

Explanation of Resolutions

Section 65 (4) of the Companies Act, 71 of 2008 as amended, requires proposed resolutions, ordinary or special, to be accompanied by explanatory material regarding the resolutions to be adopted. The explanatory material in respect of the proposed resolutions is as follows:

1. Special Resolution

1.1 Reason for and effect of Special Resolution 1.1 – Directors’ Fees

Section 66 (9) of the Companies Act provides that the remuneration of directors may be paid only in accordance with a Special Resolution approved by the shareholders within the previous two years.

In giving effect to the requirements of section 66 (9) of the Companies Act, Special Resolution 1.1 approves the fees payable to the non-executive directors for the year 01 July 2014 to 30 June 2015.

2. Ordinary Resolutions

2.1 Resolution 2.1 – Adoption of annual financial statements

The directors are required to submit the audited financial statements for the year ended 31 December 2013 to the annual general meeting for approval.

2.2 Resolution 2.2 – Re-election of directors

This resolution provides for the re-election of retiring directors, in accordance with the requirements of the company’s Memorandum of Incorporation. The directors’ affairs committee conducted an assessment of the retiring directors, the findings of which were supported by the board. The board therefore recommends the re-election of the retiring directors to the shareholders.

2.3 Resolution 2.3 – Remuneration and appointment of auditors

- (a) The purpose of this resolution is to ratify the auditors’ remuneration for the year ended 31 December 2013.
- (b) The purpose of this resolution is to authorise the board to agree to the auditors’ remuneration for the year ending 31 December 2014.
- (c) The Companies Act requires the shareholders, at each annual general meeting, to appoint auditors who will continue in office until the following annual general meeting. The directors propose that Ernst & Young Inc. be appointed as the external auditors of Al Baraka Bank.

2.4 Resolution 2.4 – Directors’ authority to allot unissued shares

The effect of this resolution is to place the unissued ordinary shares of the company under the control of the directors until the next annual general meeting.

2.5 Resolution 2.5 – Confirmation and approval of directors’ remuneration for the year ended 31 December 2013

The effect of this resolution is to approve the remuneration of the directors for the year ended 31 December 2013, as set out more fully in the annual financial statements.

2.6 Resolution 2.6 – Appointment of the Shariah Supervisory Board

The purpose of this resolution is to provide for the appointment of Dr Abdus Sattar Abu Ghudda, Sheikh Mahomed Shoaib Omar and Mufti Shafique Ahmed Jakhura to the Shariah Supervisory Board of Al Baraka Bank.

3. Non-binding advisory endorsement of the remuneration policy

The reason for proposing this resolution is to request shareholders to signify their approval of the company’s remuneration policy by way of a non-binding advisory resolution as provided for in King III.

As this resolution is of an advisory nature, failure to pass it will not have any legal consequences in respect of existing arrangements.

However, the board will consider the outcome of the vote when considering the company’s remuneration policy. The policy is outlined below:

The board of directors, through the remuneration committee ensures that a correct balance exists between the interests of employees and those of shareholders so that the bank attracts and retains the expertise required to achieve the bank’s strategy.

The committee also ensures that all the company’s directors, executive and senior management are fairly rewarded for their individual contribution to the company.

This is essential in strengthening the relationship between the remuneration of directors and executives and the value it places on its staff and performances, thereby enhancing the profitability of Al Baraka Bank Limited.

The overall philosophy of the remuneration policy is to:

- create value for Al Baraka over the long-term;
- remunerate employees in the form of fixed pay, fringe benefits and variable pay;
- balance total remuneration between a fixed and variable content;
- link variable remuneration to factors that represent real growth to Al Baraka and create wealth to shareholders;
- measure the performance of executives on a multiple of performance matrixes which will include both financial and non-financial elements, of which the latter will form a significant portion;
- link a significant portion of the remuneration to the performance of an executive’s business unit, the risk of decision-making and the effects thereof by the respective executive in the context of the bank’s operations, and the overall performance of Al Baraka;
- disclose, at least annually in its annual report, the amount of the remuneration paid or awarded to each of its executive directors;
- disclose in its annual report, the aggregate amount of the remuneration paid or awarded to members of the executive management team and to other members of the bank’s management team, as may be prescribed; and
- stipulate the aggregate amount of sign-on and severance payments made and awarded during the financial year, as well as the total number of beneficiaries of such payments.

Letter to Shareholder, Notice to Shareholders and Proxy Form

For The Year Ended 31 December 2013

Your Partner Bank



**Letter to
Shareholder**
for the year ended
31 December 2013

08 May 2014

As-Salaamu-Alaikum

ALBARAKA BANK LIMITED – ANNUAL GENERAL MEETING – 17 JUNE 2014

On behalf of the board of directors, I am pleased to invite you to the twenty fourth annual general meeting of Albaraka Bank Limited, to be held at the offices of the bank, being 2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street, Durban.

The annual general meeting provides shareholders with the opportunity to ask questions pertaining to Al Baraka's 2013 financial performance and to also meet with the board of directors. In addition, the chairpersons of the respective board committees will be in attendance and I would therefore encourage you to attend the annual general meeting and to engage with the directors. Should you not be able to attend the annual general meeting, would you please complete and submit your proxy form to Al Baraka Bank, within the required time limits. Through your proxy, you will still be in a position to make your contribution to the meeting.

The notice of the annual general meeting records both the special and general resolutions which are to be considered by the shareholders at the annual general meeting. The board of directors recommends that shareholders vote in favour of the proposed resolutions.

Lastly, I wish to confirm that the Zakah of the bank was calculated at 34 cents per share. This should be discharged by the shareholder, as the bank is not mandated to discharge this on your behalf.

Was-Salaam

Yours faithfully

Adnan Ahmed Yousif
Chairman
Albaraka Bank Limited

**Notice to
Shareholders**
Twenty-Fourth
Annual General Meeting

Notice is hereby given that the twenty fourth annual general meeting of the shareholders of Albaraka Bank Limited will be held at 10h30 on Tuesday, 17 June 2014 at the offices of Al Baraka Bank, 2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street, Durban, to conduct the following business:

1. Special Resolution

It is proposed that the following Resolution be considered and passed, with or without amendment, as a Special Resolution:

- 1.1 To approve the fees payable to the non-executive directors for the year 01 July 2014 to 30 June 2015, as set out below:

	Present R	Proposed R
Board, risk and capital management committee, directors' affairs committee, remuneration committee, the social and ethics committee and any other ad hoc committee of the board (Per meeting)		
Chairman	6 600	7 100
Director/Member	4 500	4 800
Audit committee and board credit committee (Per meeting)		
Chairman	9 600	10 300
Director/Member	6 400	6 800
Retainer (Per annum)		
Chairman	123 000	131 600
Director/Member	81 500	87 200

Percentage of voting rights required to pass this resolution: 75%.

2. Ordinary Resolutions

- 2.1 To receive and adopt the group and company annual financial statements as at 31 December 2013.

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

- 2.2 To elect directors in the place of the following persons who, in terms of the company's Memorandum of Incorporation, are retiring by rotation and, being eligible, offer themselves for re-election. Motions for re-election will be moved individually.

Name: Adv. AB Mahomed SC
Age: 68
Appointed: 09 September 1989
Occupation: Businessman
Committee Member: Audit committee, risk & capital management committee and remuneration committee

Name: M Youssef Baker
Age: 59
Appointed: 22 January 1992
Occupation: Chairman of Iqraa Trust
Committee Member: Audit committee, directors' affairs committee and social and ethics committee (chairman)

Name: MG McLean
Age: 66
Appointed: 07 September 2001
Occupation: Retired
Committee Membe: Board credit committee

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

- 2.3 (a) To ratify the auditors' remuneration for the year ended 31 December 2013.
(b) To authorise the board of directors to determine the auditors' remuneration for the financial year ending 31 December 2014.
(c) To re-appoint Ernst and Young Inc. as the external auditors of the company until the conclusion of the next annual general meeting.

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

- 2.4 To renew the directors authority to allot the unissued shares, if any, of the company at their discretion until the next annual general meeting.

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

- 2.5 To confirm and approve the remuneration paid to the directors of the company, as set out in the annual financial statements, for the year ended 31 December 2013.

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

- 2.6 To elect the Shariah Supervisory Board of the bank, with the following members being eligible for election:

- Dr Abdus Sattar Abu Ghudda;
- Sheikh Mahomed Shoab Omar; and
- Mufti Shafique Ahmed Jakhura.

Percentage of voting rights required to pass this resolution: 50% + 1 vote.

3. Non-binding advisory endorsement of the company's remuneration policy

To consider and endorse, by way of a non-binding advisory vote, the company's remuneration policy.

4. Other Business

- 4.1 To note that on 15 May 2014, the board of directors approved that the company's authorised share capital be increased by creating an additional 70 000 000 ordinary shares with a par value of R10 per share, in accordance with the requirements of the Companies Act, 71 of 2008, as amended. This resolution is subject to the approval of the Registrar of Banks.

To consider such other business as may be transacted at the annual general meeting.

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, to speak and, on a poll, vote in his/her stead. A proxy need not be a shareholder of the company. In order to be effective, proxy forms must reach the registered office of the company by no later than 48 hours before the meeting. Meeting participants will be required to provide satisfactory identification before being permitted to participate in the meeting. A proxy form is on a separate page included in this annual report.

By order of the board

CT Breeds
Company secretary
Albaraka Bank Limited

Durban, 15 May 2014