

ABRIDGED INTEGRATED ANNUAL REPORT

2014

# Al Baraka Bank...

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### 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.

### Al Baraka Bank...Committed to the growth of both our business and our customers

We are deeply committed, as 'your partner bank,' to ensuring the personal growth and development of our customers, while advancing the bank's own growth trajectory.

Our principal focus is to capitalise on available opportunities.... Our supreme reward is in contributing to the overall development of the people, businesses and communities we exist to serve.

# ABOUT THIS REPORT

WELCOME TO AL BARAKA BANK'S ABRIDGED INTEGRATED ANNUAL REPORT, REFLECTING THE REVIEW PERIOD 01 JANUARY TO 31 DECEMBER 2014.

## Introduction

This report sets-out to provide an abridged, understandable and succinct overview of the past performance and future prospects of Al Baraka Bank, presenting the financial institution's 10-year review of salient details, its directorate and administration, joint statement by the chairman and chief executive and material issues it faces in terms of governance, sustainability, compliance and adherence to Shariah principles.

Al Baraka Bank's overriding purpose, as a commercial banking institution and South Africa's only fully-fledged Islamic bank, is to contribute meaningfully to the provision of a fair and equitable financial system; one which rewards effort and contributes to the development of the community.

We seek to meet the financial needs of communities 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. In shaping the content of this report, we are bound by all of the bank's pre-determined reporting requirements, as well as those prescribed by the regulating bodies active in South Africa's



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**Adnan Ahmed Yousif**  
Chairman

27 March 2015

financial environment. However, materiality is determined by our board of directors, in line with the requirements of our shareholders and other key stakeholder groups. In preparing our report, we have been cognisant of the guiding principles contained in the International Financial Reporting Standards, the Banks Act No. 94 of 1990, the Companies Act No. 71 of 2008, and the King Code of Governance for South Africa (King III).

We employ a philosophy of integrated thinking, which is embedded in the strategic direction adopted by the bank in delivering against our vision.

## Declaration

Al Baraka Bank's Audit Committee assumes responsibility for appraising and submitting our integrated annual report, complete with annual financial statements, to the board for review and approval.

The board has given due consideration to the report and is of the opinion that it satisfactorily addresses all relevant material issues and fairly represents the business and financial performance of the bank.



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**Shabir Chohan**  
Chief executive

# TEN-YEAR REVIEW

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Statement of Financial Position (Rm)</b>										
Share capital	322	225	225	225	150	150	150	150	150	89
Shareholders' interest	560	381	362	347	233	228	217	202	187	118
Deposits from customers	4 230	3 941	3 322	2 881	2 571	2 130	1 624	1 449	1 254	1 004
Advances and other receivables	4 242	3 753	3 269	2 826	2 395	2 057	1 604	1 478	1 300	1 009
<b>Total assets</b>	<b>4 814</b>	<b>4 411</b>	<b>3 716</b>	<b>3 246</b>	<b>2 825</b>	<b>2 381</b>	<b>1 871</b>	<b>1 686</b>	<b>1 470</b>	<b>1 179</b>
<b>Statement of Comprehensive Income (Rm)</b>										
Profit before taxation	55	40	34	26	17	18	31	27	15	10
Total comprehensive income for the year	40	29	25	16	11	18	21	18	10	7
<b>Share Statistics (Cents)</b>										
Basic and diluted earnings per share	154	129	112	77	74	125	145	121	102	128
Headline earnings per share	154	129	114	76	69	121	144	121	101	134
Dividend per share	45	45	45	45	45	45	35	25	20	-
Net asset value per share	1 736	1 692	1 608	1 541	1 551	1 522	1 446	1 344	1 249	1 330
<b>Ratios (%)</b>										
Return on average shareholders' interest	8,5	7,8	7,1	4,6	4,8	8,2	10,4	9,4	7,0	8,9
Return on average total assets	0,9	0,7	0,7	0,5	0,4	0,9	1,2	1,2	0,7	0,7
Shareholders' interest to total assets	11,6	8,6	9,7	10,7	8,2	9,6	11,6	12,0	12,7	10,0

#### 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

DURING THE 2014 FINANCIAL YEAR, AL BARAKA BANK'S BOARD OF DIRECTORS COMPRISED THE FOLLOWING MEMBERS:

## Non-executive

### AA Yousif (59)

Bahraini

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

## Independent non-executive

### SA Randeree (53)

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 (56)

Sri Lankan

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

### A Lambat (56)

South African

- 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 (69)

South African

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

### MG McLean (67)

Australian

- AEP - UNISA
- Joined the board in 2001
- Independent non-executive director (with effect from 01/03/2014)
- Member of the board credit committee

### MS Paruk (60)

South African

- 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 (56)

South African

- Joined the board in 2003
- Independent non-executive director
- Chairman of the remuneration committee
- Member of the risk and capital management committee and the social and ethics committee

### M Youssef Baker (60)

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 (49)

South African

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

### MJD Courtiade (61)

French

- CA (SA)
- Joined the board in 2004
- Chief operating officer
- Member of the risk and capital management committee.

### A Ameen (33)

South African

- CA (SA)
- Joined the board in 2014 (Director: with effect from 01/07/2014)
- Financial director

## Administration:

### Company secretary

CT Breeds BA LLB

### Shariah Supervisory Board

Dr. AS Abu Ghudda, Chairman (Syrian)

Mufti SA Jakhura

MS Omar B.Com 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

AL BARAKA BANK IN SOUTH AFRICA IS A SUBSIDIARY OF AL BARAKA BANKING GROUP, WHICH ITSELF IS GLOBALLY-ACCLAIMED AS A LEADING FORCE IN ISLAMIC BANKING.

## Al Baraka Banking Group

Based in Bahrain, Al Baraka Banking Group enjoys representation in some 15 countries world-wide and employs in excess of 10 000 members of staff. Al Baraka Banking Group's total assets at the end of the 2014 financial year amounted to US\$23,5 billion, reflecting an impressive 12% increase over the 2013 review period. Coupled with the group's impressive financial results is the advantageous bond it has come to enjoy with its clients around the world. The group is today reaping the benefits of having developed and implemented a globally unified corporate identity in 2009; an identity which mirrors the core values and intrinsic strengths of the financial institution.

Al Baraka Banking Group looks to the continuous building of its capacity and the strengthening of its resources so as to ensure its ability to provide a fair and equitable financial system in especially, but not limited to, the countries in which it currently operates.

Purposely re-positioned as 'Your Partner Bank,' Al Baraka Banking Group - through its global network of subsidiaries - sets out to reward efforts which contribute to the development of society, thus giving rise to Al Baraka becoming the brand of choice for financial services, internationally.

Indeed and in recognition of long service to Islamic economics and the effective dissemination of the Islamic banking culture, we are humbled by the Jinan University of Lebanon's recent awarding of an honorary doctorate to Mr Adnan Ahmed Yousif, president and chief executive of Al Baraka Banking Group, who is also chairman of Al Baraka Bank in South Africa.

## South African subsidiary's financial performance

Islamic banking is one of the fastest growing sectors in the world, making this an exciting and challenging environment in which to work. The 2014 review period saw our bank achieve record financial results for the third consecutive year, exceeding our previous best ever results, attained during the 2012 and 2013 reporting periods respectively.

Net income before tax rose by an impressive 37,5%, from R40,0 million in 2013 to R55,0 million in 2014, while advances grew by 17,0%, or R529,0 million. Pleasing growth in demand for our products precipitated this increase, although we remain cognisant of the need to pragmatically manage the capital requirements to support such growth. Our deposit book grew by 7,0%, or R289,0 million.

Total assets increased by 9,1% to top R4,8 billion, illustrating the distinct and widespread increase in the appeal, by Muslims and non-Muslims alike, of the benefits of interest-free banking, in line with Islamic banking principles.

The 2014 financial year also saw a significant injection of share capital, in the amount of R150 million, which we believe will assist meaningfully in sustaining our current growth path.

This financial growth spike co-incided with our 25th anniversary and also marked the completion of our transformation from a niche financial institution to a commercial bank, heralding a period of sustained growth. The share capital rights offer was very well subscribed by existing shareholders, indicating the outstanding

confidence which exists in terms of Islamic banking in South Africa. Support for the rights offer enabled us to take our capital and reserves to more than R559,0 million, ensuring that the bank remained well on-track to achieve our short and medium-term strategic business objectives. Importantly, it also better enabled us to meet and exceed our clients' diverse financial service needs, while allowing for the maximisation of profitability and the creation of a sound profit and capital structure going forward.

Extremely encouraging levels of demand for the greater international banking services our 'Authorised Dealer' status affords us enabled our expanded foreign exchange services to continue attracting exceptional support during the 2014 reporting period and resulted in significant growth in income.

Foreign exchange earnings increased by 59,0% over the previous year, with transactions growing at the rate of 30,0% a month and adding R10,0 million to the bank's income.

During the review period, we also initiated the development of a new product to facilitate Shariah-compliant forward exchange cover, as an extension of our foreign trade facilities.

This will allow clients to minimise foreign currency risk by purchasing forward cover from the bank, with repayment occurring on either a spot or deferred basis. Product development is at an advanced stage and this facility will be introduced in due course.

The 2013 introduction of a strategy to increase non-funding income levels and the implementation of initiatives to improve such income began bearing fruit during the review period. Our 2014 efforts resulted in an increase in non-funding income of 26,0% over the previous year's figure.

Importantly, too, our business process re-engineering intervention - launched during the course of 2013 to assist in optimising business efficiencies, so driving income generation and operational cost reduction - in order to cut our cost-income ratio - progressed well during 2014. Interventions gave effect to a decrease in our cost-income ratio. While we recognise that solid progress has been made, we also acknowledge that the ratio remains at an unacceptably high level.

Whilst we may be justifiably pleased with the cuts achieved, we intend re-doubling our efforts to appreciably reduce this ratio and, as a consequence, our business process re-engineering project will continue until such time as an appropriate cost-income level has been achieved.

We were poised, in 2014, to launch Sukuk (investment certificates), in line with a growing global trend and as an attractive alternative to conventional bonds. The Sukuk market world-wide has demonstrated significant growth in recent years and was projected to grow by 141,32% by 2016.

The proposed move was aimed at growing the bank's capital base. However and as a result of certain regulatory issues at the time, the issue was delayed, prompting instead Al Baraka Bank's most successful share capital rights offer.

Of concern is the unfortunate, though necessary, significant investment of resources to meet ever more onerous regulatory requirements. This is becoming a major cost factor for banks in South Africa and is a matter with which Al Baraka Bank has long grappled in the pursuit of a resolution which facilitates the assurance of continuously meeting regulatory requirements at least cost. This is a matter which will continue receiving our close attention into the forthcoming financial year.

On a more positive note, we are pleased to have achieved our best ever financial results during the 2014 financial year, but stress that our management team remains intent on striving to further expanding our growth-path in the years ahead.

### 25th Anniversary

The 2014 financial year marked for our bank a quarter of a century in business.

Established in 1989, our bank's founders boldly pursued their goal of becoming the pioneers of Islamic banking in South Africa. They successfully founded South Africa's first Islamic financial institution - and the first of its type to be established in the Western World. Their vision 25 years ago is to be applauded, as is the exceptional support the community has displayed - and continues to display - in increasingly selecting Al Baraka Bank as their financial institution of choice.

Today ours is the only fully-fledged Islamic bank in South Africa, adhering strictly to Shariah and positioned at the leading-edge of Islamic banking in this country. In addition and in line with the principles behind Broad-Based Black Economic Empowerment, we embrace the ideal and actively set-out to create a business culture which nurtures and caters for the diversity of our staff.

Our 25-year growth trajectory may be attributed to the market's confidence in our ability to develop a viable alternative to interest-based banking in South Africa and its track-record and commercial bank status reflects client support for a sustainable non-conventional system of banking which offers a full suite of financial services. This, we believe, has created the ideal platform for Al Baraka Bank to further increase its footprint in this country's commercial Islamic banking sector into the future and to contribute towards the overall upliftment of South African society.

In this regard, we celebrated this business anniversary with the introduction of a bold, long-term community-based youth empowerment and job creation legacy project in recognition of the customer support we have enjoyed since the bank's inception.

Our company's founders provided us with a true legacy, creating the pioneering, entrepreneurial spirit of business excellence which lives on in the bank today. In demonstrating our gratitude for the widespread community support we have enjoyed over the years, we believed this to be the ideal time to give back to society, creating our own legacy and one which will have a really meaningful socio-economic impact on the historically disadvantaged of South Africa. Details of this initiative, dubbed 'Project 25,' are contained in the corporate social investment section of this statement.

### Executive promotion

During 2013 we moved to strengthen our bank's executive leadership, enabling a more focused approach to our strategic business initiatives, resulting in a positional re-shuffle within and several promotions to our executive team. One such promotion involved Mr Abdullah Ameen, formerly our General Manager: Finance, who was appointed as Acting Financial Director. We are pleased to announce that during the course of the review period, Mr Ameen was appointed as Al Baraka Bank's Financial Director. We take this opportunity to congratulate Mr Ameen on his appointment and believe that he will make a valuable contribution to the bank's business development in the future.

### Dividend

The 2014 financial year saw our bank declare a dividend for the benefit of shareholders. This is the ninth consecutive year in which Al Baraka Bank has declared a dividend. The bank's board approved a dividend of 45 cents per share for the 2014 financial year.

### Corporate governance

We believe implicitly in the need for strict adherence to the principles of good corporate governance and the unequivocal observance of the best practice ideal.

As a financial institution operating in a highly regulated environment, we recognise that we are entrusted with our clients finances and that, accordingly, we have an obligation to ensure absolute transparency of action and unconditional compliance with all laws and regulations.

The bank's long-time observance of governance best practice is widely recognised within the South African financial sector and we continuously work to uphold our governance position through the realisation of our obligations in terms of the King Report on Corporate Governance (King III).

### Corporate social investment

The poverty trap in South Africa is an inescapable and unfortunate fact of life and will remain so for the foreseeable future.

Comprehensive, generous and well-executed corporate social investment programmes make a real difference to South African society. As a significant private sector player in this country, Al Baraka Bank has long accepted the reality of South Africa and delivers an ongoing response designed to channel corporate social investment funds into strategically identified areas of need, inclusive of education, humanitarianism, health, poverty alleviation and security.

The 2014 financial year saw the bank add tellingly to our existing social responsibility programme with the introduction of a bold, long-term community-based youth empowerment and job creation legacy project in recognition of our 25th anniversary and the wonderful customer support we have enjoyed since the bank's inception in 1989. 'Project 25' was initiated as a two-pronged socio-economic initiative designed, on the one hand, to better empower and prepare learners who will become tomorrow's potential business leaders and, on the other, to assist with poverty alleviation, job creation and food security. The bank has pledged long-term assistance to 25 Grade 10 learners from Sinevuso Secondary School, near Ixopo, KwaZulu-Natal, launching a cyclical three-year support programme aimed at providing holistic preparation for post-matric studies or employment. In addition, we have implemented a community market garden initiative involving 25 jobless individuals at Mariannhill, near Pinetown as a means of creating jobs, alleviating poverty, promoting wealth generation and promoting a degree of food security in the area.

Our education-based programme includes additional tuition, life-skills and IT training, career choice discussions, aptitude testing and motivational interventions to boost learners' confidence and develop business values. Meanwhile, our provision of protective clothing, garden tools, fertilizer, fencing and water storage tanks has resulted in the growth of our market garden project, with regular market days being held at the bank, where fresh produce cultivated in the market garden is sold to staff.

During the 2014 financial year Al Baraka Bank donated R7,6 million to needy organisations and causes, inclusive of Project 25 participants.

### Future prospects

Looking ahead, Al Baraka Bank remains committed to facilitating the growth of our business operations for the benefit of existing and prospective new customers.

As a commercial and leading Islamic bank in South Africa we are confident about our ability to continue showing positive growth and will strive to expand our client base in all market sectors through the further development of our product and service offering. As 'your partner bank,' we are steadfast in our resolve to ensure the personal growth and development of all our customers, while continuing to advance the bank's own growth trajectory.

As previously indicated, we are excited about the development of a new product which has been designed to provide Shariah-compliant forward exchange cover. This is an additional offering in our foreign exchange service bouquet. Controlled 'go live' deployment is planned for 2015, as is the proposed implementation of system functionalities designed to cater for imports and exports, which - we believe - will position our bank to attract a broader range of corporate customers in future. We are also currently giving consideration to the feasibility of including several additional foreign exchange products.

In view of increasing public interest, the bank is now also actively



## CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT CONTINUED

playing a significant instrumental role in efforts to investigate Takaful (Shariah-compliant Islamic insurance). This was previously afforded consideration, but was at the time deferred. Such has been the demand for Takaful that steps to unveil this product have been renewed.

Following the outstanding uptake of our electronic banking products since the inception of the concept in 2009, we are constantly looking to bring on-stream products to tighten electronic banking efficiencies, thus radically improving client banking experiences.

We also plan to implement a EMV-compliant card.

Our bank is presently in the process of developing a 'banking app' whose introduction, we are confident, will greatly assist customers currently utilising our electronic banking services.

Product growth and the growth of our facilities network in South Africa, makes Al Baraka Bank increasingly more accessible to both existing and, especially, prospective new clients.

As we continue our efforts to create tomorrow's bank today, our principal focus is to capitalise on all available opportunities.

### Appreciation

In conclusion and in view of our bank having enjoyed its third successive year of record financial results, in spite of the lethargic economic conditions which have prevailed since the recession of 2008/09, we take pleasure in extending our most sincere appreciation to a number of stakeholders.

Firstly, we acknowledge the immense role played by Al Baraka Banking Group in Bahrain and its support for our South African subsidiary. Our financial results and continued growth trajectory may, in large part, be attributed to Al Baraka Banking Group's

**Adnan Ahmed Yousif**  
Chairman

27 March 2015

confidence in our operation, together with its exceptional guidance to and ongoing business support for Al Baraka Bank in South Africa.

We also take this opportunity to thank most sincerely members of the board for their business acumen, strategic thinking and clear-cut direction. Your collective financial wisdom, enthusiasm for the bank's growth and development, tempered only by carefully considered decision-making, has provided for the sound leadership of the bank and the basis for its not inconsiderable business success during the past 25 years.

We must, of course, express our gratitude to the bank's executive team and its dedicated members of staff for the steadfast commitment shown in taking Al Baraka Bank to ever-better financial heights, while never losing sight of the need to maintain personal relationships with our clients, without whom we would have no business.

Lastly, we are especially grateful to our shareholders, as well as our private, business and corporate clients. As 'your partner bank,' we remain committed to ensuring the personal growth and development of our shareholders and clients, while simultaneously advancing the bank's own growth path. Rest assured, our bank's supreme reward is in contributing to the overall development of the people, businesses and communities we exist to serve.

We, therefore, greatly cherish the support you continue to show towards Al Baraka Bank. In continuing to manage the financial interests of our shareholders and clients to the highest ethical standards, we trust that we will continue making a positive impact on their lives for the greater good of society.

***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

THIS REPORT SEEKS TO INFORM THE BANK'S STAKEHOLDERS AS TO HOW THE BOARD OF DIRECTORS, THROUGH THE APPROPRIATE STRUCTURES WHICH HAVE BEEN PUT IN PLACE, OVERSEES THE PROCESS OF CORPORATE GOVERNANCE.

The board remains committed to good governance, which constitutes an integral part of the way in which the bank conducts its business operations. The board, supported by management, is committed to operating in an ethical and principled manner, maintaining communication with all our stakeholders in an open and transparent way.

The bank strives to apply the principles of King III to all aspects of the business, where appropriate. Where the board of directors holds that a particular principle of King III is not appropriate within the context of the bank's business, an alternative approach, supported by sound reasons, may be proposed. During the period under review, the board was satisfied with the way in which the bank had given effect to the recommendations of King III, or, where the recommendations were not appropriate to the nature of the bank's business, that alternative measures had been put in place.

## Board of directors

### Role and function of the board:

The board, which is constituted in terms of Al Baraka Bank's Memorandum of Incorporation, is responsible for formulating the institution's strategy and business operations. It is ultimately responsible for the efficient functioning and well-being of the bank. In giving effect to its role as the custodian of corporate governance, the board acknowledges that one of its primary responsibilities lies in the positive performance of the bank, through the creation of value for all its stakeholders. The board is also responsible for ensuring that the strategy remains in line with the values as determined by the bank. The board operates within the framework of a written charter, which records the rights, duties and responsibilities of the board in a comprehensive manner. This charter is subjected to regular review. When reviewed, the charter is assessed for compliance with the requirements of prevailing legislation, taking into account key changes which may have been introduced in terms of the Banks Act and the Companies Act.

### Board structure and composition:

Al Baraka has a unitary board structure. As at 31 December 2014, the board comprised 12 directors. Of the directors, eight (67%) are independent non-executive directors, one (8%) is a non-executive director and three (25%) are executive directors. The executive directors consist of the chief executive, the chief operating officer and the financial director. During the review period, Mr Abdullah Ameen, who was the acting financial director, was appointed as financial director, effective 01 July 2014.

The board brings independent, objective and diversified input to the process of decision-making, ensuring that no single director or group of directors possesses dominant decision-making powers.

In giving effect to the recommendations of King III, the roles and responsibilities of the chairman and the chief executive have been appropriately defined and are separate. The chairman of the board of directors is currently Mr AA Yousif, who is not independent as defined in terms of the governance codes. Mr Yousif is currently the president and chief executive of Al Baraka Banking Group, the major shareholder of Al Baraka Bank South Africa.

As such, he does not qualify as an independent non-executive director. The board considers Mr Yousif as best-suited to fill the role

of chairman, given his banking experience and understanding of the Al Baraka Banking Group. In keeping with the governance codes, the chairman is appointed on an annual basis, a principle being extended to the vice chairman. As the chairman is not classified as an independent non-executive director, the position of lead independent director has been created, a position currently held by Mr SA Randeree.

### Independence of directors:

The board of directors supports the principle of King III that the majority of non-executive directors should be independent, as this serves to reduce the possibility of a conflict of interest, whilst promoting objectivity within the board decision-making process. The directors' affairs committee is responsible for conducting an annual review of the status of the directors whose position as a director is classified as independent. The committee places special emphasis on those independent directors who have served on the board for more than nine years. The independent status of such directors is subjected to rigorous debate, ensuring that there are no relationships or circumstances which could have a negative impact on their independence.

Currently, there are three independent directors who have served on the board for a period in excess of nine years. The directors' affairs committee considered their independence and after a robust review, declared that, notwithstanding their respective lengths of service on the board, Adv. AB Mahomed SC, Mr MS Paruk and Mr YM Paruk continue to meet the requirements of an independent director. The board supported this view.

### Succession planning:

Succession planning is key to the development and evolution of the board. Recognising the importance of succession planning to the long-term sustainability of the bank, the directors' affairs committee undertakes an annual review of the composition of the board and the respective board committees.

Through its review of the composition of the board, the directors' affairs committee has made several recommendations to the board in terms of its succession planning objectives. As the process of director appointment is a function of various legal and regulatory requirements, both in terms of the Banks Act and the Companies Act, the succession planning objectives of the board remain ongoing. The board also ensures adequate succession planning at executive level.

### Strategy formulation:

The board of directors is responsible for determining the bank's strategic direction, which is based on an in-depth review of the drivers of the business, taking into account the diverse interests of the bank's stakeholders. The board monitors the implementation of the strategy across the bank. The bank's corporate governance and risk management objectives are determined by the board for the year ahead, in terms of prevailing banking regulatory requirements.

The board also conducts an annual assessment as to whether the corporate governance and risk management objectives for the review period were successfully achieved. Having conducted this assessment in the last quarter of the financial year, the board is satisfied that the 2014 corporate governance and risk management objectives have been satisfactorily fulfilled.

## CORPORATE GOVERNANCE REPORT CONTINUED

### Delegation of authority:

Al Baraka Bank operates within the parameters of a well-defined governance structure, through which structure the board retains control of the business of the bank. This structure allows the board, which has defined its own levels of materiality, to delegate the necessary authority and powers to the respective board committees and chief executive, within the context of strategic and operational effectiveness and efficiencies. The chief executive, acting in terms of his written authority from the board, delegates appropriate and relevant powers to management, such that the bank may conduct its business on a day-to-day basis. Notwithstanding this delegation of authority, the board and its directors do not relinquish their accountability. The delegated powers of authority are regularly reviewed to ensure relevance within the life of the bank.

### Director development and education:

The board places strong emphasis on the ongoing education of directors, to ensure that they remain au fait with the ever-changing legal environment and regulations, with particular reference to the banking sector. Directors are kept informed of developments and trends within the financial sector, as these could have a material impact on the bank and its operations. Directors are encouraged to attend appropriate external training programmes, the costs of which are borne by the bank. Ongoing training is also offered to the members of board committees, such that they too may give effect to their mandates. During 2014, director training topics included cyber crime, IT governance and corporate governance lessons from within the banking sector, as well as specialised training in respect of the functioning of the social and ethics committee.

### Performance evaluations:

The performance of the board and its committees is evaluated annually, so as to determine their respective levels of effectiveness. An evaluation is also undertaken in respect of the chairman. Directors complete a self-assessment questionnaire, the outcomes of which are discussed with the chairman and the lead independent director, enabling directors, in a private manner, to discuss their contribution to the board. The scope of the evaluation process is to be broadened to include the company secretary, who will be subject to evaluation by the board. The performance of the chief executive is evaluated in terms of his performance scorecard.

### Board meetings:

The board met on four occasions during the course of 2014, in accordance with the provisions of the board charter. Where a matter needs to be addressed between planned meetings, additional meetings may be convened. Board meeting dates are planned well in advance, with the objective of securing maximum attendance. A year planner is developed in consultation with board members. The board's meetings with Reserve Bank representatives are also

included in this process. Whilst directors strive to attend board and board committee meetings in person, it is acknowledged that this will not always be possible. In such circumstances, efforts are made to ensure electronic link-ups such that views of directors may still be heard and taken into account during board discussions. In reducing paper consumption, the board and board committees have made increasing use of the directors' portal. Board papers are distributed two weeks prior to a board meeting, such that the directors' have sufficient time to prepare for board meetings.

### Access to information:

Directors enjoy unrestricted access to the bank's information and may consult with external professional advisors on subjects impacting on the bank. The costs of such advice is at the expense of the bank. Directors may meet representatives of management in the absence of executive directors, should they deem it necessary.

### Board committees:

Recognising that the board is responsible for the performance of the bank in its entirety, the board has established six permanent committees whose function is to provide a specific focus on specialised areas. Through this process, the board committees assist the board of directors in discharging their obligations. In addition to the audit committee, the risk and capital management committee, the board credit committee, the directors' affairs committee, the remuneration committee and the social and ethics committee, the board has also established a specialist property committee. The primary function of this committee is to monitor the development of the bank's property, which it acquired at Kingsmead Office Park. Once this property has been developed, the board property committee will cease to exist.

All the permanent board committees possess written terms of reference, which are regularly reviewed. As part of the board's commitment to a transparent process of corporate governance, the respective committees provide the board with verbal feedback on key issues discussed. In addition, the minutes of all committee meetings are submitted to the board as part of the meeting papers.

Our governance structure provides for the establishment of various management committees, whose purpose is to support the board and the board committees in giving effect to their respective mandates. Management committees currently comprise the executive management committee, executive credit committee, management risk committee, assets and liabilities committee, FICA executive committee and IT steering committee.

Full disclosure of the board committees may be found in the full version of the 2014 integrated annual report.

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

<sup>1</sup> = Chairman, <sup>2</sup> = Vice chairman, <sup>3</sup> = Appointed as a director on 01 July 2014, <sup>4</sup> = Risk manager, <sup>5</sup> = General manager: credit

# SUSTAINABILITY REPORT

A SUSTAINABILITY REPORT COMPRISES INFORMATION PERTAINING TO AN ORGANISATION'S ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS, AS A CONSEQUENCE OF ITS EVERY-DAY ACTIVITIES.

## Introduction

Such a report takes account of an organisation's values, governance standards and the inescapable linkage between its business strategy and its commitment to a sustainable environment. Al Baraka Bank, as is the case with an increasing number of enterprises globally, is intent on ensuring - and, indeed, ably demonstrating - the sustainability of our operations, while contributing meaningfully to sustainable future development. Recognising that sustainability is founded on four pillars of performance, our bank's long-term goal is to develop our own sustainability reporting to a level which will enable us to accurately and effectively measure, understand and communicate our economic, environmental, social and governance and ethics performance.

Sustainability within the bank is driven by and is the responsibility of our board-appointed social and ethics committee. This committee is mandated to address issues, as set out in the Companies Act, pertaining to good corporate citizenship, social and economic development, health, safety and environmental matters, employment practices and customer relationships.

We are currently working towards ensuring that our sustainability report provides the foundation for the measured and managed communication of both performance and impact, in the certain knowledge that stakeholders, inclusive of customers, shareholders, members of staff and service providers, are showing progressively greater interest in the non-financial components of our company.

The business world is moving inextricably towards ever-more transparent, auditable and published performance results and strategies for the future. Al Baraka Bank, as a responsible corporate citizen, both recognises and acknowledges the need to accept and embrace this responsibility, laying the groundwork for the delivery of a more positive impact into the future. This is contemplated in our long-term vision, which espouses the fact that we believe society needs a fair and equitable financial system; one which rewards effort and contributes to the development of the community, thus giving effect to delivery on our social and environmental intent. In this respect, our quest is simple. It is to significantly reduce waste and inefficiencies of operation as a means of creating financial savings and the protection of the environment.

## Company overview

Al Baraka Bank operates as a fully-fledged Islamic commercial bank and is committed to the delivery of Shariah-compliant banking facilities throughout South Africa. The bank's purpose is to meet the financial needs of communities by conducting business ethically, in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with customers, shareholders and staff who participate in our business success.

In giving effect to this mission, 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 members of staff. Al Baraka Bank is rolling-out a business strategy tailored to maximise profits and ensure best practice in safeguarding the environment.

## Strategic business objectives, competencies and key performance indicators

We strive to achieve 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

By implementing a series of enterprise risk management strategies, our bank effectively manages its overall financial risk, as well as the risks associated with strategy, operations, reporting, fraud, supply chain management and risk associated with materiality issues which could impact on the bank, as well as all aspects of regulatory compliance.

## Organisational and governance structure

Good governance is integral to the way in which the bank conducts its day-to-day business operations. Al Baraka Bank adheres to the principles underpinning the good governance ideal, particularly as this relates to the four pillars which form the foundation of corporate governance, being responsibility, accountability, fairness and transparency.

Our directors' affairs committee of the board is directly responsible for driving and managing the bank's implementation of the governance framework and annually reviews the company's obligation to the proper execution of sound corporate governance practices, in line with the recommendations contained in King III.

This, in turn, gives effect to management's ability to continuously enhance its levels of compliance.

As South Africa's only fully-fledged Islamic bank and the consequent need for Shariah compliance, the bank draws attention to the following aspects of its business which are prohibited:

- Transactions which involve excessive risk and speculation;
- Investment in prohibited activities and services; and
- Investment in any company which may be involved in:
  - Alcohol;
  - Tobacco;
  - Pork;
  - Casinos; or
  - Conventional banks.

We follow Islamic business principles and standards, as published by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

## Delivery of sustainable development to stakeholder groups

We are of the opinion that in order to deliver sustainable development, there exists the need for a paradigm shift from that of a purely profit-driven business model to one which promotes a more inclusive framework, with direct emphasis on an integrated approach with regard to the four foundational components, comprising economics, environment, social issues and governance and ethics.

We contend that the adoption of such an eco-efficiency model will allow for the generation of sustainable shareholder value, which, in turn, will facilitate the delivery of the more effective management of our business and, therefore, serve the best interests of the bank's stakeholder groups. Our report addresses the four pillars of performance, set-out as follows:

## Economics:

As a fully-fledged Islamic commercial bank, we adhere to Shariah and all regulatory requirements, as pre-determined by the legal environment impacting on the South African financial sector, in our quest to deliver responsible financing to our relevant stakeholder groups.

## SUSTAINABILITY REPORT CONTINUED

Our primary objective is to create long-term and sustainable economic value for these stakeholders, while aiming for effective risk management strategies to enhance our adherence to good corporate governance, compliance with all laws and regulations and absolute alignment with ethical business practices.

Our goal in this respect is to further enhance shareholder value and to ensure the sustainability of the business in the long-term. In this regard, we pride ourselves on the limited need for legal recourse in our operations, a direct consequence - we believe - of our rigorous client risk profiling approach, the purpose of which is to develop a sustainable and sound economic business model.

Such a model provides the basis for determining the feasibility of prospective projects, so creating and stimulating employment within and the growth of small and medium-sized businesses, while promoting wealth creation and distribution within communities which form a critical component of our stakeholder groups.

### Environment:

Our social and ethics committee takes most seriously environmental issues impacted by the business and, especially, the need for interventions to effectively protect the environment.

As this committee has grown in stature, so too has its commitment to the development of measurable environmental indices in the pursuit of solutions to mitigate against environmental sensitivities.

Whilst being aware that our environmental impact may not be as extreme as enterprises involved in this country's manufacturing sector, we do acknowledge that we have a role and responsibility with regard to environmental sustainability.

In giving effect to this role, our social and ethics committee has instructed that the bank's legal documentation must better reflect its commitment to issues of the environment in terms of the compilation of future contracts with stakeholder groups.

The bank has embarked upon an environmental impact assessment journey, in order to ultimately position itself to more accurately measure the results of its impact on the environment. We continuously look to reducing our bank's eco-footprint on a national basis.

### Social issues:

The legacy of a dysfunctional past, has left South Africa with the burden of extreme poverty and a swathe of related social ills. Government alone is unable to impact sufficiently to make a lasting difference in the lives of the affected millions.

It, therefore, falls to business to play a meaningful role in assisting to correct the imbalances of the past. Al Baraka Bank recognises this and embraces the need for a range of sustainable socio-economic development initiatives.

The bank operates a corporate social investment programme, targeting education, health, poverty alleviation, security and humanitarianism. Whilst supporting a range of needy individuals and welfare organisations, the bank in 2014 launched - as part of its 25th anniversary celebrations - an initiative known as 'Project 25.'

Project 25, which goes well beyond the bank's existing corporate social investment programme, is a two-pronged socio-economic scheme designed to empower tomorrow's potential business leaders and to assist with poverty alleviation, job creation and food security.

Our 25th anniversary was regarded as the ideal time in the company's history to create a sustainable social legacy; one which will have a really meaningful socio-economic impact on the historically disadvantaged of this country.

Project 25 was designed, firstly, to guide 25 Grade 10 learners from a disadvantaged rural school in KwaZulu-Natal for a three-year period, preparing them for a future in which they would be able to make a substantial contribution to the economy. Secondly, we facilitate a community market garden project involving 25 out-of-work individuals in an area of high unemployment near

Pinetown, in KwaZulu-Natal, as a means of creating jobs, so assisting in alleviating poverty, promoting a degree of food security in the area and creating wealth through the sale of produce to the bank's staff and, potentially, other outlets. This dual-stream project is designed to be a rolling programme, creating ongoing educational, employment and wealth-generation opportunities for the disadvantaged into the future.

The entire corporate social investment programme is overseen by the social and ethics committee and is administered by management's charitable and welfare committee. The ideal is fully supported by the Bahrain-based Al Baraka Banking Group, of which the South African unit is a subsidiary, and, accordingly, details of the bank's sustainable social interventions are regularly reported to the group.

In addition, the bank encourages its members of staff to become active participants in its charitable and welfare activities, with the social and ethics committee recommending that such participation be acknowledged.

During the 2014 financial year, the bank contributed some R7,6 million to needy organisations and causes, with the objective of ensuring their sustainability into the future.

### Governance and ethics:

The implementation of good governance principles is fundamental to the manner in which we conduct our day-to-day business. We are committed to conducting our business affairs in both an ethical and transparent manner, thus ensuring long-term sustainability on behalf of our stakeholder groups.

The bank strives to continuously promote ethical investing as a means of ensuring the attainment of sustainable and responsible investment policies and practices throughout the business model.

In addition, in 2014 we conducted an ethics survey amongst bank staff. Survey results were noted by the social and ethics committee and it was recommended that such surveys be carried out annually during the next three years and that all staff opinions on ethics be taken into account and accorded serious consideration.

In order to ensure the bank's adherence to ethical behaviour, we employ the inclusive stakeholder model of governance as a means of encompassing the rights of all the members of our stakeholder groups.

### Stakeholder engagement

The bank regards intensive engagement with its stakeholder groups as part of the process of remaining relevant in a tremendously competitive financial operating environment and to give effect to its long-term strategic business objectives.

We work diligently to ensure that the bank enjoys both the capacity to meet stakeholder expectations in a responsible manner and the ability to develop enduring partnerships with such stakeholders. Al Baraka Bank manages its relationships with identified stakeholders as follows:

### Customers:

We acknowledge the fact that without customers, we would not have a business. Accordingly, we actively adopt a customer-centric approach to our every interface with customers.

Direct engagement with our customer-base enables us to:

- Understand and respond to, especially, the financial needs of our customers, recognising that we have a responsibility to provide all our customers with exceptional banking services and products;
- Ensure we have the capacity to provide necessary and appropriate banking advice and - importantly - workable solutions to meet the wide-ranging needs and expectations of customers;
- Ensure the delivery of client service excellence in our every dealing with customers, both in-branch and online; and
- Regularly check and update the personal information of customers, thus safeguarding the integrity of customer details and the professional reputation of the bank, in line with the upcoming

requirements of the Protection of Personal Information Act.

We take most seriously the need for customer service excellence as a way of life amongst staff members. This we regularly test by way of 'mystery banking' surveys which allow us to determine customer opinions concerning service delivery across our banking network. We evaluate all such feedback and implement remedial behaviour as and where necessary.

The bank has in place a customer service centre sharecall telephone facility, regarded as a tool through which to attend, in a timely manner, to customer queries, concerns, complaints and compliments.

We also record for service quality evaluation and control purposes, all telephone calls to various frontline business divisions, inclusive of foreign exchange and customer service, with a direct customer interface.

The bank has for a number of years utilised the services of an external anti-fraud hotline, managed through the good offices of an internationally-based firm of auditors. This service is provided in line with our commitment to responsible banking and to ensure the delivery of fair and equitable business practices.

#### **Members of staff:**

Our members of staff are the bank's most important asset; an asset which makes business operations in the financial sector possible. Direct engagement with our members of staff enables us to:

- Ensure that the bank remains an employer of choice, providing an inspiring, safe and positive work environment;
- Fully understand, evaluate and respond to staff experiences, their needs and their concerns; and
- Provide members of staff with details of the company's planned strategic direction and growth trajectory, as well as sharing with them relevant information about the company and the group.

#### **Recruitment and training -**

Al Baraka Bank operates in a highly regulated business and legal environment. It is, therefore, vital that our members of staff adhere to the very highest of standards, displaying integrity, honesty and accountability, while ensuring a strong disposition towards customer service excellence and a high work ethic. As a consequence, we seek to attract, develop and retain top talent; people with the moral fibre and resourcefulness to assist in developing the bank and its business into the future.

In realising the full potential of its staff complement, the bank offers comprehensive training and development programmes which are specifically tailored to meet business requirements. In addition, staff are actively encouraged to themselves identify areas in which they would seek to become more proficient, with relevant training interventions being sourced to accommodate such needs.

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 for some years a highly successful graduate recruitment programme.

The purpose of this programme is to enable today's talented and suitably qualified young people to take-up learnership positions within the bank so as to develop the skills and to benefit from the experience necessary to be successful in the business environment. This provides a very important bridging mechanism between the theoretical world of academia and the rigours of the world of work.

BankSETA funding was secured for the sponsorship of banking programmes, which provided members of staff enhanced prospects for career path advancement. During 2014, such programmes included, inter-alia, the BankSETA National Certificate in Core Banking and Financial Services and the National Certificate in Sales and Customer Relations.

#### **Managing diversity -**

Diversity in the workplace is an every-day reality and should be embraced. Differences amongst people should not result in the disaffection of any individual or group in the workplace and Al Baraka Bank makes every effort to, instead, foster a sense of belonging and self-worth.

We endeavour to harness the diversity which our members of staff bring to the workplace, creating a single business culture and inspiring a sense of mutual respect, dignity and unity.

#### **Transformation and employment equity -**

The bank recognises the need for effective social transformation in the South African business arena and, particularly, within the financial sector. This is a key driver for our board, which is dedicated to the transformation process.

We acknowledge the importance of providing opportunities to suitably qualified members of historically disadvantaged groups, including both women and the disabled.

As part of our transformation obligation, the bank annually reports on its Broad-Based Black Economic Empowerment (B-BBEE) performance by means of the Financial Sector Code.

In line with our overarching B-BBEE objectives, we set-out to recruit staff from historically disadvantaged backgrounds and also look to promoting and/or appointing increasing numbers of women to positions within both senior and middle management levels.

#### **Employee wellness -**

A healthy staff member is a productive staff member. The wellness of our total staff complement is, therefore, of the utmost importance to our bank.

We have in place a wellness-based policy which advocates the health and well-being of the individuals we employ, while promoting positive life-style changes. We implement regular wellness activities throughout our national branch network; activities which are intended to encourage members of our staff to embark on healthy life-style and exercise programmes.

#### **Staff communication -**

With regard to the regular provision of relevant information to staff about the group, company and their respective activities, we see such communication as extremely important.

We recognise that decisions made about the organisation and its direction have a direct bearing on staff and that they have a right to pertinent information. Accordingly, we employ a wide range of communication vehicles through which to broadly share current business events and changes.

Such communication vehicles currently include:

- The chief executive's address: briefings to staff following quarterly board meetings;
- The intranet site: online communication of posted staff information;
- Social media: a feed used by management to post staff-relevant information;
- 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: an online mechanism for staff members to undertake human resources activities, such as leave applications, pay-slip generation and the like;
- Tip-offs Anonymous: a dedicated external fraud hotline, operated on the basis of anonymity, enabling staff and the public to 'blow the whistle' without fear of recrimination;
- Surveys: a dedicated practice of surveying staff in terms of ethics and, on occasion, the rating of various divisions within the organisation;
- E-Newsletter: an informal staff-based newsletter keeping employees informed about the bank, its operations and staff activities; and
- Staff presentations: specialist presentations designed to inform staff and keep individuals apprised of the latest developments within the bank.

#### **Shareholders:**

The bank, in line with the requirements of the Companies Act, looks to actively provide shareholders with relevant information in a timely manner. Direct engagement with shareholders enables us to ensure the provision of appropriate bank-related information in a timely manner as a means of equipping shareholders with information suitable for making investment decisions.

We have implemented a process to ensure increased levels of electronic communication with shareholders, as an expedient form of communication. Shareholders receive bank information in a more timely manner, whilst enabling the bank to contain paper usage.

Such regular interaction is undertaken in the pursuit of absolute



## SUSTAINABILITY REPORT CONTINUED

transparency and accountability. We engage with shareholders at annual general meetings and by way of ad hoc road-shows in identified areas around the country.

By way of example, during the year under review a successful road-show event was hosted in Cape Town for the benefit of and involvement by Western Cape-based shareholders of the bank. Similar road-shows are planned for the Gauteng and Durban regions during the 2015 financial year.

Shareholders are also encouraged to attend and participate in the bank's annual general meetings, held at our head office, located in Durban, during which the respective chairmen of our board committees are on-hand to respond to shareholder queries and concerns, while the chairman of the social and ethics committee delivers a report covering the past year's committee activities.

### **Community:**

Our goal is to establish and develop sound, long-term partnerships with members of the communities we exist to serve. Direct engagement with the community enables us to:

- Create partnerships which facilitate our integrated environmental and social activities; and
- Create widespread awareness of such integrated environmental and social initiatives.

Our approach to fostering community relationships is to:

- Interact on a personal basis;
- Become involved in the sponsorship of identified community service events;
- Deliver identified corporate social investment solutions;
- Support various community events;
- Provide special-purpose publications, inclusive of our integrated annual report and abridged annual report, amongst others; and
- Post relevant information on social media feeds and our website for the benefit of community members.

Interaction with communities through these channels affords us the opportunity to not only disseminate bank-related information and news, but to also absorb community insights to best effect and to evaluate and act on the expectations and aspirations of community members.

### **Regulators and industry bodies:**

Transparency of operation forms the basis of our relationship and interaction with regulators and various industry bodies. Being a registered commercial bank necessitates our statutory reporting to and interaction with various regulatory and industry bodies. Direct engagement with regulators and industry bodies enables us to:

- Foster and maintain good working relationships with regulators, ensuring compliance with their legal and regulatory requirements, thereby retaining various operating licences, while minimising the bank's operational risk;
- Continue the company's development as a result of positive interaction with industry bodies and cross-sectoral organisations; and
- Develop strategic business partnerships for the overall benefit of our stakeholder groups.

Al Baraka Bank interacts with, inter-alia, the following regulators:

- The South African Reserve Bank;
- The Financial Intelligence Centre;
- The National Credit Regulator;
- The Companies and Intellectual Property Commission;
- The Financial Services Board; and
- The South African Revenue Service.

We also interact with, inter-alia, the following industry bodies:

- The Banking Association of South Africa;
- The Payments Association of South Africa;
- The South African Banking Risk and Information Centre; and
- The Banking Ombudsman.

### **Media:**

As a business entity, our bank recognises the importance of the prominent positioning of our brand in the public domain and ensuring the provision of newsworthy bank-related business

information to the media in order to keep the general public well-informed. Direct engagement with the media enables us to:

- Access a range of news channels to communicate effectively and efficiently with our stakeholder groups;
- Position the bank as a responsible corporate citizen in South Africa's financial sector and, therefore, a preferred service provider; and
- Respond appropriately and in a timely manner to media queries and/or requests for comment on current financial and business-related issues.

We achieve such direct engagement with the media by forming and nurturing good working relationships with key members of this country's business, financial and community media, inclusive of both print and electronic media-types.

### **Suppliers and contractors:**

In order to meet the objectives of the Broad-Based Black Economic Empowerment Act, the bank has in place a well-developed preferential procurement policy. Direct engagement with suppliers and contractors enables us to:

- Strive to maintain superlative and timely supplies of goods and services for the benefit of the bank and the execution of its operations;
- Assist such suppliers and contractors with their own business viability by way of education and early payment solutions for goods and services provided, as well as other support mechanisms designed to improve the cash flows of small and medium-sized service and goods providers;
- Encourage environmentally responsible business practice within the company's supply chain; and
- Investigate further opportunities for the sourcing of goods and services by way of local procurement.

By engaging with suppliers and contractors in this way, the bank is able to ensure its appropriate utilisation of suitably capable small and medium-sized enterprises to service all its business needs.

### **Islamic scholars and organisations:**

As a Shariah-compliant financial institution, our bank maintains close ties with Islamic scholars and associated organisations. Direct engagement with Islamic scholars and organisations is undertaken in order to communicate Al Baraka's activities, as South Africa's only fully-fledged Islamic bank, within the Muslim community nationally. This we achieve through meetings, social interaction, conferences and electronic communication.

### **Conclusion**

Our social and ethics committee endeavours to continuously develop strategic interventions which are aimed, inter-alia, at providing for the protection of the environment, significant investment in staff, meaningful support for local communities and the effective fostering of education and training, as part of a planning process which will assist in facilitating the long-term sustainability of the bank.

This report expresses the bank's fulfilment of its sustainability responsibilities, the execution of ethical management practice and the provision of effective communication with our stakeholder groups, together with a growing commitment to environmental responsibilities. Our sustainability report is an indication of our commitment, as a responsible corporate citizen, to the need to understand and communicate our economic, environmental, social and governance and ethics performance.

With the foundation blocks of our sustainability reporting process now well-embedded, we will look to continuing the process of evolving our overall reporting capabilities.

Finally, it must be said that no assurance has been attained relating to Al Baraka Bank's sustainability measures for the 2014 financial year. However, the obtaining of an assurance report does form part of our bank's sustainability journey and is something we are steadily working towards achieving.

# COMPLIANCE REPORT

WOVEN INTO THE DEMANDS ASSOCIATED WITH A FULLY FUNCTIONAL COMMERCIAL BANK ARE THE INCREASED PRESSURES RELATING TO REGULATORY CONFORMITY.

An enhanced and full bouquet of financial products draws the need for amplified regulatory applicability, intensified evaluations, greater analysis and escalated levels of monitoring. Attracting greater risk, it also requires stepped-up screening, testing and reviewing processes.

We are pleased to report that in reaching our 25th anniversary in business, no stone has been left unturned in terms of maintaining our commitment to compliance with legislation and best practice.

In 2014, the bank was in a position to proudly celebrate its quarter century milestone in the certain knowledge that we have executed our business affairs with the utmost integrity and with the necessary adherence to the principles of corporate governance which underpin the organisation.

This status was achieved as a direct consequence of our unwavering policy of zero tolerance for non-compliance - a policy which we have not only cascaded through our network of branches and corporate offices, but which has become the very foundation upon which the bank is based.

The 'Al Baraka way' has quickly become synonymous with continuously doing the right thing.

Our compliance with all relevant legislation forms the centre-piece of this ideology and we regularly and repeatedly continue the task of entrenching this thinking and belief into the very fabric of the bank through staff awareness sessions - specific and general - together with monthly Anti-Money Laundering (AML) Awareness and Update sessions. It is comforting to note management's positive application of our zero tolerance policy, whilst simultaneously balancing mitigating shortcomings and implementing proactive actions to address identified areas of concern.

During the year under review, the compliance division worked closely with key divisions within the bank in order to give effect to added efficiencies, aligning itself with the goals of the organisation and ensuring compliance requirements were filtered through to all the business affairs of the bank.

This linkage with the divisions culminated in the achievement of key goals and in the near-achievement of a number of others. It also gave rise to formal project committees being convened in order to promote regulatory requirements across the company.

One such project involved the Foreign Account Tax Compliance Act (FATCA) Committee, which has overseen the conclusion of a FATCA policy, procedure, manual and system changes/enhancements, as well as instituting extensive training programmes, which were rolled-out in a timely manner, thus ensuring compliance with FATCA.

The bank's commitment to identifying and reporting unusual and suspicious transactions and countering terrorist financing is ineradicable and the automation of our Sanctions Screening System, through the incorporation of a new system, is a clear indication of our stance. The directive to staff and clients alike regarding anti-money laundering has been made very clear.

In spite of the burdensome nature of compliance facing clients, we are confident that our strict adherence to relevant legislation, policies and procedures has endowed the bank with an enviable track-record of integrity, professionalism and the wherewithal to act decisively with regard to any negative activity.

Our uncompromising attitude in this regard lends justification to our claim of being an ethical bank, not only from the perspective of offering sound, Shariah-compliant banking products, but also in terms of advancing the compliance aspects as they relate to legislative requirements, with particular emphasis on anti-money laundering and counter-terrorist financing in all of our undertakings.

This is further intensified by our zero tolerance policy, which ensures that any deviance from the norm is immediately and proactively dealt with through remedial actions.

The compliance division also works in unison with other governance structures, such as secretariat, risk and internal audit, so as to ensure the observance of the very highest levels of corporate governance by the bank.

One such partnership, with risk and internal audit, included the formulation of a bank-wide combined assurance model, in line with the requirements of King III.

Reflecting our resolute commitment to the need for compliance, the division serves on a range of strategic forums and committees while providing guidance to the board and our management team, in terms of regulatory matters.

We enjoy representation on management's executive committee, the board, audit committee, risk committee, several project committees and the procedure review committee, as well as a number of ad hoc committees formulated for specific purposes.

The compliance division is also the interface between various regulatory bodies and the bank as and when required and, accordingly, maintains strong, sustainable relationships with key industry role-players.

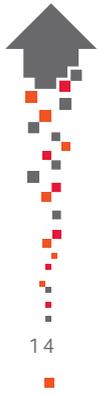
In addition to finalising a 'regulatory universe' for the bank, the compliance division has also worked strenuously in an effort to unpack various new legislative components affecting the bank. This included, inter-alia, various amendments to existing legislation and regulations, as well as new requirements imposed by Al Baraka Banking Group on its subsidiaries, of which our South African unit is one. In particular, we worked to implement AML legislation, guidance notes and Financial Action Task Force (FATF) recommendations. We look forward to the anticipated new AML legislation, scheduled for 2015, which will require close attention and discussion.

We have enjoyed vigorous interaction with the Banking Association of South Africa, through which the bank had representation in 41 meetings and forums, actively utilising said representation to make recommendations and provide feedback in terms of various issues which formed part of the relevant agendas.

As the bank has imprinted its 25-year footprint on South African society, so too have our compliance and risk management activities entrenched an indelible mark on the bank.

The commitment to upholding our zero tolerance standpoint remains steadfast and is continuously driven from the highest levels of management, ensuring the absence of any distortion to the message.

The thread of corporate governance binds the organisation together; while compliance tautens the weaves to resilient righteousness.



# SHARIAH REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

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, inter-alia:

- Financial Statements;
- Murabaha Financing;
- Musharaka Financing;
- Equity Murabaha Transactions;
- Foreign Exchange Transactions;
- Profit Distribution;

.....  
**Dr Abdus Sattar Abu Ghudda**  
Chairman

30 January 2015

.....  
**Sheikh Mahomed Shoaib Omar**  
Member

- Disposal of Impermissible Income; and
- Review and approval of Zakah Calculation.

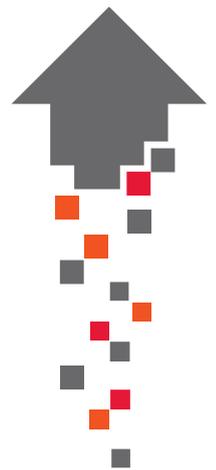
We planned and performed our review so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Al Baraka Bank has not violated Islamic Shariah Rules and Principles.

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 38,3c 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 success in this World and the Hereafter.***

.....  
**Mufti Shafique Jakhura**  
Member



ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014

2014

# ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

**NATURE OF BUSINESS**

Islamic Financial Services

**AUDITORS**

Ernst &amp; Young Inc.

**REGISTERED OFFICE**2 Kingsmead Boulevard  
Kingsmead Office Park  
Stalwart Simelane Street  
Durban  
4001P 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

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The abridged financial statements are derived from the Albaraka Bank Limited's annual financial statements for the year ended 31 December 2014. The group has applied the provisions of the 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. Albaraka Bank Limited's Acting General Manager: Finance, Sumeshion Chetty CA(SA), was responsible for the preparation of the annual financial statements and financial director, Abdullah Ameen, CA(SA), was responsible for the review of the financial statements.

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 statement of financial position as at 31 December 2014 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 company's directors are also responsible for the preparation and fair presentation of the audit committee report, company secretary statement and directors' report.

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 International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### **Approval of group annual financial statements and company annual financial statements**

The group and company annual financial statements were approved by the board of directors on 27 March 2015 and signed on their behalf by:



.....  
**Adnan Ahmed Yousif**  
Chairman



.....  
**Shabir Chohan**  
Chief executive

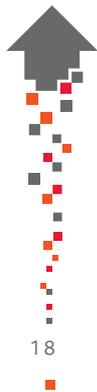
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### **Company secretary statement**

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  
27 March 2015



## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Group		Company	
	Notes	2014	2013	2014
	R'000	R'000	R'000	R'000
<b>Assets</b>				
Property and equipment	104 600	97 811	69 261	67 934
Investment properties	10 399	10 476	-	-
Intangible assets	18 849	18 296	18 849	18 296
Investment in and amount due by subsidiary company	-	-	13 816	15 294
Deferred tax asset	614	375	20 097	15 815
Investment securities	20 575	9 906	20 575	9 906
Advances and other receivables	1 4 241 636	3 752 994	4 241 414	3 752 833
South African Revenue Service receivable	-	1 825	-	1 825
Cash and cash equivalents and other similar instruments	417 182	519 128	417 182	519 128
<b>Total assets</b>	<b>4 813 855</b>	<b>4 410 811</b>	<b>4 801 194</b>	<b>4 401 031</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	322 403	225 000	322 403	225 000
Share premium	82 196	29 866	82 196	29 866
Retained income	155 126	125 734	142 652	116 184
<b>Shareholders' interests</b>	<b>559 725</b>	<b>380 600</b>	<b>547 251</b>	<b>371 050</b>
<b>Liabilities</b>				
Welfare and charitable funds	2 3 734	2 297	3 734	2 297
Accounts payable	14 434	31 312	14 247	31 184
South African Revenue Service payable	432	292	432	190
Provision for leave pay	5 845	5 669	5 845	5 669
Deposits from customers	3 4 229 685	3 940 636	4 229 685	3 940 636
Shareholders mudaraba advance	-	50 005	-	50 005
<b>Total liabilities</b>	<b>4 254 130</b>	<b>4 030 211</b>	<b>4 253 943</b>	<b>4 029 981</b>
<b>Total equity and liabilities</b>	<b>4 813 855</b>	<b>4 410 811</b>	<b>4 801 194</b>	<b>4 401 031</b>

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company		
	Notes	2014	2013	2014	2013
		R'000	R'000	R'000	R'000
Income earned from advances		303 766	262 131	303 766	262 131
Income earned from equity finance		30 548	29 249	30 548	29 249
<b>Gross income earned</b>		<b>334 314</b>	<b>291 380</b>	<b>334 314</b>	<b>291 380</b>
Income paid to depositors		(171 545)	(153 209)	(171 545)	(153 209)
<b>Net income before impairment for credit losses</b>		<b>162 769</b>	<b>138 171</b>	<b>162 769</b>	<b>138 171</b>
Impairment for credit losses		(3 767)	(2 400)	(3 767)	(2 400)
<b>Net income after impairment for credit losses</b>		<b>159 002</b>	<b>135 771</b>	<b>159 002</b>	<b>135 771</b>
Net non-Islamic income		-	-	-	-
Fee and commission income		35 322	28 044	35 522	28 244
Other operating income		4 120	4 317	10 500	5 558
<b>Net income from operations</b>		<b>198 444</b>	<b>168 132</b>	<b>205 024</b>	<b>169 573</b>
Operating expenditure		(143 323)	(127 685)	(146 805)	(131 884)
Finance costs		-	-	(10 066)	(9 937)
<b>Profit before taxation</b>		<b>55 121</b>	<b>40 447</b>	<b>48 153</b>	<b>27 752</b>
Taxation		(15 604)	(11 500)	(11 560)	(7 454)
<b>Total comprehensive income for the year, net of tax, attributable to equity holders</b>		<b>39 517</b>	<b>28 947</b>	<b>36 593</b>	<b>20 298</b>
Weighted average number of shares in issue ('000)		25 747	22 500		
Earnings per share (cents)	4	153,5	128,7		

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014



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YOUR PARTNER BANK

	Share capital	Share premium	Retained income	Shareholders' interest
	R'000	R'000	R'000	R'000
<b>Group</b>				
<b>2014</b>				
Balance at beginning of year	225 000	29 866	125 734	380 600
Total comprehensive income	-	-	39 517	39 517
Dividends paid	-	-	(10 125)	(10 125)
Rights issue	97 403	52 597	-	150 000
Share issue expenses net of tax	-	(267)	-	(267)
<b>Balance at end of year</b>	<b>322 403</b>	<b>82 196</b>	<b>155 126</b>	<b>559 725</b>
<b>2013</b>				
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)
<b>Balance at end of year</b>	<b>225 000</b>	<b>29 866</b>	<b>125 734</b>	<b>380 600</b>
<b>Company</b>				
<b>2014</b>				
Balance at beginning of year	225 000	29 866	116 184	371 050
Total comprehensive income	-	-	36 593	36 593
Dividends paid	-	-	(10 125)	(10 125)
Rights issue	97 403	52 597	-	150 000
Share issue expenses net of tax	-	(267)	-	(267)
<b>Balance at end of year</b>	<b>322 403</b>	<b>82 196</b>	<b>142 652</b>	<b>547 251</b>
<b>2013</b>				
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)
<b>Balance at end of year</b>	<b>225 000</b>	<b>29 866</b>	<b>116 184</b>	<b>371 050</b>

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014	2013	2014	2013
	R'000	R'000	R'000	R'000
<b>Cash flow from operating activities</b>				
Cash generated from operations	59 705	44 842	49 764	34 278
Changes in working capital	(202 817)	137 517	(202 662)	138 472
Taxation paid	(15 850)	(11 978)	(15 850)	(11 978)
Dividends paid	(16 749)	(2 158)	(16 749)	(2 158)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(175 711)</b>	<b>168 223</b>	<b>(185 497)</b>	<b>158 614</b>
<b>Cash flow from investing activities</b>				
Purchase of property and equipment	(12 648)	(4 095)	(11 340)	(4 095)
Purchase of intangible assets	(4 260)	(1 846)	(4 260)	(1 846)
Purchase of investment securities	(10 075)	(78)	(10 075)	(78)
Proceeds from disposal of property and equipment	35	14	35	14
Dividend income	985	353	7 985	2 353
Decrease in investment in and amount due by subsidiary	-	-	1 478	7 609
<b>Net cash (utilised)/generated in investing activities</b>	<b>(25 963)</b>	<b>(5 652)</b>	<b>(16 177)</b>	<b>3 957</b>
<b>Cash flow from financing activities</b>				
(Repayments)/proceeds from shareholders mudaraba advance	(50 005)	50 005	(50 005)	50 005
Proceeds from rights issue	149 733	-	149 733	-
<b>Net cash from financing activities</b>	<b>99 728</b>	<b>50 005</b>	<b>99 728</b>	<b>50 005</b>
<b>Net (decrease)/increase for the year</b>	<b>(101 946)</b>	<b>212 576</b>	<b>(101 946)</b>	<b>212 576</b>
Cash and cash equivalents and other similar instruments at beginning of year	519 128	306 552	519 128	306 552
<b>Cash and cash equivalents and other similar instruments at end of year</b>	<b>417 182</b>	<b>519 128</b>	<b>417 182</b>	<b>519 128</b>

# NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



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YOUR PARTNER BANK

## 1. ADVANCES AND OTHER RECEIVABLES

### 1.1 Sectoral analysis

#### Advances to customers

	Group		Company	
	2014	2013	2014	2013
	R'000	R'000	R'000	R'000
Property (Musharaka and Murabaha)	2 542 108	2 164 735	2 542 108	2 164 735
Instalment sale	562 185	453 057	562 185	453 057
Trade	519 022	475 953	519 022	475 953
Other	2 986	753	2 986	753
<b>Gross advances to customers</b>	<b>3 626 301</b>	<b>3 094 498</b>	<b>3 626 301</b>	<b>3 094 498</b>
Provision for impairment of doubtful advances	(21 744)	(18 828)	(21 744)	(18 828)
<b>Net advances to customers after provisions</b>	<b>3 604 557</b>	<b>3 075 670</b>	<b>3 604 557</b>	<b>3 075 670</b>
<b>Advances to banks</b>				
Equity finance	625 157	674 688	625 157	674 688
<b>Net advances</b>	<b>4 229 714</b>	<b>3 750 358</b>	<b>4 229 714</b>	<b>3 750 358</b>
Other receivables	11 922	2 636	11 700	2 475
	<b>4 241 636</b>	<b>3 752 994</b>	<b>4 241 414</b>	<b>3 752 833</b>

Included under property are Musharaka advances amounting to R2,509 million (2013: R2,129 million).

### 1.2 Maturity analysis

#### Advances to customers

Within 1 month	271 693	277 817	271 693	277 817
From 1 month to 3 months	299 773	236 556	299 773	236 556
From 3 months to 1 year	483 383	415 189	483 383	415 189
From 1 year to 5 years	1 340 573	1 148 908	1 340 573	1 148 908
More than 5 years	1 230 879	1 016 028	1 230 879	1 016 028
	<b>3 626 301</b>	<b>3 094 498</b>	<b>3 626 301</b>	<b>3 094 498</b>

#### Equity finance

Within 1 month	242 254	574 184	242 254	574 184
From 1 month to 3 months	302 208	100 504	302 208	100 504
From 3 months to 1 year	80 695	-	80 695	-
	<b>625 157</b>	<b>674 688</b>	<b>625 157</b>	<b>674 688</b>

### 1.3 Analysis of impairment for doubtful advances

#### 1.3.1 Specific impairments

	5 884	7 137	5 884	7 137
Balance at beginning of year	7 137	5 705	7 137	5 705
Charge to profit for the year	(332)	1 827	(332)	1 827
Bad debts written-off	(921)	(395)	(921)	(395)

#### 1.3.2 Portfolio impairment

	15 860	11 691	15 860	11 691
Balance at beginning of year	11 691	10 804	11 691	10 804
Charge to profit for the year	4 169	887	4 169	887
	<b>21 744</b>	<b>18 828</b>	<b>21 744</b>	<b>18 828</b>

	Group		Company	
	2014	2013	2014	2013
	R'000	R'000	R'000	R'000
<b>1.3.3 Impairment for credit losses</b>				
Specific impairments	(332)	1 827	(332)	1 827
Portfolio impairments	4 172	887	4 172	887
Bad debts recovered	(73)	(314)	(73)	(314)
	<b>3 767</b>	<b>2 400</b>	<b>3 767</b>	<b>2 400</b>

There was a net release of specific impairments of R332 677 for the year which was a result of impairments of R1 651 865 being raised and a further R1 984 542 being released. During 2013, 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	10 776	8 006	10 776	8 006
Normal tax thereon	(1 703)	(1 149)	(1 703)	(1 149)
Net income from non-Islamic activities during the year	9 073	6 857	9 073	6 857
Donations and advances	(7 636)	(8 978)	(7 636)	(8 978)
Balance at beginning of year	2 297	4 418	2 297	4 418
Balance at end of year	<b>3 734</b>	<b>2 297</b>	<b>3 734</b>	<b>2 297</b>

## 3. DEPOSITS FROM CUSTOMERS

Participation investment accounts	1 801 998	1 717 653	1 801 998	1 717 653
Savings accounts	6 820	8 231	6 820	8 231
Monthly investment plan	130 875	130 207	130 875	130 207
Haj investment scheme	123 959	110 461	123 959	110 461
Regular income provider	1 653 769	1 622 251	1 653 769	1 622 251
Electronic banking	338 951	227 583	338 951	227 583
Profits distributable to depositors	39 091	32 717	39 091	32 717
Guarantee deposit accounts	70 120	20 575	70 120	20 575
Other	64 102	70 958	64 102	70 958
	<b>4 229 685</b>	<b>3 940 636</b>	<b>4 229 685</b>	<b>3 940 636</b>
Maturity analysis				
Within 1 month	1 784 895	1 590 414	1 784 895	1 590 414
From 1 month to 3 months	733 678	699 453	733 678	699 453
From 3 months to 1 year	1 669 890	1 615 432	1 669 890	1 615 432
Greater than 1 year	2 131	2 620	2 131	2 620
More than 5 years	39 091	32 717	39 091	32 717
	<b>4 229 685</b>	<b>3 940 636</b>	<b>4 229 685</b>	<b>3 940 636</b>

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. The funds in this reserve should not exceed a fixed percentage of the depositor's book and will be paid to depositor's when the need arises.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014



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YOUR PARTNER BANK

#### 4. EARNINGS PER SHARE

Basic earnings per share are calculated on after tax income attributable to ordinary shareholders and a weighted average number of 25 746 753 (2013: 22 500 000) ordinary shares in issue during the year (cents)

<b>153,5</b>	128,7
--------------	-------

Headline earnings per share are calculated on headline earnings and a weighted number of 25 746 753 (2013: 22 500 000) ordinary shares in issue during the year (cents)

<b>153,6</b>	129,1
--------------	-------

Headline earnings per share are derived from:

Profit for the year

<b>39 517</b>	28 947
---------------	--------

Loss arising on disposal of property and equipment

<b>34</b>	5
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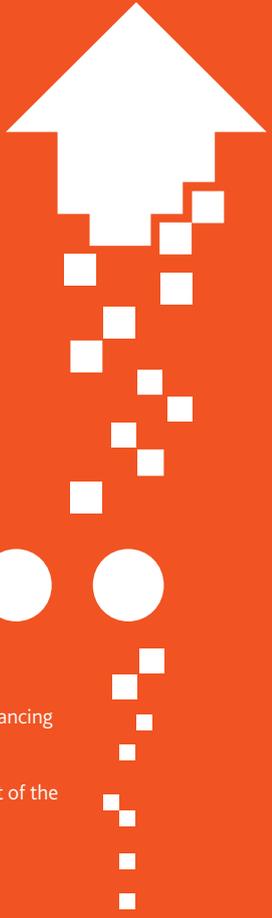
Write-off of property, equipment and intangible assets

-	98
---	----

<b>39 551</b>	<b>29 050</b>
---------------	---------------

Group		Company	
2014	2013	2014	2013
R'000	R'000	R'000	R'000

# Al Baraka Bank.



**Al Baraka Bank... Committed to the growth of both our business and our customers**

We are deeply committed, as 'your partner bank,' to ensuring the personal growth and development of our customers, while advancing the bank's own growth trajectory.

Our principal focus is to capitalise on available opportunities.... Our supreme reward is in contributing to the overall development of the people, businesses and communities we exist to serve.

**The full 2014 Al Baraka Bank Integrated Annual Report may be viewed and/or downloaded by visiting:**  
[www.albaraka.co.za/About alBaraka/Financial Information/Annual Reports/AnnualReport2014](http://www.albaraka.co.za/About%20alBaraka/Financial%20Information/Annual%20Reports/AnnualReport2014)

*Your Partner Bank*

alBaraka 

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