	1 449	1 254	1 004	885
Advances and other receivables	3 753	3 269	2 826	2 395	2 057	1 604	1 478	1 300	1 009	836
Total assets	4 411	3 716	3 246	2 825	2 381	1 871	1 686	1 470	1 179	1 012

Statement of Comprehensive Income (Rm)

Profit before taxation	40	34	26	17	18	31	27	15	10	8
Total comprehensive income for the year	29	25	16	11	18	21	18	10	7	5

Share Statistics (Cents)

Basic and diluted earnings per share	129	112	77	74	125	145	121	102	128	129
Headline earnings per share	129	114	76	69	121	144	121	101	134	102
Dividend per share	45	45	45	45	45	35	25	20	-	-
Net asset value per share	1 692	1 608	1 541	1 551	1 522	1 446	1 344	1 249	1 330	1 415

Ratios (%)

Return on average shareholders' interest	7,8	7,1	4,6	4,8	8,2	10,4	9,4	7,0	8,9	8,9
Return on average total assets	0,7	0,7	0,5	0,4	0,9	1,2	1,2	0,7	0,7	0,5
Shareholders' interest to total assets	8,6	9,7	10,7	8,2	9,6	11,6	12,0	12,7	10,0	7,4

Shareholders' interest

Ordinary share capital, share premium, non-distributable reserves 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 2013 financial year, Al Baraka Bank's board of directors comprised the following members:

Non-executive

AA Yousif (58)

Bahraini

- MBA
- Joined the board in 2005
- Non-executive chairman
- Currently president and chief executive of Al Baraka Banking Group

MG McLean (66)

- AEP - UNISA
- Joined the board in 2001
- Non-executive director
- Member of the board credit committee

Independent non-executive

SA Randeree (52)

British

- BA (Hons) MBA
- Joined the board in 2003
- Vice chairman of the board and lead independent director
- Chairman of the directors' affairs committee and the board credit committee
- Member of the remuneration committee

F Kassim (55)

Sri Lankan

- OPM - Harvard Business School
- Joined the board in 2006
- Independent non-executive director
- Member of the directors' affairs committee

A Lambat (55)

- 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 (68)

- BA LLB
- Joined the board in 1989
- Independent non-executive director
- Member of the audit committee, risk and capital management committee and remuneration committee

MS Paruk (59)

- 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 (55)

- Joined the board in 2003
- Independent non-executive director

- Chairman of the remuneration committee
- Member of the risk and capital management committee

M Youssef Baker (59)

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 (48)

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

MJD Courtiade (60)

French

- CA (SA)
- Joined the board in 2004
- Chief operating officer
- 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

Chairman and Chief Executive's Statement



Shariah Banking

As South Africa's only fully-fledged Islamic bank, Al Baraka Bank maintains strict adherence to Shariah in its business activity. The bank works to improve its controls and structures in an ongoing commitment to Shariah compliance and takes guidance from the Shariah Supervisory Board, an independent body of specialist jurists in Islamic commercial jurisprudence.

These efforts are supported by the bank's membership of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), acclaimed around the world for the standards it sets.

Al Baraka Banking Group

Al Baraka Bank in South Africa is a subsidiary of the Bahrain-based Al Baraka Banking Group, globally regarded as a leader in Islamic banking, and with representation in 15 countries world-wide. With a global staff complement of some 9 700 people, the group's assets exceeded US\$20,0 billion, while generated net income amounted to US\$258,0 million in the 2013 financial year.

Al Baraka Banking Group believes implicitly that banking should play a crucial role in society; a role in which - as bankers - all concerned must take responsibility for the stewardship of the resources placed in their care. The group, accordingly, relies on Shariah principles to guide it and its subsidiaries, as it participates in the successes of its customers and shares in developing the social fabric of families, businesses and society in general.

Al Baraka Banking Group and several subsidiaries - including Al Baraka Bank in South Africa - were honoured with international banking awards during 2013. Al Baraka Banking Group received the 'Best Islamic Financial Institution in the Middle East/Africa Award' at the USA-based Global Finance awards. The group and winning subsidiaries were recognised for their prominent role in the Islamic banking sector, ability to achieve consistent growth and the meeting of professional standards in terms of the quality of their products and services, together with originality and innovation in services offered and customer service delivered. Additional criteria included the winners' continued development and innovation in banking operations, as well as strategic relationships, geographic reach, profitability and the robustness of their financial position. The subsidiary banking units were described as having long histories in the countries in which they operate, being amongst the leading financial institutions in servicing their communities and being well-established in terms of their expertise in and knowledge of local markets.

South African Financial Performance

2013 saw Al Baraka Bank surpass its previous best ever financial results, achieved in the 2012 reporting period, registering yet another highly successful year and our total assets growing by 18,7% to close on R4,4 billion at financial year-end.

Gross advances increased by R359,3 million, or 13,1% , while our deposit book grew by 18,6%, or R619,1 million and the equity finance book grew by 23,1%, or R126,6 million. Net income, before impairment for credit losses and after allowing for profits shared with and paid to depositors, increased by 11,4% to R138,2 million. Improved fee income, commission income and other income enabled the bank to increase net

income from operations by R22,4 million or 15,4%, to R168,1 million. As a consequence of such results we remain firmly on a growth path, improving our ability to meet our clients' diverse needs.

In living the 'your partner bank' ideal, we strive to develop close, personal and enduring associations with clients and, thus, engender business interactions between equals, ensuring the shared rewards and benefits of true partnership. In 2013, we converted previously introduced new products into viable financial tools for clients, whilst realising our transformation goal, becoming a fully-fledged, competitive commercial bank.

Uptake of our foreign exchange offering during this time proved exceptional and is directly attributable to our converting from being an 'Authorised Dealer with Limited Authority' for retail foreign exchange, to trading under a full foreign exchange licence, as an 'Authorised Dealer' which enabled us to significantly extend our international banking services. We have been hugely encouraged by the immediate and tremendously positive effect of the licence conversion and resultant demand for the greater international banking services such a licence affords. Earnings from foreign exchange increased by 177,4% during the 2013 financial year, with transactions growing at a remarkable average of 22,8% a month. Much of the uptake growth was as a consequence of the bank's competitive exchange rates and favourable services fees, coupled with efficient service and use of state-of-the-art technology, together with the fact that such international banking services created a host of new avenues previously unavailable to clients.

This also gave effect to the sizeable attraction of new clients to the bank.

The bank is looking to introduce additional foreign exchange services, inclusive of Shariah-compliant forward exchange contracts and the international use of the Al Baraka Debit Card. We anticipate that this will reinforce our position as a mature commercial bank, while enabling our corporate clients to transact seamlessly across the world.

The 2013 financial year saw the Shariah-compliant unit trust, the Old Mutual Al Baraka Funds, break the R1,5 billion mark. This fund has performed extremely well since 2011, when ranked as one of South Africa's best-performing general equity funds and one of the world's primary Shariah-compliant equity funds.

The review period also marked the beginning of the migration of our magstripe debit cards to chip-enabled cards, in line with global Europay, MasterCard and Visa (EMV) standards, which are being adopted by banks world-wide, with many currently in the process of implementation. By embracing EMV technology, we regard the transition as the evolution of our electronic banking offering, first introduced in 2009. New-generation cards will provide account-holders with improved security, reducing the risk of cloning and instances of counterfeit card fraud. It will also enable the inclusion of additional services and value-adds on cards for the benefit of card-holders. A pilot project is planned for 2014.

A key 2013 focus involved containing overheads and increasing non-funding income levels. This was a group-wide challenge and one which involved our addressing transactional fees, foreign exchange, electronic banking and

Chairman and Chief Executive's Statement (continued)

our unit trust product. Pleasingly, our efforts resulted in an increase in fee, commission and other operating income by financial year-end. Going forward, we intend maintaining and further improving such income levels.

We also focused on implementing additional products and services, resulting in the roll-out of business banking facilities, cheque books and full foreign exchange services.

Operational efficiency was regarded as another key driver to generating income and reviewing operational expenses and, in this regard, business process re-engineering (BPR) was considered to be an essential tool for improving the bank's overall operational efficiency. In this regard, we identified various fundamental drivers, inclusive of creating a paradigm shift in customer service excellence, addressing the cost to income ratio and establishing operational efficiency by way of such concepts as the single capture of data and the introduction of a paperless environment, as well as the effective utilisation of precious and scarce staff resources.

Our overriding goal remains to constantly improve our customer service levels, through the continued development and provision of innovative Shariah-compliant banking products and financial services, in line with the ever-evolving requirements of our client-base.

We have developed a highly favourable growth trajectory in recent years and together with recent international recognition for our efforts and benefits associated with being a subsidiary of Al Baraka Banking Group, we are ideally positioned now to take Islamic banking to new heights in South Africa.

Dividend

Pleasingly, the bank has for the eighth consecutive year declared a dividend for the benefit of shareholders. We are pleased to report that the bank's board approved a dividend of 45 cents per share for the 2013 financial year, which was payable in October 2013.

Corporate Governance

Strict adherence to the principles of good corporate governance is a bank imperative, for which we are recognised within the South African financial sector. We work tirelessly to uphold our governance position through the realisation of our obligations in terms of the King Report on Corporate Governance (King III). As a trusted financial institution, we take most seriously our responsibility for transparency of action and absolute compliance with laws and regulations.

Broad-Based Black Economic Empowerment

The bank embraces the B-BBEE ideal and believes that by creating a supportive business culture, it will successfully assist in fostering diversity and promote transparency, while aiming to maintain a business which caters for the diversity of its staff and the owners and staff of the service providers with which we interact. This adopted approach is in line with the bank's charter.

Information Technology

During the 2013 financial year we introduced a range of strategic progressions within the business environment in an ongoing effort to continuously broaden the scope of our corporate services. This, together with efforts to exploit



Adnan Ahmed Yousif
Chairman

10 April 2014

growth opportunities in existing areas of our own retail banking operations, saw the implementation of various new technologies, systems and process re-engineering efforts all designed to meet the increased demand for services.

Corporate Social Investment

Private sector-inspired corporate social investment programmes play a pivotal role in meeting socio-economic upliftment needs in South Africa today. For our part, we have - since 1994 - implemented a strategically-focused Corporate Social Investment programme, impacting on education, humanitarianism, health, security and poverty alleviation. In line with this, the bank donated funds in the amount of R9,0 million to needy organisations and causes across South Africa during the course of the 2013 financial year.

Future Prospects

During the review period, the bank commenced a project to raise additional capital to issue Sukuk (investment certificates), thus ensuring the growth of the bank's capital.

The purpose of Basel III is to enhance bank and financial sector resilience, creating an enabling environment for improved financial stability. It focuses on new capital and liquidity requirements, while also addressing governance issues which presented during the international financial meltdown of 2008/09.

We are also set to complete a comprehensive investigation into the feasibility of introducing a range of mobile banking products to complement our clients' current banking experience.

Appreciation

Al Baraka Bank has enjoyed a year of impressive financial results. In view of such sound financial performance, we take this opportunity to thank most sincerely the members of our board, the executive team and all the members of our staff for their sterling effort in taking our business forward during the past year.

We also recognise and roundly acknowledge the indomitable role played by Al Baraka Banking Group.

The guidance provided to and support shown for our subsidiary has, in no small measure, contributed towards the sustained growth of Al Baraka Bank in South Africa and our ability to deliver effectively against the growing needs of our clients. Lastly, we offer our grateful thanks to our shareholders, together with our private, business and corporate clients.

Our ultimate goal is the achievement of business and private progress through effective partnership with you. Our shared beliefs and aspirations bind us in a mutually-beneficial partnership; a partnership which stimulates value for the communities, businesses, families and individuals we serve.

We, at Al Baraka Bank aim now to consolidate our position as a commercial bank in South Africa's financial environment and to re-enforce our status as the country's only fully-fledged Islamic bank.

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



Shabir Chohan
Chief executive

Corporate Governance Report



Introduction

The corporate governance report provides Al Baraka Bank's stakeholders an overview of the board's commitment to and monitoring of the governance process in relation to its business environment. The board, supported by management, is committed to conducting the business of the bank in both an ethical and transparent manner, seeking to ensure the company's long-term sustainability.

We remain committed to implementing the highest standards of corporate governance throughout the bank and its business operations. We endorse the principles contained in King III and seek to implement these principles where deemed appropriate, utilising an 'apply or explain' approach.

Where the board is of the view that practices recommended in King III are not appropriate for the bank, reasons for utilising an alternative approach are provided. In terms of the 2013 financial year, the board is satisfied with the way in which the bank has implemented the recommendations contained in King III, or, where the recommendations are not appropriate to the nature and business of the bank, has effectively put in place alternative practices.

Board of directors

Role and function of the board

The board of directors, being the body responsible for determining the bank's strategy and business operations, is the guardian of corporate governance for the bank. The board acknowledges that its strategic objectives need to ensure the long-term sustainability of the business, whilst seeking to address the changing social, environmental and transformational challenges which operating within the dynamic financial sector brings into play.

Board structure and composition

Al Baraka Bank has a unitary board structure. As at 31 December 2013, the board comprised 11 directors, seven (64%) of whom are independent non-executive directors, two (18%) of whom are non-executive directors and two (18%) of whom are executive directors, being the chief executive and the chief operating officer.

The board acknowledges that the environment within which the bank operates is subject to ongoing change. For this reason, the directors' affairs committee annually reviews the composition of the board, ensuring the diversity of the board's composition, skills and experience of directors and the demographic profile of the board remains both appropriate and relevant to the business of the banking sector. Through this review process, the directors ensure that the board composition is such that dominance by an individual director in the process of decision-making is negated.

The roles and responsibilities of the chairman and the chief executive have been well defined by the board and are separate. The board has appointed a non-executive director, Mr AA Yousif, as chairman. Mr Yousif is not deemed to be an independent non-executive director as he currently occupies the position of president and chief executive of Al Baraka Banking Group, which is the major shareholder of the bank in South Africa. Given Mr Yousif's general banking experience and in-depth knowledge of Al Baraka Banking Group, the board is of the opinion that Mr Yousif is best suited to fulfil the chairman's role. The chairman is appointed annually, in line with King III recommendations. This extends to the vice-chairman, who is also elected on an annual basis.

Mr SA Randeree fulfilled the function of lead independent director, which is also in keeping with King III recommendations.

Independence of directors

The board affirms the principle contained in King III that an independent director should not only be independent in character and judgement, but also independent in fact and in the perception of a reasonably informed outsider. Accordingly, the directors' affairs committee is responsible for annually reviewing the independence of independent non-executive directors who have served more than nine years on the board, together with other factors that may impair their independence. The directors' affairs committee, having conducted its review, is of the opinion that Adv. AB Mahomed SC, Mr YM Paruk and Mr MS Paruk continue to be independent in both character and judgement, notwithstanding their respective lengths of service on the board of directors.

Succession planning

Succession planning continues to be an important area of focus, especially at board, executive and senior management level. The directors' affairs committee conducts an annual review of the composition of the board and board committees, the purpose of which is to ensure that the business needs of the bank, from both a current and a future perspective, are capable of being met. Arising from this review, the board is satisfied that the succession planning requirements of the bank are sufficiently addressed through the leadership talent that is available to the bank. The appointment of directors is both a formal and transparent process and is conducted in terms of prevailing legislative and regulatory requirements, which specifically includes the Banks Act of 1990 and the Companies Act of 2008, as amended. Where appropriate, suitable candidates are identified and subsequently recommended to the full board of directors for approval, after consultation with the Reserve Bank, in terms of the requirements of the Banks Act.

Strategy formulation

The board approves the long-term and short-term strategies for the bank, ensuring that strategy is aligned with the bank's overall objectives, whilst being cognisant of the value drivers of the business, coupled with the interests of stakeholders. Being responsible for the effective control of the bank, the board closely monitors the practical implementation of the approved strategy. The board is also responsible for determining the bank's corporate governance and risk management objectives, in terms of prevailing banking regulatory requirements. The board is satisfied that objectives set for 2013 have been satisfactorily achieved.

Delegation of authority

Al Baraka Bank has a well-established corporate governance structure, through which the board retains effective control of the bank's business. The board has defined its own levels of materiality, reserving specific powers to itself, whilst delegating other powers to board committees and the chief executive. The chief executive, in turn, delegates appropriate powers to management, such that the business of the bank may be conducted on a day-to-day basis. Recognising the changing nature of the banking business environment, the board regularly reviews delegated powers of authority, ensuring that they remain relevant and may be utilised to assist management in the successful attainment of the bank's business objectives.

Director development

The board of directors supports and encourages ongoing director development, on the understanding that such development will assist in fostering improved governance practices, not only within the board, but also throughout the organisation. Directors are kept informed in respect of developments pertaining to legislation and regulations which

Corporate Governance Report (continued)

impact on the bank's business framework. Where appropriate, directors are encouraged to attend external training courses, the costs of which are borne by the bank. During the course of 2013, the board received an update on Basel III matters, which programme took place outside normal board meetings. By way of new director induction, directors are introduced to key members of management and the business operations of the bank. They also receive a governance pack comprising relevant governance information, inclusive of board policies, financial reports, charters of the board and the board committees, relevant sets of minutes and copies of legislation and regulations which impact on the operating environment of the bank.

Performance assessment

To be effective, the performance of the board is evaluated on an annual basis, in keeping with the practice recommended in King III. The assessment process, conducted internally and not through the means of external consultants, includes not only the board, but also the committees of the board, the chairman and the chief executive, as well as individual directors, both non-executive and executive. The directors' affairs committee, having analysed the findings of the series of evaluations, reports its findings to the board of directors. The outcome of such evaluations confirmed that there were no issues of a material nature which needed to be addressed by the board.

Board meetings

In accordance with its charter, the board met four times during 2013. Additional meetings may be convened, where necessary, in order to address issues which may impact on the bank between planned board meetings. Through a process of consultation with the board, meeting dates are scheduled in advance for the following year. Also included in the director's year planner are regulatory meetings scheduled with the South African Reserve Bank, usually scheduled to co-incide with a board meeting.

Where directors are unable to attend board and board committee meetings for any reason, they may attend via teleconference or other electronic means, so

ensuring that their views may still be taken into consideration, especially with regard to key and strategic matters. Documentation is distributed in a timely manner ahead of board and board committee meetings, thus enabling directors time within which to familiarise themselves with materials. The availability of board documentation has been expedited through the 2013 introduction of an internet-based directors' portal.

Board committees

The board of directors acknowledges that it is ultimately responsible for the overall performance of the bank. Recognising this, the board has appointed six standing committees to assist it to meet its objectives. These include the audit committee, risk and capital management committee, board credit committee, directors' affairs committee, remuneration committee and social and ethics committee. The board also has a specialist committee, the board property committee, to oversee the future development of the bank's Kingsmead Office Park property. Upon completion of the property development, this committee will have concluded its mandate and will be disbanded.

Each standing board committee has a charter, which record the rights, powers, duties and functions of the respective board committees. The charters of the committees of the board are subject to regular review. In addition, an assessment as to whether the committee in question is fulfilling its terms and conditions is also undertaken.

The governance framework also includes various management committees, whose objectives are to support the board and board committees in the efficient execution of their responsibilities and duties. 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.

Full disclosure of the board committees may be found in the full version of the 2013 Annual Report.

Name of Director/Member	Board	Audit	Risk and capital management	Board credit	Directors' affairs	Remuneration	Social and ethics
AA Yousif	3/4 ¹	-	-	-	-	-	-
SA Randeree	4/4 ²	-	-	3/4 ¹	1/2 ¹	4/4	-
F Kassim	4/4	-	-	-	2/2	-	-
A Lambat	4/4	5/5	4/4 ¹	-	-	-	-
Adv. AB Mahomed SC	4/4	5/5	4/4	-	-	4/4	-
MS Paruk	4/4	5/5 ¹	4/4	4/4	-	-	-
YM Paruk	4/4	-	4/4	-	-	4/4 ¹⁻⁶	-
M Youssef Baker	3/4	4/5	-	-	2/2	-	2/2 ¹
SAE Chohan	4/4	-	-	3/4	-	-	2/2
MG McLean	4/4	-	-	4/4	-	-	-
MJD Courtiade	4/4	-	4/4	-	-	-	-
EM Hassan	-	-	-	4/4 ³	-	-	-
Y Nakhooda	-	-	4/4 ⁴	-	-	-	-
Adv. MA Vahed	-	-	-	-	-	-	2/2 ⁵

¹ = Chairman, ² = Deputy chairman, ³ = General manager: credit

⁴ = Risk manager, ⁵ = Executive: regulatory and compliance, ⁶ = Chairman, with effect 20 May 2013

Sustainability Report



Introduction

Al Baraka Bank believes sustainability reporting to be a substantive platform within the very heart of the company's business. We aim to ensure that stakeholders are informed of our history, performance and future planned interventions as regards the bank's triple bottom line. We readily embrace the philosophy of sustainability and its transparent communication to stakeholders and the broader public.

In keeping with this approach, Al Baraka Bank's integrated annual report provides stakeholders with a holistic and fully integrated account of the organisation's financial and sustainability achievements.

Al Baraka Bank has adopted an eco-efficiency approach to company operations and works to ensure its continuous adherence to fair and equitable business practices; practices reflecting the growing integration of economic, environmental, social and ethical values. Our quest is to reduce waste and inefficiencies of operation, so creating financial savings and the protection of the environment.

Company overview

Al Baraka Bank is South Africa's only fully-fledged Islamic bank and is committed to delivering Shariah-compliant banking. 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.

Accordingly, we make certain that we conduct our business operations in an ethical manner and in accordance with Islamic beliefs. Our company strives for the highest professional business standards and is dedicated to sharing the benefits it derives with its customers, shareholders and staff. Al Baraka Bank is actively implementing and rolling-out a business strategy tailored to both maximise profits and ensure best practice in the defence of the environment.

Strategic business objectives, competencies and key performance indicators

Our bank sets out to meet four broad strategic business objectives, including:

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

Identification of risks and opportunities

We seek to identify risks and opportunities, utilising a number of methods and processes to successfully manage such risks and to use, to our advantage, the opportunities we encounter in the day-to-day business of the bank. Through the execution of our enterprise risk management strategies, the bank manages its overall financial risk, together with risks which may be associated with strategy, operations, reporting and all aspects of regulatory compliance.

Organisational and governance structure

Good governance is regarded as a critical cornerstone of our business. We accordingly ensure the bank's strict adherence to the principles of good governance, especially in terms of the pillars which underpin good governance, namely responsibility, accountability, fairness and transparency.

Our directors' affairs committee annually reviews the bank's obligation to the execution of sound governance practices, in line with King III recommendations. Critically, however, given our financial institution functions as a Shariah-compliant bank, it must be noted and accepted that the following is prohibited:

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

By following Islamic business principles, we remain true

to Shariah standards, as published by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Accordingly, our bank avoids investment in non-Shariah-compliant fixed-income instruments or securities, does not hold cash balances in interest-bearing accounts or assets (other than meeting regulatory requirements) and does not invest in any company involved in tobacco, alcohol, pork, casinos, hotels and conventional banks.

Managing sustainable development

We believe business sustainability and its effective management requires a conscious step-change and the relinquishing of the traditional short-term focus on profitability in favour of stimulating more enduring performance in terms of, especially, economics, governance, social matters, ethics and the environment. Such an approach generates sustainable shareholder value, while enabling the more effective management of the interests of stakeholders.

Ethical behaviour

We promote ethical investing, ensuring totally sustainable and responsible investment policies and practices throughout our operations. Our social and ethics committee of the board monitors the bank's activities, having regard for legislation and best practice in terms of ethics and stakeholder management, with particular reference to our staff, the communities we serve, consumers and the environment. As a responsible bank, we take cognisance of issues of gender equality and disability opportunities within our business. We document here the economic, environmental and social features which impact on the methodology behind which we undertake our business:

Economic:

As a Shariah-compliant financial institution, Al Baraka Bank takes most seriously the need for responsible financing, evidenced by our adherence to requirements in the National Credit Act and Consumer Protection Act.

It is our objective to create long-term and sustainable economic value for our stakeholders. We look to the generation and implementation of risk management systems which enhance our bank's stated adherence to good corporate governance principles, compliance with all laws and regulations and alignment with ethical business practices. In so doing, we believe it possible to appreciably grow shareholder value. Our stringent client-risk profiling, which has resulted in the minimal need for legal recourse, goes a long way towards ensuring a sustainable bank from an economic perspective. This leads to our paying keen attention to the financial viability of projects, thus spurring job creation in small and medium-sized businesses and wealth creation and distribution within local communities.

Environmental:

Entrenched in the charter of our social and ethics committee is a commitment to the proactive protection of the environment and the conservation of natural and renewable energy resources. While we are aware that the bank's environmental impact is not as extreme as those enterprises active in the South African manufacturing sector, we are cognisant of our responsibility in terms of promoting energy conservation and limiting the utilisation of scarce and non-renewable resources.

We continuously assess our approach to environmental sustainability and identify and implement additional measures to enable us to further minimise our company's eco-footprint nationally. Such measures include, but are not limited to:

- The change from conventional light bulbs to high-performance, energy-saving LED down-lighters, in line with a rebate 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, both of which were architecturally designed to filter natural light effectively and efficiently;

Sustainability Report (continued)



- The minimising of paper use by members of staff, through the promotion of electronic communication and the facilitation of electronic communication with the bank's shareholders;
- The introduction of shared multi-function devices on a national basis, so reducing the number of individually operated devices and enabling the close monitoring and measurement of paper usage;
- The encouragement of shareholders to accept electronic communication with the bank's transfer secretaries, so bringing about a reduction in paper consumption, while also limiting the need for road and/or air transport and postage requirements;
- The implementation of a strategy designed to create within the bank a paperless operating environment;
- The effective sorting of all waste into recyclable waste and so-called 'wet waste' before removal from the bank's outlets;
- The conclusion of a Service Level Agreement with a recycling company responsible for the collection and recycling of e-waste, inclusive of toners and ink cartridges. The proceeds from such operations are donated to a non-profit organisation committed to funding opportunities for historically disadvantaged persons with physical disabilities;
- The automatic after-hours shutdown of both the centrally-ducted air-conditioning and lighting systems throughout the bank's head office and Kingsmead branch;
- The maintenance at head office of an atrium, bedded with indigenous plants and vegetation which promotes improved air quality within the confines of this multiple-volume four-storey building;
- The provisional plan to contribute to inner-city regeneration and greening programmes, where possible, through the development of available properties for environmentally-friendly car-park facilities and public open spaces; and
- The introduction of more extensive office video conferencing facilities nationally, thus reducing the need for unnecessary air travel and improved time management, effectively decreasing the bank's overall carbon footprint.

An electricity management system, introduced at head office and Kingsmead branch in 2012, has enabled management to monitor energy consumption monthly, resulting in marked savings in electricity usage.

Social:

South Africa is beset by a massive backlog of socio-economic challenges. We recognise that the business community has a telling role to play in assisting to overcome these challenges.

Since 1994, the bank has been involved in a comprehensive Corporate Social Investment (CSI) programme as a contribution to the upliftment and empowerment of disadvantaged communities across South Africa. We target five areas of concern being, education, health, poverty alleviation, security and humanitarianism. This CSI programme is closely monitored by our social and ethics committee and administered by management's charitable and welfare committee. We also regularly report our CSI activities to the Bahrain-based Al Baraka Banking Group, of which our bank is a subsidiary. The 2013 financial year saw our bank contribute some R9,0 million to organisations and causes within the broad framework of CSI, while we encourage staff to become CSI ambassadors.

Stakeholder Engagement

In response to King III requirements, Al Baraka Bank is rolling-out a board-approved stakeholder policy to ensure functional engagement with its various stakeholder groups around the country.

Customers:

Without customers our bank would have no business and we therefore strive to ensure that our focus is and remains on customer-centric service delivery. We engage with customers in order to interrogate and understand their needs as regards new product development and use such interaction to proffer professional financial advice and details of existing financial products provided by the bank. We are driven by the need to provide all our customers with exceptional banking services during their every interface with the bank, regardless of the level of such dealings. Accordingly, we instil in our members of staff a keen sense of service delivery and believe that every member of our staff complement should live the service ethic.

This ethic is regularly tested by way of customer interactions, inclusive of 'mystery shopping' surveys nation-wide. We take such feedback most seriously and ensure the implementation of corrective behaviour where deficiencies are encountered. We employ a customer service centre sharecall telephone facility; a critical tool through which to attend to customer queries, concerns, complaints and compliments, all in a timely manner. We use this and other

channels of interaction, such as a system - currently being phased-in - for the recording of calls pertaining to foreign exchange transactions and customer service issues, so as to rapidly and accurately examine customer feedback, thus ensuring measured and carefully considered new product implementation.

As part of our commitment to responsible banking and to ensuring the delivery of fair and equitable business practices, we have - for some years - utilised an external anti-fraud hotline, managed through the offices of an internationally-based firm of auditors.

Employees:

Recruitment and training –
The bank regards its staff complement as its single most important asset; an asset which makes business in the financial sector possible.

Given that Al Baraka Bank operates in a highly regulated business and legal environment, we deem it critical that members of our staff adhere stringently to the very highest standards, display absolute integrity, total honesty, high morals, complete accountability and a strong disposition towards customer service. In view of this, we seek to attract, develop and retain the country's top talent.

Bringing staff to their full potential, the bank provides a comprehensive training and development programme designed specifically to promote a necessarily high performance culture throughout the bank. In addition, the bank recognises the need for a commitment to the principles behind the need for effective transformation in the South African business environment generally and the financial sector specifically. This, then is a key focus for both our board and management. We also place great store in the provision of access to a range of Islamic educational initiatives, whilst also giving effect to fast-tracking high-performing graduates. We have had in place since 2008 a graduate recruitment programme which is expressly designed to afford young, talented, driven graduates the opportunity to equip themselves with the skills and experience required to be successful in the working world.

It is widely acknowledged that companies want and expect new employees to begin contributing immediately and, therefore, schemes such as our graduate recruitment programme play a critical role in bridging the gap between a student's study life and the real business environment. Importantly, BANKSETA funding was secured for the sponsorship of all-encompassing banking programmes, providing members of both staff and management with improved prospects for career growth within the bank. Such programmes include access to MBA studies, opportunities a number of members of the bank's team have taken-up.

Managing diversity –

The bank believes that differences amongst people should not result in the alienation of any group and is of the opinion that such differences should rather foster a sense of inter-dependence in the workplace. Recognising this important principle, we seek to bring together in a single business culture the diversity of our employees, celebrating and encompassing the beliefs and values of all. We, therefore, embrace the principle of diversity, using it to inspire mutual respect, a sense of belonging and a feeling of self-worth.

Transformation –

We remain committed to the process of transformation in the business context and fully support such principles, including the need to employ representatives of historically disadvantaged groups, inclusive of women and people with disabilities. We also acknowledge and embrace the transformation policies passed by the Department of Trade and Industry and as a private sector business entity, diligently apply, where appropriate, a preferential procurement policy. The bank will utilise the Financial Sector Code to report on its Black Economic Empowerment performance. Al Baraka Bank is a certified Broad-Based Black Economic Empowerment Level 3 contributor.

Employment equity –

Coupled with the above sentiments, our bank supports employment equity ideals and looks to recruit to our team new staff from historically disadvantaged backgrounds. We are also intent on quickening the pace of promoting and/or appointing women to senior management positions, whenever the opportunity arises.

Employee wellness –

Productivity is inextricably linked to having a healthy team of employees. Therefore, the health and welfare of our members of staff receives particularly close attention, as specified in our health and wellness policy. This policy sets out to advance the overall health and well-being of our members of staff and is

achieved through various interventions dealing with education and lifestyle changes. Regular staff wellness initiatives are run at all our branches for the benefit of employees. In addition, staff are encouraged, where possible, to participate in healthy lifestyle programmes. All such initiatives give effect to improved productivity in the workplace and the complete well-being of our members of staff.

Staff communication –

The bank is keenly aware of the need to ensure members of staff are regularly informed about activities which affect the business and decisions which influence the day-to-day operations of the bank. We make use of several channels to communicate effectively with staff throughout the national office network. These include, but are not necessarily limited to:

- **The chief executive's address:** A staff briefing following each of the bank's quarterly board meetings;
- **The intranet site:** An internal online communications portal providing access to posted information;
- **Social media:** A communications tool utilised by management to quickly and universally reach members of staff;
- **The contact centre:** An email and telephonic contact point as a source of information regarding a range of employee-related matters;
- **Employee self-service facility:** A mechanism enabling members of staff to undertake a number of human resources activities electronically, inclusive of applying for leave, acquiring payslips and the like;
- **Tip-offs Anonymous:** A dedicated external fraud hotline which operates on the basis of anonymity and enables members of staff to 'blow the whistle' without fear of recrimination, secure in the knowledge they are making a difference;
- **Surveys:** A dedicated practice of surveying staff in terms of ethics;
- **Staff presentations:** A useful method for keeping staff abreast of the latest developments within the bank.

Shareholders:

In accordance with the requirements of the Companies Act, our bank makes certain that it delivers to shareholders all relevant information in a timely manner and on a regular basis. It's endeavours in this regard are geared towards actively entrenching the principles of absolute transparency and accountability. In addition, shareholders are invited and encouraged to play an active role in bank decision-making processes by attending and participating in our bank's annual general meetings, held at Al Baraka Bank's head office in Durban. Giving credence to our commitment to transparency, the chairmen of our various committees of the board and the Shariah Supervisory Board are always present at such meetings so as to provide informed responses to shareholder questions, concerns and queries.

Crucially, the chairman of our board's social and ethics committee makes use of this annual platform to deliver a detailed report on the activities and workings of the committee, requisite to the conditions of the Companies Act. It is our opinion that appropriately informed shareholders will enjoy a superior appreciation for the bank and its business activities in the certain knowledge that such status will give rise to enlightened decisions and an attendant positive effect on the future of the bank.

Community:

'Your Partner Bank' is our positioning statement and a reflection of our desire to create and build solid relationships with the communities with which we interact.

In developing community relationships, we rely on personal interaction, involvement in and sponsorship of community service events, the use of both social media and print media, community outreach by way of educational and upliftment

programmes, the provision of special-purpose publications, inclusive of our integrated annual report and abridged annual report, SMS messaging and our interactive website. Such varied interaction allows us to act on invaluable community insights and to best evaluate requirements, expectations and aspirations, while enhancing awareness of the bank and its role in the provision of Islamic finance.

Regulators and industry bodies:

Ours is a registered bank and, as such, we enjoy the undoubted benefits of established relationships with industry regulators. Through our statutory reporting to and interaction with these august bodies, we are able to ensure the bank's adherence to all legal and regulatory requirements. Our bank also works together with other financial industry and related bodies, including the Banking Association of South Africa and the South African Banking Risk and Information Centre (SABRIC), thus keeping abreast of financial environment trends and developments. This ensures our capacity to deliver best industry practise to the direct and indirect benefit of our stakeholders.

Media:

Our bank is cognisant of the need to position our brand in the public arena, making available newsworthy matters and events in the interests of keeping the public informed. We accordingly strike and develop meaningful relationships with key members of South Africa's business and community media (print and electronic) in order to both proactively and reactively comment on matters of public importance.

Suppliers:

Returning to the theme of Broad-Based Black Economic Empowerment, we have implemented a preferential procurement policy. Through such policy, we ensure the appropriate utilisation of suppliers from historically disadvantaged backgrounds, wherever possible. Our pledge to following preferential procurement principles stems from the fact that our business is able to make a meaningful contribution to facilitating the sustainable growth and development of such smaller-scale enterprises. As a further form of stimulus, we employ a fast-track payment system for these business entities, based on the successful completion and delivery to Al Baraka Bank of commissioned works, thus assisting in improving the cash flows of small and medium-sized business concerns.

Conclusion

The information documented here is a concise expression of our fulfilment of our sustainability responsibilities, the execution of ethical management and control processes and the provision of effective stakeholder communication, as well as a growing commitment to environmental considerations.

In essence, our sustainability report is a measure of our repute within South Africa's financial sector and position as a responsible corporate citizen.

Looking to the future as regards our sustainability initiatives, our bank is looking to expand and develop its reporting abilities. In this regard, we intend implementing a number of initiatives, including the harnessing of grey water, beginning with our head office, for use in the irrigation of gardens, the maintenance of the basement parking area and the washing of the bank's fleet of vehicles.

In addition, we are investigating the feasibility of introducing solar cells to offset the powering of general lighting at head office and, ultimately, to extend this to the bank's facilities around the country, where viable.

This will allow us to better focus on the integrated performance of the bank into the future. Finally, no assurance has been attained relating to Al Baraka Bank's sustainability measures for the 2013 financial year.

Compliance Report

The regulatory landscape has changed significantly over the years with a swathe of new legislation being introduced annually.

The bank ensures the continuous up-skilling of compliance personnel in order to facilitate capable and exceptional service delivery.

The primary role of Al Baraka Bank's compliance function is to monitor regulatory and reputational risk.

Regulatory risk is understood to be the risk that the bank could be exposed to penalties and sanctions for not complying with 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 the risk that the bank could be exposed to negative publicity resulting from a contravention of laws applicable to the bank.

The compliance function sets out to actively assist management in complying with both the letter and spirit of the law and supervisory requirements. The compliance officer performs under an authority delegated by the board, in terms of a board-approved compliance charter and enjoys unrestricted access to the chief executive, the audit committee and the chairman of the board.

Updates or reports are regularly submitted to the audit committee, board and the South African Reserve Bank regarding matters of compliance. There were no material issues of non-compliance which had to be reported during the 2013 financial year.

Significant regulatory developments which impacted on Al Baraka Bank during the period under review included the following:

- 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. There have been significant enhancements to technology related to anti-money laundering and terrorist detection and the bank continues to explore all relevant systems and processes to assist in this function. The bank's focus on compliance continues to be maintained by dedicated branch staff, the anti-money laundering officer and compliance officer.
- Financial Advisory and Intermediary Services Act (FAIS Act)**
 Al Baraka Bank's licence allows for the implementation of various activities designed to ensure compliance with the Act. These include:
 - The identification and appointment of additional representatives, the establishment of training requirements and the updating of the required register;
 - A review of processes, communication, promotional and other materials to align with the requirements of the Act and codes of consumer protection;
 - The up-skilling of staff to meet the qualification requirements of FAIS; and
 - The updating of the bank's FAIS policy and procedure document as and when required.
- Home Loan and Mortgage Disclosure Act**
 This legislation was introduced to level the playing fields in respect of access to residential property finance by formerly disenfranchised members of our society. In this regard, extensive system changes were necessitated by the Act. Further changes in reporting requirements were introduced during the period under review by the Office of Disclosure in the

Department of Human Settlements. This, in turn, necessitated further extensive enhancements to the bank's systems. The Office of Disclosure is furnished with the required statistics on an annual basis.

- National Credit Regulations (NCR)**
 The bank complies with ethical standards in terms of credit-granting, inclusive of regular communication with and reporting to the Regulator. Policies, processes and documents are also continuously revised to ensure sufficient alignment with the requirements of prevailing credit legislation.
- Monitoring**
 Monitoring is regarded as a vital component of the compliance function and an extensive monitoring plan has been incorporated into the bank's system. In addition, the monitoring of legislation has been greatly enhanced as a direct result of the introduction of new compliance software.
- Four internal control officers, one each in the Durban and Cape regions and two in the Gauteng region, also assist with monitoring compliance of various elements of legislation. Independent monitoring of legislation is also conducted separately by the compliance division.
- New legislation**
 - Protection of Personal Information Act:**
 The Protection of Personal Information Act, which has been signed into law, but which is not yet effective, has resulted in the establishment of a project team to drive its implementation within the bank.
 - Foreign Account Tax Compliance Act**
The Foreign Account Tax Compliance Act (FATCA):
 This Act imposes a penal withholding tax on foreign entities which refuse to disclose the identities of US persons with offshore bank accounts and/or investments that commit tax evasion. The Al Baraka Banking Group in Bahrain has conducted an assessment of FATCA compliance within the group and each of its subsidiaries and relevant reports have been issued to each unit. The bank here, in South Africa, has formed a task force and steering committee to ensure compliance with FATCA.
- Combined assurance**
 The compliance, risk and internal audit divisions have been putting together an effective bank-wide Combined Assurance Model. Once completed, this will greatly assist the bank in streamlining processes and further enhancing corporate governance.
- Zero tolerance**
 The bank applies a zero tolerance approach with regard to non-compliance and prides itself on maintaining a healthy culture of compliance to laws, rules, standards and policies. Wherever possible, the requirement to comply is repeatedly emphasised with a view to ensuring full compliance with all relevant laws. The bank also employs a rigorous recruitment policy to ensure members of staff with the correct skill-sets and attributes, as well as qualifications, are secured for compliance-related positions. The bank's commitment to compliance remains resolute.

Shariah Report For the year ended 31 December 2013



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 and with the rulings set 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;
- 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:

- 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;
- 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;
- An amount of impermissible income has been designated to be paid to charity;
- In relation to certain transactions which were erroneously transacted, we directed management to rectify the same; and
- Zakah of the bank was calculated at 34c 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

31 January 2014

Abridged Financial Statements For the year ended 31 December 2013

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

Directors' responsibility statement	13
Statement of financial position	14
Statement of comprehensive income	15
Statement of changes in shareholders' equity	16
Statement of cash flows	17
Notes to the abridged financial statements	18

The abridged financial statements are derived from the Albaraka Bank Limited annual financial statements for the year ended 31 December 2013.

The group has applied the provisions of the new Companies Act, Act 71 of 2008, as amended, of South Africa, which allows for the presentation of abridged financial statements.

The financial statements of Albaraka Bank Limited have been audited in compliance with S30 of the Companies Act of South Africa.

Abdullah Ameen CA (SA), General Manager: Finance, of Albaraka Bank Limited, was responsible for the preparation of the financial statements.

Directors' Responsibility Statement



The abridged financial statements are extracted from the complete set of the group and separate parent annual financial statements, for which 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 2013 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 were approved by the board of directors on 10 April 2014 and signed on their behalf by:

Adnan Ahmed Yousif
Chairman

Shabir Chohan
Chief Executive

Statement of Financial Position

As at 31 December 2013

	Group		Company	
	2013	2012	2013	2012
	R'000	R'000	R'000	R'000
Assets				
Property and equipment	97 811	98 655	67 934	73 008
Investment properties	10 476	10 552	-	-
Intangible assets	18 296	19 570	18 296	19 570
Investment in and amount due by subsidiary company	-	-	15 294	22 903
Deferred tax asset	375	2 222	15 815	13 616
Investment securities	9 906	8 719	9 906	8 719
Advances and other receivables	3 752 994	3 269 322	3 752 833	3 269 133
South African Revenue Service receivable	1 825	649	1 825	671
Cash and cash equivalents	519 128	306 552	519 128	306 552
Total assets	4 410 811	3 716 241	4 401 031	3 714 172
Equity and liabilities				
Equity				
Share capital	225 000	225 000	225 000	225 000
Share premium	29 866	29 866	29 866	29 866
Retained income	125 734	106 912	116 184	106 011
Shareholders' interests	380 600	361 778	371 050	360 877
Liabilities				
Welfare and charitable funds	2 297	4 418	2 297	4 418
Accounts payable	31 312	23 199	31 184	22 104
South African Revenue Service payable	292	231	190	158
Provision for leave pay	5 669	5 111	5 669	5 111
Deposits from customers	3 940 636	3 321 504	3 940 636	3 321 504
Shareholder mudaraba advance	50 005	-	50 005	-
Total liabilities	4 030 211	3 354 463	4 029 981	3 353 295
Total equity and liabilities	4 410 811	3 716 241	4 401 031	3 714 172

Statement of Comprehensive Income

For the year ended 31 December 2013

	Group		Company	
	2013	2012	2013	2012
	R'000	R'000	R'000	R'000
Income earned from advances	262 131	240 181	262 131	240 181
Income earned from equity finance	29 249	23 060	29 249	23 060
Gross income earned	291 380	263 241	291 380	263 241
Income paid to depositors	(153 209)	(139 175)	(153 209)	(139 175)
Net income before impairment for credit losses	138 171	124 066	138 171	124 066
Impairment for credit losses	(2 400)	(3 850)	(2 400)	(3 850)
Net income after impairment for credit losses	135 771	120 216	135 771	120 216
Net non-Islamic income	-	-	-	-
Fee and commission income	28 044	21 385	28 244	21 585
Other operating income	4 317	4 156	5 558	21 437
Net income from operations	168 132	145 757	169 573	163 238
Operating expenditure	(127 685)	(111 363)	(131 884)	(114 927)
Finance costs	-	-	(9 937)	(9 737)
Profit before taxation	40 447	34 394	27 752	38 574
Taxation	(11 500)	(9 139)	(7 454)	(3 481)
Total comprehensive income for the year, net of tax, attributable to equity holders	28 947	25 255	20 298	35 093
Weighted average number of shares in issue ('000)	22 500	22 500		
Earnings per share (cents)	128,7	112,2		



Statement of Changes in Shareholders' Equity

For the year ended 31 December 2013

	Share capital	Share premium	Retained income	Shareholders' interest
	R'000	R'000	R'000	R'000
Group				
2013				
Balance at beginning of year	225 000	29 866	106 912	361 778
Total comprehensive income			28 947	28 947
Dividends paid			(10 125)	(10 125)
Balance at end of year	225 000	29 866	125 734	380 600
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
Company				
2013				
Balance at beginning of year	225 000	29 866	106 011	360 877
Total comprehensive income			20 298	20 298
Dividends paid			(10 125)	(10 125)
Balance at end of year	225 000	29 866	116 184	371 050
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

Statement of Cash Flows

For the year ended 31 December 2013

	Group		Company	
	2013	2012	2013	2012
	R'000	R'000	R'000	R'000
Cash flow from operating activities				
Cash generated from operations	44 842	37 316	34 278	27 576
Changes in working capital	137 517	16 099	138 472	15 675
Taxation paid	(11 978)	(8 027)	(11 978)	(8 027)
Dividends paid	(2 158)	(10 125)	(2 158)	(10 125)
Increase in South African Revenue Service liability	-	-	-	-
Net cash inflow from operating activities	168 223	35 263	158 614	25 099
Cash flow from investing activities				
Purchase of property and equipment	(4 095)	(6 060)	(4 095)	(6 060)
Purchase of investment properties	-	(22)	-	-
Purchase of intangible assets	(1 846)	(265)	(1 846)	(265)
Purchase of investment securities	(78)	(77)	(78)	(77)
Proceeds from disposal of property and equipment	14	4	14	4
Dividend income	353	317	2 353	18 317
Decrease/(increase) in investment in and amount due by subsidiary	-	-	7 609	(7 858)
Net cash (utilised)/generated in investing activities	(5 652)	(6 103)	3 957	4 061
Cash flow from financing activities				
Proceeds from shareholders' mudaraba advance	50 005	-	50 005	-
Net cash from financing activities	50 005	-	50 005	-
Net increase for the year	212 576	29 160	212 576	29 160
Cash and cash equivalents at beginning of year	306 552	277 392	306 552	277 392
Cash and cash equivalents at end of year	519 128	306 552	519 128	306 552



Notes to the Abridged Financial Statements

For the year ended 31 December 2013



	Group		Company	
	2013	2012	2013	2012
	R'000	R'000	R'000	R'000
1. Advances and other receivables				
1.1 Sectoral analysis				
Advances to customers				
Property (musharaka and murabaha)	2 164 735	1 929 112	2 164 735	1 929 112
Instalment sale	453 057	410 003	453 057	410 003
Trade	475 953	395 235	475 953	395 235
Other	753	863	753	863
Gross advances to customers	3 094 498	2 735 213	3 094 498	2 735 213
Provision for impairment of doubtful advances	(18 828)	(16 509)	(18 828)	(16 509)
	3 075 670	2 718 704	3 075 670	2 718 704
Advances to banks				
Equity finance	674 688	548 088	674 688	548 088
Net advances	3 750 358	3 266 792	3 750 358	3 266 792
Other receivables	2 636	2 530	2 475	2 341
	3 752 994	3 269 322	3 752 833	3 269 133
Included under property are musharaka advances amounting to R2 128,6 million (2012: R1 873,1 million)				
1.2 Maturity analysis				
Advances to customers				
Within 1 month	277 817	201 206	277 817	201 206
From 1 month to 3 months	236 556	257 517	236 556	257 517
From 3 months to 1 year	415 189	363 796	415 189	363 796
From 1 year to 5 years	1 148 908	1 054 920	1 148 908	1 054 920
More than 5 years	1 016 028	857 774	1 016 028	857 774
	3 094 498	2 735 213	3 094 498	2 735 213
Equity finance				
Within 1 month	574 184	271 961	574 184	271 961
From 1 month to 3 months	100 504	276 127	100 504	276 127
	674 688	548 088	674 688	548 088

1.3 Analysis of impairment for doubtful advances

1.3.1 Specific impairments

Balance at beginning of year
Charge to profit for the year
Bad debts written off

	Group		Company	
	2013	2012	2013	2012
	R'000	R'000	R'000	R'000
	7 137	5 705	7 137	5 705
Balance at beginning of year	5 705	6 316	5 705	6 316
Charge to profit for the year	1 827	3 252	1 827	3 252
Bad debts written off	(395)	(3 863)	(395)	(3 863)

1.3.2 Portfolio impairments

Balance at beginning of year
Charge to profit for the year

	Group		Company	
	2013	2012	2013	2012
	R'000	R'000	R'000	R'000
	11 691	10 804	11 691	10 804
Balance at beginning of year	10 804	10 002	10 804	10 002
Charge to profit for the year	887	802	887	802

	18 828	16 509	18 828	16 509
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1.3.3 Impairment for credit losses

Specific impairments
Portfolio impairments
Bad debts recovered

	Group		Company	
	2013	2012	2013	2012
	R'000	R'000	R'000	R'000
	1 827	3 252	1 827	3 252
Specific impairments	1 827	3 252	1 827	3 252
Portfolio impairments	887	802	887	802
Bad debts recovered	(314)	(204)	(314)	(204)

	2 400	3 850	2 400	3 850
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There was a net increase in specific impairments of R1 826 981 for the year which was a result of impairments of R2 380 244 being raised and a further R553 263 being released.

2. Welfare and charitable funds

Gross income from non-Islamic activities during the year
Normal tax thereon

	Group		Company	
	2013	2012	2013	2012
	R'000	R'000	R'000	R'000
	8 006	6 764	8 006	6 764
Gross income from non-Islamic activities during the year	8 006	6 764	8 006	6 764
Normal tax thereon	(1 149)	(935)	(1 149)	(935)

Net income from non-Islamic activities during the year

Donations and advances
Balance at beginning of year

	Group		Company	
	2013	2012	2013	2012
	R'000	R'000	R'000	R'000
	6 857	5 829	6 857	5 829
Net income from non-Islamic activities during the year	6 857	5 829	6 857	5 829
Donations and advances	(8 978)	(4 206)	(8 978)	(4 206)
Balance at beginning of year	4 418	2 795	4 418	2 795

Balance at end of year

	2 297	4 418	2 297	4 418
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Notes to the Abridged Financial Statements

For the year ended 31 December 2013

	Group		Company	
	2013	2012	2013	2012
	R'000	R'000	R'000	R'000
3. Deposits from customers				
Participation investment accounts	1 717 653	1 514 592	1 717 653	1 514 592
Savings accounts	8 231	9 922	8 231	9 922
Monthly investment plan	130 207	115 425	130 207	115 425
Haj investment scheme	110 461	102 946	110 461	102 946
Regular income provider	1 622 251	1 370 425	1 622 251	1 370 425
Electronic banking	227 583	140 649	227 583	140 649
Profits distributable to depositors	32 717	25 511	32 717	25 511
Guarantee deposit accounts	20 575	-	20 575	-
Other	70 958	42 034	70 958	42 034
	3 940 636	3 321 504	3 940 636	3 321 504
Maturity analysis				
Within 1 month	1 590 414	1 209 748	1 590 414	1 209 748
From 1 month to 3 months	699 453	729 934	699 453	729 934
From 3 months to 1 year	1 615 432	1 353 670	1 615 432	1 353 670
Greater than 1 year	2 620	2 640	2 620	2 640
More than 5 years	32 717	25 512	32 717	25 512
	3 940 636	3 321 504	3 940 636	3 321 504

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.

4. 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 (2012: 22 500 000) ordinary shares in issue during the year (cents)

128,7	112,2
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Headline earnings per share are calculated on headline earnings and a weighted number of 22 500 000 (2012: 22 500 000) ordinary shares in issue during the year (cents)

129,1	114,1
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Headline earnings per share are derived from:

Profit for the year	28 947	25 255
Loss arising on disposal of property and equipment	5	17
Write-off of property, equipment and intangible assets	98	407
	29 050	25 679



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