alBaraka

Annual Report 2009

Your Partner Bank

Islamic Banking - an Overview

Islamic Law requires that commerce be conducted on the basis of trade and all material risk inherent in a commercial transaction be shared equitably between the parties. This principle is perhaps the overarching principle that forms the basis and core of Islamic economics, banking and finance.

Islamic banking was developed because the current model of conventional banking violates the fundamental principles of Islamic Law that governs commercial contracts, particularly the principle that no interest can be charged on a loan. Islamic Commercial Law also dictates that profit cannot derive from activities that endanger harm to society, such as activities involving production and distribution of alcoholic beverages, immoral activities, gambling and interest, amongst others.

The reawakening on Islamic Commercial thought of the last four decades has resulted in the establishment of Islamic banks operating on an interest-free basis and in terms of Islamic Commercial Law.

Al Baraka Bank, established in 1989 in Durban, South Africa, was born out of this process. Islamic banks are currently active in more than 42 countries around the world.

The fundamental principles of Islamic Commercial Law are based mainly on the Qur'an and Sunnah (the primary sources of Islamic Law) and extend back over 1 400 years. These principles form the very basis that informs the structuring process of the product offering and the operations of contemporary Islamic banking and finance institutions. In 1990, the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) was formed. AAOIFI issues Shariah and Accounting Standards relevant to Islamic banks and financial institutions. These standards ensure that Islamic financial institutions internationally are consistent in their applications and adhere to the highest standards of Shariah Compliance. Al Baraka Bank in South Africa is a member of AAOIFI.

Shariah scholars and practitioners have identified the following pillars as the most salient principles guiding the conduct of Islamic banking and finance business:

- Prohibition of interest and usury;
- Equitable allocation of liability and business risk;
- Avoiding uncertainty and lack of transparency in transactions;
- Moral and social values;
- Ethical investment and social responsibility;
- Only assets are financed and capital cannot be separated from the entrepreneur as an independent factor of production. Rather, capital must be joined with the entrepreneur – risk must be assumed on capital before a valid profit can be made; and
- Ensuring that actual wealth of society is increased at each step of the finance value chain.

The most preferred basis for Islamic banking and finance model are equity - profit and loss-sharing structures - although debt-based structures like the Murabaha - cost plus profit deferred payment -based transaction - have also been approved by contemporary Islamic Scholars.

The practical implementation of these precepts ensures that an environment of social responsibility, moral values and ethics is engendered. Similarly, the primary economic objectives of sustainable economic growth and of equitable distribution of income are infused into the banking model. The recognised methods of Islamic banking include:

Mudaraba (partnership) - Mudaraba is a financing/investment mode where one party (the rabbul mal) provides capital and the other (the Mudarib) management of the enterprise and expertise.

Musharaka (equity financing) - is a private equity investment instrument in which the profit is shared between the parties according to a pre-agreed ratio and loss is shared according to the equity.

Ijara (leasing) - is a financing instrument that involves the purchase and leasing of an asset to another party.

Murabaha (cost plus) - is a financing instrument based on a deferred payment sale in which the acquisition cost of the goods and added profit mark-up is disclosed upfront to the buyer.

Contents

New Corporate Identity

Historically, the twelve subsidiaries within the Bahrain-based Al Baraka Banking Group conducted their banking operations under different brands. Al Baraka Bank in South Africa was no exception.

However, in 2009 the various business units came together under a single global and totally unified Al Baraka Banking Group brand.

This single, unified brand allowed the group, in its entirety, to re-position itself in a strong and highly favourable space within the international banking environment.

Al Baraka Bank's new-look has underpinned its ability to refresh its position within this country and strongly reinforces the bank's influence, as a significant financial institution with an international pedigree, in the South African market.

The re-engineered corporate identity is also in line with the need to portray the image of the bank as a professional business entity, capable of providing banking facilities to clients, conducive to their expectations, as an integral part of one of the largest Islamic banking groups in the world.

Through its new brand, Al Baraka Bank is now able to re-affirm its commitment to the partnership which exists between the bank, its customers and the niche communities it serves in South Africa.

albaraka

Vision, Mission, Values and Code of Business Conduct

Vision

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

Mission

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

Values

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

Driven – we have the energy and perseverance it will take to make an impact in our customers' lives and for the greater good of society;

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

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

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

Code of business conduct

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

Principles contained in the Code of Business Conduct include:

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

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

Al Baraka Banking Group

Al Baraka Bank in South Africa is a subsidiary, or business unit of the internationally-acclaimed Al Baraka Banking Group B.S.C., based in Bahrain and which operates under an offshore licence.

Al Baraka Banking Group is the holder of its shareholders' interests in a number of geographically diverse subsidiaries, incorporated in Algeria, Bahrain, Egypt, Indonesia, Jordan, Lebanon, Pakistan, Sudan, Syria, Tunisia and Turkey. The group is one of the largest international Islamic banking groups in the world. It currently is actively involved in twelve countries around the world and provides its customers access to Islamic banking facilities by way of more than 280 branches.

Al Baraka Banking Group was incorporated in Bahrain in June 2002. The group is listed on the Bahrain and Dubai stock exchanges and has achieved Standard and Poors long and short-term credit ratings of BBB- and A-3 respectively.

The group, which provides a comprehensive range of retail, corporate and investment banking, together with treasury services, all of which are strictly Shariah-compliant, is intent on creating an Islamic banking conglomerate which will have the ability to provide its global customer base with a meaningful bouquet of financial products.

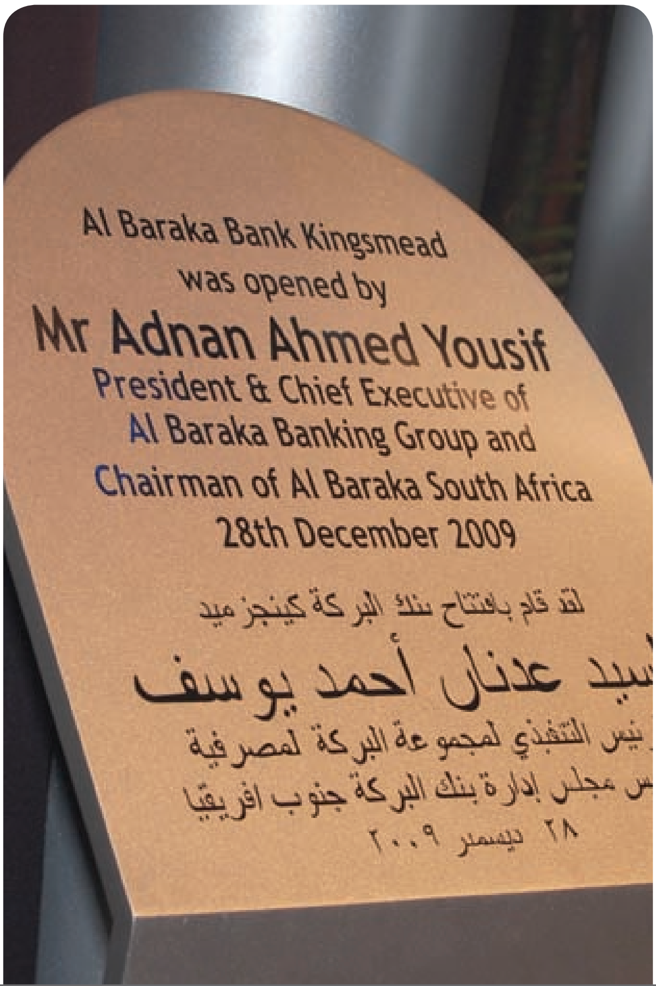
Al Baraka Banking Group was initially established to meet an identified need for the provision of Islamic banking services for Muslims around the world.

Today the group is positioned to capitalise on rapid growth within this critical market.

Al Baraka Bank in South Africa is an important business unit within the international Islamic banking environment and sets out to increase its product and service range here.

After deductions, Al Baraka Banking Group's 2009 net income totalled US$167,4 million, total assets surged to US$13,2 billion, while customer deposits and unrestricted investment accounts exceeded US$11,0 billion in the review period. Such positive results, in the midst of difficult world economic conditions, clearly indicate the group's ongoing commitment to capitalising its subsidiaries around the world – inclusive of Al Baraka Bank in South Africa – and to ensuring improved staffing, usage of technology and controls.

The group's international standing includes the following banking units: Banque Al Baraka D'Algerie in Algeria, Al Baraka Islamic Bank in Bahrain, Egyptian Saudi Finance Bank in Egypt, Jordan Islamic Bank in Jordan, Al Baraka Bank Lebanon in Lebanon, Al Baraka Islamic Bank Pakistan in Pakistan, Al Baraka Bank in South Africa, Al Baraka Bank Sudan in the Sudan, Al Baraka Bank Tunisia in Tunisia, Al Baraka Turk Participation Bank in Turkey, Al Baraka Bank Syria (under formation) in Syria and an Al Baraka Banking Group representative office in Indonesia.



Strategic Objectives, Business and Financial Highlights

Primary strategic objectives:

- An increase on returns;
- The promotion of customer service excellence;
- The development of innovative products; and
- The utilisation of enhanced technology.

Business highlights:

- Launch of new unified group corporate identity in June 2009;
- Al Baraka debit card and electronic banking product launched in October 2009; and
- Head office relocation completed in October 2009 and office officially opened in December 2009.

Financial highlights:

• Profits	R18,4 million;
• Earnings per share	122,6 cents;
• Total assets	R2,4 billion;
• Total deposits	R2,1 billion;
• Advances and other receivables	increased by R454,6 million; and
• Shareholders' equity	in excess of R228,8 million.

"Total deposits exceeded R2,1 billion"

Ten-Year Review

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Statement of Financial Position (Rm)										
Share capital	150,0	150,0	150,0	150,2	89,3	53,4	40,9	41,0	31,0	31,0
Shareholders' interest	228,9	216,9	201,6	187,4	118,4	75,0	57,6	54,8	40,3	33,8
Deposits from customers	2 129,7	1 624,2	1 449,5	1 253,7	1 004,0	885,4	749,2	551,7	451,8	373,1
Advances and other receivables	2 058,9	1 604,3	1 477,9	1 300,4	1 009,3	836,5	543,4	527,0	403,1	290,8
Total assets	2 380,6	1 870,7	1 686,3	1 470,4	1 179,2	1 012,4	858,6	645,0	524,6	432,3
Statement of Comprehensive Income (Rm)										
Profit before taxation	17,8	31,0	26,9	15,3	10,2	7,6	4,8	8,9	3,9	4,9
Profit for the year	18,4	21,7	18,2	9,9	7,5	5,5	3,1	6,2	1,6	2,9
Other Comprehensive Income (Rm)										
Other comprehensive income (loss)	0,4	(1,2)								
Share Statistics (cents)										
Basic and diluted earnings per share	122,6	144,9	121,2	101,6	128,2	128,9	77,4	196,6	54,0	98,1
Headline earnings per share	122,3	144,1	121,1	100,9	133,9	102,2	83,1	217,5	97,0	126,1
Dividend per share	45,0	35,0	25,0	20,0	-	-	-	50,0	30,0	30,0
Net asset value per share	1 525,7	1 445,7	1 343,8	1 249,2	1 330,2	1 415,4	1 440,3	1 370,0	1 343,5	1 127,3
Ratios (%)										
Return on average shareholders' interest	8,3	10,4	9,4	7,0	8,9	8,9	5,5	13,1	4,4	8,9
Return on average total assets	0,9	1,2	1,2	0,7	0,7	0,5	0,4	1,1	0,3	0,7
Shareholders' interest to total assets	9,6	11,6	12,0	12,7	10,0	7,4	6,7	8,5	7,7	7,8

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

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

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

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

Other comprehensive income
Other comprehensive income consists of changes in fair value of available-for-sale financial intruments, net of tax, and is separately disclosed in terms of International Accounting Standard (IAS) 1 - Presentation of Financial Statements, effective for years ending on or after 1 January 2009.

Company Profile

Al Baraka Bank in South Africa is a subsidiary of one of the world's leading Islamic financial institutions, the Bahrain-based Al Baraka Banking Group B.S.C.

In 1989 Al Baraka Bank was established in South Africa and from very humble beginnings and a small financial base the bank has shown phenomenal growth, systematically cultivating a positive and professional banking image within the niche market it exists to serve.

Indeed, Al Baraka Bank's pioneering business activities formed the base for the effective provision of a banking system in this country which adheres strictly to Islamic economic principles.

The bank, with its iconic head office in the heart of Durban's financial district has grown its business footprint to include six retail branches and four corporate banking offices across South Africa's major centres.

Al Baraka Bank is the only fully-fledged Islamic bank in this country and a recognised player in the country's mainstream banking industry, providing a viable alternative to the conventional banking model and adhering strictly to Shariah. It follows a faith-based system of financial management, deriving its guiding principles from Shariah and so promoting profit-sharing, while prohibiting the payment of, or the receiving of interest in any transaction.

Today the bank offers a comprehensive bouquet of sophisticated and complex products and services – inclusive of electronic banking – all of which are Shariah-compliant.

Such has been Al Baraka Bank's rise to success in South Africa, that the Al Baraka Banking Group – one of the largest Islamic groups of its kind in the world, operating in no fewer than twelve countries around the globe – has steadily increased its local business unit shareholding.

For its part Al Baraka Bank has become widely regarded as an important business unit within the international Islamic banking environment.

Arising from its Al Baraka Banking Group linkage, together with the growth momentum the financial institution has developed during the past twenty years, the bank is perfectly equipped with the ideal springboard to take it to the next business level. This, together with a solid platform from which to further extend its South African footprint, ensures that the bank remains capable of operating effectively and efficiently at the leading edge of Islamic banking in South Africa.

Al Baraka Bank is jointly owned by both local and international investors. Major shareholders, as at 31 December 2009, included:

- Al Baraka Banking Group B.S.C., based in Bahrain (56,3%);
- DCD Holdings (SA) (Pty) Ltd. (11,0%);
- DCD London & Mutual plc (4,0%); and
- Timewest Investments (Pty) Ltd., based in Johannesburg (7,7%).

The balance comprises local and foreign shareholders.

The bank's board comprises both local and international members with the individual business skills and collective expertise in the Islamic banking industry to effectively take the institution forward. Given that Al Baraka Bank adheres to Shariah in its day-to-day business activities and transactions, while also making sure that all its products and services comply with Islamic business principles, the bank is able to contribute significantly to the socio-economic development of all communities in our country.

To ensure adherence to the principles of Shariah, Al Baraka Bank has an internal Shariah Department, an independent Shariah Supervisory Board and is a member of the Accounting and Auditing Organisation for Islamic Financial Institutions. The bank's products are constantly reviewed and audited to maintain ongoing compliance with Shariah.

Al Baraka Bank's track-record to date, coupled with its positioning as 'Your Partner Bank,' underlines the fact that with the growing public acceptance of and confidence in a bank which truly embraces the ideals of Islamic business principles, is an institutional commitment to the provision of a highly professional and viable alternative to conventional banking in this country.

Directorate and Administration

Board of directors

During the 2009 financial year Al Baraka Bank's board of directors comprised the following members:

Non-executive

AA Yousif, Chairman (Bahraini) MBA
SA Randeree, Vice Chairman (British) BA (Hons) MBA
OA Suleiman (Sudanese) BC Jon Economics
M Youssef Baker (Egyptian) B.Sc. Economics and Political Science

Independent non-executive

F Kassim (Sri Lankan) Executive Management Programme – Harvard Business School
A Lambat CA (SA)
Adv. AB Mahomed SC BA LLB Senior Counsel of the High Court of South Africa
MS Paruk CA (SA)
YM Paruk Director of companies

Executive

SAE Chohan, Chief Executive CA (SA)
MG McLean, Deputy Chief Executive Advanced Executive Programme - UNISA
MJD Courtiade, Financial Director (French) CA (SA)

Advisor

Prof. S Cassim MCom; University Higher Diploma in Education

Company secretary

CT Breeds BA LLB

Shariah Supervisory Board

Dr AS Abu Ghudda, Chairman (Syrian)
Mufti SA Jakhura, Member
MS Omar, Member

Business and postal addresses

Head Office:
2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street (Stanger Street), Durban, 4001
PO Box 4395, Durban, 4000
Email: info@albaraka.co.za
Web : www.albaraka.co.za

Retail branches:
Kingsmead (Durban) – Manager: D Desai
2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street (Stanger Street), Durban, 4001
PO Box 4395, Durban, 4000

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

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

Lenasia (Johannesburg) – Manager: N Seedat
Shop U75, Trade Route Mall, Cnr K43 and Nirvana Drive, Lenasia, 1827
PO Box 2020, Lenasia, 1820

Laudium (Pretoria) – Branch Controller: AS Mahomed
Laudium Plaza, Cnr 6th Avenue and Tangerine Street, Laudium, 0037
PO Box 13706, Laudium, 0037

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

Corporate offices:
Durban – Manager: I Yuseph
2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street (Stanger Street), Durban, 4001
PO Box 4395, Durban, 4000

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

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

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

Registered office

2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street (Stanger Street), Durban, 4001

Transfer secretaries

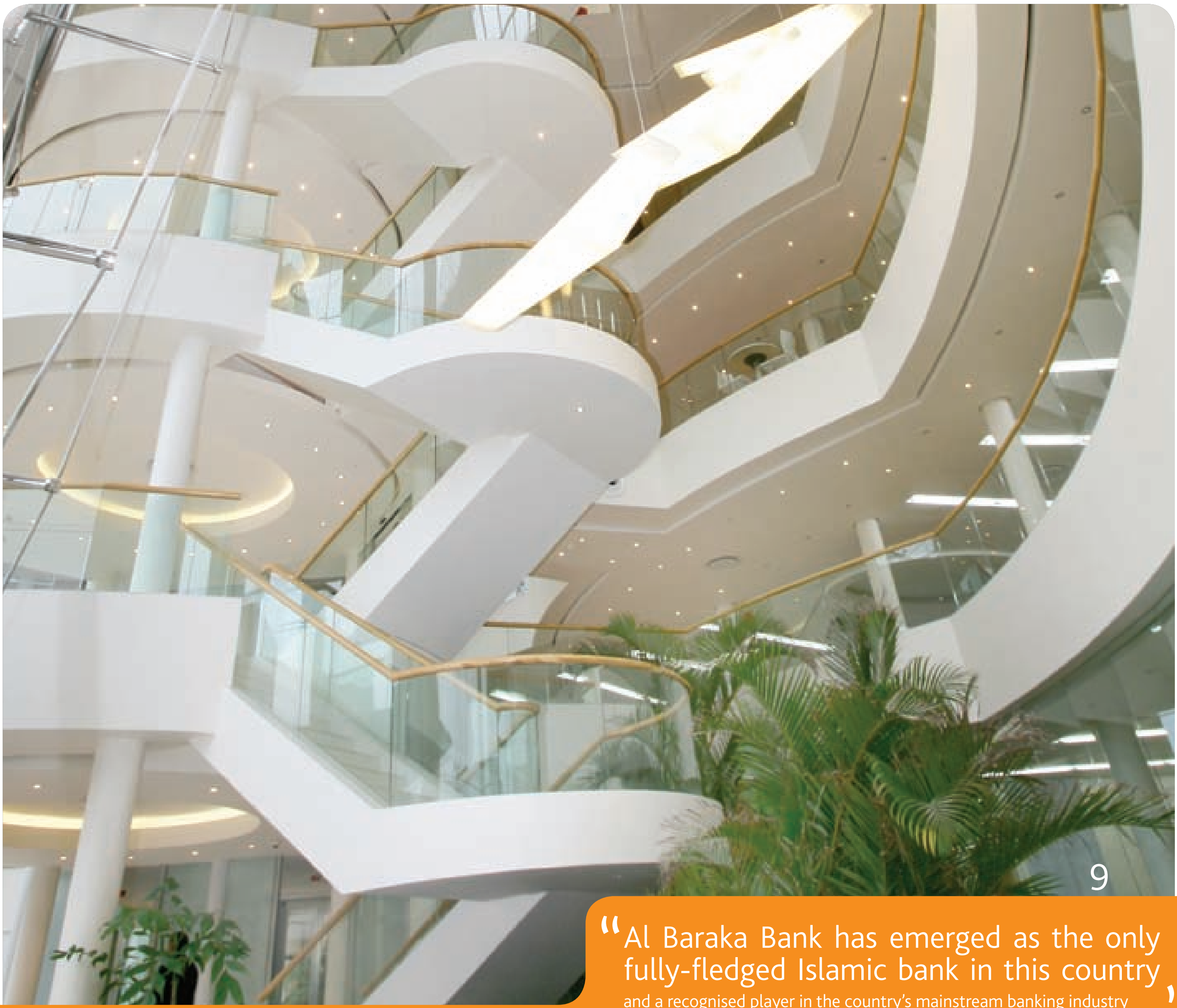
Computershare Investor Services (Pty) Ltd.
70 Marshall Street, Johannesburg, 2001

Auditors

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

Company details

Registered name: Albaraka Bank Limited
Registration Number: 1989/003295/06
FSP number: 4652
NCR registration number: NCRCP14
Albaraka Bank Limited is an Authorised Financial Services and Credit Provider



"Al Baraka Bank has emerged as the only fully-fledged Islamic bank in this country and a recognised player in the country's mainstream banking industry"

Executive Management

Board of Directors - Chairman: Adnan Ahmed Yousif

Chief Executive: Shabir Chohan

- Credit
- Human resources
- Internal audit
- Risk
- Secretarial
- Shariah

Deputy Chief Executive: Thys McLean

- Branch and corporate operations
- Equity funds
- Foreign exchange
- Marketing

Financial Director: Jacques Courtiade

- Electronic banking
- Finance
- Information technology
- Project management

Executive: Mahomed Abdullah Vahed

- Administration
- Compliance
- Conveyancing and Securities
- Legal

Chairman and Chief Executive's Statement

Economic summary

In last year's Al Baraka Bank annual report in the midst of the global recession, it was suggested that there was a good chance that the global economy might emerge from recession following unprecedented and massive fiscal and monetary stimulus introduced into leading industrialised economies. This has transpired, with all the economies of significance in the world returning to positive growth during the second half of 2009.

South Africa was no exception. The extremely high correlation between the growth of the South African economy and that of the world economy has continued. After plunging into severely negative proportions in the first quarter of 2009, growth in the South African economy has recovered, extricating itself from recession. The principal sources of recovery have been in the export-oriented manufacturing, mining and electricity sectors, in which double-digit negative growth in the first half of 2009 was transformed into positive growth more recently. The strong replenishment in inventories and the associated increase in demand for raw materials and processed minerals from China, coupled with an increase in the demand for vehicles in western countries, have been the main sources of improvement in South Africa's export performance.

However, as in the case of much of the rest of the world, the improvement in household consumption expenditure and services sectors has lagged behind that of export-oriented sectors. In spite of a 5% reduction in interest rates between December 2008 and August 2009, the huge increase in household indebtedness, which had taken place between 2002 and 2008, has left its mark in terms of reluctance on the part of households to incur more debt. The introduction of the National Credit Act two years ago has made it more difficult for individuals and businesses to borrow than was the case prior to the introduction of the Act. However, one assumes that the loss of employment amongst many consumers has also weighed down upon their ability and willingness to borrow to fund their spending.

Nonetheless, the impact of sharply lower interest rates is bound to filter through into boosting growth of consumption expenditure with a lag. With interest rates likely to remain at current low levels for the foreseeable future, due to the prospect of inflation declining back into the 3% to 6% inflation target, the financial health of households and businesses should continue improving, in such a way as to sustain economic recovery. Furthermore, asset prices have recovered more recently, generating increased optimism about economic prospects. The holding of the FIFA World Cup football tournament in June and July this year is also bound to provide some boost to consumer spending. However, at no stage does one anticipate a recovery in the growth of consumer spending anywhere near to the levels seen earlier in the decade, primarily because of the ongoing high burden of indebtedness.

Whilst there has been a sharp decline in private sector fixed investment in the wake of a loss of confidence during the recession, government's massive infrastructural investment programme is likely to provide some ongoing underbelly to capital formation. According to the February 2010 budget, the public sector intends to spend no less than R846 billion on infrastructural developments, especially in areas such as new power stations, improvements in the rail network, water supply and tele-communications, during the next three years. Even if the full programme is not implemented in the time-span available, the opportunities provided to all sorts of industries by this programme should assist in promoting economic growth in the medium-term.

One may look forward to 2010 being a much better year economically for the country than 2009 proved to be.

South Africa's economic managers, as in the case with several other countries, have been faced with a sharp reduction in tax revenues as a result of the recession. Simultaneously, government expenditure has been expanded to serve as a contra cyclical spur for growth. The government is clearly relying on the prospective improvement in economic growth to raise tax revenues. In this way, South Africa's government, as with other governments around the world, hopes to engineer a reduction in fiscal deficits over the next three years, so as to enable the enormous increases in public debt levels incurred through fiscal stimulus, to be contained. The fundamental risk to this scenario lies in the fact that much of the monetary stimulus injected into the world economy is driving a renewed bubble in asset prices, which could get out of hand only to be followed by another sharp slump in financial markets. Under such circumstances, the increases in tax revenues anticipated with renewed sustainable growth will not be forthcoming, leaving governments with no room for manoeuvre to escape from another recession, should it materialise. Nonetheless, South Africa is in the fortunate situation of starting off its fiscal deficit expansion from a position in which, following a decade of strict fiscal rectitude, its public debt levels have been lower than in most other

Chairman and Chief Executive's Statement
(continued)

countries. Therefore, in spite of budgeting for a sharp increase in public debt, the latter will still be at a relatively modest level in three years time.

Al Baraka Banking Group

The 2009 financial year saw the Bahrain-based Al Baraka Banking Group increase its stake in South Africa's Al Baraka Bank from 53,6% to 56,3%.

In addition, the group approved a proposal to further increase its shareholding in the South African subsidiary as and when possible as a means of growing its influence in South and Southern Africa.

The move is a clear demonstration of the internationally-acclaimed Al Baraka Banking Group's confidence in both its South African subsidiary and in the potential of the market in this country. Critically, the group's increased shareholding in South Africa's Al Baraka Bank means that our financial institution is now perfectly positioned for renewed growth at a time when the country's economy is beginning to show encouraging signs of recovery in the aftermath of the global financial crisis and credit crunch which devastated economies across the world and led to recession in many countries, including South Africa.

Al Baraka Banking Group has a shareholding in banking units in no fewer than twelve countries, employing some 7 250 members of staff world-wide. The group, with assets totalling more than US$13,2 billion, achieved net profit of US$167,4 million in the 2009 financial year. In addition, the group was successful in securing a licence for a new banking unit in Syria during the course of the 2009 financial year, in line with its ongoing endeavour to increase its global banking footprint.

Importantly, too, the 2009 financial year resulted in the implementation by the group of a bold re-branding exercise, creating a single corporate identity for all its subsidiary banking units and aligning these units to the group's business objectives. This single, unified brand identity has effectively strengthened Al Baraka Banking Group's position as a world leader in the Islamic banking environment and cements the status of all its subsidiaries – including Al Baraka Bank in South Africa – as integral business elements within one of the largest Islamic banking groups in the world.

Indeed, Al Baraka Banking Group's new international brand is a symbol of partnership between banks in the group and their clients. Accordingly, the positioning statement 'Your Partner Bank,' is indicative of the fact that shared beliefs create strong bonds; bonds which form the basis of long-term relationships between clients and their bank.

Pleasingly, two highly prestigious awards were bestowed on Al Baraka Banking Group during the review period. The group was presented with 'The Best Islamic Globalisation Effort Award' during the Islamic Business & Finance Magazine's awards ceremony in Dubai, while the 2009 World Islamic Banking Conference conferred 'The Islamic Banker of the Year Award' on Mr Adnan Yousif, president and chief executive officer of Al Baraka Banking Group in Bahrain, and also the chairman of Al Baraka Bank in South Africa. This was the second time Mr Yousif has received this highly prestigious award.

The group, greatly humbled by the industry's double award nominations in 2009, is inspired to utilise such recognition as further evidence of its efforts to better serve its clients throughout the world.

Shariah banking

We take great pride in the fact that Al Baraka Bank is South Africa's only fully-fledged Islamic banking institution and, accordingly, are pleased to re-affirm our commitment to ensuring the bank's Shariah compliance in all its business operations going forward.

Our bank is a member of the Bahrain-based Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), an organisation respected around the world for the standards it lays down and by which our financial institution abides. In addition, we recognise the need to take direction in terms of the activities of the bank, as regards Shariah, from the Shariah Supervisory Board, which is an independent body of specialist jurists in Islamic commercial jurisprudence. Lastly, we make every effort to ensure the ongoing training of members of our staff in Shariah compliance, pertinent to all aspects of our business.

We place great emphasis on our internal Shariah controls; controls which actively afford us the opportunity to demonstrate both our commitment and adherence to absolute Shariah compliance in all that we do. Against this background, we confidently display our Shariah Certificates, issued to us by the Shariah Supervisory Board, throughout all our branches and operations for the benefit of both existing and prospective clients.

During the period under review our continued compliance with Shariah was confirmed through audits undertaken by the Shariah Supervisory Board, indicating that the bank had met the standards laid down by AAOIFI.

Corporate governance

On 1 September 2009, the much-awaited King Report on Governance for South Africa 2009, or King III as it is more popularly referred to, was released. Whilst King III only became effective from 1 March 2010, Al Baraka Bank has taken the necessary steps to ensure that the principles contained in King III are appropriately applied to the business of the bank.

The year under review also brought about changes to the financial sector's reporting, in terms of the Financial Sector Charter. Given the uncertainty regarding the Financial Sector Charter, the bank is closely monitoring developments in this regard through the Banking Association of South Africa, as well as exploring reporting in terms of the Black Economic Empowerment Sector Codes.

South African financial performance

The 2009 financial year proved to be a difficult period for business and consumers alike in South Africa as the recession tightened its grip on the country in the wake of the global financial markets meltdown.

Pleasingly and in spite of such adverse economic conditions, we marked our 20th year in business with positive results. At a time when other financial institutions were reflecting constraints to growth, Al Baraka Bank achieved growth in assets amounting to a significant 27,3%, which saw the bank exceed the R2,3 billion mark.

The bank's deposit book grew by 31,1%, or R505,5 million, during the year, to exceed R2,1 billion for the first time in the bank's history. This growth in deposits allowed the bank to increase its advances book by 12,8% and its equity financing book by 134,1%, allowing total assets to grow to R2,4 billion.

The impact of the reduction in the Al Baraka Bank profit mark-up during the year resulted in gross income growing by a modest 9,2% in 2009. Net income from operations for the 2009 financial year was 4,4% up from 2008 and amounted to R101,2 million for the year. After accounting for operating expenses and taxation, net profit for the year was R18,4 million, compared against R21,7 million achieved in 2008.

During the 2009 financial year we successfully built on the foundation created during the previous reporting period when we secured a licence allowing us to deal in foreign exchange sales within the international travel market. This addition to our growing range of financial products proved an instant success, with sales exceeding budget in the first full year of operation in spite of our being limited to only the buying and selling of notes and traveller's cheques.

We constantly look to expand our already comprehensive bouquet of Shariah-compliant products, creating a full range of contemporary financial services, not only for the benefit of our existing clients, but to better position the bank to break into new markets; markets interested in an alternative banking method, but requiring products and services comparable with those offered by traditional mainstream banks.

In this regard, the review period heralded a major milestone in Al Baraka Bank product development and the fulfilment of an undertaking we announced during the 2008 financial year, that of the launch of electronic banking, inclusive of the provision of a debit card and the introduction of six ATMs around the country.

We firmly believe that the advent of internet banking and debit card availability, as well as our overall aims in the country, will effectively transform Al Baraka Bank, taking our business to a new level because, for the first time in our history, we are able to offer clients and prospective clients both within and outside our traditional market a totally holistic banking solution.

The launch of this competitively priced product resulted in the immediate growth of our business footprint in South Africa, ensuring access for those who, by their geographic location, had limited or no possible interaction with our bank in the past.

The review period saw the product totally integrated within our retail client base as well as being rolled-out on a limited basis to our business clients. Full business integration is anticipated in 2010.

Dividends

We are pleased to confirm that the board approved a dividend of 45 cents per share for the 2009 financial year, constituting the fourth consecutive year that the bank has paid a dividend for the benefit of our shareholders.

Chairman and Chief Executive's Statement
(continued)

Head office relocation and business growth

The long-awaited head office relocation to our iconic new premises at Durban's Kingsmead Office Park in the heart of the city's financial district occurred during the 2009 financial year. The move was the realisation of a long-held dream and co-incided with the celebration of our 20th year in business in South Africa.

The building, which also accommodates one of our two Durban-based branches – Kingsmead Branch – and our Durban corporate component, epitomises the professional image we seek to project as a subsidiary business unit of the leading international banking group, Al Baraka Banking Group, and provides our clients with banking facilities which better reflect their expectations of their financial institution of choice and ushers in a new era in Islamic banking in this country.

During the review period we also officially opened a second branch in Durban, strategically located in Overport on the Berea, so growing our national footprint to six retail facilities country-wide. As a niche-market bank, we believe we have a responsibility to our clients to provide ease of access, convenience and security.

On the corporate business front, we followed our 2008 opening of corporate offices in Cape Town and Port Elizabeth with a dedicated corporate office in Gauteng, bringing our corporate office network in South Africa to four fully-fledged business operations. Our corporate offices are geared to providing a dedicated service to our large business clients and, pleasingly, the introduction in Gauteng of this business component proved an instant success.

We remain committed to bringing our retail and corporate services closer to the people we serve, so playing an active role in making their interactions with Al Baraka Bank easier. We will also strive, as the bank further develops, to establish additional branches in other areas of South Africa as a means of remaining at the leading edge of Islamic banking in South Africa.

Al Baraka Bank now has retail branches in Durban, Athlone in Cape Town, Laudium in Pretoria, and Lenasia and Fordsburg in Johannesburg, as well as corporate offices in Durban, Cape Town, Gauteng and Port Elizabeth.

Information technology

Al Baraka Bank embarked on the implementation of a project to replace its core banking system during the 2009 financial year, through the adoption of the Equation Islamic Banking and Branch Automation System, which is expected to improve our bank's competitive edge.

The introduction of the new banking system is in line with Al Baraka Banking Group's overall international strategic direction and will realise a reduction in business costs through the automation processes and attendant operational efficiencies. It is further recognised that the Equation banking system's set of relationship management tools allow staff a 360° view of client profiles and dealings with the bank, leading to significantly improved levels of customer service.

Corporate social investment

South Africa is faced with severe and critical socio-economic issues affecting millions of its people. Poverty and the under-development of people are major inhibitors to the country reaching its true potential.

Business is increasingly playing a leading role in addressing matters relating to the socio-economic development of historically disadvantaged people in this country, and Al Baraka Bank is no exception in this regard. We believe that this country's business community has a duty to assist in contributing towards overcoming the many socio-economic challenges the country faces.

Accordingly, the bank has in place a comprehensive Corporate Social Investment Programme designed to address social and economic matters within five distinct fields, namely education, humanitarianism, health, security and poverty alleviation.

During the 2009 financial year, we committed R16,5 million to Corporate Social Investment initiatives to the benefit of a range of charities and charitable organisations around South Africa. Of this amount, some R2,9 million was dedicated to a number of disadvantaged schools for infrastructural and equipment improvements, given that it is our belief that South Africa's future success is founded on the delivery of sound education for all today.

Future prospects

The bank has created a solid foundation within our niche business market environment, is aligned to the business objectives of Al Baraka Banking Group and is well-positioned for a further period of pragmatic growth in an improving economic environment.

It is our intention to look to significantly increasing return on equity and to intensify our focus on both the Gauteng and Western Cape regions of South Africa as we firmly believe that these are areas of potential for our bank's continued growth.

In addition, we aim to provide our clients access to expanded Shariah-compliant products and to continue identifying new products and services to swell our already extensive product bouquet for the added benefit of our existing client base and prospective clients.

Importantly, the Banking Association has created a sub-committee for Islamic banking, which we regard as a significant and, indeed, most encouraging decision going forward. Similarly, a National Treasury initiative, under the auspices of the Minister of Finance, has seen the establishment of a task team to promote the advancement of Islamic banking in the country and to establish South Africa as a leader in Islamic banking on the African continent. This builds on the previous Minister's action in advancing Islamic banking in this country.

We, at Al Baraka Bank, welcome this initiative and regard it as an ideal springboard for our expansion into this country's mainstream financial environment.

Lastly, we recognise that 'partnership' is integral to our new brand identity and we fully embrace the concept of partnership between the bank and all the clients and communities we exist to serve. It is our goal to further enhance the relationships we have established with our clients in the interest of the consistent delivery of service excellence into the future.

Appreciation

The 2009 financial year proved to be a most challenging year; a year which will become etched in history as the culmination of perhaps the worst global economic crisis since the Great Depression of the 1930s. Recession engulfed the globe, resulting in a sharp drop in international trade, rising unemployment and slumping commodity prices. South Africa did not escape the meltdown and experienced a pronounced deceleration of economic activity. In spite of such negative influences, Al Baraka Bank – thanks to its strict adherence to Islamic business principles – escaped many of the more devastating effects of the world-wide financial crisis, although the local economic downturn did have a marked negative effect on our day-to-day business.

It is testament, then, to the sound leadership displayed by our board, the commitment of members of our executive and staff and the loyalty of our clients that we weathered these difficult business conditions to reflect substantial growth in assets and deposits under these circumstances. We rose to the challenge and emerged the stronger and more resilient for the experience. This would have been impossible without the dedicated support of all those involved with our bank.

We therefore take this opportunity to extend our most sincere thanks to Al Baraka Banking Group in Bahrain for the unstinting support and guidance it has provided and the business confidence it has actively displayed towards our financial institution. Equally, we gratefully acknowledge the experience and expertise which our members of the board bring to the company and for their ability in providing sound strategic direction through the difficulties associated with the turmoil of economic upheaval during the review period.

We acknowledge members of our executive management and staff for their commitment to the bank and its numerous clients in extremely trying conditions. We also thank our many loyal clients for their ongoing support.

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

……………………….

Adnan Ahmed Yousif
Chairman

Shabir Chohan

………………………….

Shabir Chohan
Chief Executive

19 March 2010
Durban

Human Resources Report

The 2009 financial year brought with it the reward associated with embracing change and culminated in new standards and approaches being adopted by the bank, adding value to both staff and the company.

In addition, the appointment of a qualified industrial psychologist as the bank's human resources manager during the review period helped shape the human resources vision towards continuous growth and innovation, in order to improve the effectiveness of systems, processes and procedures.

Organisational design

By way of creating consistency and professionalism with regard to documentation, world-class templates have been applied to human resources policies and procedures, job descriptions and other key elements. This initiative explored the best practice approach to human resources through the use of organisational design, thereby advocating a culture of continual development and a degree of re-invention. This has the effect of projecting high standards and further serves to promote excellence as regards the human resources offering.

Recruitment and selection

In an effort to streamline the selection process, resulting in high calibre prospective staff candidates, a more scientific stance has been effected, which includes targeted selection and competency-based questioning. This, in essence, provides a form of predictive quality in understanding how candidates are likely to behave in a typical work scenario. Together with the use of psychometric testing and assessments for specific positions, the bank is able to ensure that the best talent is placed appropriately. In addition, the inception of a clearly defined recruitment and selection policy re-conceptualised the perception towards this critical area within the bank. The vision for this change is to attract accurately, develop purposefully and succession plan effectively.

Training and development

Striving to become more strategic within the training department was a focus area during the period under review and this approach will be continued into the future. Changing the mindset of managers and convincing them to embrace training for the benefit of their teams in a planned and structured way allowed for the functional area to be managed professionally. This ensured that all training requirements became clearly identified and efficiently planned.

Designated morning sessions provided the time for group-wide communication and training facilitation, which has been greatly enhanced through video and teleconference connections. A total 9 078 hours of training were provided during the 2009 financial year, clearly indicating the commitment to a developmental culture. Management training, known as Beyond Leadership: Perfecting your Leadership DNA, was approved through the Bank SETA and provided the platform for a unified framework towards management.

Al Baraka Bank's Shariah Department, in collaboration with the Bank SETA, also contributed towards another significant milestone for the bank by playing an instrumental role in developing an Islamic Banking Module for the banking industry. In this way, Islamic banking may be better understood and embraced.

During the period under review, one of the bank's managers and his team was publicly acknowledged by the Bank SETA's International Executive Development Programme (IEDP) for delivering a most impressive dissertation on A Lending Product Targeting Low-cost Housing Consumers. We regard this as yet another accolade for the bank in terms of human development.

Personal branding and image

With the recent advent of a new corporate brand for Al Baraka Bank, the overall image and, with it, personal grooming within the company was revisited. This resulted in an exciting all-new dress code for the bank's female members of staff. The resultant look exudes professionalism and is most certainly in keeping with the bank's values.

Graduate programme

During the review period, human resources added additional structure to the bank's graduate programme, so ensuring that it remained in line with the highest of standards and those participating graduates, departments and the bank itself would all enjoy mutual benefits. Two candidates have been selected for the 2010 year-long graduate programme.

Best company to work for survey

The best company to work for survey, which aims to understand perceptions, was introduced in the 2008 financial year and will be continued going forward. The 2009 survey demonstrated change in areas that yield long-term impact, such as performance management, training and development. A dedicated committee has been integral to the decision-making process.

Workforce	AIC*		White		Total		Grand Total
	M	F	M	F	M	F	
Executive management	2	-	2	-	4	-	4
Professionally qualified and experienced specialists and mid-management	27	7	2	2	29	9	38
Skilled technical and academically qualified workers, junior management, supervisors	49	36	2	-	51	36	87
Semi-skilled and discretionary decision-making	23	57	-	-	23	57	80
Unskilled and defined decision-making	3	5	-	-	3	5	8
Total	**104**	**105**	**6**	**2**	**110**	**107**	**217**

**AIC = African, Indian and Coloured*

"the bank is able to ensure that the best talent is placed appropriately"

Information Technology Report

The 2009 financial year has been characterised by the bank's achievement of a series of phenomenal landmark milestones, with the Information Technology division providing the integral support component of its operational and technological hub.

The implementation of technologies outlined below are strategically geared towards improving operational efficiencies, enhancing a high-level of customer service, targeting medium to long-term cost reduction strategies, continuous improvement in systems and security standards which are in line with global practices, whilst pointedly contributing to the bank's competitive edge.

Significant developments and implementations include the relocation of the bank's head office, and both Durban's corporate and retail branches to our iconic new premises at Kingsmead Office Park. This mammoth undertaking involved migrating the contents of the computer data centre, as well as all end-user computing systems to the new premises, whilst concurrently upgrading the national data network from the older frame relay technology to the newer MPLS (Multi-Protocol Labelling Switching) network with its higher capacity.

The office relocation marked a further turning point with regard to a number of technological advancements which, after several months and in some cases years of planning, were realised in tandem with the relocation process. The introduction of certain concepts and technologies, such as virtualisation and rationalisation were factored into the process as part of the bank's technological roadmap.

Technologies implemented during this period included a state-of-the-art computer data centre with virtualised servers, high-capacity power generator and UPS devices, advanced access control and CCTV security systems, a high-performance gigabit local area network, utilising fiber-optics, globally recognised intelligent routing and switching devices, integrated public display and audio-visual systems and Voice-Over Internet Protocol (VOIP) telephony.

On the electronic banking front, we introduced the much-anticipated new debit card product, coupled with the launch of Al Baraka Bank's own ATMs and internet banking services. By utilising the very latest in technologies, the bank now enjoys high levels of security and service delivery mechanisms, comparable with some of the leading financial institutions in the market. Since mid-2008, the bank has been actively working on replacing our Core Banking Systems with a view to enhancing business technologies and addressing a number of objectives, such as improved branch automation and customer service, consolidated reporting, flexible development and product expansion capabilities, anti-money laundering monitoring and the like. The project, dubbed 'M2E,' representing the bank's 'Mission to Excellence,' showed significant progress during the review period, with user acceptance testing, the fine-tuning of system enhancements and migratory processes and organisational-wide roll-out planning.

The ensuing period is envisaged to be a year of consolidation, streamlining and improvement of cost and operational efficiencies, without losing sight of strategic projects, such as the core banking systems replacement, electronic business and corporate banking services, continued rationalisation and business process re-engineering.

Furthermore, local regulatory and industry trends have prompted organisational introspection, which Al Baraka Bank subscribes to, with the emphasis on corporate and IT governance, as outlined in King III, with a view to harnessing and recognising IT value as an integral component of business. In addition, the bank seeks to research the feasibility of implementing a local disaster recovery centre, coupled with high-availability solutions to sustain its core business environment on a 24-hour, seven-days-a-week basis as a part of its technology roadmap for the future.

Corporate Governance Report

Introduction

The board of directors acknowledges that good corporate governance is central to Al Baraka Bank's business operations and fully endorses the principles of corporate governance as set out in King II. The board furthermore recognises that conducting the business of the bank with integrity and in accordance with good corporate governance practices is essential to securing the trust of its stakeholders, which is, in turn, fundamental to the success and sustainability of the business.

King II currently forms Al Baraka Bank's governance framework, with the directors acknowledging that the spirit of good corporate governance should always prevail over issues of form. Having assessed its governance framework against the relevant statutes, regulations and other directives which also serve to shape the conduct and business operations of the bank, the board is satisfied that Al Baraka Bank has, in all material respects, complied with the requirements, as well as the spirit of King II, with regard to the year under review.

On 01 September 2009, the King Committee released the third report on Corporate Governance in South Africa, which is referred to as King III. Numerous changes which have been brought about in terms of international governance trends, combined with the new Companies Act, No. 71 of 2008, necessitated revisions to the existing King II framework. Whilst disclosure in terms of King III is only required with effect from 01 March 2010, Al Baraka Bank has established a project team whose mandate it is to ensure that the principles and recommendations of King III are proactively addressed, in preparation for its implementation.

Having considered King III and the revised corporate governance landscape arising from its 'apply or explain' philosophy, the board is satisfied that Al Baraka Bank's governance structures are capable of meeting the revised reporting requirements.

Corporate governance ethos

Whilst the board of directors remains the focal point of the bank's corporate governance system, it is assisted by the directors' affairs committee in ensuring that good governance practices become part of the bank's everyday business and way of life.

Through the application of its corporate governance ethos, the bank seeks to maximise stakeholder value, whilst simultaneously ensuring that it complies with applicable legislation, regulations and codes, which form part of the bank's legal and regulatory framework.

During the course of 2009, the board conducted an assessment of the processes relating to corporate governance, internal controls, risk management, capital management and capital adequacy, as implemented by the bank throughout the year under review. Based on its assessment, the board is satisfied that the bank has successfully achieved the corporate governance objectives determined by the board.

Board of directors

Structure

The board of directors is responsible for the performance and affairs of the bank, and bears ultimate responsibility for the governance of the bank. Al Baraka Bank has a unitary board structure, with the functions and roles of the chairman and the chief executive being separate and distinct.

The board comprises twelve directors, five of whom are independent non-executive directors and four of whom are non-executive. The remaining three directors include the chief executive, the deputy chief executive and the financial director, all of whom are executive directors.

The independence of directors is a function of the definitions set out in King II, whilst the definition of a director acting independently in terms of the Corporate Laws Amendment Act also serves to inform the classification of non-executive directors with specific reference to the audit committee. Whilst complying with these requirements, the board is of the opinion that directors should also be independent in thought and deed. The board is satisfied that through the presence of its independent non-executive directors, sufficient independent thought is brought to board discussions and, ultimately, board decisions. By virtue of their different sets of skills, knowledge and expertise, the directors are able to discuss board matters vigorously and constructively, leading to informed decisions.

The board is satisfied, having taken cognisance of the nature of the business environment within which the bank operates, together with the size and corresponding complexity of its business operations, that it has an appropriate ratio of non-executive directors to executive directors. No new appointments were made to the board of directors for the year under review.

Corporate Governance Report
(continued)

Skills and attributes of directors

Al Baraka Bank's board consists of directors who possess a diverse range of skills, experience and knowledge, which are required to meet the challenges confronting the business operations of the bank. Through their mix of skills, the directors are able to fulfill their obligations in a responsible and competent manner.

The directors' affairs committee, in accordance with its charter, regularly reviews the composition, skills, experience and other qualities required of directors to ensure that the composition of the board remains appropriate to meet the requirements of the bank.

Strategy

As the body ultimately responsible for the overall performance of the bank, the board is responsible for formulating the bank's strategy. The board also monitors management in its implementation of board-approved plans and strategies.

Delegation of authority

The board has established a governance structure comprising various board committees, through which the board is able to retain effective control of the business. The board committees serve an important function in that they provide the board with a specific focus in terms of specialised areas of the bank's business.

The board has delegated prescribed powers of authority to the chief executive, the deputy chief executive and the financial director to effectively and efficiently manage the affairs of the bank on a day-to-day basis. However, it is important to note that such delegation of authority from the board to the respective board committees and management of the bank, does not mitigate or dissipate the discharge by the board collectively and the directors individually of their duties and responsibilities.

Delegated authorities are regularly reviewed by the board in order to ensure that they remain relevant and applicable to the business requirements of the bank.

Director training and induction

Director training and development remains a key area of focus, with director training being scheduled throughout the course of the year. Directors are encouraged to attend external training programmes, such as the Banking Board Leadership Programme, which is offered through the Gordon Institute of Business Science (GIBS), as well as other courses which are relevant to the business of the bank. Such programmes include risk management and ongoing corporate governance education.

The legal environment in which the bank operates is subject to numerous changes and it is imperative that the directors are aware of such legislative developments which could have an impact upon the operations of the bank. One such development has been the formulation of the new Companies Act, which is expected to become effective during the course of 2010.

Training with regard to new legislation and regulations is provided internally or through appropriate external service providers. Through this training, directors are kept informed on a regular basis of the evolving legal environment within which the bank operates.

Upon appointment, directors are presented with a governance portfolio which contains information relevant to the business of the bank. The portfolio comprises information such as policies, key legislation, mandates, governance structures and financial reports.

Newly appointed directors undergo a process of induction, whereby they are introduced to management and staff. Through such a process of induction, new directors are effectively introduced to Al Baraka Bank's operations. This, in turn, equips directors with an understanding of the business of the bank.

The prior approval of the Registrar of Banks is required for the appointment of directors to the board.

Board evaluation and effectiveness

A number of evaluations are conducted in order to determine the effectiveness of the board and its committees. The process of evaluation is facilitated by the directors' affairs committee, which then makes appropriate recommendations to the board. The performance of the chairman and chief executive is also assessed on an annual basis.

The board is satisfied that the board committees have successfully fulfilled their mandates.

Board meetings and procedures

The board meets regularly throughout the course of the year, in accordance with the board meeting schedule, which is prepared in consultation with the directors. The board is required, in terms of its articles of association, to hold four meetings a year. However, additional board meetings may be convened as and when circumstances dictate the need for an additional meeting. Through its regular board meetings, the board is able to retain full and effective control over the bank and its operations, whilst also monitoring management's implementation of approved strategy and business plans. All directors are expected to attend board meetings, as well as meetings of the relevant board committees on which they serve. Should directors not be in a position to attend the meetings in person, the bank provides tele-conferencing facilities, thereby enabling those directors to fully participate in board discussions and decisions.

Directors' interests in contracts are disclosed at every meeting of the board and board committees. In order to ensure director participation at board and board committee meetings, board documentation is distributed to directors well in advance of meetings. During the course of the year under review, the board took a decision, in support of its environmental awareness, to receive electronic board documentation as opposed to the more traditional paper-based approach.

The tabling of late submissions at board meetings constitutes the exception rather than the rule, although directors are nevertheless at liberty to place additional matters onto the agenda for discussion purposes. The board agenda is appropriately structured, thereby allowing the directors sufficient time to focus on key issues for discussion at meetings.

Directors are entitled to seek independent legal advice in fulfillment of their duties, at the bank's expense, should they require such advice. Directors also have unrestricted access to all the bank's information, records, documents and property. They may also meet separately with management, in the absence of executive directors. Such meetings with management are co-ordinated through the office of the chief executive.

The board has formulated a charter, the key features of which are set out below:

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

Director attendance at the five board meetings held in 2009 is as follows:

Member	January	March	June	October	December
AA Yousif (Chairman)	✓	✓	✓	✓	✓
SA Randeree (Vice chairman)	✓	✓	✓	✓	✓
F Kassim	✓	✓	✓	✓	✓
A Lambat	✓	✓	✓	✓	A
Adv. AB Mahomed SC	✓	✓	✓	✓	✓
MS Paruk	✓	✓	✓	✓	✓
YM Paruk	✓	✓	✓	✓	✓
OA Suleiman	✓	✓	✓	✓	✓
M Youssef Baker	✓	✓	✓	✓	✓
SAE Chohan (Executive director and chief executive)	✓	✓	✓	✓	✓
MG McLean (Executive director and deputy chief executive)	✓	✓	✓	A	✓
MJD Courtiade (Executive director and financial director)	✓	✓	✓	✓	✓

✓ = Attendance A = Apology

Board committees

In terms of its board charter, the board has established a number of committees to assist it in discharging its duties and responsibilities. Board committees currently consist of the risk and capital management committee, the audit committee, the board credit committee, the directors' affairs committee and the remuneration committee.

The board committees possess formal terms of reference, which are reviewed and approved annually by the board. Such terms of reference were recently amended to proactively align them with the requirements of King III.

As part of the board's commitment to the principles of disclosure and transparency, the chairmen of the respective board committees are required to provide feedback to the board regarding the key issues discussed at recent board committee meetings.

The minutes of previous board committee meetings are also included in subsequent board documentation, thereby ensuring that the board is kept well informed of developments at board committee level.

Board committees may seek independent professional advice on any matter which it is required to consider, where this may be deemed necessary.

Notwithstanding the existence of the board committees, the board acknowledges that it is ultimately accountable and responsible for the performance and affairs of the bank, as required in terms of King II.

The composition of the board committees was reviewed during the first quarter of 2009, in order to ensure their continued optimal performance. The company secretary is secretary to the board committees, with the exception of the remuneration committee.

In addition to the board committees which have been established, a number of management committees have also been established with the purpose of assisting the board and board committees in carrying out their duties and responsibilities.

These committees include the executive management committee (EXCO), the executive credit committee (ECC), the management risk committee, the FICA executive committee, the IT steering committee and the assets and liabilities committee (ALCO).

Risk and capital management committee

The role of the risk and capital management committee is to assist the board and management to successfully manage, communicate, oversee and take responsibility for the governance of risks across the bank.

The risk and capital management committee fulfills its role by, inter-alia:

- Assisting the board in its evaluation and monitoring of the adequacy and efficiency of the risk management policies, procedures, practices, controls and plans applied within the bank in the day-to-day management of its business;
- Developing a risk mitigation strategy to ensure that the bank manages the risk in an optimal manner and to assist the board in ensuring that a formal risk assessment is undertaken at least annually;
- Identifying and regularly monitoring all key risks and key performance indicators to ensure that its decision-making capability and the accuracy of its reporting is maintained at a high level;
- Determining the levels of risk tolerance/appetites at least once a year, setting limits for the risk appetites and monitoring that such risks taken are within the tolerance and appetite levels;
- Having in place frameworks and methodologies to anticipate unpredictable risks;
- Ensuring that management considers and implements appropriate risk responses identified and noted in a risk register;
- Approving new products and ensuring that adequate measures have been taken to address all related risks before making recommendations to the board for the approval of such products; and
- Ensuring that the risk management process is in line with the group's risk management strategy.

The risk and capital management committee met on four occasions during 2009.

In addition to the members, the meetings of the risk and capital management committee were also attended by the chief executive, the compliance officer and the internal audit manager.

Membership and attendance: risk and capital management committee meetings in 2009

Member	January	June	October	December
YM Paruk (Chairman)****	✓	✓	✓	✓
MS Paruk	✓	✓	✓	✓
Adv. AB Mahomed SC	✓	✓	✓	✓
SAE Chohan (Executive director and chief executive)*	✓	-	-	-
MG McLean (Executive director and deputy chief executive)*	✓	-	-	-
MJD Courtiade (Executive director and financial director)	✓	✓	✓	✓
A Lambat (Chairman)***	-	✓	✓	✓
M Youssef Baker**	-	✓	✓	✓
OA Suleiman**	-	✓	✓	✓
Y Nakhooda (Risk manager)**	-	✓	✓	✓

*✓ = Attendance   - = Not a member   * = Resigned 30/01/2009   ** = Appointed 30/01/2009   *** = Appointed chairman 30/01/2009   **** = Resigned as chairman 30/01/2009*

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

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A Lambat

Chairman: risk and capital management committee

Audit committee

The role of the audit committee is to assist the board of directors in discharging its responsibilities by:

- Ensuring the identification and management of financial risks, integrity of reporting practices, financial controls and integrated reporting, such as sustainability reporting as per statutory requirements;
- Safeguarding the company's assets;
- Maintaining adequate accounting records; and
- Developing and maintaining effective systems of internal control.

The responsibilities of the audit committee fall into four main areas, including:

- Reviewing the internal control structure, inclusive of financial control, accounting systems and reporting;
- Reviewing and overseeing the internal audit functions;
- Liaising with external auditors; and
- Monitoring the bank's compliance with legal and statutory requirements.

During 2009, the audit committee met on five occasions. Apart from the members of the audit committee, meetings were also attended by the executive directors, representatives from the internal and external auditors, the compliance officer and the risk manager.

The committee also met with the auditors independently of management in 2009.

Membership and attendance: audit committee meetings in 2009

Member	January	February	June	October	December
MS Paruk (Chairman)	✓	✓	✓	✓	✓
Adv. AB Mahomed SC	✓	✓	✓	✓	✓
A Lambat	✓	✓	✓	✓	✓

✓ = Attendance

The audit committee reviewed the following matters in 2009:

- The integrity of the financial statements, together with a recommendation for approval thereof;
- Various reports from internal audit, including the internal audit summary report and the control issues log;
- Progress on the 2008/2009 audit functional plan;
- Shariah audit reports;
- Compliance reports which address the various legal and regulatory provisions;
- IT progress reports;
- Taxation matters;
- Corporate governance issues, including the process of corporate governance, as set out in the Regulations relating to the Banks Act and King III;
- Determination of the audit fees;
- Status of policies and procedures;
- Enhancements to the provisioning methodology according to IAS 39 - Financial Instruments: Recognition and Measurement;
- External audit reports, including the report to the board and the National Credit Regulator in compliance with Regulation 68 of the Regulations to the National Credit Act; and
- Review of the audit committee charter.

The audit committee conducted a review of, and is satisfied with the expertise, experience and resources of the bank's finance function.

Auditor independence

At the annual general meeting held in July 2009, Ernst and Young Inc. was re-appointed by the shareholders as auditors of Al Baraka Bank until the next annual general meeting. The audit committee is satisfied that Ernst and Young Inc. has acted independently of Al Baraka Bank at all times.

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

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MS Paruk
Chairman: audit committee

Credit committee

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

The board credit committee gives effect to its role by:

- Reviewing the bank's credit risk management policy for adequacy and ensuring that such policy is approved by the board;
- Assessing the adequacy of Al Baraka Bank's provisioning policy when deemed necessary, including the review of provisions where credit losses are incurred;
- Approving the write-offs of debtor accounts within its delegated authority;
- Monitoring the credit recovery processes and the progress made on all matters handed over for legal action, including facilities that are long-outstanding and that require additional attention and supervision;
- Reviewing and recommending to the board any change in the strategy, marketing and business plans in respect of any financing activities of the bank; and
- Performing stress testing scenarios in respect of credit risks on a six-monthly basis.

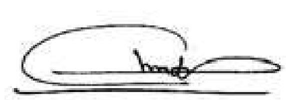
The credit committee met five times during 2009, with management representatives from the credit and legal functions being in attendance at the meetings.

Membership and attendance: credit committee meetings in 2009

Member	January	March	June	October	December
Adv. AB Mahomed SC (Chairman)*	✓	-	-	-	-
MS Paruk	✓	✓	✓	✓	✓
SA Randeree	✓	✓	✓	✓	✓
OA Suleiman (Chairman)***	✓	✓	✓	✓	✓
SAE Chohan	✓	✓	✓	✓	✓
MG McLean	✓	✓	✓	A	✓
MJD Courtiade*	✓	-	-	-	-
EM Hassan (General manager: credit)**	-	✓	✓	✓	✓

*✓ = Attendance A = Apology - = Not a member * = Resigned 30/01/2009 ** = Appointed 30/01/2009 ***= Appointed Chairman 30/01/2009*

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



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OA Suleiman
Chairman: credit committee

Directors' affairs committee

The role of the directors' affairs committee is to, inter-alia:

- Identify, evaluate and recommend nominees to the board of directors and other entities in terms of an agreed process;
- Monitor the adequacy and effectiveness of the bank's corporate governance structures;
- Review the structure, size and composition of the board, taking into account the requirements of board sub-committees and making recommendations to the board regarding any required changes;
- Maintain a board directorship continuity programme which shall include:
  - Succession plans for the chairman and board sub-committees; and
  - Succession plans for executive directors, executive management and other senior management.
- Regularly review the composition, skills, experience and other qualities required for the effective functioning of the board;
- Consider methodologies for the annual assessment of the performance of the board and sub-committees of the board and the contribution of the individual directors by making recommendations to the board; and
- Provide a forum for non-executive directors to meet without executive directors and management, if required to do so by the board.

The directors' affairs committee met on two occasions during the year under review.

In terms of the Banks Act, the membership of the directors' affairs committee consists solely of non-executive directors. The chief executive attends the meetings by invitation.

Corporate Governance Report
(continued)

Membership and attendance: directors' affairs committee meetings in 2009

Member	June	October
SA Randeree (Chairman)	✓	✓
F Kassim*	✓	✓
M Youssef Baker**	✓	✓

✓ = Attendance   * = Appointed 30/01/2009   ** = Appointed 12/03/2009

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

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SA Randeree
Chairman: directors' affairs committee

Remuneration committee

The remuneration committee is:

- Tasked with ensuring that a comprehensive employment equity policy exists that addresses, amongst other things, discrimination, disputes, affirmative action and disciplinary action;
- Responsible for implementing the bank's employment equity policy which addresses, amongst other things, disputes, affirmative action requirements and disciplinary action;
- Responsible for making recommendations to the board on matters such as succession planning, both at senior management and executive management level, general staff policy, performance, remuneration, benefits, bonuses and incentive schemes; and
- Required to ensure that the correct calibre of senior executive management is attracted, retained, motivated and rewarded.

The remuneration committee met on three occasions during the course of 2009.

Membership and attendance: remuneration committee meetings in 2009

Member	March	June	December
Adv. AB Mahomed SC (Chairman)*	✓	✓	✓
SA Randeree	✓	✓	✓
OA Suleiman	✓	✓	✓
SAE Chohan	✓	✓	✓
YM Paruk*	✓	✓	✓

✓ = Attendance   * = Appointed 30/01/2009

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

…………………………

Adv. AB Mahomed SC
Chairman: remuneration committee

Board property committee

The board property committee is a specialist advisory committee to the board. With the successful relocation of the bank to its new head office at Kingsmead Office Park, Durban, the board property committee successfully completed its mandate and has been disbanded. The board property committee met once during 2009.

Membership and attendance: board property committee meetings in 2009

Member	June
MS Paruk (Chairman)	✓
YM Paruk	✓
A Lambat	✓
SAE Chohan	✓

✓ = Attendance

Company secretary

The company secretary provides the board and individual directors with guidance as to how their responsibilities should be properly discharged in the best interests of Al Baraka Bank.

The company secretary also provides a source of guidance and advice to the board, and within the bank, on matters of ethics and good governance. All directors have access to the advice and services of the company secretary, who also facilitates induction and training for directors.

Going concern status

The board has considered and assessed the going concern basis, as set out in the financial statements at the year-end. The board is of the opinion that the business will continue operating as a going concern in the coming year. The board also considers the going concern status of the business at the interim reporting stage.

Organisational integrity

Arising from the board's commitment to conducting business with integrity, a code of conduct has been developed which benchmarks the conduct required of management and staff in their interaction with stakeholders. The code of conduct is reviewed from time to time, in order to take into account the changing business environment within which the bank operates.

Management supports the code by conducting training in terms of the different values and statements recorded in the code. Al Baraka Bank has introduced an independently operated anti-fraud helpline which is available 24-hours-a-day, 365-days-a-year.

Having considered the code in relation to the conduct of staff throughout the year under review, the board is satisfied that the standards of the code are, in all material respects, being upheld.

Financial Sector Charter

With the prevailing uncertainty regarding the future of the Financial Sector Charter, Al Baraka Bank will be looking to undertake a gap analysis with regard to the Codes of Good Practice, as formulated by the Department of Trade and Industry. Developments pertaining to the Financial Sector Charter are also closely monitored through the Banking Association of South Africa.

Sustainability Report

Al Baraka Bank acknowledges the important role which it must play as a corporate citizen in South Africa.

The board has, from an early stage, recognised the significance of reporting on matters impacting upon society and the environment and has, therefore, sought to create a successful business which operates in a responsible and sustainable manner.

Stakeholder relationships

Al Baraka Bank has identified its stakeholders as being inclusive of shareholders, clients, employees, suppliers, communities which the bank serves and various regulators.

Disclosure of information to stakeholders is based upon principles of reliability, relevance, timeliness, transparency and materiality. Mindful of the importance of its stakeholders to the success of the business, the bank has made stakeholder engagement a key objective.

Shareholders are encouraged to attend the bank's annual general meeting, where the chairmen of the respective board committees are present to address queries which shareholders may have. The board supports the view that informed shareholders not only have an appreciation for the business, but are capable of making informed decisions, which will enhance the bank.

Customers provide the bank with a business purpose, with client service excellence remaining a key priority. Al Baraka Bank utilises a number of different methods for communicating with its clients, including the print media, radio advertising and the bank's own website and SMS communication. By virtue of their significance to the business, new clients are contacted on a random basis to ascertain their Al Baraka Bank experiences.

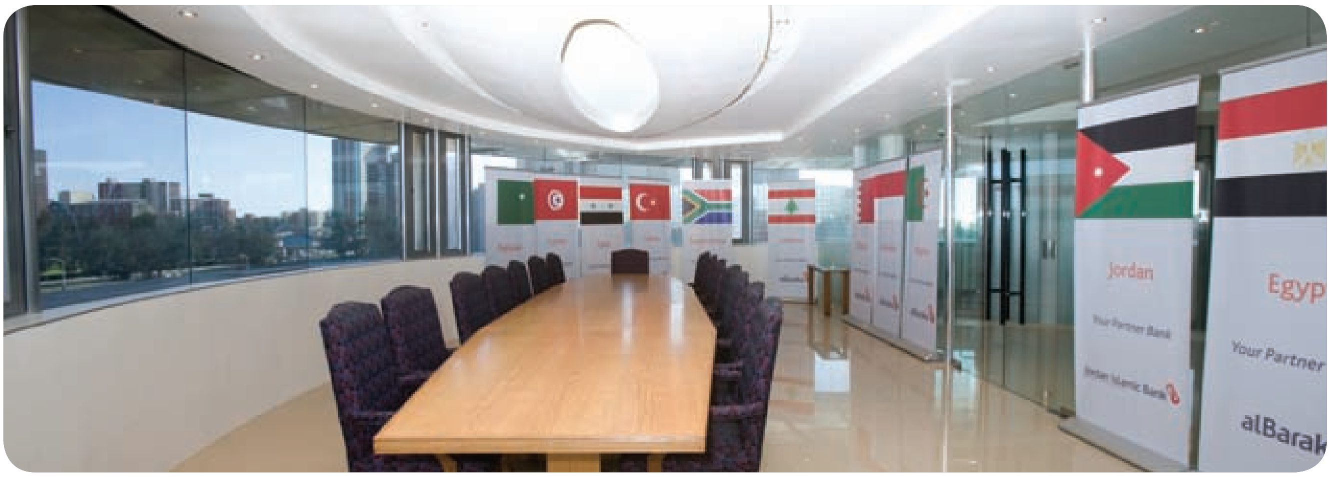
The feedback received has been very encouraging and through this process, client service issues are highlighted and addressed in an efficient manner.

Al Baraka Bank also has a dedicated Customer Service Centre share-call telephone number, for the benefit of clients and this number appears on the bank's promotional materials.

Employees are regarded as being central to the success of the business. As such, Al Baraka Bank strives to ensure that it attracts, develops and retains the best people. In order to assist employees reach their true potential, various training programmes are identified by means of individual development plans.

Set out in the table below is a summary of the skills spend and training hours for the current and preceding two years.

Skills development and training	*2009*	*2008*	*2007*
Skills spend	R769 097	R657 244	R472 549
Total training hours	9 078	9 427	4 129



Occupational health and safety

The health and safety function of the bank is overseen by a fully-established occupational health and safety committee wherein all divisions of the organisation, including the branches, enjoy representation. The committee meets every quarter.

All the necessary appointments, including health and safety representatives, first-aiders, fire marshals, amongst others, have been made and arrangements finalised for the relevant staff to be trained, where necessary. All other requirements of health and safety legislation, inter-alia, fire equipment and first-aid boxes are being met and monitored on an ongoing basis.

The bank's new head office building at Kingsmead Office Park, Durban, presents new challenges, such as glass surroundings, tiled floors, access control, security, surveillance and boom gates, which require heightened consideration by the bank. In this regard the bank has established a safety and security committee, headed by an executive, which meets monthly. All elements of security are dealt with by the committee, covering both head office and the branches. A facilities manager was also employed by the bank and tasked with the responsibility of focusing on health and safety issues concerning the bank. A small number of minor occupational health and safety incidents were reported to the occupational health and safety committee and were dealt with professionally by staff.

The services of an external occupational health and safety expert have also been utilised by the bank to conduct a detailed review of compliance with relevant legislation. The review findings, together with the status of an action plan, are tabled at each monthly EXCO meeting. The expert has also advised the bank on emergency procedures.

Al Baraka Bank is committed to working together with the occupational health and safety committee, management and staff to continuously strive to ensure that we present a clean, safe and healthy environment to all in this business environment.

Environment

Al Baraka Bank, as a banking institution, does not impact the environment to the same extent as do certain other categories of companies. However, the board recognises that it is necessary for all organisations to conserve the environment if we are to have a better life for future generations. Al Baraka Bank impacts the environment in both a direct and indirect manner. The direct manner refers to the way in which the bank manages its branches and offices, whilst the indirect impact has an influence on the nature of the financial decisions made by the bank.

Employees are actively encouraged to reduce the environmental impact of the bank's operations. In this regard, employees are urged to reduce paper consumption and in support of this objective, board documentation is distributed electronically to the directors. Similarly, documentation for internal meetings is also distributed electronically.

Being mindful of the fact that Al Baraka Bank, as a good corporate citizen, has a responsibility to consider the environmental impact of its business operations, an independent environmental consultant was engaged. The purpose of this engagement was to inform management of the key challenges and opportunities which lie ahead in the bank's endeavours to minimise its environmental impact.

As part of its commitment to conserving resources and energy, whilst simultaneously creating a more sustainable working environment and planet, the bank has established a 'green committee' whose mandate is to review all issues concerning the environment.

Transformation

Al Baraka Bank has been fully-committed to the aims and objectives of the Financial Sector Charter, which is a transformation charter as contemplated in the Broad-Based Black Economic Empowerment legislation. The board has always been supportive of the need for transformation and has sought to not only meet, but exceed, targets where possible.

With the current impasse surrounding the future of the Financial Sector Charter, Al Baraka Bank will be conducting an analysis of the Codes of Good Practice, as formulated by the Department of Trade and Industry.

The last report submitted to the Financial Sector Charter Council was confirmed as an 'A' rating, with this verification remaining valid until 31 August 2010.

Corporate social investment

Al Baraka Bank, in line with its vision of providing a financial system which contributes to the development of the community, has in place a comprehensive corporate social investment programme which promotes the social development of needy individuals and organisations by actively addressing socio-economic challenges in five key sectors, namely:

- Education;
- Health;
- Security;
- Poverty alleviation; and
- Humanitarianism.

The bank has played a particularly prominent role in educational and related matters during the 2009 financial year. The bank contributed R16,5 million to various charities and charitable organisations, which included some R2,9 million of equipment and infrastructure as a means of improving a number of historically disadvantaged schools, so ensuring learners are given every opportunity to reach their true potential.

Al Baraka Bank also partnered with the South African Police Services during the 2009 financial year, as well as two previous years, in an effort to actively play a role in initiatives which are designed to assist in the eradication of crime. One such initiative by the bank during the review period was the sponsorship of Garmin navigation systems to the value of R100 000.

Compliance Report

Al Baraka Bank has a compliance function responsible for the monitoring of regulatory and reputational risk.

Regulatory risk is regarded as the risk that the bank could be exposed to penalties and sanctions for not complying with statutory, regulatory and supervisory requirements imposed by the South African Reserve Bank and any other regulatory bodies by which the bank is regulated.

Reputational risk is the risk that the bank could be exposed to negative publicity due to the contravention of laws applicable to the bank.

The primary role of the compliance function is to assist management in complying not only with the letter, but with the spirit of the law and supervisory requirements.

The compliance officer operates under an authority delegated by the board, in terms of a board-approved Compliance Charter, and has unrestricted access to the chief executive, the audit committee and chairman of the board.

Regular updates or reports are submitted to the audit committee, board and South African Reserve Bank in terms of compliance matters. There were no material issues of non-compliance to be reported during the year under review.

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

- **Money laundering control and combating of terrorism legislation**
  The bank spent considerable time, effort and resources devising, implementing and updating appropriate policies and procedures and amendments to system processes, together with appropriate staff training to ensure compliance with applicable legislation. Although the final deadline date for client identification and verification expired on 30 September 2006, a focus on compliance is still being maintained both by the dedicated branch staff and the head office-based FICA project team.

  The bank continued using Compliance Watch software to assist with name matching on terrorist watch lists. This, with the detection and reporting of suspicious money laundering transactions, will be greatly enhanced by way of the bank's new Equation Islamic Core Banking Solution, to be implemented in 2010.

- **Financial Advisory and Intermediary Services Act (FAIS)**
  The bank's application to increase the categories of services offered, in terms of its existing licence, to its clients was approved. A number of activities to ensure compliance with the Act were implemented and include:
  - The identification and appointment of additional key individuals and representatives, the establishment of training requirements and updating of the required register;
  - The creation of the required monitoring and reporting capacity;
  - A review of processes, communication, promotional and other materials to align with the requirements of the Act and codes of consumer protection;
  - The up-skilling of staff to meet the qualification requirements of FAIS; and
  - The updating of the bank's FAIS policy and procedure document.

- **Code of Banking Practice**
  The bank continued with its implementation of the Code of Banking Practice at all branches. Clients were informed of their rights in terms of the code through posters in the banking halls and handbills which were distributed at the bank. Ongoing monitoring of compliance with the code is undertaken and use of 'mystery shoppers' was made for this purpose.

- **The National Credit Act**
  Extensive system changes, staff training, the adaptation of documentation and legal agreements were undertaken so as to meet the requirements of the National Credit Act. Possible regulatory risks have been identified and are monitored to ensure total compliance by the bank. A full review by external consultants is planned for 2010.

- **Home Loan and Mortgage Disclosure Act**
  This legislation was introduced to level the playing field with regard to the obtaining of residential property finance by formerly disenfranchised members of our society. In this regard, extensive system changes have been necessitated by the Act.

Shariah Report

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

To the shareholders of Albaraka Bank Limited

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Al Baraka Bank during the year under review. We have also conducted our review to form an opinion as to whether Al Baraka Bank has complied with Shariah rules and principles and with the rulings set out by the Accounting and Auditing Organisation for Islamic Financial Institutions.

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

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

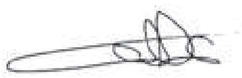
The scope of the audit included:

- Financial statements;
- Murabaha financing;
- Musharaka financing;
- Equity Murabaha transactions;
- Profit distribution;
- Disposal of impermissible income; and
- Foreign exchange transactions.

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

1. In our opinion, the contracts, transactions and dealings entered into by Al Baraka Bank during the year under review are generally in compliance with Shariah rules and principles, subject to certain concerns, namely the following:
   a) In certain cases, as a consequence of inadequate filing, relevant documents relating to Shariah compliance were not available at the time of the audit.
   b) An amount of R7 233 472, representing impermissible income, remains to be distributed.
   c) Certain miscellaneous transactions requiring rectification were drawn to the attention of management.
2. Zakah of the bank was calculated as 31 cents per share. Shareholders are advised to discharge this Zakah individually, as the bank is not mandated to discharge this on their behalf.

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



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Dr Abdus Sattar Abu Ghudda
Chairman
05 February 2010

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Sheikh Mahomed Shoaib Omar
Member

....

Mufti Shafique Ahmed Jakhura
Member

Shariah Supervisory Board

Shariah Supervisory Board of Al Baraka Bank

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

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

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

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

Al Baraka Bank's Shariah Supervisory Board comprises:

Dr Abdus Sattar Abu Ghudda (Syrian) –

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

Sheikh Mahomed Shoaib Omar –

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

Mufti Shafique Ahmed Jakhura –

Mufti Jakhura serves in the Fatwa Department preparing and issuing Islamic juristic rulings at the Darul Ihsan Research Centre in Durban. He has established and heads the Centre for Islamic Economics and Finance SA - a non-profit organisation dedicated to increasing awareness and providing education in the fields of Islamic economics and finance.

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

Shariah supervision of the Futuregrowth Albaraka Equity Fund

The partnered Futuregrowth Albaraka Equity Fund, which is a general equity fund, is managed in strict accordance with Shariah. The fund affords opportunities for Muslim investors seeking a socially and morally responsible investment on the Johannesburg Securities Exchange.

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

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

All investments made by the fund ensure ongoing compliance with Shariah board directives. The local sub-committee meets at least four times a year in order to ensure the execution of its mandate and to report to the Shariah Supervisory Board annually.

Directors' Responsibility Statement & Secretary's Declaration

Directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the group annual financial statements and separate parent annual financial statements, comprising the directors' report, the statement of financial position as at 31 December 2009 and the statement of comprehensive income, the statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

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

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements. The directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

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

Approval of group annual financial statements and annual financial statements

The group annual financial statements and annual financial statements were approved by the board of directors on 19 March 2010 and signed on their behalf by:

…………………………

Adnan Ahmed Yousif
Chairman

Shabir Chohan
…………………………

Shabir Chohan
Chief Executive

Secretary's declaration

The secretary certifies that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, No. 61 of 1973 as amended, and that all such returns are true, correct and up-to-date.

CHBreeds.
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Colin Breeds
Company Secretary
Durban
19 March 2010

Albaraka Bank Limited

Registration number 1989/003295/06

Annual Financial Statements

for the year ended 31 December 2009

Your Partner Bank

Contents

Independent Auditor's Report
to the members of Albaraka Bank Limited and its subsidiary

Report on the financial statements
We have audited the annual financial statements of Albaraka Bank Limited, and its subsidiary which comprise the directors' report, the statement of financial position as at 31 December 2009, the statement of comprehensive income, the statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 91.

Directors' responsibility for the financial statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group as at 31 December 2009, the financial performance of the company and group and the cash flows of the company and group for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc.
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Ernst & Young Inc.
Registered Auditor

19 March 2010
Durban

Directors' Report
for the year ended 31 December 2009

The directors have pleasure in presenting their report for the year ended 31 December 2009.

Nature of the business

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

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

Share capital

The authorised share capital of the company comprises 30,0 million (2008 : 30,0 million) ordinary shares of R10 each amounting to R300,0 million (2008 : R300,0 million). The issued share capital of the company comprises 15,0 million (2008 : 15,0 million) ordinary shares of R10 each amounting to R150,0 million (2008 : R150,0 million).

Financial results

The results of the group and the company for the year ended 31 December 2009 are set out on pages 40 to 91.

Dividends

On 09 June 2009 the directors declared a dividend of 45 cents (2008 : 35 cents) per share amounting to R6,8 million (2008 : R5,3 million) paid to shareholders registered as at close of business on 12 June 2009.

Directors

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

Non-executive		
AA Yousif	(Bahraini)	Chairman
SA Randeree	(British)	Vice chairman
OA Suleiman	(Sudanese)	
M Youssef Baker	(Egyptian)	
Independent non-executive		
F Kassim	(Sri Lankan)	
A Lambat		
Adv. AB Mahomed SC		
MS Paruk		
YM Paruk		
Executive		
SAE Chohan		Chief executive
MG McLean		Deputy chief executive
MJD Courtiade	(French)	Financial director

Secretary

The secretary of the company is CT Breeds whose business and postal address is as follows:

Business address	Postal address	Registered address
2 Kingsmead Boulevard Kingsmead Office Park Stalwart Simelane Street (Stanger Street) Durban 4001	PO Box 4395 Durban 4000	2 Kingsmead Boulevard Kingsmead Office Park Stalwart Simelane Street (Stanger Street) Durban 4001

Subsidiary company

The bank has a wholly-owned subsidiary, Albaraka Properties (Proprietary) Limited, which is engaged in property owning and letting.

	2009	2008
	R	R
Shares	**100**	100
Amount owing	**7 635 683**	47 373 620
Impairment losses	-	(667 976)
	7 635 783	46 705 744

Events after the reporting period

No events have occurred between the financial year end and the date of this report that materially affect the reported results and financial position of Albaraka Bank Limited and its subsidiary company.

Statement of Financial Position
as at 31 December 2009

	Notes	Group		Company	
		2009	2008	**2009**	2008
		R'000	R'000	**R'000**	R'000
Assets					
Property and equipment	3	**115 103**	67 874	**103457**	22 181
Investment in and amount due by subsidiary company	4			**7636**	46 706
Deferred tax asset	5	**7 193**	6 325	**7388**	6 144
Investment securities	6	**6 535**	5 972	**6535**	5 972
Advances and other receivables	7	**2058 904**	1 604 330	**2 058 476**	1 604 323
Cash and cash equivalents	8	**192 901**	186 155	**192901**	186 155
Total assets		**2 380 636**	1 870 656	**2 376393**	1 871 481
Equity and liabilities					
Equity					
Share capital	9	**150 000**	150 000	**150000**	150 000
Reserves	10	**78 853**	66 856	**78280**	66 856
Shareholders' interest		**228 853**	216 856	**228 280**	216 856
Liabilities					
Welfare and charitable funds	11	**7 233**	15 415	**7 233**	15 415
Accounts payable	12	**14 890**	14 229	**11 220**	15 054
Deposits from customers	13	**2 129 660**	1 624 156	**2 129 660**	1 624 156
Total equity and liabilities		**2380 636**	1 870 656	**2 376 393**	1 871 481

Statement of Comprehensive Income

for the year ended 31 December 2009

	Notes	Group		Company	
		2009	2008	**2009**	2008
		R'000	R'000	**R'000**	R'000
Income earned from advances		**186 052**	172 490	**186 052**	172 490
Income earned from equity finance		**27 789**	23 415	**27 789**	23 415
Gross income earned		**213 841**	195 905	**213 841**	195 905
Income paid to depositors		**(121 245)**	(106 406)	**(121 245)**	(106 406)
Net income before impairment for credit losses		**92 596**	89 499	**92 596**	89 499
Impairment for credit losses	7.3.3	**(1 123)**	(2 357)	**(1 123)**	(2 357)
Net income after impairment for credit losses		**91 473**	87 142	**91 473**	87 142
Net non-Islamic income	14	**-**	-	**-**	-
Fee and commission income	15	**7 777**	7 774	**7 977**	7 974
Other operating income	16	**1 944**	1 991	**1 663**	1 693
Net income from operations		**101 194**	96 907	**101 113**	96 809
Operating expenditure	17	**(83 417)**	(65 949)	**(82 787)**	(65 851)
Finance costs				**(1 499)**	-
Profit before taxation		**17 777**	30 958	**16 827**	30 958
Taxation	18	**618**	(9 229)	**995**	(9 229)
Profit for the year attributable to equity holders		**18 395**	21 729	**17 822**	21 729
Other comprehensive income					
Gain/(loss) on available-for-sale financial assets		**489**	(1 660)	**489**	(1 660)
Income tax relating to (gain)/loss on available-for-sale financial assets		**(137)**	465	**(137)**	465
Other comprehensive income/(loss) for the year, net of tax, attributable to equity holders		**352**	(1 195)	**352**	(1 195)
Total comprehensive income for the year, net of tax, attributable to equity holders		**18 747**	20 534	**18 174**	20 534
Weighted average number of shares in issue ('000)		**15 000**	15 000		
Basic and diluted earnings per share (cents)	19	**122,6**	144,9		

Statement of Changes in Shareholders' Equity
for the year ended 31 December 2009

	Share capital	Investment risk reserve	Retained income	General credit risk reserve	Regulatory credit risk reserve	Shareholders' interest
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2009						
Balance at beginning of year	**150 000**	**2 605**	**52 995**	**600**	**10 656**	**216 856**
Total comprehensive income			**18 747**			**18 747**
Profit for the year			**18 395**			**18 395**
Other comprehensive income			**352**			**352**
Dividends paid			**(6 750)**			**(6 750)**
Balance at end of year	**150 000**	**2 605**	**64 992**	**600**	**10 656**	**228 853**
2008						
Balance at beginning of year	150 000	2 605	37 711	600	10 656	201 572
Total comprehensive income			20 534			20 534
Profit for the year			21 729			21 729
Other comprehensive loss			(1 195)			(1 195)
Dividends paid			(5 250)			(5 250)
Balance at end of year	150 000	2 605	52 995	600	10 656	216 856

	Share capital	Investment risk reserve	Retained income	General credit risk reserve	Regulatory credit risk reserve	Shareholders' interest
	R'000	R'000	R'000	R'000	R'000	R'000
Company						
2009						
Balance at beginning of year	**150 000**	**2 605**	**52 995**	**600**	**10 656**	**216 856**
Total comprehensive income			**18 174**			**18 174**
Profit for the year			**17 822**			**17 822**
Other comprehensive income			**352**			**352**
Dividends paid			**(6 750)**			**(6 750)**
Balance at end of year	**150 000**	**2 605**	**64 419**	**600**	**10 656**	**228 280**
2008						
Balance at beginning of year	150 000	2 605	37 711	600	10 656	201 572
Total comprehensive income			20 534			20 534
Profit for the year			21 729			21 729
Other comprehensive loss			(1 195)			(1 195)
Dividends paid			(5 250)			(5 250)
Balance at end of year	150 000	2 605	52 995	600	10 656	216 856

Statement of Cash Flows

for the year ended 31 December 2009

	Notes	Group		Company	
		2009	2008	**2009**	2008
		R'000	R'000	**R'000**	R'000
Cash flow from operating activities					
Cash generated from operations	21.1	**22 940**	35 805	**22 027**	36 102
Changes in working capital	21.2	**50 229**	49 750	**46 943**	49 547
Taxation paid	21.3	**(7 136)**	(17 490)	**(7 923)**	(17 566)
Dividends paid	21.4	**(6 750)**	(5 250)	**(6 750)**	(5 250)
Net cash inflow from operating activities		**59 283**	62 815	**54 297**	62 833
Cash flow from investing activities					
Additions to property and equipment	21.5	**(52 664)**	(39 543)	**(87 416)**	(10 754)
Purchase of investment securities		**(74)**	(31)	**(74)**	(31)
Proceeds from disposal of property and equipment		**201**	258	**201**	258
Decrease/(increase) in investment in and amount due by subsidiary				**39 738**	(28 807)
Net cash utilised in investing activities		**(52 537)**	(39 316)	**(47 551)**	(39 334)
Net cash from financing activities		**-**	-	**-**	-
Net increase for the year		**6 746**	23 499	**6 746**	23 499
Cash and cash equivalents at beginning of year		**186 155**	162 656	**186 155**	162 656
Cash and cash equivalents at end of year	8	**192 901**	186 155	**192 901**	186 155

Accounting Policies
for the year ended 31 December 2009

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 2009 comprise the company and its subsidiary (together referred to as the "group"). 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 available-for-sale 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 estimates and judgements

The preparation of the group's 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 group 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 and is valued independently on a regular basis.

The impairment on advances comprises a specific impairment. The specific impairment is calculated by considering all advances that are categorised as bad (greater than 90 days in arrears). Each advance is then scrutinised to determine whether an 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:

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

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 last five years has been used as the basis for providing the portfolio impairment. In addition, in the current year, management considered external economic and other indicators for their impact on the advances book to ensure that the portfolio impairment catered for the impact of the global financial crisis and its local impact.

3 *Basis of consolidation*

Investment in subsidiary

Subsidiaries are entities controlled by the bank. Control exists when the bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investment in subsidiary is carried at cost less accumulated impairment in the separate company financial statements.

Transactions eliminated on consolidation

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

4 *Property and equipment*

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

Buildings	- Owned	50 years
	- Leased	15 years
Tank containers		20 years
Equipment		5 - 10 years
Vehicles		3 - 5 years
Computer software		3 - 5 years
Computer hardware		3 - 5 years
Leasehold improvements		3 - 5 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 IAS 16. These judgements have been based on past history of the expected future economic benefits to be derived from the assets.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

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

5 *Impairment of non-financial assets*

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

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

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

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

6 *Provisions*

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

7 *Contingencies and commitments*

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

8 *Financial instruments*

Non-derivative financial instruments

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

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

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

Held to maturity investments

If the group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are subsequently measured at amortised cost.

Available-for-sale financial assets

The group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit for the year in the statement of comprehensive income.

Advances and other receivables

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

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

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Investment securities

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

Fair value measurement

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

For more complex instruments, the group uses proprietary models which are usually developed from recognised valuation models. Some or all of the inputs into these models may not be market observable and are derived from market prices or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price.

This initial difference, usually an increase in fair value indicated by valuation techniques is recognised in profit for the year depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable. The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, liquidity risks as well as other factors. These adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

Non-derivative financial liabilities

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

Guarantees

In the ordinary course of business, the bank issues guarantees, consisting of letters of credit, letters of guarantees and confirmations. These guarantees are disclosed at fair value.

9 *Impairment of financial assets*

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

The group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant financial assets or cash-generating units found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets or cash generating units that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar characteristics. In respect of advances refer to note 2 for use of estimates and judgements.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an advance by the group on terms that the group would otherwise not consider, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security, or 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 amounts required to fund the assessed level of 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.

11 *Revenue recognition*

Income from Islamic activities

Income from Islamic activities comprises:

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

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

Dividend income

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

12 Leases

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

Group 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 charges and reduction of the lease liability so as to achieve a constant rate of return on the remaining balance of the liability. Finance charges are recognised 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 rents are recognised as revenue in the period in which they are earned.

13 Cash and cash equivalents

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

14 Employee benefits

Defined contribution plan

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

Short-term employee benefits

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

15 Earnings per share

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

16 Related parties

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

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

Close family member of the family of an individual includes:

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

Notes to the Financial Statements
for the year ended 31 December 2009

1 Capital adequacy

Introduction

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

The bank has a wholly-owned subsidiary, which is a property owning company. The subsidiary is consolidated for accounting purposes and group annual financial statements are prepared annually but it is not consolidated for regulatory purposes in accordance with the requirements of the Banks Act and Regulations.

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

Capital structure

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

At 31 December 2009 the minimum regulatory capital requirement of the bank was 9,75% (2008 : 9,75%) of risk-weighted assets. The capital structure of the bank was as follows:

Regulatory capital	2009	2008
Tier 1	**R'000**	R'000
Share capital	**150 000**	150 000
Investment risk reserve	**2 605**	2 605
General credit risk reserve	**600**	600
Regulatory credit risk reserve	**10 656**	10 656
Retained income	**64 419**	52 995
Total capital and reserves	**228 280**	216 856
Less: Regulatory credit risk reserve	**(10 656)**	(10 656)
Total Tier 1 capital	**217 624**	206 200
Tier 2		
Portfolio impairment (net of deferred tax)	**5 328**	6 051
Total eligible capital	**222 952**	212 251
Capital adequacy ratios (Tier 1 %)	**12,5%**	14,0%
Capital adequacy ratios (Total %)	**12,8%**	14,4%

The bank's capital strategy plays an important role in growing shareholder value, and has contributed significantly to growth in the current year. The objectives of active capital management are 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 2009, the bank's capital requirements and risk-weighted assets for credit risk, equity risk, market risk and other assets 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	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
Credit risk	**138 859**	120 858	**1 424 198**	1 239 575
Operational risk	**17 477**	14 692	**179 250**	150 691
Equity risk	**1 381**	5 136	**14 172**	52 678
Market risk	**443**	184	**4 550**	1 888
Other	**11 153**	3 000	**114 391**	30 771
	169 313	143 870	**1 736 561**	1 475 603

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 four board committees, namely, the risk and capital management committee, the audit committee, the credit committee, and the directors' affairs committee.

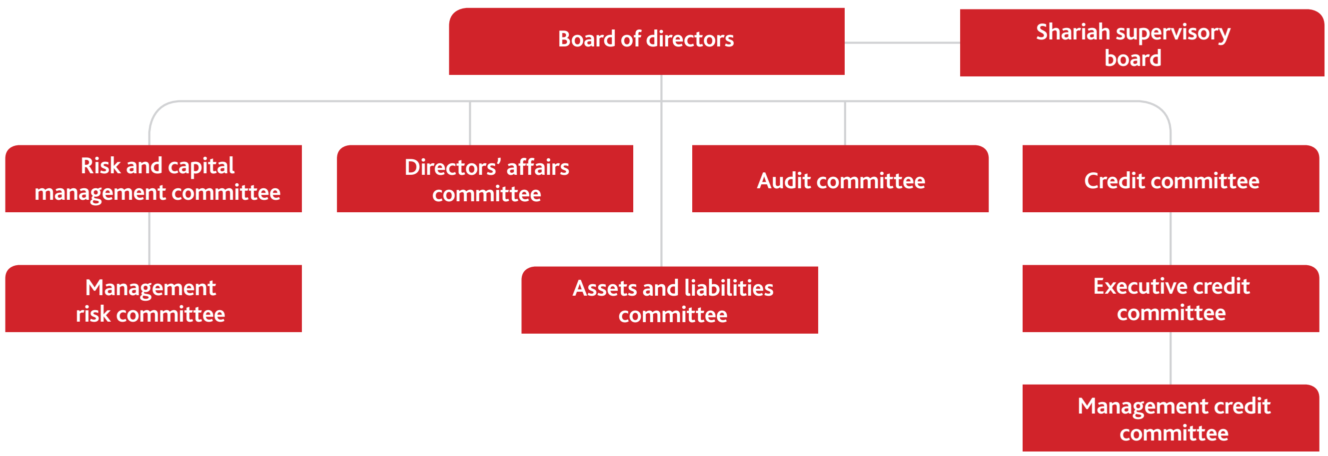
These committees are assisted by management committees (more particularly the assets and liabilities committee (ALCO), the executive credit committee and the management risk committee) to discharge their responsibilities effectively.

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-oriented.

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



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

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;
- Operational risk;
- Compliance risk; and
- Other risk.

2.1 Credit risk

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

The bank manages its credit risk within a governance structure supported by delegated powers of authority as approved by the board. The credit approval process is graduated, whereby increasingly higher levels of authorisation are required depending on the type and value of the transactions concerned. Applications for credit may therefore be considered progressively by line management, senior and executive management, the management credit committee, the executive credit committee, the board credit committee and the board itself.

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

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities;
- Reviewing and assessing credit risk;
- Limiting concentrations of exposure to 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 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; and
- Exposures that are classified under the Sub-standard, Doubtful and Loss categories are regarded as non-performing.

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 or both of the two 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.

Credit impairments

Impairments for credit losses are accounted for in terms of IAS 39. The bank's policy with regard to the impairment of advances is as disclosed under Accounting Policy 9.

Credit exposures		Group and company 2009 R'000	2008 R'000
Advances to customers		**1 592 767**	1 412 435
Advances to banks		**480 028**	205 083
Cash and cash equivalents (excluding cash on hand)		**190 805**	184 811
Investment securities	- available-for-sale	**3 935**	3 372
	- held to maturity	**2 600**	2 600
Letters of credit, guarantees and confirmations		**22 525**	37 049
Total exposure		**2 292 660**	1 845 350
Impairment of advances		**(17 092)**	(15 560)
Net exposure		**2 275 568**	1 829 790

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

Analysis of concentration of credit risk

Geographical distribution of exposures	2009 R'000	2008 R'000
KwaZulu-Natal	**958 260**	860 543
Gauteng	**1 120 757**	830 741
Western Cape	**213 643**	154 066
Total exposure	**2 292 660**	1 845 350

Industry distribution of exposures	2009 R'000	2008 R'000
Banks and financial institutions	**670 833**	389 894
Individuals	**417 464**	380 733
Other services	**1 204 363**	1 074 723
Total exposure	**2 292 660**	1 845 350

Credit exposures		Group and company 2009 R'000	2008 R'000
Product distribution analysis			
Property (Musharaka and Murabaha)		**1 071 083**	920 612
Equity finance		**480 028**	205 083
Instalment sales		**295 107**	277 933
Trade		**224 197**	213 890
Cash with banks and central banks		**190 805**	184 811
Investment in unit trust		**3 935**	3 372
Investment in unlisted property owning company		**2 600**	2 600
Letters of credit		**19 733**	4 923
Guarantees and confirmations		**2 792**	32 126
Other		**2 380**	-
Total exposure		**2 292 660**	1 845 350
Residual contractual maturity of book			
Within 1 month	- equity finance	**52 600**	64 597
	- other	**319 150**	295 738
From 1 to 3 months	- equity finance	**72 715**	114 026
	- other	**137 228**	160 843
From 3 months to 1 year	- equity finance	**354 713**	26 460
	- other	**280 990**	259 306
From 1 year to 5 years		**764 167**	670 635
More than 5 years		**311 097**	253 745
Total exposure		**2 292 660**	1 845 350

	Group and company							
	Advances to customers		Advances to banks		Other exposures		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000
Past due and individually impaired								
Standard category	**251**	-	**-**	-	**-**	-	**251**	-
Special mention category	**1 723**	187 095	**-**	-	**-**	-	**1 723**	187 095
Sub-standard category	**2 533**	18 694	**-**	-	**-**	-	**2 533**	18 694
Doubtful category	**3 779**	12 915	**-**	-	**-**	-	**3 779**	12 915
Loss category	**19 905**	4 260	**-**	-	**-**	-	**19 905**	4 260
Gross amount	**28 191**	222 964	**-**	-	**-**	-	**28 191**	222 964
Specific impairment	**(9 692)**	(7 156)	**-**	-	**-**	-	**(9 692)**	(7 156)
Carrying amount	**18 499**	215 808	**-**	-	**-**	-	**18 499**	215 808
Past due but not impaired								
Standard category	**194 820**	178 441	**-**	-	**-**	-	**194 820**	178 441
Special mention category	**210 518**	-	**-**	-	**-**	-	**210 518**	-
Sub-standard category	**16 550**	-	**-**	-	**-**	-	**16 550**	-
Doubtful category	**7 719**	-	**-**	-	**-**	-	**7 719**	-
Loss category	**2 933**	-	**-**	-	**-**	-	**2 933**	-
Carrying amount	**432 540**	178 441	**-**	-	**-**	-	**432 540**	178 441
Neither past due nor impaired								
Standard category	**1 132 036**	1 011 030	**480 028**	205 083	**219 865**	227 832	**1 831 929**	1 443 945
Carrying amount	**1 132 036**	1 011 030	**480 028**	205 083	**219 865**	227 832	**1 831 929**	1 443 945
Total carrying amount before portfolio impairment	**1 583 075**	1 405 279	**480 028**	205 083	**219 865**	227 832	**2 282 968**	1 838 194
Portfolio impairment - Standard category	**(7 400)**	(8 404)	**-**	-	**-**	-	**(7 400)**	(8 404)
Net carrying amount	**1 575 675**	1 396 875	**480 028**	205 083	**219 865**	227 832	**2 275 568**	1829 790

The bank holds collateral against advances to customers in the form of mortgage interests over property or other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of the advance, and are updated for commercial property and residential property supporting a revolving facility which are assessed on a three-year interval based on independent valuations. In other instances collateral is re-assessed when an advance is individually assessed as impaired. Collateral is generally not held over advances to banks.

The maximum exposure to credit risk is calculated as being the maximum amount payable by customers, banks and other financial institutions (refer to note 24).

	Group and company	
	2009	2008
	R'000	R'000
Estimated fair value of collateral and other security enhancements	**1 262 658**	1 075 346

A distribution analysis of past due advances impaired and not impaired is disclosed below:

	2009	2008
Past due and individually impaired		
- Individuals	**12 135**	40 422
- Other customers	**16 056**	182 542
	28 191	222 964
Past due but not impaired		
- Individuals	**108 348**	69 078
- Other customers	**324 192**	109 363
	432 540	178 441

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

	Group and company									
	Less than 30 days		30 to 60 days		60 to 180 days		Greater than 180 days		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000
Individuals	**76 008**	51 938	**25 888**	17 104	**3 290**	-	**3 162**	-	**108 348**	69 042
Other customers	**276 443**	89 642	**39 411**	19 757	**7 101**	-	**1 237**	-	**324 192**	109 399
	352 451	141 580	**65 299**	36 861	**10 391**	-	**4 399**	-	**432 540**	178 441

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, investments in unit trusts, which are held as available-for-sale and foreign currency, held in terms of its limited foreign exchange licence. The price risk on the investment in unit trusts 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. The bank has obtained an Authorised Dealer with Limited Authority (ADLA) licence to deal in foreign bank notes for travel purposes only and trades out of three branches in the Republic. Under that licence the bank's maximum foreign cash holdings per outlet is restricted to fifty thousand United States dollars. Cash holdings are monitored daily and fluctuations in foreign currency exchange rates have no significant impact to the overall results of the group.

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

		2009	2008
		R'000	R'000
Assets held under interest rate risk	- Treasury bills	**77 043**	68 308
Assets held under market rate risk	- Investment in unit trust	**3 935**	3 372
Assets held under exchange rate risk	- Foreign currency held	**365**	150
		81 343	71 830

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 is limited in the case of Al Baraka Bank to its 100% investment in Albaraka Properties (Proprietary) Limited, a property owning subsidiary, which sole assets are the properties held in Athlone (Cape Town) and Kingsmead (Durban), both occupied by the bank. In addition, the bank owns 9,4% of Kiliminjaro Investment Limited, a property holding company which owns a property in Durban. The fair values of the underlying properties are obtained by an independent valuation on a periodic basis and compared to the cost of these investments to identify any need for impairment.

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 24 for details relating to liquidity risk management.

2.5 *Profit rate risk*

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

2.6 *Shariah risk*

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

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

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

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

2.8 *Compliance risk*

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

2.9 *Other risk*

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

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
3 Property and equipment				
Cost				
Land and buildings	**74 385**	45 693	**63 444**	-
Vehicles	**2 126**	1 676	**2 126**	1 676
Equipment and computers	**56 601**	35 243	**56 601**	35 243
Leasehold improvements	**7 588**	5 767	**7 588**	5 767
Tank containers	**7 145**	7 145	**7 145**	7 145
	147 845	95 524	**136 904**	49 831
Accumulated depreciation and impairment	**(32 742)**	(27 650)	**(33 447)**	(27 650)
Land and buildings	**-**	-	**(705)**	-
Vehicles	**(683)**	(523)	**(683)**	(523)
Equipment and computers	**(23 434)**	(19 753)	**(23 434)**	(19 753)
Leasehold improvements	**(4 958)**	(4 014)	**(4 958)**	(4 014)
Tank containers	**(3 667)**	(3 360)	**(3 667)**	(3 360)
	115 103	67 874	**103 457**	22 181

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
Land and buildings comprise the following commercial properties and vacant land as described below:				
1. Commercial property in Cape Town described as Erf no. 33983 Cape Town in extent 610 square metres independently valued at R7,3 million (2008 : R7,3 million). The property is leased partly to the bank and partly to third parties. The leases contain an initial non-cancellable period of three years.	**3 655**	3 655		
2. Vacant land in Durban described as Portion 6 of Erf 12445 Durban, Registration Division FV, Province of KwaZulu-Natal, in extent 3 316 square metres. The land was independently valued at R6,9 million in 2008.	**-**	3 500		
The land is in the process of being developed by way of construction of office premises to be leased on completion partly to the bank and partly to third parties. Development costs incurred to 31 December 2008 amounted to	**-**	38 538		
3. Commercial property in Durban described as Portion 6 of Erf 12445 Durban, Registration Division FV, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is leased to the bank. The leases contain an initial non-cancellable period of 10 years. The property was independently valued at R72 million. Commercial property comprises land at a cost of R3,5 million and buildings thereon at a cost of R67,2 million.	**70 730**	-		
4. Land and buildings held under finance leases comprise Portion 6 of Erf 12445 Durban, Registration Division FV, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is measured at the present value of the minimum lease payments and is fully depreciated over the period of the lease. In determining the fair value of the property, the minimum lease payments were discounted taking into consideration an unguaranteed residual of R72 million and calculating a rate intrinsic in the lease of 14,3%.			**63 444**	-
	74 385	45 693	**63 444**	-
Carrying value at beginning of year	**45 693**	16 904	**-**	-
Additions	**28 692**	28 789	**63 444**	-
	74 385	45 693	**63 444**	-

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

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
Included in equipment and computers is an amount of R16,2 million in respect of capital work in progress which represents the installation of the Equation computer system.				
Carrying value at beginning of year	**7 640**	-	**7 640**	-
Additions	**8 572**	7 640	**8 572**	7 640
	16 212	7 640	**16 212**	7 640

Movement in property and equipment	**Land and buildings**	**Vehicles**	**Equipment and computers**	**Leasehold improvements**	**Tank containers**	**Total**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Group						
2009						
Net carrying value at beginning of year	**45 693**	**1 153**	**15 490**	**1 753**	**3 785**	**67 874**
Additions	**28 692**	**683**	**21 468**	**1 821**	**-**	**52 664**
Disposals	**-**	**(102)**	**(44)**	**-**	**-**	**(146)**
Depreciation for the year	**-**	**(291)**	**(3 168)**	**(944)**	**(307)**	**(4 710)**
Impairment for the year	**-**	**-**	**(579)**	**-**	**-**	**(579)**
Net carrying value at end of year	**74 385**	**1 443**	**33 167**	**2 630**	**3 478**	**115 103**
2008						
Net carrying value at beginning of year	16 904	879	9 612	2 074	4 092	33 561
Additions	28 789	488	9 829	437	-	39 543
Disposals	-	(23)	(117)	-	-	(140)
Depreciation for the year	-	(191)	(3 834)	(758)	(307)	(5 090)
Net carrying value at end of year	45 693	1 153	15 490	1 753	3 785	67 874

Movement in property and equipment	Land and buildings	Vehicles	Equipment and computers	Leasehold improvements	Tank containers	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Company						
2009						
Net carrying value at beginning of year	**-**	**1 153**	**15 490**	**1 753**	**3 785**	**22 181**
Additions	**63 444**	**683**	**21 468**	**1 821**	**-**	**87 416**
Disposals	**-**	**(102)**	**(44)**	**-**	**-**	**(146)**
Depreciation for the year	**(705)**	**(291)**	**(3 168)**	**(944)**	**(307)**	**(5 415)**
Impairment for the year	**-**	**-**	**(579)**	**-**	**-**	**(579)**
Net carrying value at end of year	**62 739**	**1 443**	**33 167**	**2 630**	**3 478**	**103 457**
2008						
Net carrying value at beginning of year	-	879	9 612	2 074	4 092	16 657
Additions	-	488	9 829	437	-	10 754
Disposals	-	(23)	(117)	-	-	(140)
Depreciation for the year	-	(191)	(3 834)	(758)	(307)	(5 090)
Net carrying value at end of year	-	1 153	15 490	1 753	3 785	22 181

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000

4 Investment in and amount due by subsidiary company

Albaraka Properties (Proprietary) Limited is 100% (2008 : 100%) owned by Albaraka Bank Limited.

The issued share capital of Albaraka Properties (Proprietary) Limited comprises 100 shares of R1 each (2008 : 100 shares of R1 each).

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Shares at cost			*	*
Due by subsidiary			**7 636**	47 374
Loan account			**71 440**	47 374
Finance lease liability (note 25.2)			**(63 804)**	
Impairment losses			**-**	(668)
			7 636	46 706

* Amount less than R1 000

The amount due by the subsidiary is profit-free.

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

5 Deferred tax asset

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Balance at beginning of year	**6 325**	4 549	**6 144**	4 368
Transfers from profit for the year	**861**	1 788	**1 237**	1 788
Transfers from/(to) welfare and charitable fund	**7**	(12)	**7**	(12)
Balance at end of year	**7 193**	6 325	**7 388**	6 144

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
The deferred tax asset comprises the following:				
Impairment loss in subsidiary			**-**	104
Temporary differences arising on finance lease			**298**	-
Deferred tax on accumulated losses in subsidiary	**4 063**	104		
Fair value adjustments for financial instruments	**339**	469	**339**	469
Impairment losses for doubtful advances	**2 036**	1 503	**2 036**	1 503
Other provisions	**4 967**	4 016	**4 967**	3 835
Prepaid expenses	**(159)**	(159)	**(160)**	(159)
Plant and equipment	**(4 053)**	388	**(92)**	388
Unrealised loss on revaluation of foreign exchange	**-**	4	**-**	4
	7 193	6 325	**7 388**	6 144

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.

6 *Investment securities*

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Unit trust investments				
402 755 (2008 : 393 967) units in Futuregrowth Albaraka Equity Fund				
At cost	**5 108**	5 034	**5 108**	5 034
Fair value adjustment	**(1 173)**	(1 662)	**(1 173)**	(1 662)
	3 935	3 372	**3 935**	3 372
Unlisted investments				
Kiliminjaro Investment Limited, at cost	**2 600**	2 600	**2 600**	2 600
	6 535	5 972	**6 535**	5 972

Kiliminjaro Investment Limited is a property owning company of which the bank owns 9,4% (2008 : 9,9%).

The directors are of the opinion that the fair value of the company's investment in Kiliminjaro Investment Limited approximates the cost.

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000

7 Advances and other receivables

7.1 Sectoral analysis

	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
Advances to customers				
Property (Musharaka and Murabaha)	**1 071 083**	920 612	**1 071 083**	920 612
Instalment sale	**295 107**	277 933	**295 107**	277 933
Trade	**224 197**	213 890	**224 197**	213 890
Other	**2 380**	-	**2 380**	-
Gross advances to customers	**1 592 767**	1 412 435	**1 592 767**	1 412 435
Impairment for doubtful advances	**(17 092)**	(15 560)	**(17 092)**	(15 560)
	1 575 675	1 396 875	**1 575 675**	1 396 875
Advances to banks				
Equity finance	**480 028**	205 083	**480 028**	205 083
Net advances	**2 055 703**	1 601 958	**2 055 703**	1 601 958
Other receivables	**1 384**	2 372	**1 381**	2 365
South African Revenue Service - income tax	**1 639**	-	**1 392**	-
- value added tax	**178**	-	**-**	-
	2 058 904	1 604 330	**2 058 476**	1 604 323

Included under property are Musharaka advances amounting to R970,9 million (2008 : R755,5 million).

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
7.2 Maturity analysis				
Advances to customers				
Within 1 month	**125 018**	105 254	**125 018**	105 254
From 1 month to 3 months	**126 698**	145 839	**126 698**	145 839
From 3 months to 1 year	**272 322**	242 934	**272 322**	242 934
From 1 year to 5 years	**764 167**	664 663	**764 167**	664 663
More than 5 years	**304 562**	253 745	**304 562**	253 745
	1 592 767	1 412 435	**1 592 767**	1 412 435
Equity finance				
Within 1 month	**52 600**	64 597	**52 600**	64 597
From 1 month to 3 months	**72 715**	114 026	**72 715**	114 026
From 3 months to 1 year	**354 713**	26 460	**354 713**	26 460
	480 028	205 083	**480 028**	205 083
7.3 Analysis of impairment for doubtful advances				
7.3.1 Specific impairments				
Balance at beginning of year	**7 156**	5 423	**7 156**	5 423
Charge to profit for the year	**2 936**	2 551	**2 936**	2 551
Bad debts written off	**(400)**	(818)	**(400)**	(818)
Balance at end of year	**9 692**	7 156	**9 692**	7 156
7.3.2 Portfolio impairment	**7 400**	8 404	**7 400**	8 404
Balance at beginning of year	**8 404**	7 776	**8 404**	7 776
(Release)/charge to profit for the year	**(1 004)**	628	**(1 004)**	628
	17 092	15 560	**17 092**	15 560
7.3.3 Impairment for credit losses				
Specific impairments	**2 936**	2 551	**2 936**	2 551
Portfolio impairments	**(1 004)**	628	**(1 004)**	628
Bad debts recovered	**(809)**	(822)	**(809)**	(822)
	1 123	2 357	**1 123**	2 357

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
8 Cash and cash equivalents				
Cash on hand	**2 096**	1 344	**2 096**	1 344
Government and other stock	**77 043**	68 308	**77 043**	68 308
Funds at call	**3 050**	3 050	**3 050**	3 050
Balances with central bank	**43 081**	33 733	**43 081**	33 733
Placements with other banks	**67 631**	79 720	**67 631**	79 720
	192 901	186 155	**192 901**	186 155
The following banking facilities are available to the group:				
Letters of credit and guarantees	**20 100**	20 104	**20 100**	20 104
Foreign exchange facilities	**2 130**	10 240	**2 130**	10 240
Settlement facilities	**6 560**	5 792	**6 560**	5 792
Working capital facility	**1 090**	1 000	**1 090**	1 000
	29 880	37 136	**29 880**	37 136

Deposits in the sum of R38,6 million are placed with the central bank for the purpose of reserve requirements and are therefore not available for use.

Funds at call are pledged with Rand Merchant Bank, to secure the acceptance of the bank's guarantees, for finance transactions entered into in the normal course of business with that institution.

9 Share capital and share premium

9.1 Authorised share capital

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
30 000 000 (2008 : 30 000 000) ordinary shares of R10 each	**300 000**	300 000	**300 000**	300 000

9.2 Issued and fully paid share capital

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
15 000 000 (2008 : 15 000 000) ordinary shares of R10 each	**150 000**	150 000	**150 000**	150 000

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000

10 Reserves

Investment risk reserve	**2 605**	2 605	**2 605**	2 605
Retained income	**64 992**	52 995	**64 419**	52 995
General credit risk reserve	**600**	600	**600**	600
Regulatory credit risk reserve	**10 656**	10 656	**10 656**	10 656
	78 853	66 856	**78 280**	66 856

The investment risk and general credit risk reserves comprise amounts re-allocated out of retained income. Both reserves were created to ring fence exposures of the group.

The regulatory credit risk reserve was created in 2003 at the request of the South African Reserve Bank for additional provisioning purposes.

11 Welfare and charitable funds

Gross income from non-Islamic activities during the year	**10 597**	13 481	**10 597**	13 481
Normal tax thereon	**(2 299)**	(3 116)	**(2 299)**	(3 116)
Net income from non-Islamic activities during the year	**8 298**	10 365	**8 298**	10 365
Donations and advances	**(16 480)**	(10 388)	**(16 480)**	(10 388)
Balance at beginning of year	**15 415**	15 438	**15 415**	15 438
Balance at end of year	**7 233**	15 415	**7 233**	15 415

Notes to the Financial Statements *(continued)*

for the year ended 31 December 2009

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
12 Accounts payable				
Sundry creditors	**3 836**	5 123	**3 836**	5 123
Accruals	**11 028**	6 294	**7 358**	6 085
South African Revenue Service	**26**	2 812	**26**	3 846
	14 890	14 229	**11 220**	15 054
Provision for leave pay is reflected under accruals as follows:				
Balance at beginning of year	**2 644**	2 390	**2 644**	2 390
Raised during the year	**1 252**	254	**1 252**	254
Balance at end of year	**3 896**	2 644	**3 896**	2 644
13 Deposits from customers				
Participation investment accounts	**1 096 593**	882 072	**1 096 593**	882 072
Savings accounts	**206 971**	185 412	**206 971**	185 412
Monthly investment plan	**62 338**	51 209	**62 338**	51 209
Haj investment scheme	**66 808**	56 779	**66 808**	56 779
Regular income provider	**688 410**	448 089	**688 410**	448 089
Debit card	**2 860**	-	**2 860**	-
Profits distributable to depositors	**5 680**	595	**5 680**	595
	2 129 660	1 624 156	**2 129 660**	1 624 156
Maturity analysis				
Within 1 month	**840 866**	684 251	**840 866**	684 251
From 1 month to 3 months	**503 061**	377 250	**503 061**	377 250
From 3 months to 1 year	**778 572**	562 655	**778 572**	562 655
From 1 year to 5 years	**7 161**	-	**7 161**	-
	2 129 660	1 624 156	**2 129 660**	1 624 156

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000

14 Net non-Islamic income

Net interest income	**10 597**	12 575	**10 597**	12 575
Other non-Shariah-compliant income	**-**	921	**-**	921
Fair value adjustment on Treasury Bills	**-**	(15)	**-**	(15)
	10 597	13 481	**10 597**	13 481
Amount transferred to welfare and charitable funds	**(10 597)**	(13 481)	**(10 597)**	(13 481)
	-	-	**-**	-

15 Fee and commission income

Service fees	**5 146**	4 200	**5 146**	4 200
Commission received on sale of unit trusts	**1 759**	3 509	**1 759**	3 509
Foreign exchange gains	**872**	-	**872**	-
Management fee from subsidiary			**200**	200
Other management fees	**-**	60	**-**	60
Takafol insurance income	**-**	5	**-**	5
	7 777	7 774	**7 977**	7 974

16 Other operating income

Property rental income	**311**	298	**30**	-
Tank container rental income	**740**	863	**740**	863
Surplus on disposal of property and equipment	**55**	118	**55**	118
Dividend income	**436**	180	**436**	180
Other	**402**	532	**402**	532
	1 944	1 991	**1 663**	1 693

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
17 Operating expenditure				
Operating expenditure is stated after charging the following items:				
Auditor's remuneration				
Audit fees - current year	**1 497**	1 287	**1 497**	1 287
Fees for other services				
Advisory	**130**	-	**130**	-
Tax consultancy	**56**	259	**45**	259
Expenses	**17**	58	**17**	58
	1 700	1 604	**1 689**	1 604
Consultancy fees	**1 111**	1 180	**1 087**	1 180
Depreciation of property and equipment	**4 710**	5 090	**5 415**	5 090
Impairment of property and equipment	**579**	-	**579**	-
Impairment for losses in subsidiary			**(668)**	297
Operating lease charges	**3 005**	2 404	**3 149**	2 548
Loss of revaluation of foreign exchange	**-**	13	**-**	13
Staff costs	**43 916**	34 995	**43 916**	34 995
Directors' emoluments	**5 444**	4 819	**5 444**	4 819
Executive services	**4 233**	4 269	**4 233**	4 269
Non-executive directors' fees	**1 211**	550	**1 211**	550

		Salary	Bonus	Other benefits	Total
		R'000	**R'000**	**R'000**	**R'000**
17.1 Executive services					
2009					
SAE Chohan	- Chief executive	**1 317**	**400**	**67**	**1 784**
MG McLean	- Deputy chief executive	**1 061**	**200**	**31**	**1 292**
MJD Courtiade	- Financial director	**920**	**200**	**37**	**1 157**
		3 298	**800**	**135**	**4 233**
2008					
SAE Chohan	- Chief executive	1 387	400	177	1 964
MG McLean	- Deputy chief executive	980	200	38	1 218
MJD Courtiade	- Financial director	789	200	98	1 087
		3 156	800	313	4 269

The executive directors do not have any service contracts.

Other benefits are short-term in nature.

	Company	
	2009	2008
	R'000	R'000
17.2 Non-executive directors' fees		
AA Yousif	**138**	67
Adv. AB Mahomed SC	**145**	61
F Kassim	**99**	47
A Lambat	**123**	49
MS Paruk	**205**	85
YM Paruk	**118**	56
SA Randeree	**134**	64
OA Suleiman	**140**	61
M Youssef Baker	**109**	60
	1 211	550

		Group		Company	
		2009	2008	**2009**	2008
		R'000	R'000	**R'000**	R'000
18 Taxation					
South African tax					
Normal	- current year	**5 878**	13 132	**5 878**	13 132
	- prior years	**(3 859)**	-	**(3 859)**	-
Attributable to income from non-Islamic activities (refer accounting policy 10 and note 14)		**(2 299)**	(3 116)	**(2 299)**	(3 116)
Deferred tax	- current year	**1 432**	(1 259)	**972**	(1 259)
	- prior years	**(2 436)**	(203)	**(2 353)**	(203)
	- change in taxation rate	**-**	151	**-**	151
Secondary tax on companies		**666**	524	**666**	524
Taxation attributable to Islamic activities		**(618)**	9 229	**(995)**	9 229
Reconciliation of taxation charge		**%**	%	**%**	%
Effective tax rate		**(3,5)**	29,8	**(5,9)**	29,8
Secondary tax on companies		**(3,7)**	(1,7)	**(4,0)**	(1,7)
Adjustable items:					
Non-taxable income and non-deductible expenditure		**0,9**	(0,3)	**1,0**	(0,3)
Prior year adjustment current tax		**21,7**	-	**22,9**	-
Deferred tax adjustment - prior years		**12,6**	0,7	**14,0**	0,7
Change in taxation rate		**-**	(0,5)	**-**	(0,5)
		28,0	28,0	**28,0**	28,0

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000

19 Earnings per share

Basic and diluted earnings per share are calculated on after tax income attributable to ordinary shareholders and a weighted average number of 15 000 000 (2008 : 15 000 000) ordinary shares in issue during the year (cents)	**122,6**	144,9		
Headline earnings per share are calculated on headline earnings and a weighted number of 15 000 000 (2008 : 15 000 000) ordinary shares in issue during the year (cents)	**122,3**	144,1		
Headline earnings per share are derived from:				
Profit for the year	**18 395**	21 729		
Surplus arising on disposal of property and equipment	**(55)**	(118)		
	18 340	21 611		

20 Dividends

A dividend of 45 cents per share (2008 : 35 cents) was paid on 29 June 2009 to shareholders registered on the shareholders register of the bank at close of business on 12 June 2009.	**6 750**	5 250	**6 750**	5 250

21 Statement of cash flows

21.1 Cash generated from operations

Profit before taxation	**17 777**	30 958	**16 827**	30 958
Adjustment for non-cash items:				
Depreciation of property and equipment	**4 710**	5 090	**5 415**	5 090
Impairment of property and equipment	**579**	-	**579**	-
Surplus arising on disposal of property and equipment	**(55)**	(118)	**(55)**	(118)
Straight-lining of operating lease	**(71)**	(125)	**(71)**	(125)
Impairment for losses in subsidiary			**(668)**	297
	22 940	35 805	**22 027**	36 102

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
21.2 Changes in working capital				
Increase in deposits from customers	**505 504**	174 673	**505 504**	174 673
Increase/(decrease) in accounts payable	**3 543**	(1 625)	**83**	(1 831)
(Decrease)/increase in welfare and charitable funds	**(5 883)**	3 093	**(5 883)**	3 093
Increase in advances and other receivables	**(452 935)**	(126 391)	**(452 761)**	(126 388)
	50 229	49 750	**46 943**	49 547
21.3 Taxation paid				
Amount outstanding at beginning of year	**(2 812)**	(6 647)	**(3 846)**	(7 757)
Amount charged to profit for the year	**(386)**	(10 539)	**(386)**	(10 539)
Amount charged to welfare and charitable funds	**(2 299)**	(3 116)	**(2 299)**	(3 116)
Amount (receivable)/outstanding at end of year	**(1 639)**	2 812	**(1 392)**	3 846
	(7 136)	(17 490)	**(7 923)**	(17 566)
21.4 Dividends paid				
Amount outstanding at beginning of year	**-**	-	**-**	-
Dividends declared and paid	**(6 750)**	(5 250)	**(6 750)**	(5 250)
Amount outstanding at end of year	**-**	-	**-**	-
	(6 750)	(5 250)	**(6 750)**	(5 250)
21.5 Additions to property and equipment				
Land and buildings	**(28 692)**	(28 789)	**(63 444)**	-
Vehicles	**(683)**	(488)	**(683)**	(488)
Equipment and computers	**(21 468)**	(9 829)	**(21 468)**	(9 829)
Leasehold improvements	**(1 821)**	(437)	**(1 821)**	(437)
	(52 664)	(39 543)	**(87 416)**	(10 754)

22 Letters of credit, guarantees and confirmations

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Letters of credit - maximum value	**19 733**	4 923	**19 733**	4 923
Guarantees and confirmations - maximum value	**2 792**	32 126	**2 792**	32 126
	22 525	37 049	**22 525**	37 049

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.

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000

23 Capital commitments

Authorised but not yet contracted for	**962**	210	**962**	210
Authorised and contracted for	**831**	37 337	**831**	10 337

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

24 Financial instruments

24.1 Credit risk management - maximum exposure to credit risk

Advances to customers (note 7.1)	**1 592 767**	1 412 435	**1 592 767**	1 412 435
Advances to banks (note 7.1)	**480 028**	205 083	**480 028**	205 083
Cash and cash equivalents (excluding cash on hand)	**190 805**	184 811	**190 805**	184 811
Letters of credit, guarantees and confirmations	**22 525**	37 049	**22 525**	37 049
	2 286 125	1 839 378	**2 286 125**	1839 378

24.2 Currency risk management

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

Cash and cash equivalents				
EUR	**4**	-	**4**	-
GBP	**6**	4	**6**	4
SAR	**3**	-	**3**	-
USD	**352**	146	**352**	146
	365	150	**365**	150

24.3 Derivative instruments

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

24.4 Liquidity risk management

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

		Term to maturity				
	Carrying amount R'000	Within 1 month R'000	1 to 3 months R'000	3 months to 1 year R'000	1 to 5 years R'000	More than 5 years R'000
Group						
2009						
Assets						
Advances and receivables	**2 058 904**	**160 704**	**199 413**	**630 058**	**764 167**	**304 562**
Investment securities	**6 535**	-	-	-	-	**6 535**
Cash and cash equivalents	**192 901**	**192 901**	-	-	-	-
	2 258 340	**353 605**	**199 413**	**630 058**	**764 167**	**311 097**
Liabilities						
Deposits from customers	**2 129 660**	**840 866**	**503 061**	**778 572**	**7 161**	-
Accounts payable	**14 890**	**13 476**	**1 010**	**217**	**187**	-
Letters of credit, guarantees and confirmations	**22 525**	**3 327**	**10 530**	**8 668**	-	-
	2 167 075	**857 669**	**514 601**	**787 457**	**7 348**	-
Net liquidity gap	**91 265**	**(504 064)**	**(315 188)**	**(157 399)**	**756 819**	**311 097**
2008						
Assets						
Advances	1 601 958	169 852	259 865	253 833	664 663	253 745
Investment securities	5 972	-	-	-	5 972	-
Cash and cash equivalents	186 155	186 155	-	-	-	-
	1 794 085	356 007	259 865	253 833	670 635	253 745
Liabilities						
Deposits from customers	1 624 156	684 251	377 250	562 655	-	-
Accounts payable	14 229	10 188	456	3 585	-	-
Letters of credit, guarantees and confirmations	37 049	5 672	15 005	16 372	-	-
	1 675 434	700 111	392 711	582 612	-	-
Net liquidity gap	118 651	(344 104)	(132 846)	(328 779)	670 635	253 745

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000

24.5 Market risk

The exposure to market risk is as follows:

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Investment securities - available-for-sale	**3 935**	3 372	**3 935**	3 372
Investment securities - held to maturity	**2 600**	2 600	**2 600**	2 600
	6 535	5 972	**6 535**	5 972

24.6 Intrinsic rate risk

	Intrinsic Rate	Maturity	2009	2008
	%		**R'000**	R'000
Loans and borrowings subject to intrinsic rate risk				
Current portion				
Obligations under finance leases (note 25.2)	**14,3%**	**2024**	**6 493**	-
Total current portion			**6 493**	-
Non-current portion				
Obligations under finance leases (note 25.2)	**14,3%**	**2024**	**57 311**	-
Total non-current portion			**57 311**	-

24.7 Accounting classification and fair values

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:

Assets 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 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 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 overleaf 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. This table does not include the fair values of non-financial assets and non-financial liabilities.

Notes to the Financial Statements *(continued)*

for the year ended 31 December 2009

	Non-financial instruments	Advances and receivables	Available-for-sale	Held to maturity	Other amortised cost	Carrying amount	Fair value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group							
2009							
Assets							
Advances and other receivables	**3 201**	**2 055 703**	**-**	**-**	**-**	**2 058 904**	**2 058 904**
Investment securities	**-**	**-**	**3 935**	**2 600**	**-**	**6 535**	**6 535**
Cash and cash equivalents	**-**	**192 901**	**-**	**-**	**-**	**192 901**	**192 901**
	3 201	**2 248 604**	**3 935**	**2 600**	**-**	**2 258 340**	**2 258 340**
Liabilities							
Deposits from customers	**-**	**-**	**-**	**-**	**2 129 660**	**2 129 660**	**2 129 660**
Accounts payable	**-**	**-**	**-**	**-**	**14 890**	**14 890**	**14 890**
	-	**-**	**-**	**-**	**2 144 550**	**2 144 550**	**2 144 550**
2008							
Assets							
Advances and other receivables	2 372	1 601 958	-	-	-	1 604 330	1 604 330
Investment securities	-	-	3 372	2 600	-	5 972	5 972
Cash and cash equivalents	-	186 155	-	-	-	186 155	186 155
	2 372	1 788 113	3 372	2 600	-	1 796 457	1 796 457
Liabilities							
Deposits from customers	-	-	-	-	1 624 156	1 624 156	1 624 156
Accounts payable	-	-	-	-	14 229	14 229	14 229
	-	-	-	-	1 638 385	1 638 385	1 638 385

24.8 Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
Group				
2009				
Financial assets				
Financial investments available-for-sale				
- Unit trust investments	**3 935**	**-**	**-**	**3 935**
	3 935	**-**	**-**	**3 935**
Financial liabilities	**-**	**-**	**-**	**-**
2008				
Financial assets				
Financial investments available-for-sale				
- Unit trust investments	3 372	-	-	3 372
	3 372	-	-	3 372
Financial liabilities	-	-	-	-

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the bank's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments – available-for-sale

Available-for-sale financial assets valued using a valuation technique or pricing models primarily consist of unquoted equities. These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

25 Leases

25.1 Leases as lessee

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
Operating leases				
Non-cancellable operating lease rentals payable as follows:				
Less than 1 year	**1 307**	1 816	**1 307**	1 816
Between 1 and 5 years	**500**	1 470	**500**	1 470
	1 807	3 286	**1 807**	3 286

Operating leases relate to building premises leased in South Africa.

25.2 Leases as lessee - company

	2009		2008	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Finance leases				
Less than 1 year	**6 929**	**6 493**	-	-
Between 1 and 5 years	**33 722**	**22 133**	-	-
More than 5 years	**143 876**	**35 178**	-	-
Total minimum lease payments	**184 527**	**63 804**	-	-
Less amounts representing finance charges	**(120 723)**		-	-
Present value of minimum lease payments - note 4	**63 804**	**63 804**	-	-

Albaraka Bank Limited has entered into a finance lease with its wholly-owned subisidiary, 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 10 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 on the preceding page. The rate intrinsic in the lease is 14,3% after considering the unguaranteed residual value of R72 million which will be realised at the end of the lease.

26 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 R1,6 million (2008 : R1,4 million).

27 Related party information

The holding company of Albaraka Bank Limited at 31 December 2009 is Al Baraka Banking Group B.S.C., a company registered in the Kingdom of Bahrain and holds 56,3% (2008 : 53,6%) of the company's ordinary shares.

DCD Holdings (SA) (Proprietary) Limited and DCD London & Mutual Plc, a company incorporated in England and Wales, jointly hold 15,0% (2008 : 15,0%) 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 company is identified as per note 4. The property rental paid to the subsidiary for the year amounted to R143 741 (2008 : R143 741). The bank made finance lease repayments amounting to R1 139 666 (2008 : Rnil) for the year.

The remuneration paid to the directors is disclosed in note 17.

The management fee charged to the subsidiary is disclosed in note 15.

The Musharaka transactions are conducted on an arm's length competitive basis. The total amount advanced is as disclosed in note 7.

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. Direct interests are disclosed in the table overleaf:

Notes to the Financial Statements *(continued)*

for the year ended 31 December 2009

	Balance outstanding	
	2009	2008
	R'000	R'000
Property finance - Musharaka and Murabaha		
Balance outstanding at beginning of year	**7 747**	7 293
Advances granted during the year	**1 708**	1 965
Repayments during the year	**(4 015)**	(2 544)
Profit earned	**735**	1 033
	6 175	7 747
Profit mark-up range for the year	**5,0% - 14,0%**	5,0% - 14,5%

The profit mark-up of 5% is in respect of advances to executive directors at subsidised rates which, at year end amounted to R803 589 (2008 : R932 434)

	2009	2008
Instalment sale		
Balance outstanding at beginning of year	**2 838**	911
Advances granted during the year	**318**	2 732
Repayments during the year	**(1 433)**	(1 091)
Profit earned	**374**	286
	2 097	2 838
Profit mark-up range for the year	**10,0% - 15,0%**	10,0% - 14,0%
Trade finance		
Balance outstanding at beginning of year	**3 218**	2 188
Advances granted during the year	**6 707**	11 117
Repayments during the year	**(8 086)**	(10 567)
Profit earned	**333**	480
	2 172	3 218
Profit mark-up range for the year	**9,5% - 12,0%**	13,5% - 14,5%

	Balance outstanding	
	2009	2008
	R'000	R'000
Iqraa Trust		
Balance owing by/(due to) the trust at beginning of year	**172**	(130)
Administration fees received	**-**	68
(Receipts)/payments processed on behalf of the trust net of recoveries	**(173)**	234
Balance (due to)/owing by the trust at end of year	**(1)**	172

During the year, the bank donated an amount of R11 974 068 (2008 : R7 157 241) to the trust.

At 31 December 2009 funds deposited by the trust with the bank amounted to R32 096 111 (2008 : R22 458 460).

Total exposure to related parties	**10 443**	13 975

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

The total staff advances outstanding at the end of the period amounted to	**21 283**	18 534

28 Standards and interpretations not yet effective

At the date of authorisation of the annual financial statements for the year ended 31 December 2009, the following accounting standards and interpretations were in issue, but not yet effective:

IFRIC 17 Distribution of Non-cash Assets to Owners
This interpretation is required for years commencing on or after 1 July 2009, but is not expected to be relevant to the activities of the group.

IFRIC 18 Transfer of Assets from Customers
This interpretation is required for such transactions occurring on or after 1 July 2009, but is not expected to be relevant to the activities of the group.

28 Standards and interpretations not yet effective (continued)

IAS 27 Consolidated and Separate Financial Statements (Revised)

This revised standard is required for years commencing on or after 1 July 2009, but is not expected to have a significant impact on the current activities of the group.

IFRS 3 Business Combinations (Revised)

This revised standard is required for years commencing on or after 1 July 2009, but is not expected to have a significant impact on the current activities of the group.

IAS 39 and IFRS 7 Amendments for Re-classification of Financial Assets

These amendments are required for years commencing on or after 1 July 2009, but are not expected to have a material impact on the activities of the group.

IAS 39 Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

This amendment is required for years commencing on or after 1 July 2009, but is not expected to be relevant to the activities of the group.

Improvements to IFRS (April 2009)

The 2009 improvements mostly have an effective date of 1 January 2010, while the changes to IFRS 2, IAS 38 and IFRIC 9 have an effective date of 1 July 2009. These changes are not expected to have a material impact on the activities of the group.

IAS 32 Amendment for Classification of Rights Issues

This amendment is required for years commencing on or after 1 February 2010, but is not expected to be relevant to the activities of the group.

IFRS 1 Amendments for Additional Exemptions for First-time Adopters

This amendment is required for years commencing on or after 1 January 2010, but will not be relevant to the activities of the group.

IFRS 2 Amendments for Group Cash-settled Share-based Payment Transactions

This amendment is required for years commencing on or after 1 January 2010, but will not be relevant to the activities of the group.

IFRIC 14 Amendment for Prepayment of a Minimum Funding Requirement

This amended interpretation is required to be adopted for years commencing on or after 1 January 2011. This amendment is not expected to have any impact on the activities of the group as the group does not have any defined benefit plans.

IAS 24 Related Party Disclosure (Revised)

This revised standard is required for years commencing on or after 1 January 2011, but is not expected to have a significant impact on the activities of the group as it relates particularly to disclosures in the financial statements.

IFRS 9 Financial Instruments

This new standard is required to be adopted for years commencing on or after 1 January 2013. The impact of this new standard on the activities of the group has not yet been determined.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This new interpretation is required for years commencing on or after 1 July 2010, but is not expected to be relevant to the activities of the group.

29 *Adoption of new standards*

The following amendments to standards and new interpretations were adopted during the year, as they became effective for years commencing on or after 1 January 2009. These amended standards impacted the disclosure in the financial statements:

IAS 1	Presentation of Financial Statements
IFRS 7	Amendments to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The following amendments to standards and new interpretations were adopted during the year, but have had no material impact on the financial position and performance of the group.

IAS 23	Borrowing Costs
IFRS 1 and IAS 27	Amendments to IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
	Improvements to IFRS (May 2008).

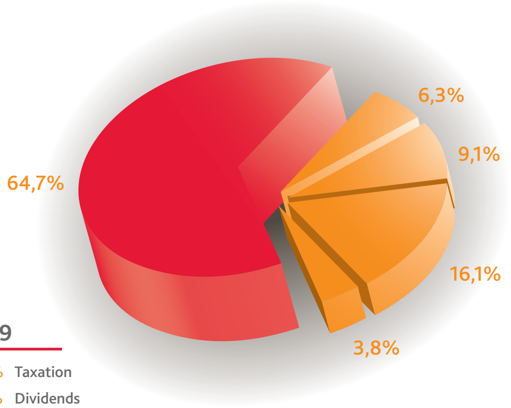
The following new standards, amendments and new interpretations were not applied by the group as they are not considered to be applicable to the group's activities:

IFRS 8	Operating Segments
IFRS 2	Amendments to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations
IFRIC 15	Agreements for the construction of real estate
IAS 32 and IAS 1	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC 16	Hedges of a net investment in a foreign operation.

Value Added Statement

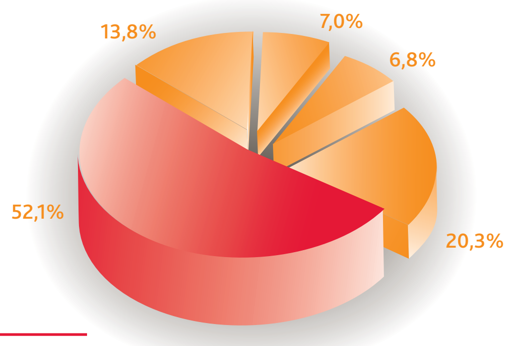
for the year ended 31 December 2009

	2009 R'000	%	2008 R'000	%
Value added				
Net income after impairment for credit losses	**91 473**	**122,9**	87 142	115,6
Fee and commission income	**7 777**	**10,4**	7 774	10,3
Other operating income	**1 944**	**2,6**	1 991	2,7
Other comprehensive income	**352**	**0,5**	(1 195)	(1,6)
Operating expenditure	**(27 111)**	**(36,4)**	(20 358)	(27,0)
	74 435	**100,0**	75 354	100,0
Value allocated to				
Employees				
Salaries and other benefits	**48 149**	**64,7**	39 264	52,1
Government	**2 829**	**3,8**	10 466	13,8
Normal tax	**(618)**	**(0,8)**	9 229	12,2
Value added tax	**3 447**	**4,6**	1 237	1,6
Providers of capital				
Dividends to shareholders	**6 750**	**9,1**	5 250	7,0
Retention for expansion and growth	**16 707**	**22,4**	20 374	27,1
Depreciation	**4 710**	**6,3**	5 090	6,8
Retained income	**11 997**	**16,1**	15 284	20,3
	74 435	**100,0**	75 354	100,0



2009

3,8% Taxation
9,1% Dividends
6,3% Depreciation
16,1% Retained Income
64,7% Salaries and other benefits



2008

13,8% Taxation
7,0% Dividends
6,8% Depreciation
20,3% Retained Income
52,1% Salaries and other benefits

alBaraka

AAOIFI Statement of Financial Position and Statement of Comprehensive Income

for the year ended 31 December 2009

Your Partner Bank

AAOIFI Statement of Financial Position

as at 31 December 2009

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
Assets				
Cash and cash equivalents	**192 901**	186 155	**192 901**	186 155
Sales receivables	**1 080 798**	869 709	**1 080 798**	869 709
Musharaka financing	**972 524**	732 249	**972 524**	732 249
Investment securities	**6 535**	5 972	**6 535**	5 972
Investment in subsidiary company			**7 636**	46 706
Total investments	**2 252 758**	1 794 085	**2 260 394**	1 840 791
Other assets	**12 775**	8 697	**12 542**	8 509
Property and equipment	**115 103**	67 874	**103 457**	22 181
Total assets	**2 380 636**	1 870 656	**2 376 393**	1 871 481
Liabilities, unrestricted investment accounts and owners' equity				
Liabilities				
Current accounts	**3 636**	3 099	**3 636**	3 099
Payables	**14 890**	14 229	**11 220**	15 054
Other liabilities	**7 233**	15 415	**7 233**	15 415
Total liabilities	**25 759**	32 743	**22 089**	33 568
Equity of unrestricted investment account holders	**2 120 344**	1 621 057	**2 120 344**	1 621 057
Total liabilities and unrestricted investment accounts	**2 146 103**	1 653 800	**2 146 103**	1 654 625
Owners' equity	**234 533**	216 856	**233 960**	216 856
Share capital	**150 000**	150 000	**150 000**	150 000
Reserves	**19 541**	13 861	**19 541**	13 861
Retained income	**64 992**	52 995	**64 419**	52 995
Total liabilities, unrestricted investment accounts and owners' equity	**2 380 636**	1 870 656	**2 376 393**	1 871 481

AAOIFI Statement of Comprehensive Income

for the year ended 31 December 2009

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
Income from sales receivables	**102 933**	100 801	**102 933**	100 801
Income from Musharaka financing	**110 908**	95 104	**110 908**	95 104
Return on unrestricted investment accounts before the bank's share as mudarib	**213 841**	195 905	**213 841**	195 905
Less: bank's share as mudarib	**(92 596)**	(89 499)	**(92 596)**	(89 499)
Return on unrestricted accounts	**121 245**	106 406	**121 245**	106 406
Bank's share in income from investment (as a mudarib and as a fund owner)	**92 596**	89 499	**92 596**	89 499
Bank's income from its own investments	**248**	180	**248**	180
Revenue from banking services	**5 146**	4 173	**5 146**	4 173
Other revenue	**4 575**	5 578	**4 494**	5 299
Total bank revenue	**102 565**	99 430	**102 484**	99 151
Administrative and general expenditure	**(80 078)**	(63 382)	**(80 242)**	(63 103)
Depreciation of property and equipment	**(4 710)**	(5 090)	**(5 415)**	(5 090)
Profit before taxation	**17 777**	30 958	**16 827**	30 958
Taxation	**618**	(9 229)	**995**	(9 229)
Profit for the period	**18 395**	21 729	**17 822**	21 729

Al Baraka Banking Group – Holding Company and Subsidiaries

Bahrain

Al Baraka Banking Group
Al Baraka Tower, Diplomatic Area,
PO Box 1882, Manama, Kingdom of Bahrain
President & Chief Executive Officer:
Mr Adnan Ahmed Yousif
Tel: +973 17 541 122
Fax: +973 17 536 533
Web: www.barakaonline.com

Al Baraka Islamic Bank
Al Baraka Tower,
PO Box 1882, Manama, Kingdom of Bahrain
Chief Executive Officer:
Mr Mohammed Isa Al Mutaweh
Tel: +973 17 535 300
Fax: +973 17 533 993
Web: www.barakaonline.com

Algeria

Banque Al Baraka D'Algerie
Hai Bouteldja Houidef, Villa No. 1,
Rocade Sud, Ben Aknoun,
Algiers, Algeria
General Manager:
Mr Mohammed Seddik Hafid
Tel: +213 21 916 450
Fax: +213 21 916 457
Web: www.albaraka-bank.com

Egypt

Egyptian Saudi Finance Bank
60 Mohie El Ddin Abu ElEzz Street,
PO Box 455, Dokki, Cairo, Egypt
Chief Executive & Managing Director:
Mr Ashraf Al Ghamrawi
Tel: +20 23 748 1222
Fax: +20 23 761 1436
Web: www.esf-bank.com

Indonesia

Al Baraka Banking Group
Representative Office
Ravindo Building 10th Floor, Jalan Kebon Sirih
No. 75, Jakarta Pusat, 10340, Indonesia
Chief Representative:
Mr Moes Mokhtar
Tel: +62 21 316 1345
Fax: +62 21 316 1074

Jordan

Jordan Islamic Bank
PO Box 926225, Amman, Jordan
Vice Chairman & Chief Executive Officer:
Mr Musa Shihadeh
Tel: +96 26 567 7377
Fax: +96 26 566 6326
Web: www.jordanislamicbank.com

Lebanon

Al Baraka Bank Lebanon
Rashid Karameh Street,
Verdun 2000 Centre, Beirut, Lebanon
General Manager:
Mr Mutasim Mahmassani
Tel: +96 11 808 008
Fax: +96 11 806 499
Web: www.al-baraka.com

Pakistan

Al Baraka Islamic Bank Pakistan
Country Office, 95-B, Hali Road, Gulberg-ll
PO Box 1686, Lahore, 54000, Pakistan
Country Head:
Mr Shafqaat Ahmed
Tel: +92 42 111 742 742
Fax: +92 42 575 687 7
Web: www.albaraka.com.pk

South Africa

Albaraka Bank Limited
2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street (Stanger Street), Durban, 4001, South Africa
PO Box 4395, Durban, 4000, South Africa
Chief Executive:
Mr Shabir Chohan
Tel: +27 31 364 9000
Fax: +27 31 364 9001
Web: www.albaraka.co.za

Sudan

Al Baraka Bank Sudan
AlBaraka Tower,
PO Box 3583, Khartoum, Sudan
General Manager:
Mr Abdullah Khairy Hamid
Tel: +24 91 837 806 88
Fax: +24 91 837 885 85
Web: www.albarakasudan.com

Syria

Al Baraka Bank Syria
9 Tulaytulah Street, Al Malki Square,
Damascus, Syria
PO Box 100, Hijaz Post Centre,
Damascus, Syria
General Manager:
Mr Mamoun Darkazally
Tel: +96 311 332 1980
Fax: +96 311 331 0081

Tunisia

Al Baraka Bank Tunisia
88 Avenue Hedi Chaker 1002, Tunis, Tunisia
Vice Chairman & General Manager:
Mr Laroussi Bayoudh
Tel: +216 71 790 000
Fax: +216 71 780 235
Web: www.bestbank.com.tn

Turkey

Al Baraka Turk Participation Bank
Buyukdere Cad No. 78, 34394 Mecidiyekoy,
Istanbul, Turkey
General Manager:
Mr Fahrettin Yahsi
Tel: +90 212 274 9900
Fax: +90 212 272 4470
Web: www.albarakaturk.com.tr

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