ACCOUNTING POLICIES

1. REPORTING ENTITY

Albaraka Bank Limited is a company domiciled in South Africa. The company's registered address is 2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street (Stanger Street), Durban, 4001. The consolidated financial statements of the company for the year ended 31 December 2014 comprise the company and its subsidiary (together referred to as the "group"). The accounting policies below are applicable to both the company and group financial statements, unless otherwise stated.

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

2. BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

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

Use of significant estimates and judgements

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

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

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

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. In determining the extent to which the deferred tax assets may be recognised, management considers factors such as: the likely period of future operations, estimated profits which are adjusted for exceptional items and estimated taxable profits based on the applicable legislation, as well as future tax planning strategies.

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

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

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

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

The portfolio impairment is calculated based on the historical trend of deterioration in the book from good to bad. The average deterioration of the book over the past 10 years has been used as the basis for providing the portfolio impairment. Management considers external economic and other indicators for their impact on the advances book and consequently the portfolio impairment. Another factor that is considered during this process and which requires management judgement applies to the weighting of security cover per product type.

3. BASIS OF CONSOLIDATION

Investment in subsidiary

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of financial position and statement of comprehensive income from the date the group gains control until the date the group ceases to control the subsidiary. Investment in subsidiary is carried at cost less accumulated impairment in the separate company financial statements.

Transactions eliminated on consolidation

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

4. PROPERTY AND EQUIPMENT

Land is not depreciated. Items of equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Equipment, motor vehicles, buildings, tank containers, computer hardware and leasehold improvements are depreciated on a straight line basis. The re-assessed estimated useful lives are as follows:

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

The assets' depreciation methods, residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Management has exercised judgement in determining useful lives and residual values of each category of property and equipment as required by International Accounting Standard (IAS) 16 - Property, plant and equipment. These judgements have been based on historical trends and the expected future economic benefits to be derived from the assets. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

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

Where residual value of buildings exceeds cost, no depreciation will be provided for.

5. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

6. PROVISIONS

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

7. CONTINGENCIES AND COMMITMENTS

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

8. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, advances and other receivables, cash and cash equivalents and other similar instruments, loans and borrowings, and accounts payable.

A financial instrument is initially recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial assets to another party without retaining control or substantially all the risks and rewards of the assets. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the group commits itself to purchase or sell the assets.

Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

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

Available-for-sale financial assets

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

Fair value through profit or loss financial instruments

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

Changes in fair value are recorded in profit for the year in the statement of comprehensive income.

ACCOUNTING POLICIES (continued)

8. FINANCIAL INSTRUMENTS (continued)

Advances and other receivables

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

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

Offsetting

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

Held to maturity

Non-derivative financial assets, with fixed or determinable payments and fixed maturities, are classified as held to maturity when the group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost less impairment, using an effective interest rate. Shariah-compliant returns are taken to the statement of comprehensive income, while non-compliant returns are taken to the charity and welfare account.

Investment securities

Investment securities, which are listed, are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for as fair-value-through-profit-or-loss financial instruments or available-for-sale financial instruments. Investment securities, which are not listed on an active market, are measured at cost and classified as available-for-sale financial instruments. Dividend income is recognised in profit or loss when the group becomes entitled to the dividend.

Fair value measurement

The group discloses financial instruments at fair value at each reporting date in terms of IFRS 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability accessible to the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. See note 30.8: Fair value hierarchy for further disclosure regarding the three applicable levels.

Non-derivative financial liabilities

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

Guarantees

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

9. IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date the group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant financial assets or cash generating units found not to be specifically impaired are then collectively assessed for any impairment that has been incurred, but not yet identified.

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an advance by the group on terms that the group would otherwise not consider, indications that a debtor or issuer will enter bankruptcy, the

disappearance of an active market for a security, other observable data relating to a group of assets, such as adverse changes in the payment status of debtors, or issuers in the group or economic conditions that correlate with defaults in the group.

Advances are stated after the deduction of specific and portfolio impairments.

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

The impairment is raised through an allowance account and the amount of the loss is recognised in profit for the year in the statement of comprehensive income.

In assessing the net realisable value, the expected future cash flows from advances are discounted to their present value at their original effective mark-ups.

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

10. INCOME TAX EXPENSE

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

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

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

11. REVENUE RECOGNITION

Income from Islamic activities

Income from Islamic activities comprises:

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

Non-Islamic income

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

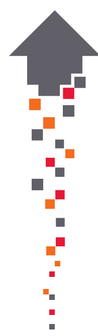
Non-Islamic income is reported net of these transfers on the face of the statement of comprehensive income.

Dividend income

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

12. LEASES

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



ACCOUNTING POLICIES (continued)

12. LEASES (continued)

Group and company as a lessee

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

Finance costs are recognised in profit for the year in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Group as a lessor

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

13. CASH AND CASH EQUIVALENTS AND OTHER SIMILAR INSTRUMENTS

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

14. INVESTMENT PROPERTIES

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

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

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

The fair value of investment properties are assessed in line with its ability to be disposed of in an active market accessible to the group. This is assessed by the use of independent valuations. Consideration is also given to the highest and best use of investment properties.

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

15. INTANGIBLE ASSETS

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

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

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

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

Research and development costs

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

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

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in profit and loss. During the period of development, the asset is tested for impairment annually.
Intangible assets are amortised on a straight line basis. The current estimated useful lives are as follows:

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

Computer software comprises acquired third party software and capitalised project costs represent internal costs of development. Capital work in progress refers to items still in the process of development and not currently available for use.

16. EMPLOYEE BENEFITS

Defined contribution plan

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

Short-term employee benefits

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

17. EARNINGS PER SHARE

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

18. RELATED PARTIES

A related party is a person or entity that is related to the group.

A person or a close member of that person's family is related to the group if that person:

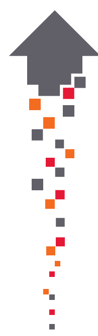
- Has control or joint control over the group;
- Has significant influence over the group; or
- Is a member of the key management personnel of the group or of a subsidiary of the group.

An entity is related to the group if any of the following conditions apply:

- The entity and the group are members of the same company;
- One entity is an associate or joint venture of the other entity;
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment defined benefit plan for the benefit of employees of either the group or an entity related to the group. If the group is itself such a plan, the sponsoring employers are also related to the group;
- The entity is controlled or jointly controlled by a person identified above;
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity; and
- The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the subsidiaries of the group.

The following are deemed not to be related:

- Two entities simply because they have a director or key manager in common;
- Two venturers who share joint control over a joint venture;
- Providers of finance, trade unions, public utilities and departments and agencies of a government that does not control, jointly control or significantly influence the group, simply by virtue of their normal dealings with the group (even though they may affect the freedom of action of the group or participate in its decision-making process); and
- A single customer, supplier, franchiser, distributor, or general agent with whom the group transacts a significant volume of business, merely by virtue of the resulting economic dependence.



1. CAPITAL ADEQUACY

Introduction

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

The bank has a wholly-owned subsidiary, which is a property owning company. The subsidiary is consolidated for accounting purposes and group annual financial statements are prepared annually. The subsidiary is consolidated for regulatory purposes in accordance with Regulation 36(2) of the Banks Act and Regulations. Also in terms of Regulation 43, the bank has made available, via its website, the capital adequacy composition calculation. This may be accessed via www.albaraka.co.za/capitaladequacy.aspx.

Capital structure

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

	2014	2013
	R'000	R'000
Regulatory capital		
Tier 1		
Share capital	**322 403**	225 000
Share premium	**82 196**	29 866
Retained income	**142 652**	116 185
Less: Unappropriated profits	**(14 406)**	(1 986)
Total capital and reserves	**532 845**	369 065
Less: Prescribed deductions against capital and reserve funds	**(18 849)**	(18 296)
Total Tier 1 capital	**513 996**	350 769
Tier 2		
Portfolio impairment	**15 860**	11 691
Total eligible capital	**529 856**	362 460
Capital adequacy ratios (Tier 1 %)	**14,5%**	11,5%
Capital adequacy ratios (Total %)	**15,0%**	11,9%
Minimum regulatory requirement ratios (Total %)	**10,0%**	9,5%

The bank's capital strategy plays an important role in growing shareholder value and has contributed significantly to growth in the current year.

The objective of active capital management is to:
- Enable growth in shareholder value; and
- Protect the capital base.

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

The bank is committed to maintaining sound capital and strong liquidity ratios.

The overall capital needs are continually reviewed to ensure that its capital base appropriately supports current and planned business and regulatory capital requirements.

In assessing the adequacy of the bank's capital to support current and future activities, the group considers a number of factors, including:
- An assessment of growth prospects;
- Current and potential risk exposures across all the major risk types;
- Sensitivity analysis of growth assumptions;
- The ability of the bank to raise capital; and
- Peer group analysis.

At 31 December 2014, the minimum capital requirements and risk-weighted assets of the bank for credit risk, equity risk, market risk and other risks as calculated under the standardised approach and for operational risk as calculated under the basic indicator approach in terms of the Banks Act and Regulations were as follows:

	Capital requirements		Risk-weighted assets	
	2014	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**
Credit risk	**302 780**	254 253	**3 027 800**	2 676 347
Operational risk	**34 344**	24 449	**343 441**	257 364
Equity risk	**-**	-	**-**	-
Market risk	**1 132**	446	**11 323**	4 696
Other risk	**15 682**	10 775	**156 816**	113 419
	353 938	289 923	**3 539 380**	3 051 826

In relation to the requirements of the Banks Act and Regulations, the bank was granted condonation by the South African Reserve Bank in regard to its capital management during 2014. In September 2014 the bank issued shares, in the form of a rights issue, which ensured all capital requirements were met.

2. RISK MANAGEMENT AND ASSESSMENT

Whilst the board is ultimately responsible for risk management and to determine the type and level of risk which the bank is willing to accept in conducting its banking activities, the effective management of risk has been delegated to five board committees, namely the risk and capital management committee, the audit committee, the credit committee, the directors' affairs committee and the social and ethics committee.

These committees are assisted by management committees, more particularly the assets and liabilities committee (ALCO), the executive credit committee and the management risk committee, to discharge their responsibilities effectively.

The composition, terms of reference and delegated powers of authority of the board and management committees are set by the board and are reviewed annually.

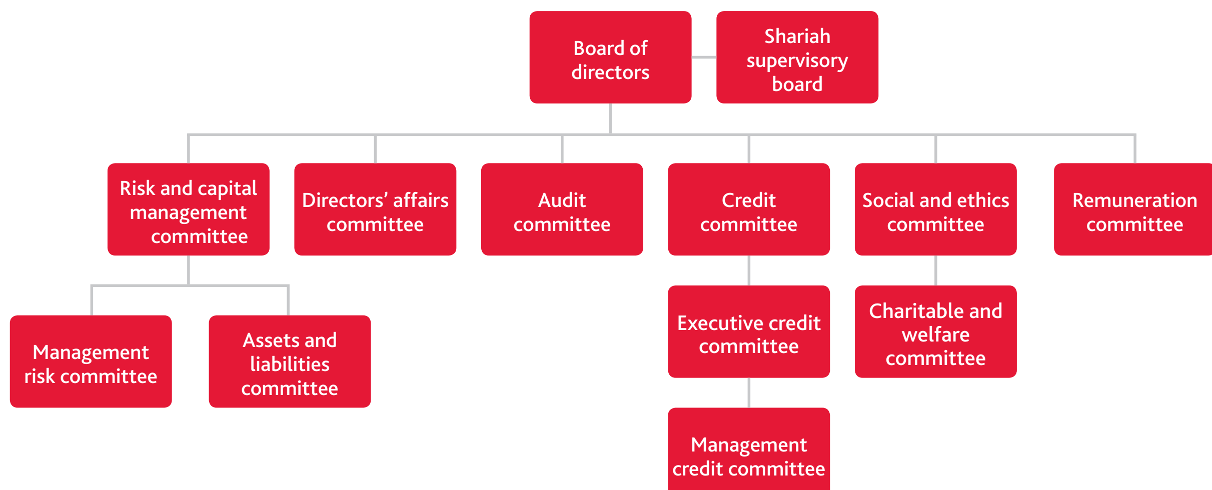
The board and management committees are responsible for developing and monitoring risk management policies and programmes in their specified areas.

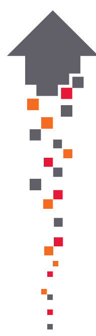
These policies and programmes are established to identify and analyse risks faced by the bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The risk management policies and programmes are reviewed regularly to reflect changes in market conditions and products offered.

In addition, the bank has adopted a strategy that seeks to entrench at all levels within Al Baraka Bank a culture that is risk-management orientated.

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





2. RISK MANAGEMENT AND ASSESSMENT(continued)

The audit committee and risk and capital management committee are responsible for monitoring compliance with the risk management policies and programmes and for reviewing the adequacy of the risk management framework in relation to the risks faced by the bank.

The audit committee is assisted in these functions by internal audit which undertakes regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Major risks

The following are the major forms of risks to which the bank is exposed:

- Credit risk;
- Market risk;
- Equity risk;
- Liquidity risk;
- Profit rate risk;
- Shariah risk; and
- Operational risk.

2.1 Credit risk

Credit risk refers to the potential loss that the bank could sustain as a result of counter-party default and arises principally from advances to customers and other banks.

The bank manages its credit risk within a governance structure supported by delegated powers of authority as approved by the board.

The credit approval process is graduated, whereby increasingly higher levels of authorisation are required depending on the type and value of the transactions concerned.

Applications for credit may therefore be considered progressively by line management, senior and executive management, the management credit committee, the executive credit committee, the board credit committee and the board itself.

A separate credit division, reporting to the chief executive and the credit committee of the board, is responsible for the oversight of the bank's credit risk, including:

- Formulating credit policies covering collateral requirements, credit assessments, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities;
- Reviewing and assessing credit risk;
- Limiting concentrations of exposure to counter-parties and by product; and
- Developing and maintaining risk gradings in order to categorise exposures to the degree of risk of financial loss faced and to focus management on the relevant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework is described under the section dealing with portfolio measures of risk.

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

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

The credit risk management process needs to identify all risk factors to enable such risks to be quantified and their impact on the pricing or credit risk to be taken into account. Pricing for credit risk is, therefore, a critical component of the risk management process.

The main risk of default by the counter-party is mitigated by means of collateral security obtained from the debtor concerned.

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

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

Portfolio measures of credit risk

Credit loss expense is reported in accordance with International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement.

Under these rules, losses are recognised and charged to the profit for the year in the statement of comprehensive income in the period in which they arise.

The occurrence of actual credit losses is erratic in both timing and amount and those that arise usually relate to transactions entered into in previous accounting periods.

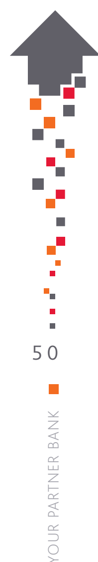
In order to make the business accountable for any credit losses suffered in a portfolio of advances that have not yet been individually identified as impaired, a credit impairment for incurred, but not reported losses is created, based on historic loss and estimated emergence patterns.

Based on the performance of individual customers and the results of assessments performed, credit exposures are classified under five main categories, or risk gradings, which are Standard, Special Mention, Sub-standard, Doubtful and Loss.

- Exposures that are current and where full repayment of the principal and profit is expected are classified under the Standard category;
- Exposures where evidence exists that the debtor is experiencing some difficulties that may threaten the bank's position, but where ultimate

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

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



2. RISK MANAGEMENT AND ASSESSMENT

2.1 Credit risk (continued)

	Group and Company	
	2014	2013
	R'000	R'000
Credit exposures		
Advances to customers	**3 626 301**	3 094 498
Advances and balances with banks	**691 574**	720 267
Advances, treasury bills and balances with Central Bank	**339 444**	467 941
Letters of credit, guarantees and confirmations	**186 534**	196 528
Total exposure	**4 843 853**	4 479 234
Impairment of advances	**(21 744)**	(18 828)
Net exposure	**4 822 109**	4 460 406

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

	2014 R'000	2013 R'000
Geographical distribution of exposures		
Customer exposure		
KwaZulu-Natal	**1 975 040**	1 678 883
Gauteng	**1 241 689**	1 108 265
Western Cape	**596 106**	503 878
Total customer exposure	**3 812 835**	3 291 026
Bank exposure		
KwaZulu-Natal	**16 905**	11 698
Gauteng	**1 010 622**	1 175 104
United States of America	**3 491**	1 406
Total bank exposure	**1 031 018**	1 188 208
Total exposure	**4 843 853**	4 479 234
Industry distribution of exposures		
Banks and financial institutions	**1 031 018**	1 188 208
Individuals	**1 234 653**	1 027 524
Other services	**2 578 182**	2 263 502
Total exposure	**4 843 853**	4 479 234
Product distribution analysis		
Property (Musharaka and Murabaha)	**2 542 108**	2 164 735
Equity finance	**625 157**	674 688
Instalment sales	**562 185**	453 057
Trade	**519 022**	475 953
Balances with local and central banks	**405 861**	513 520
Letters of credit	**5 758**	4 810
Guarantees and confirmations	**180 776**	191 718
Other	**2 986**	753
Total exposure	**4 843 853**	4 479 234

		Group and Company	
		2014	2013
		R'000	**R'000**
Residual contractual maturity of book			
Within 1 month	- equity finance	**242 254**	574 184
	- other	**538 024**	699 276
From 1 to 3 months	- equity finance	**302 208**	100 504
	- other	**357 862**	351 033
From 3 months to 1 year	- equity finance	**80 695**	-
	- other	**611 112**	472 651
From 1 year to 5 years		**1 369 505**	1 167 981
More than 5 years		**1 342 193**	1 113 605
Total exposure		**4 843 853**	4 479 234

Group and Company

	Advances to customers		Advances and balances with banks		Other exposures		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Past due and individually impaired								
Gross amount	**32 261**	39 228	**-**	-	**-**	-	**32 261**	39 228
Specific impairment	**(5 884)**	(7 137)	**-**	-	**-**	-	**(5 884)**	(7 137)
Carrying amount	**26 377**	32 091	**-**	-	**-**	-	**26 377**	32 091
Past due but not impaired								
Standard category	**687 510**	996 985	**-**	-	**-**	-	**687 510**	996 985
Special mention category	**120 221**	110 319	**-**	-	**-**	-	**120 221**	110 319
Sub-standard category	**3 462**	15 107	**-**	-	**-**	-	**3 462**	15 107
Doubtful category	**23 950**	13 351	**-**	-	**-**	-	**23 950**	13 351
Loss category	**16 875**	9 134	**-**	-	**-**	-	**16 875**	9 134
Carrying amount	**852 018**	1 144 896	**-**	-	**-**	-	**852 018**	1 144 896
Neither past due nor impaired								
Carrying amount	**2 742 025**	1 910 374	**1 031 018**	1 188 208	**186 534**	196 528	**3 959 577**	3 295 110
Total carrying amount before portfolio impairment	**3 620 420**	3 087 361	**1 031 018**	1 188 208	**186 534**	196 528	**4 837 972**	4 472 097
Portfolio impairment - Standard category	**(15 863)**	(11 691)	**-**	-	**-**	-	**(15 863)**	(11 691)
Net carrying amount	**3 604 557**	3 075 670	**1 031 018**	1 188 208	**186 534**	196 528	**4 822 109**	4 460 406

2. RISK MANAGEMENT AND ASSESSMENT (continued)
2.1 Credit risk (continued)

The bank holds collateral against advances to customers in the form of mortgage interests over property or other registered securities over assets and guarantees.

Estimates of fair value are based on the value of collateral assessed at the time of the advance. Revolving facilities which have commercial property and/or residential property as collateral are assessed on a three-year interval based on independent valuations. In other instances, collateral is re-assessed after an advance is individually assessed as impaired. Collateral is generally not held over advances to banks.

Financial assets classified as neither past due nor impaired are well diversified with 64% invested in property transactions, 17% in instalment sale transactions (equipment and motor vehicles) and 19% in trade finance transactions.

All of the above exposures are collateralised in the form of property, assets, personal sureties and company guarantees.

The maximum exposure to credit risk is calculated as being the maximum amount payable by customers, banks and other financial institutions (refer to note 30).

Advances with re-negotiated terms are advances which have been restructured due to deterioration in the borrower's financial position and where the bank has made concessions that it would not otherwise consider. Once the advance is restructured, it remains in this category independent of satisfactory performance after restructuring.

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

	Group and Company	
	Credit Exposure	Collateral cover
	2014	
	R'000	R'000
Collateral is allocated per asset class as follows:		
Standard asset	**3 251 450**	**2 395 368**
Special mention asset	**298 301**	**243 650**
Sub-standard asset	**7 818**	**6 944**
Doubtful asset	**36 994**	**25 601**
Loss asset	**31 738**	**26 025**
	3 626 301	**2 697 588**

	Group and Company	
	2014	2013
	R'000	R'000
A distribution analysis of past due advances, impaired and past due and not impaired, is disclosed below:		
Past due and individually impaired		
- Individuals	**18 527**	15 168
- Other customers	**13 734**	24 060
	32 261	**39 228**
Past due but not impaired		
- Individuals	**348 003**	462 190
- Other customers	**504 016**	682 707
	852 019	**1 144 897**

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

	Group and Company									
	Less than 30 days		30 to 60 days		60 to 180 days		Greater than 180 days		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Individuals	**300 381**	361 206	**33 142**	68 467	**11 186**	21 342	**3 294**	11 175	**348 003**	462 190
Other customers	**441 186**	579 071	**34 488**	85 944	**12 755**	14 235	**15 586**	3 457	**504 015**	682 707
	741 567	940 277	**67 630**	154 411	**23 941**	35 577	**18 880**	14 632	**852 018**	1 144 897

2.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate resulting in losses due to movements in observable market variables, such as profit rates, exchange rates and equity markets.

In addition to these and other general market risk factors, the risk of price movements specific to individual issuers of securities is considered market risk.

Al Baraka Bank's exposure to market risk is limited in that the bank does not trade in marketable securities other than those that it is required to hold for liquid asset purposes, which are usually held to maturity, and foreign currency, held in terms of its foreign exchange licence.

		Group and Company	
		2014	2013
		R'000	R'000
The bank's exposure to market risk at year end is tabled below:			
Assets held under interest rate risk	- Treasury bills	**86 560**	73 711
Assets held under exchange rate risk	- Foreign currency held	**11 323**	4 696
		97 883	78 407

In accordance with Islamic banking principles, the bank does not levy interest on finance provided, hence is not exposed to interest rate risk but rather profit rate risk as described in note 2.5 overleaf.

The treasury bills disclosed above are held for statutory liquidity requirements and thus interest earned on these bills is included in the amounts donated as per note 13.

2.3 Equity risk

Equity risk relates to the risk of loss that the bank would suffer due to material fluctuations in the fair values of equity investments.

Equity risk in the case of Al Baraka Bank, relates to its 100% investment in Albaraka Properties Proprietary Limited, a property-owning subsidiary, whose sole assets are properties held in Athlone (Cape Town) and Kingsmead (Durban).

In addition the bank owns 9,4% in Kiliminjaro Investments Proprietary Limited, a property-holding company, as well as 1 000 shares in Earthstone Investments (Pty) Ltd, also a property-holding company.

Both investment companies hold property in Durban. The fair values of the underlying properties are obtained by an independent valuation on a periodic basis and compared to the cost of these investments to identify any need for impairment.

The bank also has an investment in unit trusts which is classified as fair-value-through-profit-and-loss and is subject to regular monitoring by management and the board, but is not currently significant in relation to the overall results and financial position of the group.

2.4 Liquidity risk

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

Liquidity risk is managed mainly by ensuring that the funding of the bank is sourced from a wide range of retail deposits with an appropriate spread of short, medium and long-term maturities.

Exposure to large deposits is strictly controlled. ALCO monitors and reviews the maturity profiles of the bank's assets and liabilities on a regular basis to ensure that appropriate liquidity levels are maintained to meet future commitments.

The bank also has a policy of maintaining liquidity buffers (in the form of Treasury Bills and cash surpluses held on call) comfortably in excess of regulatory requirements.

Refer to note 30.4 for details relating to liquidity risk management.

2. RISK MANAGEMENT AND ASSESSMENT (continued)

2.5 Profit rate risk

In keeping with Islamic banking principles, the bank does not levy interest on finance provided to debtors, but instead earns income either by means of buying the item to be financed from the supplier and on-selling the item to the bank's clients at an agreed mark-up or by entering into arrangements with the debtor in terms of which the bank shares in the profit generated by the debtor at an agreed profit sharing ratio.

In a similar fashion, the bank's depositors do not earn interest on deposits placed with the bank, but instead earn income on their deposits based on their proportionate share of the profits earned from customers, by the bank.

There is thus no mismatch in terms of the earning profile of depositors and that of the bank as the bank will only be able to share profits which are earned.

As the bank shares profits earned on advances in a predetermined ratio to the profit to be paid to the depositors, the bank is not at risk of earning less from advances than it would be required to pay to its depositors.

2.6 Shariah risk

Shariah risk relates to the possibility that the bank may enter into or conclude transactions that may not be compliant with Islamic banking principles.

It also relates to the risk of non-compliance with the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) Standards, to which the bank subscribes.

In this regard, Shariah risk is closely linked to and embraces the following risks:

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

Shariah risk is managed by monitoring, reviewing and supervising the activities of the bank to ensure that Shariah procedures, as prescribed by the Shariah Supervisory Board, are implemented and adhered to.

The bank seeks to manage and minimise its exposure to Shariah risk by ensuring that the following measures are effectively implemented:

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

2.7 Operational risk

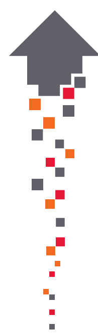
Operational risk refers to those risks that do not have a direct financial impact as opposed to the pure financial risks such as credit risk, liquidity risk and profit rate risk.

Operational risk is the risk of loss that could arise as a result of breakdowns in internal controls and processes, system inefficiencies, theft and fraud.

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

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

	Group		Company	
	2014	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**
3. PROPERTY AND EQUIPMENT				
Cost				
Land and buildings	**76 237**	76 237	**63 444**	63 444
Vehicles	**4 822**	3 531	**4 822**	3 531
Equipment and computers	**31 303**	25 803	**31 303**	25 803
Leasehold improvements	**17 897**	10 839	**14 800**	11 379
Tank containers	**7 145**	7 145	**7 145**	7 145
Capital work in progress	**242**	1 559	**2 568**	1 559
	137 646	125 114	**124 082**	112 861
Accumulated depreciation and impairment	**(33 046)**	(27 303)	**(54 821)**	(44 927)
Land and buildings	**-**	-	**(21 853)**	(17 624)
Vehicles	**(2 809)**	(2 180)	**(2 809)**	(2 180)
Equipment and computers	**(17 631)**	(14 204)	**(17 631)**	(14 204)
Leasehold improvements	**(7 405)**	(6 024)	**(7 327)**	(6 024)
Tank containers	**(5 201)**	(4 895)	**(5 201)**	(4 895)
Carrying amount	**104 600**	97 811	**69 261**	67 934
Land and buildings comprise the following commercial properties presented at their carrying amount as described below:				
1. Commercial property in Cape Town described as Erf no. 33983 Cape Town in extent 610 square metres independently valued at R10,5 million in 2014. The property was leased partly to the bank and partly to third parties. The leases contained an initial non-cancellable period of three years. Commercial property comprises land and buildings at carrying amount.	**3 655**	3 655		
2. Commercial property in Durban described as Portion 6 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is leased to the bank. The lease contains an initial non-cancellable period of ten years. The property was independently valued at R103 million in 2014. Commercial property comprises land at a cost of R3,5 million (2013: R3,5 million) and buildings thereon at a cost of R69,1 million (2013: R69,1 million).	**72 582**	72 582		



3. PROPERTY AND EQUIPMENT (continued)

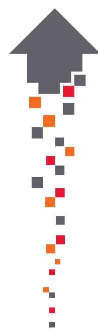
	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
3. Land and buildings held under finance leases comprise Portion 6 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is measured at the present value of the minimum lease payments and is fully depreciated over the period of the lease. The minimum lease payments were discounted taking into consideration an unguaranteed residual of R72 million (2013: R72 million) and calculating a rate intrinsic in the lease of 14,3% (2013: 14,3%).			**41 591**	45 821
	76 237	76 237	**41 591**	45 821
Carrying amount at beginning of year	**76 237**	76 237	**45 821**	50 051
Additions	**-**	-	**-**	-
Depreciation	**-**	-	**(4 230)**	(4 230)
Carrying amount at end of year	**76 237**	76 237	**41 591**	45 821

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

	Land and buildings R'000	Vehicles R'000	Equipment and computers R'000	Leasehold improvements R'000	Tank containers R'000	Capital work in progress R'000	Total R'000
Movement in property and equipment: Carrying Amount							
Group 2014							
Cost at beginning of year	76 237	3 531	25 803	10 839	7 145	1 559	125 114
Accumulated depreciation at beginning of year	-	(2 180)	(14 204)	(6 024)	(4 895)	-	(27 303)
Net carrying amount at beginning of year	76 237	1 351	11 599	4 815	2 250	1 559	97 811
Additions	-	1 291	2 935	1 326	-	7 096	12 648
Transfers	-	-	2 977	5 732	-	(8 413)	296
Disposals	-	-	(34)	-	-	-	(34)
Assets written-off	-	-	-	-	-	-	-
Depreciation for the year	-	(629)	(3 805)	(1 381)	(306)	-	(6 121)
Net carrying amount at end of year	76 237	2 013	13 672	10 492	1 944	242	104 600
Cost at end of year	76 237	4 822	31 303	17 897	7 145	242	137 646
Accumulated depreciation at end of year	-	(2 809)	(17 631)	(7 405)	(5 201)	-	(33 046)

	Land and buildings	Vehicles	Equipment and computers	Leasehold improvements	Tank containers	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group 2013							
Cost at beginning of year	76 237	3 085	24 151	10 511	7 145	1 034	122 163
Accumulated depreciation at beginning of year	-	(1 695)	(12 074)	(5 151)	(4 588)	-	(23 508)
Net carrying amount at beginning of year	76 237	1 390	12 077	5 360	2 557	1 034	98 655
Additions	-	446	1 532	27	-	2 130	4 135
Transfers	-	-	1 289	301	-	(1 605)	(15)
Disposals	-	-	(19)	-	-	-	(19)
Assets written-off	-	-	(80)	-	-	-	(80)
Depreciation for the year	-	(485)	(3 200)	(873)	(307)	-	(4 865)
Net carrying amount at end of year	76 237	1 351	11 599	4 815	2 250	1 559	97 811
Cost at end of year	76 237	3 531	25 803	10 839	7 145	1 559	125 114
Accumulated depreciation at end of year	-	(2 180)	(14 204)	(6 024)	(4 895)	-	(27 303)
Company 2014							
Cost at beginning of year	**63 444**	**3 531**	**25 803**	**11 379**	**7 145**	**1 559**	**112 861**
Accumulated depreciation at beginning of year	**(17 624)**	**(2 180)**	**(14 204)**	**(6 024)**	**(4 895)**	**-**	**(44 927)**
Net carrying amount at beginning of year	**45 820**	**1 351**	**11 599**	**5 355**	**2 250**	**1 559**	**67 934**
Additions	**-**	**1 291**	**2 935**	**18**	**-**	**7 096**	**11 340**
Transfers	**-**	**-**	**2 977**	**3 406**	**-**	**(6 087)**	**296**
Disposals	**-**	**-**	**(34)**	**-**	**-**	**-**	**(34)**
Assets written-off	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation for the year	**(4 229)**	**(629)**	**(3 805)**	**(1 306)**	**(306)**	**-**	**(10 275)**
Net carrying amount at end of year	**41 591**	**2 013**	**13 672**	**7 473**	**1 944**	**2 568**	**69 261**
Cost at end of year	**63 444**	**4 822**	**31 303**	**14 800**	**7 145**	**2 568**	**124 082**
Accumulated depreciation at end of year	**(21 853)**	**(2 809)**	**(17 631)**	**(7 327)**	**(5 201)**	**-**	**(54 821)**
Company 2013							
Cost at beginning of year	63 444	3 085	24 151	11 050	7 145	1 034	109 909
Accumulated depreciation at beginning of year	(13 393)	(1 695)	(12 074)	(5 151)	(4 588)	-	(36 901)
Net carrying amount at beginning of year	50 051	1 390	12 077	5 899	2 557	1 034	73 008
Additions	-	446	1 532	28	-	2 130	4 136
Transfers	-	-	1 289	301	-	(1 605)	(15)
Disposals	-	-	(19)	-	-	-	(19)
Assets written-off	-	-	(80)	-	-	-	(80)
Depreciation for the year	(4 231)	(485)	(3 200)	(873)	(307)	-	(9 096)
Net carrying amount at end of year	45 820	1 351	11 599	5 355	2 250	1 559	67 934
Cost at end of year	63 444	3 531	25 803	11 379	7 145	1 559	112 861
Accumulated depreciation at end of year	(17 624)	(2 180)	(14 204)	(6 024)	(4 895)	-	(44 927)

All disposals reflected in the note above are at net carrying amount.



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

4. INVESTMENT PROPERTIES

	2014	2013
Balance at beginning of year	**10 476**	10 552
Additions	**-**	-
Depreciation	**(77)**	(76)
Balance at end of year	**10 399**	10 476

Investment properties are only applicable at a group level and comprise the following land as described below:

Land in Durban described as Portion 4 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 2 140 square metres and Portion 5 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 1 528 square metres.

The group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The group carries investment properties at historic cost less provision for depreciation and impairment.

The cost of the properties were considered to be equal to their fair value at the time of acquisition.

The investment property was independently valued at R12,4 million as at 01 December 2014, which is in line with the group revaluation policy of three years.

The independent valuation referred to above, provides an indication of what the fair value of this property is.

The inputs into the valuation as applied by the independent valuator were location, surrounding environment and any improvements applied to the property.

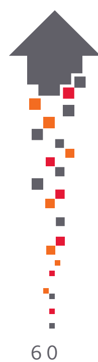
The valuator further considered sales of comparable properties in proximity to the investment property. Investment property would be classified as a level two category in the fair value hierarchy.

As investment property is classified as a non-financial asset, management has considered its highest and best use and with no current intention to alter the use of this investment property, have accordingly concluded not to adjust its fair value from that of the independent valuation referred to above.

	Group		Company	
	2014	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**
5. INTANGIBLE ASSETS				
Cost				
Computer software	**3 053**	2 318	**3 053**	2 318
Capitalised project costs	**29 805**	27 716	**29 805**	27 716
Capital work in progress	**1 780**	640	**1 780**	640
	34 638	30 674	**34 638**	30 674
Accumulated amortisation and impairment	**(15 789)**	(12 378)	**(15 789)**	(12 378)
Computer software	**(1 562)**	(1 094)	**(1 562)**	(1 094)
Capitalised project costs	**(14 227)**	(11 284)	**(14 227)**	(11 284)
	18 849	18 296	**18 849**	18 296

	Computer software	Capitalised project costs	Capital work in progress	Total
	R'000	R'000	R'000	R'000
Movement in intangible assets: Carrying Amount				
Group and company 2014				
Cost at beginning of year	**2 318**	**27 716**	**640**	**30 674**
Accumulated depreciation at beginning of year	**(1 094)**	**(11 284)**	**-**	**(12 378)**
Net carrying amount at beginning of year	**1 224**	**16 432**	**640**	**18 296**
Additions	**735**	**2 089**	**1 436**	**4 260**
Transfers	**-**	**-**	**(296)**	**(296)**
Disposal	**-**	**-**	**-**	**-**
Assets written-off	**-**	**-**	**-**	**-**
Amortisation for the year	**(468)**	**(2 943)**	**-**	**(3 411)**
Net carrying amount at end of year	**1 491**	**15 578**	**1 780**	**18 849**
Cost at end of year	**3 053**	**29 805**	**1 780**	**34 638**
Accumulated depreciation at end of year	**(1 562)**	**(14 227)**	**-**	**(15 789)**
Group and company 2013				
Cost at beginning of year	1 801	24 730	2 484	29 015
Accumulated depreciation at beginning of year	(779)	(8 666)	-	(9 445)
Net carrying amount at beginning of year	1 022	16 064	2 484	19 570
Additions	595	194	1 057	1 846
Transfers	(32)	2 908	(2 901)	(25)
Disposal	(47)	-	-	(47)
Assets written-off	-	(18)	-	(18)
Amortisation for the year	(314)	(2 716)	-	(3 030)
Net carrying amount at end of year	1 224	16 432	640	18 296
Cost at end of year	2 318	27 716	640	30 674
Accumulated depreciation at end of year	(1 094)	(11 284)	-	(12 378)

All disposals reflected in the note above are at net carrying amount.



6. INVESTMENT IN AND AMOUNT DUE BY SUBSIDIARY COMPANY

Albaraka Properties Proprietary Limited is 100% (2013: 100%) owned by Albaraka Bank Limited.

The issued share capital of Albaraka Properties Proprietary Limited comprises 100 shares of R1 each (2013: 100 shares of R1 each).

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Shares at cost			*	*
Due by subsidiary			**13 816**	15 294
- Amounts owing by subsidiary			**85 370**	86 209
- Finance lease liability (note 31.3)			**(71 554)**	(70 915)
			13 816	15 294

* Amount less than R1 000.

The amount due by the subsidiary is profit-free. For the purposes of classification of financial instriuments this is considered to be advances and receivables. The difference between the amounts owing by the subsidiary and the finance lease liability above, is a result of the present value of the lease liability which will unwind over the period of the lease. The balance of the finance lease liability has been set off against the balance on the loan account as the bank has a legally enforceable right to set off these amounts in terms of the lease contract and intends to realise the asset and settle the liability simultaneously.

7. DEFERRED TAX ASSET

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Balance at beginning of year	**375**	2 222	**15 815**	13 616
Tax income/(expense) recognised in profit or loss	**542**	(995)	**4 585**	3 051
Deferred tax – prior year over-provision recognised in profit or loss	**(303)**	(852)	**(303)**	(852)
Balance at end of year	**614**	375	**20 097**	15 815

The deferred tax asset comprises the following:

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Temporary differences arising on finance lease	**-**	-	**8 390**	7 026
Deferred tax on accumulated tax credits in subsidiary	**220**	1 333	**-**	-
Temporary differences on financial assets	**(719)**	(553)	**(719)**	(553)
Impairment for doubtful advances	**1 235**	1 499	**1 235**	1 499
Leave pay provision	**1 637**	1 587	**1 637**	1 587
Portfolio impairment	**4 442**	3 273	**4 442**	3 273
Profit not paid to depositors	**10 946**	9 161	**10 946**	9 161
Other	**268**	35	**258**	50
Prepaid expenses	**(179)**	(162)	**(172)**	(155)
Intangible assets, property and equipment	**(17 236)**	(15 798)	**(5 920)**	(6 073)
	614	375	**20 097**	15 815

The expected manner of recovery of the deferred tax asset will be through the use thereof at tax rates applicable to companies at the time of such recovery.

8. INVESTMENT SECURITIES

	Group		Company	
	2014	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**
Unit trust investments				
Fair value at beginning of year	**7 306**	6 119	**7 306**	6 119
Additions at cost	**75**	78	**75**	78
Fair value gains	**594**	1 109	**594**	1 109
Fair value at end of year	**7 975**	7 306	**7 975**	7 306
Unlisted investments				
Kiliminjaro Investment Proprietary Limited, at cost	**2 600**	2 600	**2 600**	2 600
Earthstone Investments Proprietary Limited, at cost	**10 000**	-	**10 000**	-
	20 575	9 906	**20 575**	9 906

The Bank's investment in unit trusts comprise 424 377 units (2013: 420 275 units) in the Old Mutual Albaraka Equity Fund. The carrying value of this investment is R8,0 million (2013: R7,3 million) and has been designated as a fair-value-through-profit-or-loss financial instrument on initial recognition. The investment is treated in this manner in order to eliminate any potential recognition inconsistencies that may arise on changes in the fair value of this instrument, had the instrument been classified on an alternate basis. The fair value of this investment is determined by quoted market prices and changes in fair value are recorded in profit or loss for the year.

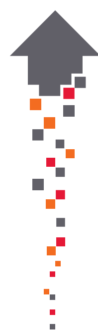
Kiliminjaro Investments Proprietary Limited and Earthstone Investments Proprietary Limited are property-owning companies. The bank owns 9,4% (2013: 9,4%) of Kiliminjaro Investments and it purchased 1 000 shares in Earthstone Investments during 2014. Both investments are classified as available-for-sale financial instruments which are measured at cost, due to their fair value being indeterminable. The bank currently has no intention to dispose of these assets.

9. ADVANCES AND OTHER RECEIVABLES

9.1 Sectoral analysis

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Advances to customers				
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
Gross advances to customers	**3 626 301**	3 094 498	**3 626 301**	3 094 498
Provision for impairment of doubtful advances	**(21 744)**	(18 828)	**(21 744)**	(18 828)
Net advances to customers after provisions	**3 604 557**	3 075 670	**3 604 557**	3 075 670
Advances to banks				
Equity finance	**625 157**	674 688	**625 157**	674 688
Net advances	**4 229 714**	3 750 358	**4 229 714**	3 750 358
Other receivables	**11 922**	2 636	**11 700**	2 475
	4 241 636	3 752 994	**4 241 414**	3 752 833

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



9. ADVANCES AND OTHER RECEIVABLES (continued)

	Group		Company	
	2014	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**
9.2 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
	3 626 301	3 094 498	**3 626 301**	3 094 498
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**	-
	625 157	674 688	**625 157**	674 688
9.3 Analysis of impairment for doubtful advances				
9.3.1 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)
9.3.2 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
	21 744	18 828	**21 744**	18 828
9.3.3 Impairment for credit losses				
Specific impairments	**(332)**	1 827	**(332)**	1 827
Portfolio impairments	**4 172**	887	**4 172**	887
Bad debts recovered	**(73)**	(314)	**(73)**	(314)
	3 767	2 400	**3 767**	2 400

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.

10. SOUTH AFRICAN REVENUE SERVICE RECEIVABLE

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Income tax	**-**	1 825	**-**	1 825
	-	1 825	**-**	1 825

	Group		Company	
	2014	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**
11. CASH AND CASH EQUIVALENTS AND OTHER SIMILAR INSTRUMENTS				
Cash on hand	**11 322**	5 608	**11 322**	5 608
Government and other stock	**86 560**	73 711	**86 560**	73 711
Balances with Central Bank	**252 884**	394 230	**252 884**	394 230
Placements with other banks	**66 416**	45 579	**66 416**	45 579
	417 182	519 128	**417 182**	519 128
The following banking facilities are available to the group:				
Letters of credit and guarantees	**20 000**	20 000	**20 000**	20 000
Settlement facilities	**9 232**	8 466	**9 232**	8 466
	29 232	28 466	**29 232**	28 466

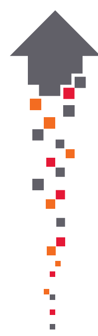
Deposits with the Central Bank of R166,6 million (2013: R149,6 million) and in Government stock of R86,5 million (2013: R73,7 million) represent mandatory reserve deposits for liquidity requirements and are therefore not available for use in the bank's daily operations.

12. SHARE CAPITAL AND SHARE PREMIUM

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
12.1 Authorised share capital				
100 000 000 (2013: 30 000 000) ordinary shares of R10 each	**1 000 000**	300 000	**1 000 000**	300 000
12.2 Issued and fully paid share capital				
32 240 260 (2013: 22 500 000) ordinary shares of R10 each	**322 403**	225 000	**322 403**	225 000
12.3 Share premium				
Balance at beginning of year	**29 866**	29 866	**29 866**	29 866
Movement for the year	**52 330**	-	**52 330**	-
Balance at end of year	**82 196**	29 866	**82 196**	29 866
Reconciliation of shares				
- Opening number of shares issued	**22 500 000**	22 500 000	**22 500 000**	22 500 000
- Rights issue	**9 740 260**	-	**9 740 260**	-
- Closing number of shares issued	**32 240 260**	22 500 000	**32 240 260**	22 500 000

13. WELFARE AND CHARITABLE FUNDS

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
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	**3 734**	2 297	**3 734**	2 297



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

	Group		Company	
	2014	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**
14. ACCOUNTS PAYABLE				
Sundry creditors	**7 322**	25 248	**7 284**	25 212
Accruals	**7 112**	6 064	**6 963**	5 972
	14 434	31 312	**14 247**	31 184

Terms and conditions of the above financial liabilities:

Sundry creditors are non-interest bearing and are normally settled on 30-day terms.

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

15. SOUTH AFRICAN REVENUE SERVICE PAYABLE				
Value Added Taxation	**161**	134	**161**	32
South African Revenue Service liability	**271**	158	**271**	158
	432	292	**432**	190

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

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

16. PROVISION FOR LEAVE PAY				
Balance at beginning of year	**5 669**	5 111	**5 669**	5 111
Accrued and utilised during the year	**176**	558	**176**	558
Balance at end of year	**5 845**	5 669	**5 845**	5 669

The provision for leave pay provided is determined by multiplying the accumulated days of leave due per employee by the rate per day of that specific employee.

The provision is expected to increase as the leave days accrue and decrease as leave is taken or paid out on the retirement or resignation of any specific employee.

17. 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
	4 229 685	3 940 636	**4 229 685**	3 940 636

	Group		Company	
	2014	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**
Maturity analysis				
Within 1 month	**1 784 894**	1 590 414	**1 784 894**	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	**39 092**	32 717	**39 092**	32 717
	4 229 685	3 940 636	**4 229 685**	3 940 636

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 the depositor when the need arises.

18. SHAREHOLDERS MUDARABA ADVANCE

Shareholders' mudaraba advance	**-**	50 005	**-**	50 005

The shareholders' Mudaraba advance was received in December 2013 from the holding company, Al Baraka Banking Group B.S.C. in support of the bank's required capital position. The funds earn profit within the pool on similar terms to the 35-day participation investment account. The advance was subordinated in favour of all creditors and did not have a defined maturity date. In 2014, the bank performed a rights issue to the value of R150 million which facilitated the repayment of this advance.

19. INCOME PAID TO DEPOSITORS

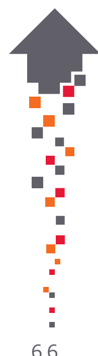
Income paid to depositors is based on the profit sharing ratio agreed upon between the depositor and the bank at the time of the initial investment. On maturity, this income is either paid out to the depositor on instruction or reinvested on the depositor's behalf within the category of the initial deposit.

20. NET NON-ISLAMIC INCOME

Interest income	**10 776**	8 006	**10 776**	8 006
	10 776	8 006	**10 776**	8 006
Amount transferred to welfare and charitable funds	**(10 776)**	(8 006)	**(10 776)**	(8 006)
	-	-	**-**	-

21. FEE AND COMMISSION INCOME

Service fees	**23 468**	19 715	**23 468**	19 715
Commission received on sale of unit trusts	**5 806**	4 575	**5 806**	4 575
Profit from foreign currency trading	**6 048**	3 754	**6 048**	3 754
Management fee from subsidiary	**-**	-	**200**	200
	35 322	28 044	**35 522**	28 244



	Group		Company	
	2014	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**
22. OTHER OPERATING INCOME				
Property rental income	**105**	273	**214**	212
Net parking income from investment property	**729**	698	**-**	-
Tank container rental income	**842**	1 066	**842**	1 066
Dividend income	**985**	353	**7 985**	2 353
Fair value gain on financial instrument	**594**	1 110	**594**	1 110
Other	**865**	817	**865**	817
	4 120	4 317	**10 500**	5 558
23. OPERATING EXPENDITURE				
Operating expenditure includes:				
Auditor's remuneration				
Audit fees				
- current year	**2 102**	1 976	**2 053**	1 946
- prior year under provision	**319**	167	**319**	167
Fees for other services				
- Tax consultancy	**-**	58	**-**	58
- Other	**164**	384	**164**	384
	2 585	2 585	**2 536**	2 555
Consultancy fees	**2 080**	2 370	**2 068**	2 356
Depreciation of property and equipment	**6 121**	4 865	**10 275**	9 095
Depreciation on investment property	**77**	76	**-**	-
Amortisation of intangible assets	**3 411**	3 030	**3 411**	3 030
Assets written-off	**-**	98	**-**	98
Net loss on disposal of property and equipment	**34**	5	**34**	5
Operating lease charges	**2 642**	1 998	**2 897**	2 253
Research costs	**754**	1 471	**754**	1 471
Staff costs	**76 693**	68 259	**76 693**	68 259
Directors' emoluments			**6 061**	4 898
Executive services			**4 656**	3 610
Non-executive directors' fees			**1 405**	1 288

	2014			2013		
	Salary	**Other benefits**	**Total**	Salary	Other benefits	Total
	R'000	**R'000**	**R'000**	R'000	R'000	R'000
23.1 Executive services						
Company only						
SAE Chohan – Chief executive	**1 924**	**501**	**2 425**	1 794	397	2 191
MJD Courtiade – Chief operating officer	**1 602**	**125**	**1 727**	1 309	110	1 419
A Ameed – Financial Director*	**501**	**3**	**504**			
	4 027	**629**	**4 656**	3 103	507	3 610

*Appointed as Executive in July 2014

Salary and other benefits are short-term benefits as classified per IAS 24.

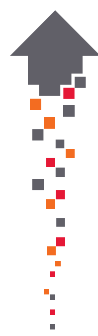
	Group		Company	
	2014	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**
23.2 Non-executive directors' fees				
AA Yousif			**155**	138
Adv. AB Mahomed SC			**168**	163
F Kassim			**112**	105
A Lambat			**163**	153
MS Paruk			**207**	188
YM Paruk			**151**	137
SA Randeree			**161**	149
M Youssef Baker			**159**	134
MG McLean			**129**	121
			1 405	1 288

24. TAXATION

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
South African tax				
Normal - current year	**17 413**	11 572	**17 413**	11 572
- prior year	**547**	(770)	**547**	(770)
Attributable to income from non-Islamic activities (refer to accounting policy 11 and note 13)				
- current year	**(1 703)**	(1 149)	**(1 703)**	(1 149)
- prior year	**(14)**	-	**(14)**	-
Deferred tax - current year	**(542)**	995	**(4 586)**	(3 051)
- prior year	**(97)**	852	**(97)**	852
Taxation attributable to Islamic activities	**15 604**	11 500	**11 560**	7 454

The deferred tax - prior year adjustment results from differences between the calculated taxation at the prior financial year-end, as compared to the submitted taxation return as due within the current year.

Reconciliation of taxation charge	**%**	%	**%**	%
Effective tax rate	**28,3**	28,4	**24,0**	26,9
Adjustable items:				
Non-taxable income and non-deductible expenditure	**(0,2)**	(0,8)	**4,1**	0,6
Current tax adjustment - prior year	**(0,3)**	2,5	**(0,3)**	3,6
Deferred tax adjustment - prior year	**0,2**	(2,1)	**0,2**	(3,1)
	28,0	28,0	**28,0**	28,0



	Group		Company	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
25. 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)	**153,5**	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)	**153,6**	129,1		
Headline earnings per share are derived from:				
Profit for the year	**39 517**	28 947		
Loss arising on disposal of property and equipment	**34**	5		
Write-off of property, equipment and intangible assets	**-**	98		
	39 551	29 050		
26. DIVIDENDS				
A dividend of 45 cents per share (2013: 45 cents) was paid on 28 November 2014 to shareholders registered on the shareholders register of the bank at close of business on 07 August 2014.	**10 125**	10 125	**10 125**	10 125
27. STATEMENT OF CASH FLOWS				
27.1 Cash generated from operations				
Profit before taxation	**55 121**	40 447	**48 153**	27 752
Adjustment for non-cash items and investment income:				
Depreciation of property and equipment	**6 121**	4 865	**10 275**	9 095
Depreciation of investment property	**77**	76	**-**	-
Dividend income	**(985)**	(353)	**(7 985)**	(2 353)
Impairment of property and equipment	**-**	-	**-**	-
Amortisation of intangible assets	**3 411**	3 030	**3 411**	3 030
Loss on disposal of property and equipment	**34**	52	**34**	52
Assets written-off	**-**	98	**-**	98
Straight-lining of operating leases	**184**	(108)	**134**	(131)
Provision for leave pay	**176**	558	**176**	558
Impairment for credit losses	**(3 840)**	(2 714)	**(3 840)**	(2 714)
Fair value gain on financial instruments	**(594)**	(1 109)	**(594)**	(1 109)
	59 705	44 842	**49 764**	34 278
27.2 Changes in working capital				
Increase in deposits from customers	**289 049**	619 132	**289 049**	619 132
(Decrease)/increase in accounts payable	**(10 251)**	315	**(10 108)**	1 276
(Decrease)/increase in welfare and charitable funds	**3 139**	(972)	**3 139**	(972)
Increase in advances and other receivables	**(484 754)**	(480 958)	**(484 742)**	(480 964)
	(202 817)	137 517	**(202 662)**	138 472

	Group		Company	
	2014	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**
27.3 Taxation paid				
Amount receivable at beginning of year	**1 825**	649	**1 825**	649
Amount charged to profit for the year	**(16 243)**	(9 653)	**(16 243)**	(9 653)
Amount charged to welfare and charitable funds	**(1 703)**	(1 149)	**(1 703)**	(1 149)
Amount receivable at end of year	**271**	(1 825)	**271**	(1 825)
	(15 850)	(11 978)	**(15 850)**	(11 978)
27.4 Dividends paid				
Amount outstanding at beginning of year	**(7 967)**	-	**(7 967)**	-
Dividends declared and paid	**(10 125)**	(10 125)	**(10 125)**	(10 125)
Amount outstanding at end of year	**1 343**	7 967	**1 343**	7 967
	(16 749)	(2 158)	**(16 749)**	(2 158)
27.5 Purchase of property and equipment				
Land and buildings	**-**	-	**-**	-
Vehicles	**(1 291)**	(446)	**(1 291)**	(446)
Equipment and computers	**(2 935)**	(1 531)	**(2 935)**	(1 531)
Leasehold improvements	**(1 326)**	(28)	**(18)**	(28)
Work in progress	**(7 096)**	(2 090)	**(7 096)**	(2 090)
	(12 648)	(4 095)	**(11 340)**	(4 095)
27.6 Purchase of intangible assets				
Computer software	**(735)**	(595)	**(735)**	(595)
Capitalised project costs	**(2 089)**	(194)	**(2 089)**	(194)
Work in progress	**(1 436)**	(1 057)	**(1 436)**	(1 057)
	(4 260)	(1 846)	**(4 260)**	(1 846)

28. LETTERS OF CREDIT, GUARANTEES AND CONFIRMATIONS

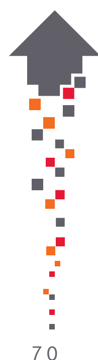
	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Guarantees and confirmations	**180 776**	191 718	**180 776**	191 718
Letters of credit	**5 758**	4 810	**5 758**	4 810
	186 534	196 528	**186 534**	196 528

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

29. CAPITAL COMMITMENTS

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
Authorised and contracted for				
- Property and equipment	**968**	12	**968**	12
	968	12	**968**	12

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



	Group		Company	
	2014	2013	**2014**	2013
	R'000	**R'000**	**R'000**	**R'000**
30. FINANCIAL INSTRUMENTS				
30.1 Credit risk - maximum exposure to credit risk				
Advances to customers (note 9.1)	**3 626 301**	3 094 498	**3 626 301**	3 094 498
Advances and balances with banks	**691 574**	720 267	**691 574**	720 267
Advances and balances with Central Bank	**339 444**	467 941	**339 444**	467 941
Letters of credit, guarantees and confirmations	**186 534**	196 528	**186 534**	196 528
	4 843 853	4 479 234	**4 843 853**	4 479 234
30.2 Currency risk				
The group's exposure to currency risk was as follows:				
Cash and cash equivalents				
- EUR	**820**	270	**820**	270
- GBP	**160**	113	**160**	113
- SAR	**114**	123	**114**	123
- USD	**10 079**	3 904	**10 079**	3 904
- Others	**150**	286	**150**	286
	11 323	4 696	**11 323**	4 696

30.3 Derivative instruments

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

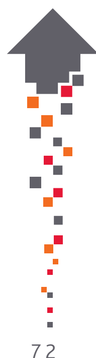
30.4 Liquidity risk

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

	Carrying Amount	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2014						
Assets						
Advances and other receivables	4 241 636	523 440	602 952	565 537	1 340 573	1 209 134
Investment securities	20 575	-	-	-	-	20 575
Cash and cash equivalents and other similar instruments	417 182	245 576	-	86 560	-	85 046
	4 679 393	769 016	602 952	652 097	1 340 573	1 314 755
2014						
Liabilities						
Deposits from customers	4 229 685	1 784 894	733 678	1 669 890	2 131	39 092
Accounts payable	14 434	13 632	422	211	-	169
South African Revenue Service	432	161	-	271	-	-
Provision	5 845	487	974	4 384	-	-
Mudaraba shareholder advance	-	-	-	-	-	-
Letters of credit, guarantees and confirmations	186 534	32 076	58 088	41 169	28 932	26 269
	4 436 930	1 831 250	793 162	1 715 925	31 063	65 530
Net liquidity gap	242 463	(1 062 234)	(190 210)	(1 063 828)	1 309 510	1 249 225

	Carrying Amount	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 Years	More than 5 years
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2013						
Assets						
Advances and other receivables	3 752 994	852 442	337 942	416 511	1 148 908	997 191
South African Revenue Service	1 825	-	-	1 825	-	-
Investment securities	9 906	-	-	-	-	9 906
Cash and cash equivalents and other similar instruments	519 128	420 450	22 852	-	-	75 826
	4 283 853	1 272 892	360 794	418 336	1 148 908	1 082 923
2013						
Liabilities						
Deposits from customers	3 940 636	1 590 414	699 452	1 615 432	2 620	32 718
Accounts payable	31 312	22 814	353	7 985	-	160
South African Revenue Service	292	134	-	158	-	-
Provision	5 669	472	945	4 252	-	-
Mudaraba shareholder advance	50 005	-	-	-	-	50 005
Letters of credit, guarantees and confirmations	196 528	6 617	91 625	57 462	19 073	21 751
	4 224 442	1 620 451	792 375	1 685 289	21 693	104 634
Net liquidity gap	59 411	(347 559)	(431 581)	(1 266 953)	1 127 215	978 289

	Group		Company	
	2014	2013	**2014**	2013
	R'000	R'000	R'000	R'000
30.5 Market risk				
The banks' exposure to market risk at year end:				
- Interest rate risk - treasury bills	**86 560**	73 711	**86 560**	73 711
- Exchange rate risk - foreign currency	**11 323**	4 696	**11 323**	4 696
	97 883	78 407	**97 883**	78 407



30. FINANCIAL INSTRUMENTS (continued)

30.6 Intrinsic rate risk

	Intrinsic rate	Maturity	Company 2014 R'000	Company 2013 R'000
Loans and borrowings subject to intrinsic rate risk				
	14,3%	2024		
Current portion – less than 12 months			**9 540**	8 834
Non-current portion – greater than 12 months			**62 014**	62 081
Total obligations under finance leases (note 31.3)			**71 554**	70 915

Intrinsic rate risk is limited to the finance lease between the bank and its wholly-owned subsidiary.

30.7 Accounting classification

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

Please refer to note 6 for information regarding details of balances of amounts owing between the company and the subsidary.

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

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

Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value.

This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing market profit rates when they were first recognised with current market rates for similar financial instruments.

The estimated fair value of fixed profit-bearing deposits is based on discounted cash flows using prevailing money-market profit rates for debts with similar credit risk and maturity.

For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current profit rate yield curve appropriate for the remaining term to maturity and credit spreads.

For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

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

	Advances and receivables	Available for sale	Held to maturity	Amortised cost	Fair value through profit and loss	Carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2014						
Assets						
Advances	**4 229 714**	**-**	**-**	**-**	**-**	**4 229 714**
Investment securities	**-**	**12 600**	**-**	**-**	**7 975**	**20 575**
Cash and cash equivalents and other similar instruments	**330 622**	**-**	**86 560**	**-**	**-**	**417 182**
	4 560 336	**12 600**	**86 560**	**-**	**7 975**	**4 667 471**
Liabilities						
Deposits from customers	**-**	**-**	**-**	**4 229 685**	**-**	**4 229 685**
Accounts payable	**-**	**-**	**-**	**14 434**	**-**	**14 434**
	-	**-**	**-**	**4 244 119**	**-**	**4 244 119**
Group						
2013						
Assets						
Advances	3 750 358	-	-	-	-	3 750 358
Investment securities	-	2 600	-	-	7 306	9 906
Cash and cash equivalents and other similar instruments	445 417	-	73 711	-	-	519 128
	4 195 775	2 600	73 711	-	7 306	4 279 392
Liabilities						
Deposits from customers	-	-	-	3 940 636	-	3 940 636
Accounts payable	-	-	-	31 312	-	31 312
	-	-	-	3 971 948	-	3 971 948

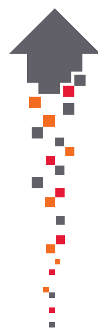
30.8 Fair value hierarchy

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

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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



30. FINANCIAL INSTRUMENTS (continued)

30.8 Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
Group				
2014				
Financial assets				
- Advances and receivables	-	4 560 336	-	4 560 336
- Available-for-sale	-	12 600	-	12 600
- Held to maturity	-	86 560	-	86 560
- Fair value through profit and losss	7 975	-	-	7 975
	7 975	4 659 496	-	4 667 471
Financial liabilities				
- Amortised cost	-	4 244 119	-	4 244 119
	-	4 244 119	-	4 244 119
2013				
Financial assets				
- Advances and receivables	-	4 195 775	-	4 195 775
- Available-for-sale	-	2 600	-	2 600
- Held to maturity	-	73 711	-	73 711
- Fair value through profit and losss	7 306	-	-	7 306
	7 306	4 272 086	-	4 279 392
Financial liabilities				
- Amortised cost	-	3 971 948	-	3 971 948
	-	3 971 948	-	3 971 948

Financial instruments recorded at fair value

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

Financial investments – fair-value-through-profit-or-loss

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

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

31. LEASES

Operating leases

31.1 Leases as lessee

Non-cancellable operating lease rentals payable are as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
Less than one year	**2 024**	1 353	**2 695**	1 658
Between one and five years	**3 465**	2 095	**3 465**	2 096
	5 489	3 448	**6 160**	3 754

The rentals disclosed above relate to the leasing of commercial premises, occupied by retail and corporate branches of Albaraka Bank Limited. These leases have an average life of between one and three years with renewal options included in the contracts. Operating lease rentals are accounted for on a straight line basis over the period of the lease.

31.2 Leases as lessor

Non-cancellable operating lease rentals payable are as follows:

	Group 2014	Group 2013
Less than one year	**-**	48
Between one and five years	**-**	-
	-	48

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

		2014		2013
	Minimum payments	Present value of payments	**Minimum payments**	Present value of payments
Finance leases				
31.3 Leases as lessee - company				
Less than one year	**10 181**	9 540	**9 427**	8 834
Between one and five years	**49 548**	32 520	**45 878**	30 111
More than five years	**84 147**	29 494	**97 998**	31 970
Total minimum lease payments	**143 876**	71 554	**153 303**	70 915
Less amounts representing finance charges	**(72 322)**	-	**(82 388)**	-
Present value of minimum lease payments - (note 6)	**71 554**	71 554	**70 915**	70 915

31.3 Leases as lessee - company

Albaraka Bank Limited has entered into a finance lease with its wholly-owned subsidiary, Albaraka Properties Proprietary Limited, for the use of its property as the bank's corporate head office. This lease is for an initial period of ten years with a five-year renewal option.

Rentals are escalated annually at 8%. No purchase option exists. Renewals are at the option of the bank. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are stated above. The rate intrinsic in the lease is 14,3% (2013: 14,3%) after considering the unguaranteed residual value of R72 million (2013: R72 million) which will be realised at the end of the lease.

32. RETIREMENT BENEFITS

Albaraka Bank Limited contributes to the Albaraka Bank Provident Fund, a defined contribution plan. The Fund is registered under and governed by the Pension Funds Act, 1956, as amended.

Employee benefits are determined according to each member's equitable share of the total assets of the Fund. The company's contribution for the year was R7,1 million (2013: R4,4 million). Executives' portion of the benefit amounted to R412 293 for 2014.

33. RELATED PARTY INFORMATION

The holding company of Albaraka Bank Limited at 31 December 2014 is Al Baraka Banking Group B.S.C. which is a company registered in the Kingdom of Bahrain and which holds 64,5% (2013: 62,2%) of the company's ordinary shares.

During the 2014 financial year the holding company was repaid its Mudaraba advance of R50 million, which is disclosed in further detail in note 18.

DCD Holdings (SA) Proprietary Limited and DCD London & Mutual Plc, a company incorporated in England and Wales, jointly hold 12,6% (2013: 12,6%) of the company's ordinary shares. Timewest Investments Proprietary Limited, a company incorporated in South Africa, holds 7,7% (2013: 7,7%) of the company's ordinary shares.

The Iqraa Trust is a registered trust whose beneficiaries are charitable, welfare and educational institutions. The trust is one of various beneficiaries of the bank's charitable activities. Four of the bank's directors are also trustees of the trust.

The subsidiary of the bank, Albaraka Properties (Proprietary) Limited, and the related inter-company balances are identified in note 6. The bank also made finance lease repayments amounting to R9 427 058 (2013: R8 728 758) for the year.

As the subsidiary does not maintain a physical bank account, all revenue and expenditure transactions are facilitated by Albaraka Bank Limited and are accounted for via the inter-company account. The management fee charged to the subsidiary is disclosed in note 21.

A dividend of R7 000 000 (2013: R2 000 000) was declared during the year.

The directors are considered the key management personnel and the remuneration paid to the directors is disclosed in note 23.

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

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

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

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

	Company	
	2014	2013
	R'000	**R'000**
Property finance - Musharaka and Murabaha		
Balance outstanding at beginning of year	**16 520**	7 337
Advances granted during the year	**4 831**	10 000
Repayments during the year	**(3 189)**	(1 881)
Profit earned	**1 624**	1 064
	19 786	16 520
Profit mark-up range for the year	**5,0% - 10,0%**	5,0% - 9,5%

The profit mark-up of 5% is in respect of advances to executive directors at subsidised rates which, at year-end amounted to R1 033 708 (2013: R15 632).

	Company	
	2014	2013
	R'000	**R'000**
Balances owing by/(to) related parties, including loans to executive and non-executive directors, are disclosed below:		
Instalment sale		
Balance outstanding at beginning of year	**1 460**	1 390
Advances granted during the year	**1 683**	861
Repayments during the year	**(1 634)**	(1 067)
Profit earned	**653**	276
	2 162	1 460
Profit mark-up range for the year	**6,0% - 9,5%**	8,5% - 15,0%
Trade finance		
Balance outstanding at beginning of year	**3 985**	3 791
Advances granted during the year	**8 805**	9 658
Repayments during the year	**(9 750)**	(10 151)
Profit earned	**1 301**	687
	4 341	3 985
Profit mark-up range for the year	**8,5% - 9,75%**	8,5% - 9,0%
Iqraa Trust		
Balance due to the trust at beginning of year	**-**	(5)
Funds received on behalf of the trust	**(1)**	(12)
Funds paid over to the trust	**1**	17
Balance due to the trust at end of year	**-**	-
During the year, the bank donated an amount of R4 427 440 (2013: R4 643 302) to the trust.		
At 31 December 2014 funds deposited by the trust with the bank amounted to R22 204 091 (2013: R35 098 393)		
Total exposure to related parties	**26 289**	21 965
Staff advances are conducted at subsidsed profit rates. The amount subject to the subsidised profit rate is dependent on the staff member's position within the entity.		
The total staff advances outstanding at the end of the period amounted to:	**43 876**	38 388

34. HOME LOAN AND MORTGAGE DISCLOSURE ACT

Received

(a) The total number and amount in Rand of completed home loan applications received during the financial year:

(i) Categories of borrowers and geographic areas as may be prescribed:

	Natural Persons		Juristic Persons		Total	
	Loan R'000	Number	Loan R'000	Number	Loan R'000	Number
Eastern Cape	3 382	6	-	0	3 382	6
Free State	1 177	3	-	0	1 177	3
Gauteng	269 498	263	53 629	39	323 127	302
KwaZulu-Natal	173 434	223	80 449	63	253 883	286
Limpopo	4 060	3	2 610	2	6 670	5
Mpumalanga	3 519	6	2 380	2	5 899	8
Northern Cape	-	0	650	1	650	1
North West	2 357	5	680	1	3 037	6
Western Cape	107 046	143	30 170	16	137 216	159
Total	**564 473**	**652**	**170 568**	**124**	**735 041**	**776**

Declined

b) The total number and amount in Rand of home loan applications declined and the reasons for the rejections in respect of such:

(i) Categories of borrowers and geographic areas as may be prescribed:

	Natural Persons		Juristic Persons		Total	
	Loan R'000	Number	Loan R'000	Number	Loan R'000	Number
Eastern Cape	-	0	-	0	-	0
Free State	-	0	-	0	-	0
Gauteng	69 894	60	5 623	4	75 517	64
KwaZulu-Natal	10 812	12	4 140	3	14 952	15
Limpopo	-	0	1 610	1	1 610	1
Mpumalanga	-	0	-	0	-	0
Northern Cape	-	0	-	0	-	0
North West	900	2	-	0	900	2
Western Cape	24 482	39	9 000	1	33 482	40
Total	**106 088**	**113**	**20 373**	**9**	**126 461**	**122**

	Loan R'000	Number	%
Declined Reason			
(ii) Reasons for the rejections in respect of such:			
Lack of affordability	118 338	113	92,62%
Unacceptable credit track-record	2 675	3	2,46%
Insufficient information/documents have not been provided	5 248	5	4,10%
Unacceptable security	200	1	0,82%
Total	**126 461**	**122**	**100%**

	Loan R'000	Number
Disbursed/closed		
(c) The total number and amount in Rand of home loans, closed and disbursed by a financial institution during the financial year:		
Total	308 799	354

	Natural Persons		Juristic Persons		Total	
	Loan R'000	Number	Loan R'000	Number	Loan R'000	Number
Approved						
(d) The total number and amount in Rand of home loans approved by a financial institution during the financial year:						
(i) Categories of borrowers and geographic areas as may be prescribed:						
Eastern Cape	3 382	6	-	0	3 382	6
Free State	1 177	3	-	0	1 177	3
Gauteng	170 104	181	45 006	34	215 110	215
KwaZulu-Natal	154 486	201	75 109	59	229 595	260
Limpopo	4 060	3	1 000	1	5 060	4
Mpumalanga	3 519	6	2 380	2	5 899	8
Northern Cape	-	0	650	1	650	1
North West	1 457	3	680	1	2 137	4
Western Cape	78 778	99	21 170	15	99 948	114
Total	**416 963**	**502**	**145 995**	**113**	**562 958**	**615**

35. STANDARDS AND AMENDMENTS NOT YET EFFECTIVE

At the date of authorisation of the annual financial statements for the year ended 31 December 2014, the following accounting standards, interpretations and amendments were in issue but not yet effective. These standards will be adopted at their effective dates, with no early adoption intended.

There have been other amendments made to the standards which are not listed in this note as they are not applicable to the group.

	Effective date
IFRS 9: Financial instruments	
The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.	
The effect of this standard on the group financial statements is in the process of being evaluated. An internal task team has been set-up to unpack the requirements of this standard.	01 Jan 2018
IAS 16 and 38: Property, plant and equipment	
The IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets prohibiting the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. The amendments are effective prospectively.	
This is not expected to impact the group financial statements.	01 Jan 2016

35. STANDARDS AND AMENDMENTS NOT YET EFFECTIVE (continued)

IAS 27: Consolidated financial statements

When IAS 27 and IAS 28 were revised in 2003, the equity method was removed as an option to account for investments in subsidiaries and associates in an entity's separate financial statements.

In some jurisdictions, local regulations require an entity to use the equity method for this purpose, therefore creating a difference between separate financial statements prepared in accordance with local GAAP and those prepared in accordance with IFRS.

The objective of these amendments is to restore the option to use the equity method. This is not expected to impact the group financial statements.

01 Jan 2016

IFRS 10 and IAS 28: Consolidated financial statements

The amendments to these standards relate to sale or contribution of assets between an investor and its associates or joint ventures and the treatment of profits or losses arising from such transactions.

This is not expected to impact the group financial statements.

01 Jan 2016

IAS 1: Presentation of financial statements

The International Accounting Standards Board has issued amendments to IAS 1 as part of the disclosure initiative which aims to improve the presentation and disclosure requirements.

The effect of this will be evaluated by the management team.

01 Jan 2016

IFRS 15: Revenue from contracts with customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. The standard provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment.

Extensive disclosures will be required, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The effect of this will be evaluated by the management team.

01 Jan 2017

IAS 40: Investment property

The amendment clarifies the inter-relationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

This is not expected to impact the group financial statements.

01 Jan 2014

36. ADOPTION OF EFFECTIVE AMENDMENTS AND INTERPRETATIONS

The following applicable amendments to standards and new interpretations were adopted during the year, as they became effective for years commencing on or after 01 January 2014:

	Effective date
IAS 32: Offsetting financial assets and financial liabilities	
This standard was amended to clarify the meaning of "legally enforceable right". This has not had an impact on the group financial statements.	01 Jan 2014
IAS 36: Impairment of assets	
This standard was amended to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	
This has had no impact on the group financial statements.	01 Jan 2014