2015 INTEGRATED ANNUAL REPORT

alBaraka

Your Partner Bank

Al Baraka Bank...

VISION, MISSION, VALUES, CODE OF BUSINESS CONDUCT, STRATEGIC OBJECTIVES, BUSINESS AND FINANCIAL HIGHLIGHTS

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

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

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

Driven
We have the energy and perseverance it takes to make an impact in our customers' lives and for the greater good of society;

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

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

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

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 with International Financial 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.

Strategic Objectives, Business and Financial Highlights

Primary strategic objectives -
- To increase returns to shareholders;
- The promotion of customer service excellence;
- The development of innovative products; and
- The utilisation of enhanced technology.

Business highlights -
- Approval of a sukuk (Islamic bond) for issuance in 2016;
- Appointment of three directors, Mr NJ Kunene, Mr M Kaka and Mr YGH Suleman;
- Opening of a forex bureau in Rosebank (Johannesburg); and
- Launch of a new ATM at King Shaka International Airport.

Financial highlights -
- Profit after taxation increased by 39,3% to R55,0 million;
- Total assets exceeded R5,0 billion;
- Total deposits of R4,4 billion;
- Gross advances to customers increased by R227,1 million; and
- Shareholders' equity of R601,5 million.

Al Baraka Bank ... Creating the ultimate banking experience

We are totally committed to adherence to our business values, giving you, our valued stakeholders, peace-of-mind.

As 'Your Partner Bank,' we strive to ensure that our customers may rest assured that their financial interests are being managed by us to the highest ethical standards, creating the ultimate banking experience.

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ABOUT THIS REPORT

WELCOME TO AL BARAKA BANK'S INTEGRATED ANNUAL REPORT, REFLECTING THE BANK'S REVIEW PERIOD 01 JANUARY TO 31 DECEMBER 2015.

Introduction

This integrated annual report aims to offer an understandable and succinct overview of the past performance and future prospects of Al Baraka Bank, detailing its company profile, a 10-year review of salient details, its directorate and administration, joint statement by the Chairman and Chief Executive Officer and material issues it faces in terms of human resources, information technology, governance, sustainability, compliance and adherence to Shariah principles.

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

We seek to meet the financial needs of communities by conducting business ethically, in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with the customers, staff and shareholders who participate in our business success.

In preparing this report, we are bound by the bank's pre-determined reporting requirements, as well as those prescribed by the regulating bodies active in South Africa's financial environment.

However, materiality is determined by our board of directors, in line with the requirements of our shareholders and other key stakeholder groups.

We have been cognisant of the guiding principles contained in the South African Generally Accepted Accounting Principles, the Banks Act, Act No. 94 of 1990, the Companies Act, Act No. 71 of 2008, as amended, and the King Code of Governance for South Africa (King III).

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

Declaration

Our audit committee assumes responsibility for appraising and submitting our integrated annual report, complete with annual financial statements, to the board for review and approval.

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

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Adnan Ahmed Yousif
Chairman

15 March 2016

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Shabir Chohan
Chief executive

COMPANY PROFILE

Creating the ultimate banking experience

AL BARAKA BANK IN SOUTH AFRICA IS A FULLY INTEGRATED SUBSIDIARY OF BAHRAIN-BASED AL BARAKA BANKING GROUP, ONE OF THE WORLD'S LEADING ISLAMIC BANKING GROUPS.

Al Baraka Banking Group - Bahrain

Al Baraka Banking Group has subsidiary banking units and representative offices in no fewer than 15 countries, all of which offer Shariah-compliant retail, corporate, investment and treasury banking services. The group's services are delivered through some 587 branches by 11 458 members of staff.

Established to meet the need for world-wide Islamic banking services, Al Baraka Banking Group is listed on the Bahrain and Dubai financial exchanges.

As a fully integrated financial institution, the group provides a comprehensive financial products offering, specifically designed to meet the changing requirements of its clients.

Positioned to take advantage of its current exceptional growth trajectory, reflected by way of its latest financial results, the group's 2015 net income totalled US$286,0 million, while total assets grew to US$24,6 billion.

Al Baraka Banking Group's international subsidiaries include: Banque Al Baraka D'Algerie S.P.A. in Algeria, Al Baraka Islamic Bank B.S.C. in Bahrain, Al Baraka Bank Egypt in Egypt, Itqan Capital in Saudi Arabia, Jordan Islamic Bank in Jordan, Al Baraka Bank Lebanon S.A.L. in Lebanon, Al Baraka Bank (Pakistan) Limited in Pakistan, Albaraka Bank Limited in South Africa, Al Baraka Bank Sudan in Sudan, Al Baraka Bank Syria s.a. in Syria, Al Baraka Bank Tunisia in Tunisia, Al Baraka Türk Participation Bank in Turkey and Al Baraka Banking Group representative offices in Indonesia and Libya, with a branch in Iraq, for which Al Baraka Türk Participation Bank is responsible.

Al Baraka Bank - South Africa

The South African subsidiary, Al Baraka Bank, was established in 1989 and provides communities in this country with an essential alternative to conventional banking models. Shariah-compliant banking is becoming increasingly attractive to both Muslim and non-Muslim clients in South Africa.

Following a faith-based system of financial management, Al Baraka Bank draws its guiding principles from Shariah, which promotes profit-sharing, while prohibiting the payment or the receiving of interest in any transaction.

Products and services are Shariah-compliant and the bank remains committed to the ideal of 'partnership,' striving to develop long-term relationships with its clients. The bank has long adopted and continues to adhere to a personal approach, enabling it to foster close and meaningful partnerships with clients to the mutual benefit of both client and bank.

The bank's head office is situated in Durban. It boasts a national operating footprint comprising seven retail branches, three corporate banking offices, a business office and a dedicated Foreign Exchange Bureau, providing a range of products as a fully-fledged Islamic and commercial banking enterprise. As at 31 December 2015, Al Baraka Bank's primary shareholders included the Bahrain-based Al Baraka Banking Group B.S.C. (64,51%), DCD Holdings (SA) (Pty) Ltd. (6,01%), DCD London and Mutual plc (6,60%), Johannesburg-based Timewest Investments (Pty) Ltd. (7,67%) and Sedfin (Pty) Ltd. (3,33%). The remaining shareholding consists of both foreign and local shareholders.

The bank's board of directors comprises international and local business people, all demonstrating outstanding individual business skills and exceptional collective expertise and experience in Islamic banking.

In order to effectively continue its adherence to Shariah in its day-to-day business activities and in ensuring that its products and services comply with Islamic business principles, Al Baraka Bank has in place an internal Shariah Department and an independent Shariah Supervisory Board.

It is also a member of the international Accounting and Auditing Organisation for Islamic Financial Institutions. All the bank's financial products are regularly reviewed and audited in order to ensure the maintenance of complete Shariah compliance.

Al Baraka Banking Group has progressively increased its shareholding in its South African subsidiary, with Al Baraka Bank here growing to become an integral part of this leading international group.

Utilising this international linkage, Al Baraka Bank has gained an impressive reputation as a highly professional, effective and efficient financial services provider; one which is at the very cutting-edge of Islamic banking in this country.

The bank is following an impressive growth-path and is a significant contributor towards the resolution of socio-economic challenges faced by South Africa, through its broad and far-reaching corporate social investment programme.

TEN-YEAR REVIEW

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statement of Financial Position (Rm)										
Share capital	**322**	322	225	225	225	150	150	150	150	150
Shareholders' interest	**601**	560	381	362	347	233	228	217	202	187
Deposits from customers	**4 426**	4 230	3 941	3 322	2 881	2 571	2 130	1 624	1 449	1 254
Advances and other receivables	**4 473**	4 242	3 753	3 269	2 826	2 395	2 057	1 604	1 478	1 300
Total assets	**5 058**	4 814	4 411	3 716	3 246	2 825	2 381	1 871	1 686	1 470
Statement of Comprehensive Income (Rm)										
Profit before taxation	**76**	55	40	34	26	17	18	31	27	15
Total comprehensive income for the year	**56**	40	29	25	16	11	18	21	18	10
Share Statistics (Cents)										
Basic and diluted earnings per share	**171**	154	129	112	77	74	125	145	121	102
Headline earnings per share	**171**	154	129	114	76	69	121	144	121	101
Dividend per share	**45**	45	45	45	45	45	45	35	25	20
Net asset value per share	**1 866**	1 736	1 692	1 608	1 541	1 551	1 522	1 446	1 344	1 249
Ratios (%)										
Return on average shareholders' interest	**9,5**	8,5	7,8	7,1	4,6	4,8	8,2	10,4	9,4	7,0
Return on average total assets	**1,1**	0,9	0,7	0,7	0,5	0,4	0,9	1,2	1,2	0,7
Shareholders' interest to total assets	**11,9**	11,6	8,6	9,7	10,7	8,2	9,6	11,6	12,0	12,7

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

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

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

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

DIRECTORATE AND ADMINISTRATION

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DURING THE 2015 FINANCIAL YEAR, AL BARAKA BANK'S BOARD OF DIRECTORS COMPRISED THE FOLLOWING MEMBERS:

Board of directors: Non-executive

AA Yousif (60) - Bahraini
- MBA
- Joined the board in 2005
- Non-executive chairman
- Currently president and chief executive of Al Baraka Banking Group

Independent non-executive

SA Randeree (53) - British
- BA (Hons) MBA
- Joined the board in 2003
- Vice chairman of the board and lead independent director
- Chairman of the directors' affairs committee and the board credit committee
- Member of the remuneration committee

F Kassim (57) - Sri Lankan
- OPM – Harvard Business School
- Joined the board in 2006
- Independent non-executive director
- Member of the directors' affairs committee

A Lambat (57) - South African
- CA (SA)
- Joined the board in 2006
- Independent non-executive director
- Chairman of the risk and capital management committee
- Member of the audit committee

Adv. AB Mahomed SC (69) - South African
- BA LLB
- Joined the board in 1989
- Independent non-executive director
- Member of the audit committee, risk and capital management committee and remuneration committee

MG McLean (67) - Australian
- AEP - UNISA
- Joined the board in 2001
- Independent non-executive director
- Member of the board credit committee

MS Paruk (61) - South African
- CA (SA)
- Joined the board in 2004
- Independent non-executive director
- Chairman of the audit committee
- Member of the risk and capital management committee and board credit committee

YM Paruk (56) - South African
- Joined the Board in 2003
- Independent non-executive director
- Chairman of the remuneration committee
- Member of the risk and capital management committee and the social and ethics committee

M Youssef Baker (61) - Egyptian
- B.Sc Economics and Political Science, International Fellowship at Columbia University, NY
- Joined the board in 1992
- Independent non-executive director
- Chairman of the social and ethics committee
- Member of the audit committee and directors' affairs committee

NJ Kunene (59) - South African
- B. Com, MBA and Post-Graduate Diploma in Business Management
- Joined the board in 2015 (Director with effect: 07-04-2015)
- Independent non-executive director
- Member of the directors' affairs committee and social and ethics committee

Executive

SAE Chohan (50) - South African
- CA (SA)
- Joined the board in 2004
- Chief executive
- Member of the board credit committee and the social and ethics committee

MJD Courtiade (62) - French
- CA (SA)
- Joined the board in 2004
- Chief operating officer
- Member of the risk and capital management committee.

A Ameed (34) - South African
- CA (SA)
- Joined the board in 2014
- Financial director
- Member of the board credit committee

M Kaka (36) - South African
- CA (SA)
- Joined the board in 2015 (Director with effect: 23-04-2015)

Administration:

Company secretary
CT Breeds BA LLB

Shariah Supervisory Board
Dr. AS Abu Ghudda, Chairman (Syrian)
Mufti SA Jakhura
MS Omar B.Com LLB

Registered office
2 Kingsmead Boulevard, Kingsmead Office Park
Stalwart Simelane Street, Durban, 4001

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

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

Company details

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

Business and postal address
Head Office:
2 Kingsmead Boulevard, Kingsmead Office Park
Stalwart Simelane Street, Durban, 4001
PO Box 4395, Durban, 4000

Retail branches:
General manager:
D Desai

Kingsmead (Durban)
Regional Manager: F Randeree
2 Kingsmead Boulevard, Kingsmead Office Park,
Stalwart Simelane Street, Durban, 4001
PO Box 4395, Durban, 4000

Overport (Durban)
Branch Administrator: R Buksh
Shop 11, Gem Towers, 98 Overport Drive,
Durban, 4001
PO Box 4395, Durban, 4000

Gauteng
Area Manager: N Cassim

Fordsburg (Johannesburg)
Branch Manager: R Dabhelia
Ground Floor, Baitul Hamd, 32 Dolly Rathebe Road,
Fordsburg, 2092
PO Box 42897, Fordsburg, 2033

Lenasia (Johannesburg)
Sales Manager: A Ahmed
Shop 20, Signet Terrace, 82 Gemsbok Street,
Extension 1, Lenasia, 1827
PO Box 2020, Lenasia, 1820

Laudium (Pretoria)
Sales Manager: H Essop
Laudium Plaza, Cnr. 6th Avenue and Tangerine Street,
Laudium, 0037
PO Box 13706, Laudium, 0037

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

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

Professional office:
Killarney (Johannesburg)
Manager: AR Gangat
First floor, Office 105, Office Towers,
Killarney Mall, Killarney, 2193

Forex bureau:
Rosebank
The Zone, Shop G20
177 Oxford Road, Rosebank, 2196

Corporate offices:
General manager:
I Yuseph

Durban
Manager: M Ameen
2 Kingsmead Boulevard, Kingsmead Office Park
Stalwart Simelane 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
First floor, Office 105, Office Towers
Killarney Mall, Killarney, 2193
PO Box 42897, Fordsburg, 2033

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

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UNFORTUNATELY THE SOUTH AFRICAN ECONOMIC LANDSCAPE DETERIORATED THROUGH THE COURSE OF 2015.

Economic overview

The overriding factor weighing down on economic growth has been the slowdown in the Chinese economy, which has reverberated adversely on commodity prices. Even though South Africa, as an oil consumer, has benefited from a decline in fuel prices, the impact has been outweighed by the fall-off in the demand for the country's mineral and mineral-processed exports, particularly to China.

Growth was further reduced by the intensification of drought and heat-wave conditions, likely to compel the country to import substantial quantities of maize and wheat, instead of exporting these commodities.

The negative effects of slower growth were felt on financial markets. Credit ratings agencies have increased the threat to downgrade the country's credit rating to junk status. They are concerned that the slowdown in domestic economic growth will affect growth of Government revenue, making it difficult for the State to reduce its budget deficit.

The country's ability to limit the increase in its public debt as a percentage of GDP to a maximum of 45% is in jeopardy. The threat of a downgrade to junk status is aggravated by concerns over the mismanagement of State-owned enterprises and the possibility that claims on the Government to bail-out such enterprises may escalate.

The ratings downgrade threat, together with concerns about an abandonment of fiscal discipline by the Government in the wake of the dismissal of respected former Finance Minister, Nhlanhla Nene, accelerated the depreciation of the Rand towards the end of 2015. The currency had already weakened substantially through most of 2015, the result of increased risk aversion towards emerging markets globally, linked to the fall in commodity prices and the threat of rising US interest rates.

The accelerated rate of decline in the currency compelled the Reserve Bank to increase the repo rate by a full percentage point cumulatively during the past year. This is likely to exacerbate the slow-down in the rate of growth in the economy in 2016, with further interest rate increases in store.

The combination of interest rate hikes and higher inflation arising from a fall in the Rand and drought-driven food price increases, is likely to cause a slowing in the growth of consumer spending.

In the longer-term, significant structural reforms in the South African economy are necessary to reverse the gradual decline in sustainable growth. To effect such change, some way needs to be found to marry the desires on the part of society's poor for increased Government intervention with the need to continue pursuing market-orientated and business-friendly economic policies.

Shariah Banking

As a commercial financial institution and a fully-fledged Islamic bank, Al Baraka Bank adheres strictly to Shariah in all our business activities.

In our ongoing commitment to Shariah compliance, we strive continuously to improve and enhance our control structures and work to implement invaluable guidelines provided by the Shariah Supervisory Board, an independent body of specialist jurists in Islamic commercial jurisprudence. Such efforts are supported by the bank's membership of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), acclaimed world-wide for the standards it sets and it is to these standards that we adhere in conducting our day-to-day business.

We display our Shariah Certificate throughout our network of offices and branches country-wide, indicating to all our stakeholders that we remain intent on maintaining Shariah compliance as a truly Islamic bank.

Al Baraka Banking Group

Durban-based Al Baraka Bank, with a presence in major centres throughout South Africa, is a subsidiary of Al Baraka Banking Group, based in Bahrain and acknowledged as one of the world's leaders in Islamic banking. Indeed, Al Baraka Banking Group is represented in 15 countries and employs 11 458 members of staff globally.

In spite of the prevailing exchange rate volatility, Al Baraka Banking Group continued its impressive international growth trajectory, evidenced by its 2015 financial results, which reflected growth in both profits and assets. Generated net income amounted to US$286,0 million, while total assets totalled US$24,6 billion in 2015, an increase of 5,0% over the 2014 financial year. In addition, 2015 saw the group's move to its new state-of-the-art head office, a flagship structure in Bahrain and one which epitomises its leading position in world banking circles and its status as one of the globe's top Islamic banking groups.

Al Baraka Banking Group believes unreservedly that banking is integral to society and must, accordingly, play a crucial role in ensuring the safeguarding of resources placed in the care of bankers.

The group, therefore, places great store on the reliance of Shariah principles to guide both it and its subsidiaries world-wide, as it participates in the successes of its clients through the continuous development of the social fabric of families, businesses and society in general.

Financial performance: South African subsidiary

In spite of distinctly lacklustre economic conditions and a challenging South African operating environment, Al Baraka Bank has again successfully delivered outstanding results in the 2015 financial year, topping our record performance of 2014.

Crucially in 2015 our net income before tax increased by a pleasing 38%, from R55 million to a remarkable R76 million, a direct consequence of the business process re-engineering intervention we launched during the course of 2013, which was designed to optimise business efficiencies.

We are exceptionally pleased with the bank's continued growth curve, but remain realistic about the need to cautiously manage capital requirements in support of such continued growth in the face of the stagnating economy. In line with this approach, our deposit book grew by 4,64% or R196 million, while the equity finance book increased by 0,3% or R1,9 million. Total assets increased by a pleasing, though pedestrian 5,07% to total R5,1 billion.

Whilst maintaining a degree of growth, our focus in 2015 turned to profitability - consistent with our business strategy - and is a tactic we envisage employing into the forthcoming financial year. Of particular importance with regard to our comprehensive business process re-engineering, were the direct benefits we derived in 2015, the result - specifically - of implementing projects geared to improving our levels of non-funding income, with foreign exchange earnings and transactional banking fees being noteworthy and substantial contributors.

In this regard, we were particularly pleased that the high level of demand for our expanded foreign exchange services achieved in recent years was again maintained during the 2015 review period. This gave effect to sizeable growth in foreign exchange earnings.

Critically, income from our foreign exchange activities increased by 62,0% compared against the 2014 reporting period. Cross-border transactions grew at a rate of 24,0% in 2015 and contributed R5,4 million to our income for the year.

Since our introduction of international banking services provision as an authorised dealer, we have been fortunate in attracting outstanding customer support, with much of the uptake being the result of our competitive exchange rates, 0% commission on retail forex sales, efficient service and the use of state-of-the-art technology.

Our international banking services have unquestionably opened the door to a multitude of new opportunities for the benefit of clients, with yet another product close to implementation. During the 2015 financial year the development of a product designed to facilitate Shariah-compliant forward exchange cover was brought to a very advanced stage, with 'go live' implementation now imminent.

This new product is viewed as a natural extension to our existing foreign trade facilities and will enable clients to hedge against foreign currency risk through the ability to purchase forward cover from the bank.

In addition, we have come to realise and have acknowledged the increasing importance of the mobile phone and the need to provide clients - especially mobile-first clients - with offerings such devices are able to deliver.

We are undeniably well into the digital age and with people increasingly embracing the concept of branchless banking and displaying an encouraging appetite for anywhere, anytime banking on the move, it has become self-evident that a full digital banking presence has become a business imperative.

In view of this, Al Baraka Bank embarked on studying ways in which clients might get the most out of their mobile channel, thus improving the overall customer experience and making banking easy for clients using mobile devices.

We have accordingly developed a foreign exchange app for corporate clients, which will greatly enhance customer interaction and service. This, our first app, is poised for public launch during the 2016 financial year and is set to be the forerunner of additional Al Baraka banking apps going forward.

Further to our dedication to developing electronic banking products in the face of exceptional demand by our customers for such products since their inception in 2009, the 2015 financial year brought the development of micro-chip-enabled debit cards, conforming to global Europay, MasterCard and VISA (EMV) standards which are being adopted by banks around the world. The new cards were pilot-tested through the review period and are due for roll-out to the bank's transactional banking customers in 2016.

We are pleased at the opportunity to embrace the latest technology in migrating from magstripe debit cards to the chip-enabled version, a move which constitutes a major step-up in the evolution of our electronic banking offering. With the ever-present threat of card fraud and 'skimming,' the bank's introduction of new generation chip-enabled debit cards will provide account-holders with improved security, significantly reducing the risk of cloning and instances of counterfeit card fraud.

Our ongoing commitment to financial product enhancement, such as the chip-enabled debit card migration intervention, will, we believe, add significantly to our clients' overall banking experience and serve to cement the bonds which form the basis of long-term client relationships.

Client service was further improved with the expansion of the bank's infrastructure and geographic footprint in 2015. We installed and activated the bank's eighth ATM - and the first to be positioned independently of a branch - during the period under review.

The ATM, located at Durban's King Shaka International Airport is located within the terminal building for the convenience of both local and international travellers.

Our bank currently offers ATM facilities at each of its branches and we are looking to further expand our ATM network at additional strategic points, making banking more convenient to customers across South Africa.

In addition, we introduced an innovative concept outlet and dedicated foreign exchange bureau in Rosebank's The Zone in Johannesburg, Gauteng.

This, our first concept outlet in South Africa, was specifically selected for its close proximity to a significant business area and home to a large number of professionals. The outlet offers state-of-the-art video conferencing facilities, allowing banking clients the ability to interact with product specialists throughout our branch network on a face-to-face basis.

In light of increasing foreign exchange product demand, we have also given consideration to expanding our branch network in order to grow our customer base. This thinking resulted in the planned introduction of a Gauteng regional office in recognition of the importance of Gauteng to the country's economy and the identification of this being a key growth area. The 300 square metre regional office will be located in Rosebank Mall and is likely to open in the second quarter of 2016.

Equally important to product enhancement and infrastructure development in 2015 were the concerted efforts employed to maintain the continued downward trend of our cost-income ratio, efforts which proved singularly successful, albeit at a relatively high level.

We are pleased with the efforts made to date to cut this ratio and are committed to remaining focused on this crucial business component, with the expectation of a faster rate of reduction in future as we continue in our quest to achieve for the bank an appropriate cost-income level.

An undoubted highlight of the 2015 financial year was the approval our bank received from the regulatory authorities to launch a Sukuk (investment certificates), a major decision which opens the way to markedly grow the bank's capital base.

It was our original intention in 2014 to launch a Sukuk, in line with the prevailing global trend and as an alternative to conventional bonds and we are, therefore, excited now at the prospect of marketing a R200 million Sukuk to potential investors during the

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upcoming financial year, given that the Sukuk market world-wide has exhibited significant growth during the past several years.

Dividend

The 2015 financial year witnessed - for the 10th consecutive year - the bank's declaration of a dividend for the benefit of shareholders. We are pleased to report that the bank's board approved a dividend of 45c per share for the 2015 financial year.

Corporate governance

Our bank has always adhered strictly to the principles of good corporate governance and to employing the best practice ideal throughout our business.

In line with the highly regulated environment in which we conduct business, Al Baraka Bank is conscious of the need to provide customers and, indeed, all its stakeholders with financial peace-of-mind.

We accordingly place great store in assuring our customers that their financial interests are being managed to the highest ethical standards.

Given the trust others place in us, we ensure that the bank operates in a fully transparent manner and complies unconditionally with all South African laws and regulations.

We have a reputation for diligently striving to continuously discharge our obligations in terms of the King Report on Corporate Governance for South Africa (King III).

We have also ensured our clear and early understanding of the upcoming King IV and have kept our board informed of progress in this regard.

Corporate social investment

One of the values we espouse is that of making a social contribution, believing that by banking with us, our customers are able to make a positive input to a better society. In essence, their growth and our growth benefits the world around us.

In line with this philosophy, we have in place a strategically-focused corporate social investment programme through which we are able to impact positively on disadvantaged individuals and communities in five distinct fields, being education, humanitarianism, health, security and poverty alleviation.

Integral to this programme of community assistance is our Project 25, a two-pronged socio-economic legacy initiative implemented in KwaZulu-Natal in 2014 in recognition of our bank's 25 years in business.

The 2015 financial year brought about refinements to the two upliftment initiatives within the project.

This double-edged legacy project promises, firstly, long-term cyclical three-year assistance to 25 Grade 10 learners from Sinevuso Secondary School near Ixopo, holistically preparing youngsters for post-matric studies or employment.

Secondly, we support a community market garden initiative involving 25 unemployed people at Mariannhill, near Pinetown, creating jobs, promoting a level of food security and promoting wealth generation.

The 2015 financial year saw our bank donate a total of R2,9 million to these and other needy projects and causes. We are resolved to continue efforts to contribute to the socio-economic upliftment of historically disadvantaged communities through the effective distribution of funds by way of our closely-managed corporate social investment programme.

Compliance

We maintain a balance between strict compliance to laws and regulations and the needs and requirements of our clients.

It is our unshakable belief that as a financial institution of high repute, we stand resolute on our deeply embedded foundation of sound ethics, high morals and steadfast policy of absolute compliance, all encompassed by a commitment to sound corporate governance.

Appointments

During the 2015 financial year we moved to strengthen our 12-man board, adding specialist knowledge and enhanced professionalism with the appointment of two new directors, in the face of rapid Islamic banking growth globally.

Ours is a growing financial institution; one which has enjoyed an encouraging growth trajectory and exceptionally pleasing financial results in recent years. Against this background we believed the time to be opportune to assign additional strength and depth to our board.

The new members included Mr Nkosinathi Josiah Kunene, as a non-executive director, and Mr Mohammed Kaka, as an executive director. The expert financial know-how, business acumen and fresh insights these individuals provide perfectly complements the current board's collective wisdom and long-held understanding of our business.

Mr Kunene has played a significant and influential role in the retail banking sector of South Africa's financial environment, developing a wealth of financial sector experience and expertise, while Mr Kaka joined Al Baraka Bank in 2006, holding various senior posts before becoming the executive: international banking in 2012 and taking up his board appointment.

In addition, we are pleased to announce the appointment of Mr Yunus Suleman, a chartered accountant and non-executive director of a number of listed companies, to our board. He takes up his position from 1 March 2016. We wish him a successful and mutually beneficial association with Al Baraka Bank into the future.

Tribute to retiring board members

Regrettably, we are set to bid farewell to two retiring directors in April of the upcoming financial year.

It is fitting, therefore, to pay tribute here to their long commitment to the success of Al Baraka Bank.

The establishment of Al Baraka Bank owes much to the initiative and vision of Adv. Aboobaker Joosub Noor Mahomed S.C.

As a founding director, Adv. Mahomed played a critically important instrumental role in the attainment of a banking licence ahead of the 1989 establishment of an Islamic bank in South Africa.

With a keen understanding of Islamic finance and considerable business acumen, Adv. Mahomed has been a stalwart of our board for the past 27 years. His dedication to the bank's development and contribution to its strategic direction has proved invaluable.

Dr Mahmoud Youssef Baker has enjoyed a long association with Al Baraka internationally, dating back to 1983. Dr Youssef Baker was appointed to the board of the bank in South Africa in 1992. With a background in economics and keen business insights, Dr Youssef Baker has played a key 24-year role on our board. With a strong community affiliation, he is committed to assisting society's less fortunate.

The retirement of these two stalwarts of Islamic banking in South Africa is a truly sad loss for everyone associated with Al Baraka Bank.

Future prospects

Looking forward, we face a range of challenges in the forthcoming financial year, given the significant devaluation of the Rand, poor economic growth prospects and seemingly insurmountable socio-economic issues. In spite of such negative sentiment, we do expect to maintain the bank's growth curve, although unlikely at levels achieved in previous years.

Our primary focus for the immediate future will remain on profitability and the appreciable improvement of customer access to our banking services and products.

In this regard, we are committed to identifying strategic locations and to opening additional specialised branches catering for, especially, foreign exchange transactions, in line with our evolution plan.

From a product development perspective, our aim is to continue interrogating technological advances in the quest to make banking easier, totally efficient and a more rewarding experience for our customers.

In continuing to embrace technology, the bank is set to test 'signing on glass', an enhancement to our electronic banking suite of products which will ensure future ease of client interaction with the bank. We also intend giving renewed consideration to options for the future best development of a portion of land adjacent to our Durban head office, within Kingsmead Office Park, from an investment perspective.

Appreciation

In conclusion, our financial successes and business achievements of 2015 would not have been possible without the invaluable dedication of a number of stakeholders whose ongoing commitment to Al Baraka Bank is greatly appreciated. We are indebted to Al Baraka Banking Group for its tireless support of this, its South African subsidiary.

The confidence shown and guidance provided by the group to Al Baraka Bank in this country is, in no small measure, responsible for the successes we have achieved to date. Equally, we owe a huge debt of gratitude to the members of our board. Their leadership, strategic insights and considered decision-making has had a direct bearing on our bank's continued growth and delivery of exceptional financial results, in spite of arduous economic conditions. We are indeed fortunate and privileged to have such high-calibre individuals, who are so well versed in Islamic finance and business development, serving on our board and Shariah committee.

We are also most grateful to the bank's executive team, senior management and members of staff throughout our office network for their outstanding commitment to and hard work for Al Baraka Bank, the combined result of which is evidenced in our year-on-year business performance.

Finally, we are particularly thankful to both our shareholders and private, business and corporate customers for their support of the bank during 2015 and years past.

Rest assured, in taking the bank forward into a challenging and exciting future, our intent remains simple; it is to create the ultimate banking experience for all.

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

……………………………..
Adnan Ahmed Yousif
Chairman

……………………………..
Shabir Chohan
Chief executive

15 March 2016

HUMAN RESOURCES REPORT

Creating the ultimate banking experience

AS AL BARAKA BANK MOVES TO TACKLE NEW GROWTH FRONTIERS, THE BRAND IS BECOMING INCREASINGLY RECOGNISED AS THE EMPLOYER OF CHOICE BY HIGH-CALIBRE TALENT WITHIN THE INDUSTRY, WHO HAVE A PASSION FOR AND INTEREST IN ISLAMIC BANKING.

Such talent is drawn to an organisation which is growing at an exponential rate. The human resources function has, therefore, become a critical cornerstone of the business and works diligently to attract, retain and develop highly qualified and ambitious talent - an essential ingredient to maintaining our competitive edge in the market.

Our strategic objective is to ensure high levels of staff satisfaction and motivation which will inevitably translate into the attainment of customer satisfaction. This is achieved by constantly striving to improve the organisational climate within which the bank operates.

As our business evolves, so too does the human resources function, adapting to meet talent management and operational support service requirements and partnering with the bank to achieve its strategic imperatives. This, in itself, presents tremendous opportunities for various new and innovative human resources strategies capable of benefiting the bank in the long-term.

Yes we can

The bank is on-track to successfully coining and embedding the motto 'Yes We Can,' in a concerted effort to significantly improve levels of both internal and external customer service.

We recognise that in our ever-changing internal and external environment, we cannot continue to apply a 'business as usual' attitude and have moved instead to the adoption of a 'passive to active' banking approach in order to achieve growth, whilst simultaneously maintaining a keen focus on our most valuable asset - our customers.

Acquiring human intellectual capital

We place great importance on ensuring that we select employees who are both a culture-fit to the organisation and who have the potential and, importantly, the desire to succeed at the next level of business.

We apply a 'no compromise' approach to our stringent selection methodologies, so ensuring that we acquire human intellectual capital of a high-calibre; people who positively demonstrate that they bring to the bank integrity, high ethical standards, a superior work ethic and a customer-centric approach to service delivery.

Our graduate programme has in past years proven to be an excellent incubator for the acquisition of talented, newly qualified graduates. Our long-standing track-record in this regard reflects the ongoing development of these young, ambitious and talented individuals within our business operations.

Preparation for the next level of work

Al Baraka Bank's growth trajectory emphasises the importance of succession planning in order to ensure seamless business continuity in the event of the attrition of scarce and critical leadership skills.

This is best evidenced by our internal promotion of senior management staff to director level and movement of many professionally qualified staff into acting leadership positions, preparing them for the next level of work.

Whilst Al Baraka Bank has developed a strong leadership pipeline at senior management levels, we also focus on high-flyers within the organisation at all levels who display potential for future development.

Value-driven behaviours to create a high performance culture

Al Baraka Bank's values have been unpacked and defined into a set of ideal desired behaviours. These serve as guidelines in terms of our relationships with internal and external stakeholders.

We firmly believe that the alignment of high-performance behaviours will actively translate into a high performance culture environment, where all members of staff consistently strive to deliver results and customer service par excellence.

Celebrating and recognising employee successes

We have in place an employee recognition strategy the application of which contributes significantly to enhancing the organisational climate and, in turn, positively impacts employee morale and affiliation to the Al Baraka Bank family.

Annual staff functions, learnership graduation ceremonies and our internal newsletter are all tools we have used successfully to recognise exceptional staff performance and contributions to the bank.

Training and development

A crucial and strategically important component of the human resources function is training and development. This has received extensive attention and enhancement, enabling the business to cope effectively with its growth, customer service, sales and regulatory development requirements.

The effective and appropriate training and development of employees is the way of business today and we consider this to be key to the future of Al Baraka Bank. In this regard, we have undertaken the exploration of various electronic learning platforms and technologies in order to more efficiently promote learning and development in the work-place.

Talent management

It has in recent times become increasingly challenging to balance the growth of the organisation and the demanding human resource requirements associated therewith, whilst maintaining and improving employee satisfaction levels amongst our highly ambitious and qualified personnel.

Although Al Baraka Bank is fast becoming recognised as the employer of choice, the challenge lies in retaining top talent. In so doing, we appreciate that the key human resources pillars - rewards and recognition, performance, skills development and succession planning - must remain inextricably linked so as to maintain a healthy and sustainable workforce.

The need for an integrated talent management strategy has, therefore, become critical and requires effective alignment of the human resources function with the bank so as to meet the organisation's overall strategic business objectives.

Workforce profile as at 31 December 2015

	AIC*		White		Total		Total
	Male	Female	Male	Female	Male	Female	
Top and senior management	3	0	1	0	4	0	4
Professionally qualified and experienced specialists in mid-management	27	12	2	2	29	14	43
Skilled technical and academically qualified workers, junior management and supervisors	64	68	4	1	68	69	137
Semi-skilled and discretionary decision-making	34	70	1	0	35	70	105
Unskilled and defined decision-making	6	7	0	0	6	7	13
Total	134	157	8	3	142	160	302

*AIC = African, Indian and Coloured

INFORMATION TECHNOLOGY REPORT

Creating the ultimate banking experience

THE FOCUS ON TECHNOLOGY, AS A BUSINESS ENABLER DURING THE PERIOD UNDER REVIEW, HAS UNDERPINNED EFFORTS ACROSS THE ORGANISATION TO EMPLOY CREATIVE WAYS OF ADDRESSING STRATEGIC OBJECTIVES.

The aim was to target cost reduction, increase profitability, improve internal efficiencies, use alternate technologies where appropriate and, ultimately, improve the internal and external customer service experience.

The popularity of mobile technologies and purpose-built mobile applications has been a dominant factor in considering innovative delivery channels to remain competitive and sustain consumer interest in products and services. Remaining cognisant of operational, risk and regulatory factors and from an information security perspective, the topic of cyber crime risk has featured prominently in the industry during the review period and this has encouraged organisation-wide information security awareness, coupled with appropriate security initiatives. With regard to the sustainability of critical business operations under potential disaster scenarios, the bank has identified suitable high availability solutions which have been committed for implementation during the ensuing period.

The bank's key technology projects, such as 'Project One' which entails the enhancement of existing systems, introduction of new functionalities, where appropriate, and the re-engineering of business processes, embodies the principles of one-time data capture, one data source, getting it right the first time and asking for information once.

Continued efforts have led to the successful implementation and automation of guarantees, integrated customer capturing between the core banking and electronic banking systems and introduction of supplementary and enhanced management reporting. In addition, we implemented the deployment of automated report scheduling systems, improved watch-list checking systems, e-mailing of customer statements, automation of overdue letters and the development of automated budgeting systems and invoicing systems, which have been targeted for user acceptance testing and deployment in 2016.

Systems to automate customer onboarding processes have been investigated with an appropriate solution having been identified. Implementation has been targeted for mid-2016. The solution allows the bank to leverage off its existing electronic document management system, whilst introducing enhancements to address branch operational efficiencies, improve quality of data capturing and move the bank closer to achieving a paperless environment.

In the mobile applications space, an innovative development project centred on pre-ordering of foreign currency was initiated during the latter part of the year, showing promise of an exciting new service delivery channel that is envisaged to streamline existing processes, introduce efficiencies and improve customer experience, thus enabling the bank to remain competitive. The development, which is planned for release during the latter part of 2016 after due process, also presents a common platform to introduce other streamlined functionalities related to existing products and services, including mobile banking, which will be subsequently explored.

With regard to the broader IT risk environment, strategic focus and ongoing efforts continue in hardening the existing information systems environment, enhancing security programmes and refining disaster recovery and business continuity plans, whilst promoting organisational effectiveness through the reinforcement of corporate governance principles in line with best practice and governance frameworks.

In this regard, the bank has initiated security awareness programmes coupled with proactive security safeguards, including Distributed Denial-of-Service protection, Mobile Device Management systems, Endpoint Compliance systems and replacement of End-of-Life technologies, amongst others to bolster the security environment.

The complexities and sophistication of threats are constantly changing at a global level and this places great emphasis on cyber security strategies to protect the interests and information of all stakeholders, making it imperative to reinforce awareness, develop measures and counter-measures and regularly enhance the bank's cyber-security programmes as an ongoing process.

Our bank's disaster recovery systems and business continuity plans include recovery of systems at an off-site location in the event of a major disaster which could result in inaccessibility to or complete loss of critical systems. A series of tests are conducted regularly across the primary locations to refine the bank's ability to recover critical systems in the shortest possible time. Whilst existing arrangements meet immediate disaster recovery and continuity needs, the bank recognises the value of real-time sustainability of critical systems and business operations to provide a higher level of service availability that will benefit all stakeholders and minimise reputational risks associated with service downtime.

In this regard, the bank has committed to implementing suitable high availability solutions after having undertaken a successful proof-of-concept during the period, with plans for phased implementation during 2016, taking into consideration network connectivity, the security environment, data line requirements and human resources, amongst other impact areas which have been incorporated into the project.

Insofar as ongoing regulatory and compliance obligations are concerned, a number of enhancements and new systems were introduced to update bank reporting requirements in line with specifications received. These included Cash Threshold Reporting to the FIC, the new Go-AML system, which is an upgrade to the Cash Threshold Reporting system, and the Bi-annual IT3B submissions to SARS. Following efforts during the previous period regarding the Foreign Accounts Tax Collection Act (FATCA) reporting requirements, the bank successfully completed its initial submission requirements during 2015, with further reporting enhancements targeted during 2016, based on updated specifications received from SARS.

Efforts on the unpacking and analysis of requirements for the Protection of Personal Information Act (POPIA) were completed during the period, with plans and associated road-mapped activities to continue during the ensuing period.

We look to the period ahead with great optimism and are planning bold initiatives in the pursuit of underpinning strategies to capitalise on existing investments and to leverage off mobile and other technologies, as business enablers, in order to derive organisational efficiencies, customer service excellence and the lowering of our cost-to-income ratio, whilst not losing sight of risk, regulatory and governance needs.

The bank is aware of the sophistication of the security landscape, which is constantly evolving, and with this in mind sustained efforts on security monitoring and enforcement, supplemented by sound governance principles, will bolster logical and physical barriers to common and perceived threats and risks. These efforts will, likewise, contribute to the provisions of POPIA in terms of information security expectations which inherently impact on customers and financial institutions alike.

CORPORATE GOVERNANCE REPORT

THIS REPORT PROVIDES AL BARAKA'S STAKEHOLDERS WITH AN OVERVIEW OF THE CORPORATE GOVERNANCE ENVIRONMENT ESTABLISHED BY THE BOARD OF DIRECTORS TO ADDRESS THE CHALLENGING DEMANDS OF AN EVER-CHANGING BUSINESS ENVIRONMENT.

Governance ethos

The board acknowledges that the application of good corporate governance throughout the organisation provides the basis for building sound relationships with its diverse stakeholder groups. Good corporate governance is, thus, a fundamental part of the way in which the bank goes about conducting its day-to-day business operations.

In giving practical expression to this objective, we are committed to operating the business in an ethical and legal manner, characterised by our dedication to dealing with stakeholders in an open and transparent manner. The board remains steadfastly committed to the implementation of the principles recorded in the King Code. Subject to a few exceptions, all the key principles of the King Code have been applied throughout the course of the year under review.

The rapidly changing nature of the business environment within which the bank operates has witnessed the introduction of several fundamental changes from a regulatory perspective. The bank's approach to governance has, therefore, sought to harmonise the balance between conformance and performance, with the objective of conducting the business of the bank in such a manner that it remains focused on the business needs and requirements of its collective stakeholders.

Given its commitment to good corporate governance, the board has noted the early developments pertaining to King IV, which is in the process of formulation. The board is committed to this new process of corporate governance in the making and has undertaken to remain at the forefront of developments in this regard.

Board of directors

Role and function of the board

Al Baraka's Memorandum of Incorporation determines the constitution of the board, which is responsible for the smooth functioning and well-being of the bank in its totality. As such, the board is responsible for determining the strategic direction of the bank and for ensuring that the strategy remains in sync with the underlying core values of the bank.

The board confirms that it is responsible for the creation of shareholder value through the prudent guidance which it provides to management, who - in turn - oversee day-to-day business operations.

The terms of reference of the board are recorded in a written charter, which is, in essence, the mandate of the board. The board charter sets out in a clear and concise manner the rights and obligations of the board. Recognising that the environment within which the bank operates is subject to constant and, in some instances, rapid change, the charter of the board is, by way of necessity, reviewed by the board on a regular basis. It is imperative that the board undertakes this regular process of review if it is to succeed in giving effect to its objectives.

The process of review of the charter allows the board to conduct an assessment as to the manner in which it is giving effect to its terms of reference. Equally important is the fact that the process of review provides the board with a timely opportunity to reconsider the terms of reference of the charter and to incorporate new spheres of reference, where required, in response to the changing business and regulatory environment. The charter of the board was reviewed during 2015 and appropriate and innovative changes were brought about to the document. The board charter records, amongst other matters, the process to be followed in respect of the functions detailed below:

- Formulation of the bank's strategic plan and overall management of the bank;
- Determination of the board committees;
- Implementation of effective risk management processes;
- Approval of budgets;
- Monitoring the performance of the chief executive, the executive directors and the executive management team;
- Compliance with laws and regulations;
- Assessment of reputational risk;
- Communication with stakeholders;
- Director selection, orientation and evaluation; and
- Board and board committee composition.

Board structure and composition

Al Baraka Bank possesses a unitary board structure, comprising non-executive directors and executive directors. In 2015, the board consisted of 14 directors who are categorised as follows:

- Independent non-executive directors - 9 (64%);
- Non-executive director - 1 (7%); and
- Executive directors - 4 (29%).

The directors' affairs committee, in accordance with its terms of reference, conducts an annual review of the composition of the board. The purpose of the review is to assess whether the board will be in a position to give full effect to its mandate, especially given that the banking environment landscape is subject to ongoing change. The review also provides the bank with an appropriate opportunity to conduct a process of succession planning.

The issues taken into consideration by the directors' affairs committee when conducting the review are multi-faceted, focusing on the actual size of the board, the skills base and experience which the directors bring to the board, the demographic composition of the board, the dictates of the changing regulatory environment and the need for sufficient director representation at board committee level.

Having conducted its review of the board and board committee composition, the board supported the recommendations made by the directors' affairs committee, appointing two new directors in 2015, namely, Mr NJ Kunene and Mr M Kaka. Mr Kunene, appointed on 07 April 2015, qualifies as an independent non-executive director, whilst Mr Kaka, appointed on 23 April 2015, becomes the bank's fourth executive director, joining the chief executive, chief operating officer and financial director.

The composition of the board, which brings an objective perspective, diversified considerations and a strong degree of independence to the process of decision-making, ensures that no one individual director or group of directors possesses unfettered decision-making powers. The roles and responsibilities of the chairman and the chief executive have been defined in terms of the requirements of the King Code and are, as a consequence, separate.

The chairman of the board, Mr AA Yousif, is not classified, in terms of the requirements of King III, as an independent non-executive director due to the fact that he occupies the position of president and chief executive of Al Baraka Banking Group, the major shareholder of Al Baraka Bank South Africa.

The board has considered Mr Yousif's position in relation to the requirements of King III and having taken into account all relevant factors, is of the unanimous opinion that Mr Yousif is best able to fulfill the role of chairman, given his many years of international

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banking experience, combined with his extensive knowledge and understanding of the Al Baraka Banking Group.

As the chairman is not classified as an independent non-executive director, as per the recommendations of King III, the board has appointed a lead independent director, who is currently Mr SA Randeree. As part of its governance practices, the board of directors appoints the chairman on an annual basis and has also established the additional governance practice of appointing the vice-chairman on an annual basis. The position of vice-chairman is also held by Mr Randeree.

Assessment of independence

The King Code makes the recommendation that the majority of non-executive directors should be independent. Independence amongst the directors facilitates a diversified and objective contribution to the board's decision-making process, while significantly reducing the possibility of conflicts of interest.

The directors' affairs committee is, in terms of the requirements of its charter, responsible for conducting an annual process of review, whereby the independence of the directors is determined. In conducting this review, the directors' affairs committee acknowledges the King Code principle that an independent director should be independent in character and judgement and that there should not be any relationships or set of circumstances unique to a director which are likely to affect, or could appear to affect, this sense of independence.

Over and above this review, the board, through the directors' affairs committee, also conducts an in-depth review of those independent directors who have served as an independent director on the board for more than nine years. Pursuant to a process of extensive review, the board is satisfied that those directors who have served on the board for more than nine years as independent directors, continue to retain their strong sense of independence. The board is, therefore, satisfied that their independence of character and judgement have not been adversely affected by their length of service on the board.

Future planning

The King Code recognises the importance of the need for rotation, or succession planning, in respect of directors. The process of succession planning is important in the life of the board and is used to introduce directors with new skills, expertise and ideas, all of which are required for the ongoing evolution of the board.

As part of its annual review of the composition of the board and board committees, the directors' affairs committee places special emphasis on the succession planning requirements of the board and board committees, being mindful of the need to retain key skills and to allow for the continuity of knowledge and experience. During 2015, the directors' affairs committee made several recommendations to the board with regard to its succession planning objectives. The board of directors supported these recommendations, which will become effective throughout 2016 and 2017.

Recognising the process through which directors of a bank are appointed is strictly regulated by the requirements of the Banks Act and the Companies Act, the board adopts the approach that appointments should be conducted in a way that causes least disruption to the smooth functioning of the board.

The board also recognises the value of appropriate succession planning at executive level, which is a key factor in the continued growth of the bank.

Strategic direction

The board of directors is responsible for approving the bank's long-term and short-term strategy, ensuring that such strategy is in harmony with the purpose of the bank, the key value drivers of the business and that it gives expression to the interests of the bank's stakeholders. Having approved the bank's strategy, it is the function of the board to monitor the effective implementation of the approved strategy by management.

In terms of the regulations to the Bank's Act, the board is annually required to formulate corporate governance and risk management objectives. At the end of each year, the board conducts an assessment of these objectives to determine whether the objectives were satisfactorily met. The board is satisfied that the corporate governance and risk management objectives, set for 2015, have been adequately fulfilled by the bank.

Delegation of authority structure

The board, which has established a sound governance structure for the bank, has defined its own levels of materiality, reserving specific powers to itself. Through this governance structure, the board delegates appropriate responsibilities to the chief executive, within whom the collective responsibilities of management reside.

The chief executive, in turn, delegates appropriate powers and authority to those reporting to him, thereby enabling the bank to carry out its business activities on a day-to-day basis. However, the delegation of powers from the board does not in any way whatsoever absolve the directors from fulfilling their duties and responsibilities. In order to ensure that the delegated powers of authority remain relevant within the context of the bank's environment, they are subjected to ongoing review.

Director development

As previously reported, the legal and regulatory environment within which the bank operates is characterised by ongoing change and it is for this reason that the board places a premium on director education, such that the directors are kept informed of the latest trends and developments.

During 2015, the board received training on key areas impacting on the operations of the bank, including the latest amendments to the Financial Intelligence Centre Act, the effect of cybercrime, a heads-up with regard to King IV and a detailed analysis of IFRS 9: Financial Instruments. Given the onerous demands placed on the directors, coupled with their increasing legal responsibilities, the identification and undertaking of relevant director training will assume an even greater focus during the course of the ensuing year.

Following their appointment to the board, Mr Kunene and Mr Kaka attended a director induction programme which saw them being presented with an electronic governance file, consisting of documentation relevant to the operations of the bank, ranging from copies of key legislation to the existing board strategy. This was supplemented by a series of one-on-one presentations delivered by the bank's managers, setting out information pertaining to their respective departments. Through this process, the directors were able to acquire a good understanding of the respective departments and how they contribute to the sustainability of the bank.

Based on an assessment of the director's needs, specific training interventions are offered to the directors, at the bank's cost, through institutions such as the Gordon Institute of Business Science and the Institute of Directors of South Africa.

Director performance evaluations

Recognising the value arising out of regular appraisals, the board and board committees are assessed annually. This process is also extended to individual directors, who undertake a self-assessment questionnaire, the outcomes of which may be discussed with the chairman and the lead independent director. Directors are able to share, on a confidential basis, any issues which they may have identified whilst conducting the self-assessment questionnaire and so contribute to an increased level of board and director effectiveness.

The chairman and the company secretary are also subjected to evaluations, with the company secretary having been evaluated for the first time in 2015. The board noted the issues raised during the evaluation process and was satisfied with the overall outcome of the process. Whilst the assessment takes place through an internally conducted process, consideration has been given to appointing independent consultants to conduct this evaluation.

The chief executive also submits to a process of evaluation, which is conducted through the means of the remuneration committee, in terms of the chief executive's pre-defined performance criteria.

Information needs

In discharging their fiduciary responsibilities, directors are entitled to have access to the bank's information on an unrestricted basis. This right is extended in that directors may, where they deem necessary, meet with independent professionals on any matter impacting on the bank and its operations. The bank is responsible for the payment of these consultations.

The board regards the right of access to the bank's information as being central to their role as directors, to the extent that directors may meet with members of management independently of the executive directors. Where such meetings are requested, it is the practice that they will be arranged in liaison with the chief executive.

Board meetings 2015

To facilitate the smooth functioning of the board, a year planner setting out board and board committee meeting dates is developed well in advance. This process is undertaken in consultation with the directors in order to maximise attendance at board meetings. The year planner includes key supervisory meetings conducted with the Reserve Bank. Although every effort is made to achieve the objective of personal attendance at our board meetings, it is recognised that this is not always possible, especially given the demands placed on directors, a number of whom are not based in South Africa.

Where needs be, directors attend meetings through a variety of electronic means, and in this way, contribute directly to the board discussions.

The directors have access to an electronic portal which houses the board and board committee packs. Reduction of paper consumption remains a key objective of the board and the social and ethics committee, with the portal being one of the ways in which the bank gives practical expression to this objective.

Apart from the reduced paper consumption and its attendant environmental impact, the bank is also able to reduce the costs of having the board packs delivered by courier to directors.

In keeping with board practice, the electronic packs are distributed to the directors 10 days ahead of the meetings, thereby allowing directors sufficient time to review the documentation prior to the meeting.

During 2015, the board met on four occasions, as is the prescribed number of meetings recorded in the board charter.

Board and committee attendance

The table below records the attendance by members of the board and board committees in respect of board and board committee meetings held in 2015:

Name of Director/ Member	Board	Audit	Risk and capital managment	Board credit	Directors' affairs	Remuneration	Social and ethics
AA Yousif	4/4 [1]	-	-	-	-	-	-
SA Randeree	4/4 [2]	-	-	4/4 [1]	2/2 [1]	2/2	-
F Kassim	4/4	-	-	-	2/2	-	-
A Lambat	4/4	5/5	4/4 [1]	-	-	-	-
NJ Kunene	3/4 [3]	-	-	-	-	-	1/2 [9]
Adv. AB Mahomed SC	4/4	4/5	4/4	-	-	2/2	-
MG McLean	4/4	-	-	4/4	-	-	-
MS Paruk	4/4	5/5 [1]	3/4	4/4	-	-	-
YM Paruk	4/4	-	4/4	-	-	2/2 [1]	1/2
M Youssef Baker	4/4	5/5	-	-	2/2	-	2/2 [1]
SAE Chohan	4/4	-	-	4/4	-	-	2/2
MJD Courtiade	4/4	-	4/4	-	-	-	-
A Ameed	3/4	-	-	2/4 [8]	-	-	-
M Kaka	3/4 [4]	-	-	-	-	-	-
EM Hassan	-	-	2/4 [6/7]	4/4 [6]	-	-	-
Y Nakhooda	-	-	3/4 [5]	-	-	-	-

[1] = Chairman, [2] = Vice-Chairman, [3] = Appointed on 07 April 2015, [4] = Appointed on 23 April 2015, [5] = Risk Manager
[6] = General Manager: Credit, [7] = Appointed on 01 June 2015, [8] = Appointed on 02 June 2015, [9] = Appointed on 17 November 2015

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Board committees

The board acknowledges that board committees have an important role to play in the overall governance process of the bank. In view of this, the board has established six permanent committees which assist the board in giving effect to its strategic objectives.

The permanent committees established by the board include the audit committee, the risk and capital management committee, the board credit committee, the directors' affairs committee, the remuneration committee and the social and ethics committee.

The board has also established a specialist property committee, whose objective is to oversee the successful development of the bank's property situated at Kingsmead Office Park.

This committee meets when there are issues to be addressed and it is foreseen that this committee will be meeting frequently throughout the course of 2016, as the development begins to unfold.

The permanent board committees possess a written charter setting out their respective terms of reference, which are subjected to a process of regular review to ensure that they remain both relevant and up-to-date.

Whilst the committees assist the board in achieving its objectives, the board still remains responsible for the overall performance of the bank. The minutes of the committee meetings form part of the board papers, such that all the directors are aware of the issues discussed at such committee meetings.

This process of information sharing is further enhanced in that the respective committee chairmen provide verbal feedback on the issues discussed at meetings.

As part of its 'forward-looking' approach, the board and board committees operate in terms of well-developed year planners, thereby ensuring that all material issues impacting on the operations of the bank are addressed in a structured manner.

The bank's governance framework also recognises the need for management committees, which fulfill an important role in supporting the board committees and, ultimately, the board in giving effect to their mandates.

Key management committees which have been established include the executive management committee, the assets and liabilities committee, the executive credit committee, the risk management committee, the FICA executive committee and the IT steering committee.

The board committees give effect to their mandates in terms of their respective charters, with their key terms of reference being as follows:

Audit committee

The purpose of the audit committee is to oversee internal controls throughout the bank, internal and external audit functions, compliance and financial reporting and financial control.

A summary of the key terms of reference of the audit committee is as follows:

- Ensure the identification and management of financial risks, the integrity of reporting practices, financial controls and integrated reporting;
- Review, in conjunction with the board, sustainability reporting to ensure that the information is reliable and does not conflict with the financial results;
- Review the interim and financial statements prior to submission to the board for approval;
- Introduce measures to enhance the credibility and objectivity of the bank's financial statements and reports;
- Review the internal auditor's report and the external auditor's management letter, together with management's responses;
- Ensure the internal audit function is adequately resourced to facilitate the process of co-ordination between internal and external auditors; and
- Ensure that a process of combined assurance is implemented and is appropriate in identifying the significant risks facing the bank.

All the members of the audit committee are independent non-executive directors and are financially literate. The audit committee met on five occasions during 2015.

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MS Paruk
Chairman: audit committee

Risk and capital management committee

The purpose of the risk and capital management committee is to assist the board and management in addressing the risk, capital and liquidity functions of the bank.

A summary of the key terms of reference of the risk and capital management committee is as follows:

- Develop a risk mitigation strategy, in consultation with the board to ensure that the bank manages its identified risks in an optimal manner;
- Undertake on an annual basis a formal risk assessment;
- Ensure the establishment and optimal functioning of an independent risk management function;
- Approve a formal risk management functional plan for the ensuing year;
- Implement a process that identifies capital adequacy goals with respect to risk, taking into account the bank's strategic focus and business plan;
- Review and recommend the bank's ICAAP to the board for approval; and
- Ensure the integrity of the overall risk and capital management process.

The risk and capital management committee confirms that it fulfilled its responsibilities, as set-out in its charter for the year under review. The risk and capital management committee, which is chaired by an independent non-executive director, met on four occasions during the course of 2015.

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A Lambat
Chairman: risk and capital management committee

Credit committee

The purpose of the credit committee is to review, measure and manage Al Baraka Bank's credit risk strategy and to approve advances in terms of board-approved authorisations.

A summary of the key terms of reference of the credit committee includes the following:

- Approve credit authority and mandate levels as per the committee's delegated powers of authority;
- Review the bank's credit policies, reports and other information it deems necessary;
- Review the bank's credit risk management policy for adequacy purposes and ensure that the policy is approved by the board;
- Monitor large exposures and group-connected party lending exposures;
- Annually review stress testing scenarios in respect of credit risks

impacting on the bank;
- Monitor the credit recovery processes together with the progress made on matters handed over for legal action; and
- Ensure adherence to prudential limits.

The credit committee confirms that it has fulfilled its responsibilities, as set-out in its charter, for the year under review. The credit committee is chaired by an independent non-executive director and met on four occasions in 2015.

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SA Randeree
Chairman: credit committee

Directors' affairs committee
The purpose of the directors' affairs committee is to assist the board of directors in assessing the suitability of the corporate governance structures which have been established by the board and to deal with all matters of a corporate governance nature.

A summary of the key terms of reference of the directors' affairs committee includes the following :
- Identify, evaluate and recommend nominees to the board as part of the board's succession planning programme;
- Establish an appropriate director induction programme and ensure that there is ongoing development and training for directors;
- Monitor the adequacy and effectiveness of Al Baraka Bank's corporate governance structures;
- Annually review the structure, size and composition of the board, taking into account the corresponding requirements of the board committees;
- Submit recommendations to the board of directors regarding the most appropriate methodologies for the annual assessment of the performance of the board, the board committees, individual directors and the company secretary;
- Propose recommendations to the board with regard to the re-election of directors; and
- Ensure that all directors are in receipt of a formal letter of appointment.

The directors' affairs committee confirms that it has fulfilled its responsibilities as set-out in its charter for the year under review. The directors' affairs committee is chaired by an independent non-executive director and met twice during the course of 2015.

Membership of the directors' affairs committee is, in terms of the requirements of the Bank's Act, limited to non-executive directors and there is strict compliance with this requirement. The chief executive, who is not a member of the directors' affairs committee, attends meetings by invitation of the committee.

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SA Randeree
Chairman: directors' affairs committee

Remuneration committee
The purpose of the remuneration committee is to advise the board of directors on various matters pertaining to human resources, including, but not limited to key issues of staffing and remuneration.

A summary of the key terms of reference of the remuneration committee includes the following:
- Determine appropriate remuneration structures for staff, through the use of surveys, independent remuneration consultants and relevant industry data;
- Ensure that an employment equity policy exists at the bank, which addresses fundamental issues, such as anti-discrimination, dispute resolution, affirmative action and disciplinary action;
- Submit recommendations to the board of directors on appropriate share incentive schemes;
- Ensure that employees' incentive payments are directly linked to the performance levels of the individual, as well as the business;
- Assist in creating an environment which allows staff who display initiative, enterprise, effort and loyalty to develop meaningful and rewarding careers within the bank; and
- Ensure that suitable staff are attracted, retained, motivated and appropriately rewarded by the bank.

The remuneration committee confirms that it has fulfilled its responsibilities, as set-out in its charter for the year under review. The remuneration committee is chaired by an independent non-executive director and met on two occasions during the course of 2015.

The chief executive, although not a member of the remuneration committee, as per the recommendations of the King Code, attends meetings of the committee per invitation.

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YM Paruk
Chairman: remuneration committee

Social and ethics committee
The purpose of the social and ethics committee is to monitor the bank's activities to ensure that the bank operates ethically, with due regard to appropriate legislation, regulations, codes and best practice, as experienced within the financial sector.

A summary of the key terms of reference of the social and ethics committee includes the following:
- Monitor the bank's role as a good corporate citizen, with emphasis on the bank's commitment to its corporate social responsibility programme;
- Monitor the bank's contribution to the development of those communities in which its activities are predominantly conducted;
- Monitor the bank's record of sponsorships, donations and charitable givings;
- Monitor the impact of the bank's activities, products and services on the well-being of the environment, health and public safety;
- Monitor the application of ethical conduct throughout the bank; and
- Report annually to the shareholders on the activities of the committee.

The social and ethics committee confirms that it has fulfilled its responsibilities as set-out in its charter for the year under review.

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The social and ethics committee is constituted in terms of the requirements of the Companies Act and is chaired by an independent non-executive director. During the course of 2015, the committee met on two occasions.

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M Youssef Baker
Chairman: social and ethics committee

Governance indicators

Ethics

The board strives to ensure that the bank conducts its business in terms of an ethical foundation at all times. The long-term sustainability of the bank is premised upon the principle of ethical conduct and all employees are required to live out values which the bank ascribes to, as set-out in the code of conduct.

The bank's code of conduct has been drafted in such a manner as to provide practical guidance to employees, thus allowing their business decision-making to remain aligned with the ethical conduct supported by the board.

Codes of transformation

The board is fully supportive of the principles underpinning broad-based black economic empowerment. Al Baraka's performance in terms of the Financial Sector Code is verified by an independent verification agency and currently reflects a Level 4 contributor status.

Prescribed officers

Through its review of the regulations to the Companies Act, the board of directors defines Al Baraka Bank's prescribed officers. Based on this review, the board has confirmed that the prescribed officers of the bank are the executive directors.

Company secretary

The board of directors is responsible for the appointment and removal of the company secretary, who oversees the day-to-day administration of board-related matters.

The company secretary is not a director of the bank and strives, at all times, to maintain a professional and arms-length relationship with the directors. It is the responsibility of the company secretary to provide a central source of guidance and advice to the board and the bank on a wide range of governance-related matters.

SUSTAINABILITY REPORT

GLOBALLY, SUSTAINABILITY REPORTING IS GATHERING MOMENTUM, MAKING THIS AN EVER INCREASING IMPERATIVE FOR BOTH BUSINESS AND SOCIETY.

Setting the scene

The value proposition behind sustainability reporting is quite simple; through increased levels of disclosure and the comprehensive communication of clear objectives, sustainability reporting has the effect of breeding brand trust, enhancing business reputation, infusing performance and driving innovative thought and deed.

Given that a meaningful sustainability report details information with regard to an organisation's economic, environmental and social impacts, it is important to recognise that we now live and work in an age of transparency of operation.

The application of such transparency enables companies to differentiate themselves from the competition, breaking free of the clutter.

The objective behind a sustainability report is to highlight the relationship between an organisation's business strategy, its social responsibility and the stewardship of the environment. The benefits of such reporting have both internal and external ramifications.

From an internal perspective, well-informed business strategies lead to cost-savings and increases in revenue. Sustainability reporting enables an improved understanding of risks and opportunities, leading to greater productivity, efficiency and business streamlining. In addition, it assists in the development of effective strategic environmental health and safety policies and procedures.

Externally, the transparency associated with sustainability reporting serves to enhance the trust and reputation of an organisation, which - in turn - impacts positively on consumer loyalty to the brand.

Al Baraka Bank's response

Al Baraka Bank is committed to conducting its business operations in a sustainable manner, whilst simultaneously contributing meaningfully to both social and environmental dictates.

We are intent on enhancing our sustainability reporting in order to accurately and effectively measure and communicate our triple bottom line achievements in the areas of economic performance, environmental management and social contribution.

Our board-appointed social and ethics committee is charged with ethics and stakeholder management, with particular reference to members of staff, customer relationships, community stakeholders and the environment.

Our bank fully acknowledges the need to measure and report on the impact of key issues pertaining to its long-term future and has accordingly implemented appropriate reporting standards to gauge our compliance with, in particular, environmental and social factors.

This is in line with our vision, which affirms our belief that society needs a fair and equitable financial system, one which rewards effort and contributes to the development of the community.

Company overview

Al Baraka Bank operates as a commercial and fully-fledged Islamic bank, providing Shariah-compliant products and services to its customers throughout South Africa.

The mission of the bank is to meet the financial needs of communities by conducting business ethically, in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with customers, shareholders and staff who participate in our business success.

Ours is a company which practices the highest professional business standards, applying sound corporate governance principles and sharing the benefits it derives with its customers, shareholders and members of staff.

This complements the bank's board-approved business strategy, which is geared towards profit optimisation, whilst ensuring best practice in safeguarding the environment and giving effect to a far-reaching corporate social investment programme.

Strategic business objectives, competencies and key performance indicators:

We set-out to achieve four broad strategic business objectives, which include:

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

Risk and opportunity identification

As a responsible financial institution, we control our overall financial risk and those risks associated with strategy, operations, fraud, supply chain management and materiality issues, together with essential regulatory compliance, through the considered implementation of a series of enterprise risk management strategies.

In terms of King III, the bank has developed and introduced a combined assurance model, ensuring - in particular - that the bank's audit committee and risk and capital management committee are capable of making informed assessments of the bank's risk to management, internal control and governance processes.

In so doing, all strategic risks within every business unit of the bank have been assessed for their relevance, whilst also confirming the importance of roles played by the second and third lines of defence in mitigating identified risks.

In addition, the bank has placed great emphasis on anti-money laundering control and counter-terrorist financing, given the significance of these risks faced by the banking industry, both nationally and internationally.

Organisational and governance structures

The practice of good governance continues to constitute the basis upon which the bank undertakes its functions and interaction with stakeholders, inclusive of regulatory bodies, shareholders and customers.

In giving effect to this practice, the bank takes cognisance of the four foundational pillars of corporate governance, as detailed in King III, being transparency, fairness, responsibility and accountability.

Responsibility for the implementation of the bank's good governance philosophy lies with our board-appointed directors' affairs committee, tasked with guiding the continuous discharge of our compliance obligations, in line with King III.

We have also taken steps to ensure our early understanding of the impending introduction, impact and reporting implications for the bank of King IV.

In keeping with this approach, efforts have been made to update the

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members of our board with regard to internal progress pertaining to the release of King IV during the course of 2016.

Al Baraka Bank is South Africa's only fully-fledged Islamic bank and consequently stringently complies with the principles of Shariah.

Accordingly, attention is drawn to the following aspects of its business which are strictly prohibited:

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

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

Delivery of sustainable development to stakeholder groups

Given the need to report more widely than the previous profit-driven business model dictated, the bank has embarked upon a process whereby it reports on key environmental and social issues, embracing components of an eco-efficiency model.

The objective is to more effectively and efficiently address the four pillars of performance, namely economics, environment, social and governance and ethics.

Economic issues:

Al Baraka Bank adheres to Shariah and all laws and regulations operative within South Africa's banking and financial institutional environment.

Operating within the confines of these Shariah and legal requirements, we strive to deliver long-term economic value for the stakeholders we represent, while ensuring the application of sound risk management strategies, as provided for by our combined assurance model.

This is best evidenced by the extremely limited need for legal recourse we experience in our day-to-day business activities, a result of strict adherence to the requirements of the National Credit Act.

We manage the bank within the parameters of a sound economic business model; a model which runs throughout the scope of our business, laying a solid foundation for increased wealth creation and distribution amongst our stakeholders.

Environment:

The bank's social and ethics committee has introduced appropriate measures aimed at the effective safeguarding of the environment within which the bank operates.

The bank views its environmental initiatives as opportunities for learning, innovating processes, reducing waste and gaining insights into potential growth areas.

Although our environmental impact is not as severe as enterprises involved in South Africa's manufacturing sector, we recognise our corporate responsibilities toward minimising environmental degradation.

In this regard, we have introduced a computer printer toner recycling initiative, as well as the monitoring and measurement of electricity, water and paper usage.

The best practices relating to the recycling of bank refuse and waste across our national network by a broad-based black economic empowerment company is currently under investigation.

In addition, the feasibility of introducing solar panelling and the harvesting of grey water at our head office in Durban is currently under consideration.

With regard to our IT-related recycling programme, the year under review saw the collection of some 72 empty printer cartridges, potentially benefiting the environment as follows:

- 51,7kg of recyclable waste will have been sent for re-use or re-cycling and has been diverted from South Africa's dwindling landfill space;
- 62,1kg CO_2e have been saved by diverting recyclable materials from landfill. This is an energy equivalent of driving a medium-sized car for 303km and two trees would have had to be planted to offset these CO_2 emissions, had these items been land-filled.

A further part of our environmental reporting obligations revolve around occupational health and safety.

In this regard, the bank strives diligently to maintain a work environment which is safe and which minimises any risk to the health of members of staff.

Although the bank's monitoring and reporting of its environmental impact is in its infancy, every effort will be made to reduce our eco-footprint on a national basis into the future.

Social issues:

Meaningful corporate social investment remains a critical imperative in South Africa. Business in this country has a responsibility to plough-back into society some of its gains, so enriching and empowering those disadvantaged members of society, regardless of race, religion or gender.

The bank has, since 1994, actively implemented a comprehensive, four-point programme intended to assist in addressing a range of social and economic issues which are having a negative impact on this country.

Our carefully orchestrated corporate social investment initiatives are applied in the fields of education, welfare, health and poverty alleviation.

This also includes a special two-pronged initiative, known as 'Project 25', introduced in 2014 to mark the bank's 25th anniversary in business and which is more fully discussed in the Chairman and Chief Executive's Statement elsewhere in this document.

We remain a keen participant in redressing socio-economic inequalities and imbalances, committed - as we are - to achieving prosperity for all within South Africa's disparate societies.

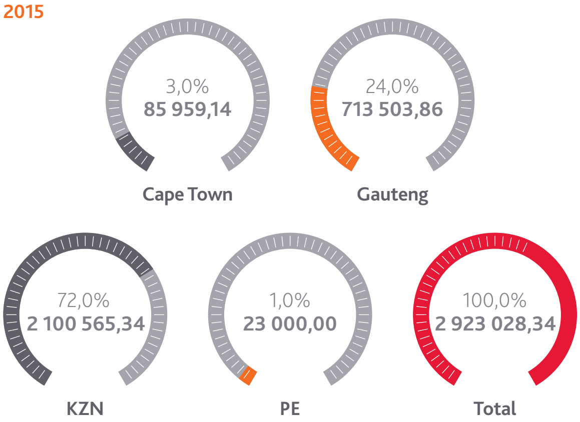
Our corporate social investment programme is the responsibility of the social and ethics committee and is administered by management's charitable and welfare committee.

The bank's social responsibility stance enjoys the backing of Al Baraka Banking Group in Bahrain, of which our bank is one of 15 subsidiaries around the world. Indeed, our bank is obliged to report to Al Baraka Banking Group about its social responsibility programme twice a year.

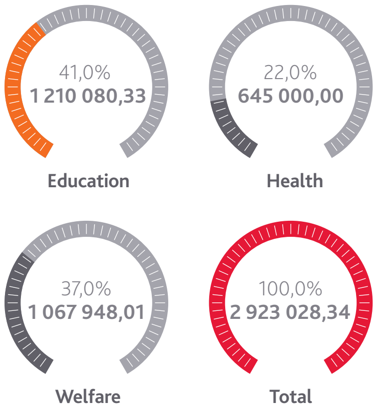
The social and ethics committee strongly encourages staff member participation in our social responsibility undertakings and, going forward, staff will be assessed and measured on their contributions towards social upliftment.

The 2015 financial year saw an amount of R2,9 million donated by the bank to worthy recipients, with its breakdown represented in the charts overleaf.

Geographical distribution
2015



Sectoral distribution
2015



Governance and ethics

Our bank's adherence to the principles embedded in good corporate governance remains the cornerstone of our business.

Accordingly, we actively ensure that we undertake our business activities in a fully transparent manner and in such a way as to promote high ethical standards, inclusive of ethical investment, as a means of creating a platform for the long-term sustainability of the bank for the benefit of our stakeholder groups.

During the period under review, management initiated the drafting of an ethics policy for the bank.

We are fortunate to be perceived by our peers in the South African financial industry as an organisation applying clear-cut adherence to governance best practice, an accolade of which our organisation is justly proud.

By way of ensuring continued ethical behaviour throughout the bank, we utilise the inclusive stakeholder model of governance, which provides for the rights of all stakeholder groups.

Engagement with stakeholder groups

In order to remain relevant and, therefore, sustainable, the bank has formulated a policy specifically addressing stakeholder engagement.

This policy defines the bank's stakeholder groups and the methodology behind our interaction with such groups in order to attain our long-term strategic business objectives.

The bank creates the capacity to address stakeholder needs responsibly and, in line with our positioning statement - Your Partner Bank - we work to create, develop and retain long-term relationships with identified stakeholders.

These include:

Customers:

Without customers, the bank would not have a sustainable business. In this knowledge, the bank applies customer-centricity as the yardstick for all customer interaction.

Direct customer engagement allows the bank to:

- Understand and respond to the financial needs of customers, given that we have a responsibility to deliver a bouquet of exceptional banking services and products;
- Ensure that we create the capacity to offer appropriate banking advice, together with viable solutions geared to serving customer requirements and expectations;
- Ensure that a culture of service excellence is inculcated throughout the organisation, so enhancing the customers' banking experience, in-branch and online; and
- Check and update personal customer information on a regular basis in order to ensure the preservation of the integrity of customer details and the proficiency of the bank, ahead of the formal introduction of the Protection of Personal Information Act.

We appeal to members of staff to adopt customer service excellence as a way of life and test this philosophy through regular 'mystery banking' opinion surveys, enabling us to gauge the quality of service delivery across our branch and office network.

Feedback is analysed and, where appropriate, corrective measures are recommended.

We also have in place a mature call-centre facility designed to facilitate customer queries, concerns, complaints and compliments.

Telephone calls within certain areas of the bank's operations, and especially those handled by frontline staff, are recorded for service quality assessment and control.

The bank also has in place an externally managed anti-fraud hotline, introduced in line with the bank's commitment to responsible banking and ethical behaviour.

Anonymous call reports prepared by an international firm of auditors - responsible for the facility - are presented to our audit committee on a quarterly basis. Additional tools utilised to promote active and interactive engagement with customers include our website, call centre and various social media platforms.

Members of staff

The bank's staff complement is the most important asset of the business.

Direct staff engagement allows the bank to:

- Provide an inspiring, safe and challenging business environment, ensuring that the bank remains an employer of choice within the country's financial environment;
- Comprehend, appraise and react to the experiences of staff members, as well as addressing requirements and points of interest; and
- Impart details of its strategic objectives and future plans to staff, together with useful company information.

Recruitment and training

Given that our bank operates in a highly regulated business and legal environment, it is imperative that staff members meet exceptionally

Creating the ultimate banking experience

high standards of integrity, honesty, accountability and personalised customer service.

Against this background, the bank sets out to attract, develop and retain top talent.

Our goal is to employ people with high morals, who are resourceful and who display a commitment to furthering the ideals of the bank in a proactive manner.

Appropriate training and development programmes are offered in order that members of staff might realise their full potential.

All such programmes are designed to align with business requirements.

Members of staff are also encouraged to pinpoint aspects of their personal business development, for which relevant training programmes may be sourced, where appropriate.

We also afford staff access to a suite of Islamic educational offerings, while fast-tracking top-performing graduates participating in the bank's long-standing and highly successful graduate recruitment programme.

This programme is designed to afford young and suitably qualified high achievers the opportunity to embark on learnership positions within the various departments of the bank, thus developing a range of skills and profiting from the work experience provided in our business environment.

This provides a vital bridging mechanism between theory and practical application.

We annually apply for BankSETA funding for the sponsorship of banking programmes, affording members of staff the opportunity to enhance their career path prospects.

Managing diversity
The bank recognises the importance of diversity in the workplace and actively promotes the concept, ensuring that no member of its staff is disaffected or marginalised.

Indeed, every effort is made to engender a sense of belonging and self-worth amongst our staff complement.

We see the power behind diversity and channel this into creating a unified and harmonised business culture; a culture which provides for mutual respect, dignity and trust.

Transformation and employment equity
The bank believes in and is committed to the transformation of the South African business community, especially as this pertains to the country's financial sector.

The transformation process is driven by the board, ensuring the provision of opportunities to suitably qualified members of historically disadvantaged groups, inclusive of both women and the disabled.

As part of our transformation obligation, the bank annually reports on its broad-based black economic empowerment performance by means of the Financial Sector Code.

The organisation is also evaluated on an annual basis to determine its B-BBEE status.

Employee wellness
Given that a healthy staff member is a productive staff member, the bank regards staff wellness as a priority and has implemented a wellness-based policy, the detail of which encourages the health and well-being of our workforce and which advocates positive life-style changes.

Wellness activities are actioned throughout the bank's branch and office network to encourage staff to adopt a healthy life-style and participate in exercise programmes.

Staff communication
We recognise the importance of staff communication tools to ensure that the entire workforce is kept uniformly informed of matters relevant to the business and the development of the organisation.

It is deemed important that decisions impacting on the bank and its operations be accurately communicated to staff in a timely manner.

As a consequence, we have in place a number of communication methods, all of which are employed to convey relevant information to staff.

Such communication methods include:
- The chief executive's address: briefings about the outcomes of quarterly board meetings;
- The intranet site: online communication of posted staff information;
- Social Media: the use of available platforms by management to post staff-relevant information;
- The call centre: an electronic information hub through which a range of employee-related information may be sourced;
- Employee self-service facility: an online mechanism for staff members to themselves perform a range of human resources activities, including leave applications, pay-slip generation, tax documentation and the like;
- Tip-offs Anonymous: a dedicated and anonymous fraud hotline, enabling staff and the public to 'blow the whistle' without fear of reprisal;
- Surveys: a dedicated practice of surveying staff on a range of issues and, periodically, the performance ratings of divisions within the organisation;
- E-Newsletter: an informal staff-based newsletter designed to inform staff about the bank, its operations and staff activities; and
- Staff presentations: specialist presentations designed to inform staff and keep individuals appraised of the latest developments within the bank.

Shareholders
In line with the requirements of the Companies Act, we focus on regularly providing shareholders with an array of relevant information in a timely manner.

Direct engagement with shareholders allows the bank to provide bank-related information enabling shareholders the capacity to make informed investment decisions.

We have in place a mature process of electronic communication with shareholders, given that this is an expedient and an inexpensive form of communication.

Such regular interaction has become the norm and promotes a heightened sense of transparency and accountability.

We engage personally with shareholders at annual general meetings and by way of regular shareholder road-show presentations at venues country-wide.

During the 2015 financial year, two such events were conducted in Durban and Johannesburg. Such interaction will be continued in the country's three major economic centres going forward.

In an attempt to further promote two-way communication, shareholders are invited to attend and participate in our annual general meetings, which are held at the bank's head office, in Durban.

This affords shareholders the opportunity to raise points of interest and/or concern with attending chairmen of our board committees.

In addition, the chairman of the social and ethics committee delivers a report covering the past year's committee activities.

Community

In line with our positioning statement, we set out to establish and nurture long-term relationships with members of the various communities we serve.

Direct engagement with the community allows the bank to:

- Foster partnerships which give effect to integrated environmental and social activities; and
- Promote extensive awareness of these initiatives.

Our strategy, which drives the enhancement of community relationships, is to:

- Ensure a high level of personal interaction;
- Identify appropriate sponsorship opportunities relating to identified community service events;
- Dispense meaningful corporate social investment solutions;
- Assist with promoting identified community events;
- Produce special-purpose publications, such as our integrated annual report and abridged annual report, amongst others; and
- Utilise social media platforms and the website for the posting of relevant information to the advantage of community members.

Community interaction by way of these avenues enables the bank to both disseminate bank-related information and to take on-board community inputs and views.

We assess and act on the hopes and aspirations of the communities we serve.

Regulators and industry bodies

The bank enjoys an open and transparent relationship and interaction with regulators and other industry bodies.

Being a registered commercial bank in South Africa necessitates statutory reporting to and regular interaction with a number of regulatory and industry bodies.

Direct engagement with regulators and industry bodies allows the bank to:

- Develop and maintain sound working relationships with regulators, ensuring our compliance with legal and regulatory requirements which, in turn, enables us to retain various operating licences, whilst minimising the bank's exposure to operational risk;
- Continue developing the bank as a consequence of our positive interaction with industry bodies and cross-sectoral organisations; and
- Establish business partnerships to the benefit of stakeholders.

Our bank interacts with, inter-alia, the following regulators:

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

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

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

Media

We recognise the need, as a noteworthy business entity, to prominently position our brand in the public domain, creating widespread awareness of the bank and its offering.

We equally understand the importance of providing the media with newsworthy bank-related business information as a means of keeping the general public well-informed.

Direct engagement with the media allows the bank to:

- Proactively tap into various news channels for effective communication with stakeholders;
- Actively position the bank as a responsible corporate citizen in the financial sector and portray it as a preferred service provider; and
- Reactively provide appropriate information, in a timely manner, as a response to media queries and requests for comment on relevant current financial and business-related matters.

Such direct engagement with the media is successfully achieved through the development and fostering of good relationships with key members of the business, financial and community media, inclusive of both print and electronic media-types.

Suppliers and contractors

In line with the Broad-Based Black Economic Empowerment Act, the bank has established a well-developed preferential procurement policy, which enables us to meet the objectives of the Act.

Direct engagement with suppliers and contractors allows the bank to:

- Ensure the exceptional and timely supply of a range of goods and services from service providers to the direct benefit of the bank in the execution of its business operations;
- Assist service providers with their own business sustainability through the provision of advice and provision of early payment solutions for goods and services delivered, together with various other support systems which will improve the cash flows of small and medium-sized service providers;
- Advance an environmentally responsible business practice within our own supply chain; and
- Explore additional openings to source and secure goods and services through the means of local procurement.

Such engagement with suppliers and contractors enables the bank to appropriately utilise suitably capable small and medium-sized business enterprises to deliver on our business needs.

Islamic scholars and organisations

Given that Al Baraka Bank is a Shariah-compliant financial institution, we develop and maintain close links with Islamic scholars and related organisations.

As South Africa's only fully-fledged Islamic bank, our direct engagement with Islamic scholars and organisations is an effective method for the communication of the bank's activities to this country's Muslim community.

Such linkages include social interaction and the attending of meetings and conferences, as well as the use of electronic communication tools.

Conclusion

This report expresses the bank's accomplishment of its sustainability obligations, the implementation of ethical business practices, appropriate stakeholder communication, our meaningful contribution to socio-economic development and a continued focus on our environmental responsibilities.

In order that the bank remains sustainable, the board, acting through its established board committee structures, gives close consideration to effective triple bottom-line achievements, centring

Creating the ultimate banking experience

on economic performance, environmental management and social contribution.

In so doing, our sustainability report sets-out our undertaking, as a responsible corporate citizen, to take into account the changing nature of our business environment.

Part of the bank's sustainability responsibility will - by way of future necessity - take into account the fact that South Africa is a water-scarce and energy-strapped country.

This will, in turn, impact upon the need to develop appropriate strategies to deal with the demands of climate change in the business environment.

In light of this, the bank will be especially cognisant of any and all of its future infrastructural development undertakings, ensuring optimal adherence to appropriate 'green' building practices.

Having laid the foundation for more effective sustainability reporting, we turn now to continuing the process of growing our monitoring, measuring and reporting capabilities.

It should be noted that no assurance has been attained relating to Al Baraka Bank's sustainability measures for the 2015 financial year.

The achievement of such an assurance report does, however, feature in terms of the bank's onward sustainability journey.

The concept of an integrated annual report serves as an inspiration to develop our future reporting to the point of being able to procure the relevant assurance report.

COMPLIANCE REPORT

COMPLIANCE ISSUES WERE AT THE FOREFRONT OF BANKING INDUSTRY ACTIVITIES DURING 2015, THE EMPHASIS BEING ON ANTI-MONEY LAUNDERING CONTROL/COUNTER TERRORIST FINANCING (AML/CTF).

With necessary high demands placed on accountable financial institutions by regulators, such as the South African Reserve Bank and the Financial Intelligence Centre, there can be no question that banks have committed time and effort to establish the precise mix of staff and expertise in order to ensure best practice compliance. This has resulted in the amplification of systems and processes to meet the universal requirements regarding the repelling of laundered funds.

In addition to ensuring that its AML/CTF staff are continuously trained and have access to the latest information, trends and analyses, the bank has made great strides in upgrading its own systems and processes, thus ensuring stricter compliance with AML/CTF legislation and international standards. The bank is further fine-tuning its account-opening procedure, bringing about better streamlined processes. We have also increased controls in terms of key associated parties related to individual and entity clients in order to drill down to identify people behind the corporate cloak.

In keeping with this concept, as well as international trends, the bank has been working on the process of adopting a risk-based approach to the manner in which it implements AML/CTF controls in order that ever greater focus and attention may be applied to potentially high risk areas.

As the bank expands in terms of its current growth trajectory, so too must the regulatory and compliance function. We recognise that our range of flourishing products must be accompanied by relevant controls and safeguards to ensure that the bank is not exposed to money laundering, fraud or any other risks.

Engaging with business so as to continuously evaluate a bank's risk and identifying appropriate resolutions to issues raised has grown to become a major cornerstone of compliance functions across all financial institutions. Al Baraka Bank is no exception in this regard.

We are also active in a global initiative designed to combat another form of financial crime, that of tax evasion. In terms of the Foreign Account Tax Compliance Act (FATCA), foreign financial institutions across the world have been registering in order to comply with this piece of US legislation. For most jurisdictions which signed International Governmental Agreements with the US, compliance has proved simple, with onward reporting to their local tax authorities. Ongoing reporting and information gathering requirements continue to be discussed in order to ensure continuity with FATCA requirements.

Very close in nature to FATCA is the Organisation for Economic Co-operation and Development (OECD), which came into effect in 2016, with the first reporting period commencing from 01 March 2016 and the first report becoming due in September 2017. Financial institutions, including Al Baraka Bank, are readying their systems so as to onboard clients and obtain relevant information in order to meaningfully report in 2017.

During the review period, we have focused close attention on our regulatory universe, a myriad of legislation which impacts on our business activities. Control placement and more frequent interaction with divisions has culminated in more accurate compliance with various aspects of such legislation. This has also given effect to the occurrence of more meaningful monitoring, ensuring that controls are adequate and that change management is continuously addressed within the organisation, given the dynamism of the ever-changing financial industry environment.

Whilst maintaining a close focus on current legislation affecting the bank, our compliance function also ensured the understanding of newly introduced legislation, inclusive of the important Protection of Personal Information (POPI) Act. This Act protects the personal information of clients and employees of an organisation. Although an effective date for this Act is yet to be set, it is likely to become effective later this year. The bank has already completed extensive work, including the formation of a project committee, to ensure compliance readiness when the Act comes into effect.

Another important piece of new legislation is the Cybercrimes and Cybersecurity Bill, published on 28 August 2015. The Bill aims to keep the people of South Africa safe from criminals, terrorists and other states and to stop cybercrime and improve the security of South Africa as a whole. Its impact on our bank is far-reaching in that financial institutions are classified as Electronic Communication and Service Providers and as having National Critical Information Infrastructures. The Bill creates many new offences, some of which are related to data, messages, computers and networks. Examples include the use of personal information or financial information to commit an offence, hacking, the unlawful interception of data, computer-related forgery and uttering, extortion or terrorist activity.

Monitoring, in respect of the Financial Advisory and Intermediary Services (FAIS) Act, is also at the top of our compliance priorities. This includes the addition and removal of FAIS representatives, monitoring the fit and proper requirements of the representatives and the auditing of files for FAIS compliance.

Equally important in this industry - and steadily gaining additional momentum - is the need for adequate training. We recognise that staff must be trained on both legislation which impacts the bank and our various policies and procedures. Compliance accordingly works hand-in-hand with other departments, including human resources and operations, to ensure that appropriate training is provided to staff before they face clients.

Our compliance function also trains staff on various other requirements and is the first point of reference for enquiry and discussion. AML/CTF training is provided jointly by human resources and compliance, thus ensuring staff attain the requisite practical understanding and knowledge of legislation, which is required by law, in order for them to adequately undertake their roles.

At the other end of the spectrum lies non-compliance. Our bank employs a zero tolerance policy with regard to non-compliance with any legislation. Errant staff face strict disciplinary measures, especially in the case of repeat offenders. Non-compliance is reported to both our EXCO and board on a quarterly basis. Our compliance division also works in collaboration with other governance structures, such as secretariat, risk and internal audit, to assist in ensuring adherence to the very highest levels of corporate governance by the bank's members of staff. One such partnership, with risk and internal audit, has included the formulation of a bank-wide combined assurance model which is in line with the requirements of King III and will be extended to cater for King IV.

Reflecting our compliance commitment, the division is represented on a range of strategic forums and committees, inclusive of EXCO, the board, audit committee, risk committee, several project committees and the procedure review committee, as well as a number of ad hoc committees formulated for specific purposes. In addition, guidance is offered to both our board and management team in terms of regulatory matters. The compliance division is also the interface between various regulatory bodies and the bank, as and when required, and accordingly maintains strong and sustainable relationships with key industry role-players.

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

In making great strides year-on-year, we work to ensure that clients might expect an increasingly more efficient bank; a bank which continuously strengthens its standards of customer-centricity. We maintain a balance between strict compliance to laws and regulations and the needs and requirements of our clients.

As the bank positions itself to embrace the new regulatory framework of Twin Peaks, we are proud to stand resolute on our deeply embedded foundation of sound ethics, high morals and steadfast policy of compliance, all encompassed by a commitment to sound corporate governance.

SHARIAH REPORT

Creating the ultimate banking experience

FOR THE YEAR ENDED 31 DECEMBER 2015

IN THE NAME OF ALLAH, THE ALL COMPASSIONATE, THE MOST MERCIFUL.

To the shareholders of Albaraka Bank Limited

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Al Baraka Bank during the year under review. We have also conducted our review to form an opinion as to whether Al Baraka Bank has complied with Shariah Rules and Principles and with the rulings set by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the resolutions issued by the Shariah Supervisory Board of the bank.

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

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

The scope of the audit included, inter-alia:

- Financial Statements;
- Murabaha Financing;
- Musharaka Financing;
- Equity Murabaha Transactions;
- Wills;
- Tank Containers;
- Profit Distribution;
- Management Accounts;
- Disposal of Impermissible Income; and
- Review and Approval of Zakah Calculation.

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

In our opinion:

1. The contracts, transactions and dealings entered into by Al Baraka Bank during the year under review are generally in compliance with Shariah Rules and Principles.
2. The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us, in accordance with Islamic Shariah Rules and Principles.
3. An amount of impermissible income has been designated to be paid to charity.
4. In relation to certain transactions which were erroneously transacted, we directed management to rectify the same.
5. Zakah of the bank was calculated at 40,1 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.

Dr Abdus Sattar Abu Ghudda
Chairman

Shaykh Mahomed Shoaib Omar
Member

Mufti Shafique Jakhura
Member

01 February 2016

SHARIAH SUPERVISORY BOARD

THE SHARIAH SUPERVISORY BOARD IS AN INDEPENDENT BODY AND COMPRISES SPECIALIST JURISTS IN ISLAMIC COMMERCIAL JURISPRUDENCE.

Shariah Supervisory Board of Al Baraka Bank

It is entrusted with directing, reviewing and supervising the activities of Al Baraka Bank, in order to ensure 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-out 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.

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 the 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.

Shaykh Mahomed Shoaib Omar –

Shaykh Mahomed Shoaib Omar serves as a member of the Shariah Supervisory Board of Al Baraka Bank. He completed his B.Com Law degree and LLB at the University of KwaZulu-Natal. He studied Arabic and Islamic Law personally under the renowned contemporary jurist, Mufti Taqi Usmani, at Darul Uloom Karachi and has received Ijaazah from him.

He was also a student of the Chief Qadi of India, Mujahidul Islam Qasemi, the founder of the Islamic Fiqh Academy of India and a distinguished authority in Muslim Family Law. During the past 32 years he has collaborated with Mufti Taqi Usmani in solving problems affecting Contemporary Applications in Islamic Law. He has, for the past 14 years, also worked closely with well-known contemporary Shariah expert, Dr Abdus Sattar Abu Ghudda, in relation to Islamic Finance.

He has extensive experience in the application of Shariah to contemporary situations, inclusive of Islamic Finance. He was granted the right of appearance in the High and Constitutional Courts of South Africa in 1995. He successfully argued the landmark case of Amod v Road Accidents Fund in the Constitutional Court and Supreme Court of Appeal, which case recognised a duty of support flowing from an Islamic marriage.

He currently practices as an attorney, specialising in Shariah and Corporate Law. He has written a number of books and numerous articles on Islamic law and its contemporary applications, inclusive of Islamic Finance, in English and Arabic. He is regarded as an expert in comparative jurisprudence (fiqh al muqaaran).

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 has an Advanced Diploma in Islamic Banking and Finance from the Centre for Islamic Economics, based in Karachi.

Shariah supervision of the Old Mutual Al Baraka Shariah funds

The partnered Old Mutual Albaraka Shariah funds are managed in strict accordance with Shariah. The funds afford opportunities for Muslim investors seeking socially and morally responsible investments on the Johannesburg Securities Exchange and global markets, as well as Shariah-compliant cash investments.

The 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, Shaykh Mahomed Shoaib Omar and Mufti Zubair Bayat, and meets at least once annually.

The board has also appointed a local Shariah sub-committee, comprising Shaykh 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.

alBaraka

2015 ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Your Partner Bank

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NATURE OF BUSINESS	Financial Services
AUDITORS	Ernst & Young Inc.
REGISTERED OFFICE	2 Kingsmead Boulevard Kingsmead Office Park Stalwart Simelane Street Durban, 4001 P O Box 4395 Durban 4000
PARENT AND ULTIMATE HOLDING COMPANY	Al Baraka Banking Group B.S.C.
REGISTRATION NUMBER	1989/003295/06
COUNTRY OF INCORPORATION	Republic of South Africa

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The financial statements of Albaraka Bank Limited have been audited in compliance with S30 of the Companies Act of South Africa. Sumeshion Chetty CA(SA), general manager: finance, of Al Baraka Bank, was responsible for the preparation of the annual financial statements and Abdullah Ameed, CA(SA), the financial director, was responsible for the review of the financial statements.

Shabir Chohan

Adnan Ahmed Yousif
Chairman

Shabir Chohan
Chief executive

DIRECTORS' RESPONSIBILITY STATEMENT AND COMPANY SECRETARY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

The company's directors are responsible for the preparation and fair presentation of the group annual financial statements and separate parent annual financial statements, comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, the statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The company's directors are also responsible for the preparation and fair presentation of the audit committee report, company secretary statement and directors' report.

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

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the group's and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group annual financial statements and separate parent annual financial statements are fairly presented in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Approval of group annual financial statements and company annual financial statements

The group and company annual financial statements as set out on pages 36 to 79 were approved by the board of directors on 15 March 2016 and signed on their behalf by:

……………………………..
Adnan Ahmed Yousif
Chairman

Shabir Chohan
……………………………..
Shabir Chohan
Chief executive

Company secretary statement

In terms of the provisions of the Companies Act, I certify that Albaraka Bank Limited has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns and notices prescribed by the Companies Act, and that all such returns and notices are true, correct and up-to-date.

……………………………..
Colin Breeds
Company secretary
Durban
15 March 2016

AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

During the financial year ended 31 December 2015, the audit committee convened five times to discharge both its statutory and board responsibilities. As an overview only, and not to be regarded as an exhaustive list, the committee carried out the following duties:

Annual financial statements

The committee has evaluated the annual financial statements. Amongst others, the committee:

1. reviewed the principles, policies and accounting practices and standards adopted in preparation of the annual financial statements and commented thereon and monitored compliance with all statutory/legal/regulatory requirements; and
2. reviewed interim reports and preliminary results announcements.

Since the annual financial statements complied, in all material aspects, with the principles, policies and accounting practices and standards adopted in preparation of the annual financial statements and with the appropriate International Financial Reporting Standards and as no complaints relating to the accounting practices or the contents or auditing of the financial statements, or to any related matter, were received by the committee, the committee has approved and recommended the annual financial statements for approval to the board. The board has subsequently approved the financial statements, which will be presented to shareholders at the annual general meeting to be held on 3 June 2016.

Internal audit function

The committee has played an oversight role in respect of the internal audit function, which is performed in-house to ensure its effectiveness. Amongst others, the committee:

1. approved the internal audit mandate and ensured that internal audit is an effective risk-based function that adheres to the IIA Standards and Code of Ethics;
2. ensured that the internal audit plan was risk-based and addressed specific risks of the company;
3. approved the internal audit plan;
4. ensured that the charter used by internal audit was approved by the board;
5. reviewed the internal audit charter;
6. regularly met separately with the internal audit manager; and
7. did not receive any complaints relating to the internal audit of the company.

External audit and related matters

Ernst & Young Inc. are the company's appointed external auditors. The committee has played an oversight role in respect of the external audit process to ensure its effectiveness. Amongst others, the committee:

1. approved Ernst & Young's terms of engagement;
2. reviewed the quality and effectiveness of the external audit process;
3. reviewed the external auditor's report to the committee and management's responses thereto;
4. reviewed significant judgements and/or unadjusted differences resulting from the audit, as well as any reporting decisions made;
5. maintained a non-audit services policy which determines the nature and extent of any non-audit services that Ernst & Young may provide to the company/group;
6. regularly met separately in confidence with Ernst & Young;
7. through enquiry, ascertained that Ernst & Young has not identified any irregularity that required reporting thereof to IRBA; and
8. evaluated and were satisfied with the independence of Ernst & Young.

Risk management, assurance and ethics

The committee formed an integral component of the risk management framework and, amongst others, monitored financial reporting risks, internal financial controls, fraud risks and IT risks as these relate to financial reporting. The committee played an oversight role in respect of risk, combined assurance and ethics.

……………………………..

MS Paruk
Chairman: audit committee

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALBARAKA BANK LIMITED

Report on the consolidated financial statements
We have audited the consolidated and separate financial statements of Albaraka Bank Limited, set out on pages 36 to 79, which comprise the statements of financial position as at 31 December 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements
The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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 management, 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Albaraka Bank Limited as at 31 December 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2015, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements
In terms of the IRBA rule published in Government Gazette Number 39475, dated 04 December 2015, we report that Ernst & Young has been the auditor of Albaraka Bank Limited for eight years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Merisha Kassie
Registered Auditor
Chartered Accountant (SA)

15 March 2016
Durban

The directors have pleasure in presenting their report for the year ended 31 December 2015.

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), Killarney (Johannesburg), Laudium (Pretoria), Lenasia (Johannesburg), Kingsmead (Durban), Overport (Durban), Port Elizabeth, corporate offices in Cape Town, Durban and Johannesburg and a forex bureau in Rosebank (Johannesburg).

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 100,0 million (2014: 100,0 million) ordinary shares of R10 each amounting to R1,0 billion (2014: R1,0 billion). The issued share capital of the company comprises 32,2 million (2014: 32,2 million) ordinary shares of R10 each amounting to R322,4 million (2014: R322,4 million).

Financial results

The results of the group and the company for the year ended 31 December 2015 are set out on pages 36 to 79.

Dividends

On 27 March 2015 the directors declared a dividend of 45 cents (2014: 45 cents) per share amounting to R14,5 million (2014: R10,13 million) paid to shareholders registered as at close of business on 03 July 2015.

Group structure

Albaraka Properties Proprietary Limited is a wholly-owned subsidiary of Albaraka Bank Limited. There were no changes to the group structure for the 2015 financial year.

Capital management

The bank continues to work towards strong management of its capital reserves. This is evidenced by an increase in the bank's capital adequacy ratio from 15,0% in 2014 to 15,2% in 2015. The South African Reserve Bank has also approved the bank's issuance of a sukuk in 2016 which will represent additional tier II capital. The issuance of the sukuk will assist in growing the bank's capital adequacy ratio further.

Events after the reporting period

There are no material events after the financial period that require reporting.

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

Non-executive
AA Yousif - Bahraini, Chairman

Independent non-executive
SA Randeree - (British), Vice chairman
F Kassim - (Sri Lankan)
A Lambat CA(SA)
Adv AB Mahomed SC
MG McLean
MS Paruk CA(SA)
YM Paruk
M Youssef Baker - (Egyptian)
NJ Kunene *
YGH Suleman **

Executive
SAE Chohan CA(SA) - Chief executive
MJD Courtiade CA(SA) - (French), Chief operating officer
A Ameed CA(SA) - Financial director
M Kaka CA(SA) - Executive director***

* Effective from 07 April 2015
** Effective from 01 March 2016
*** Effective from 23 April 2015

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

Business address
2 Kingsmead Boulevard
Kingsmead Office Park
Stalwart Simelane Street
Durban
4001

Postal Address
PO Box 4395
Durban
4000

Registered address
2 Kingsmead Boulevard
Kingsmead Office Park
Stalwart Simelane Street
Durban
4001

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Assets					
Property and equipment	3	**108 999**	104 600	**69 562**	69 261
Investment properties	4	**10 373**	10 399	**-**	-
Intangible assets	5	**23 800**	18 849	**23 800**	18 849
Investment in and amount due by subsidiary company	6	**-**	-	**11 590**	13 816
Deferred tax asset	7	**-**	614	**21 621**	20 097
Investment securities	8	**24 645**	20 575	**24 645**	20 575
Advances and other receivables	9	**4 473 383**	4 241 636	**4 473 124**	4 241 414
South African Revenue Service receivable	10	**2 305**	-	**2 288**	-
Regulatory balances	11	**187 376**	171 606	**187 376**	171 606
Cash and cash equivalents	12	**226 962**	245 576	**226 962**	245 576
Total assets		**5 057 843**	4 813 855	**5 040 968**	4 801 194
Equity and liabilities					
Equity					
Share capital	13	**322 403**	322 403	**322 403**	322 403
Share premium	13	**82 196**	82 196	**82 196**	82 196
Other reserves		**1 200**	-	**1 200**	-
Retained income		**195 659**	155 126	**179 553**	142 652
Shareholders' interests		**601 458**	559 725	**585 352**	547 251
Liabilities					
Welfare and charitable funds	14	**7 911**	3 734	**7 911**	3 734
Deferred tax liability	7	**477**	-	**-**	-
Accounts payable	15	**15 802**	14 434	**15 591**	14 247
South African Revenue Service payable	16	**81**	432	**-**	432
Provision for leave pay	17	**5 987**	5 845	**5 987**	5 845
Deposits from customers	18	**4 426 127**	4 229 685	**4 426 127**	4 229 685
Total liabilities		**4 456 385**	4 254 130	**4 455 616**	4 253 943
Total equity and liabilities		**5 057 843**	4 813 855	**5 040 968**	4 801 194

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Income earned from advances		**354 891**	303 766	**354 891**	303 766
Income earned from equity finance		**36 781**	30 548	**36 781**	30 548
Gross income earned		**391 672**	334 314	**391 672**	334 314
Income paid to depositors	19	**(193 294)**	(171 545)	**(193 294)**	(171 545)
Net income before impairment for credit losses		**198 378**	162 769	**198 378**	162 769
Impairment for credit losses	9.2.3	**(6 059)**	(3 767)	**(6 059)**	(3 767)
Net income after impairment for credit losses		**192 319**	159 002	**192 319**	159 002
Net non-Islamic income	20	**-**	-	**-**	-
Fee and commission income	21	**43 662**	37 575	**43 872**	37 775
Other operating income	22	**6 144**	4 120	**12 573**	10 500
Net income from operations		**242 125**	200 697	**248 764**	207 277
Operating expenditure	23	**(165 972)**	(145 576)	**(169 824)**	(149 058)
Finance costs		**-**	-	**(10 103)**	(10 066)
Profit before taxation		**76 153**	55 121	**68 837**	48 153
Taxation	24	**(21 112)**	(15 604)	**(17 428)**	(11 560)
Profit after tax for the year attributable to equity holders		**55 041**	39 517	**51 409**	36 593
Other comprehensive income					
Items subsequently reclassified to profit and loss					
Fair value gain on available for sale asset net of tax		**1 200**	-	**1 200**	-
Total other comprehensive income for the year, net of tax, attributable to equity holders		**56 241**	39 517	**52 609**	36 593
Weighted average number of shares in issue ('000)		**32 240**	25 747		
Earnings per share (cents)	25	**170, 7**	153,5		

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Share premium	Other reserves	Retained income	Shareholders' interest
	R'000	R'000	R'000	R'000	R'000
Group					
2015					
Balance at beginning of year	**322 403**	**82 196**	**-**	**155 126**	**559 725**
Profit after tax	**-**	**-**	**-**	**55 041**	**55 041**
Dividends paid	**-**	**-**	**-**	**(14 508)**	**(14 508)**
Other comprehensive income	**-**	**-**	**1 200**	**-**	**1 200**
Balance at end of year	**322 403**	**82 196**	**1 200**	**195 659**	**601 458**
2014					
Balance at beginning of year	225 000	29 866	-	125 734	380 600
Profit after tax	-	-	-	39 517	39 517
Dividends paid	-	-	-	(10 125)	(10 125)
Rights issue	97 403	52 597	-	-	150 000
Share issue expense net of tax	-	(267)	-	-	(267)
Balance at end of year	322 403	82 196	-	155 126	559 725
Company					
2015					
Balance at beginning of year	**322 403**	**82 196**	**-**	**142 652**	**547 251**
Profit after tax	**-**	**-**	**-**	**51 409**	**51 409**
Dividends paid	**-**	**-**	**-**	**(14 508)**	**(14 508)**
Other comprehensive income	**-**	**-**	**1 200**	**-**	**1 200**
Balance at end of year	**322 403**	**82 196**	**1 200**	**179 553**	**585 352**
2014					
Balance at beginning of year	225 000	29 866	-	116 184	371 050
Profit after tax	-	-	-	36 593	36 593
Dividends paid	-	-	-	(10 125)	(10 125)
Rights issue	97 403	52 597	-	-	150 000
Share issue expense net of tax	-	(267)	-	-	(267)
Balance at end of year	322 403	82 196	-	142 652	547 251

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Notes	**2015**	2014	**2015**	2014
		R'000	**R'000**	**R'000**	**R'000**
Cash flow from operating activities					
Cash generated from operations	27.1	**75 470**	59 705	**65 193**	49 764
Changes in working capital	27.2	**(35 214)**	(224 887)	**(35 333)**	(224 732)
Taxation paid	27.3	**(24 534)**	(15 850)	**(23 398)**	(15 850)
Dividends paid	27.4	**(14 890)**	(16 749)	**(14 890)**	(16 749)
Net cash (outflow)/inflow from operating activities		**832**	(197 781)	**(8 428)**	(207 567)
Cash flow from investing activities					
Purchase of property and equipment	27.5	**(11 480)**	(12 648)	**(11 480)**	(11 340)
Purchase of investment property	27.6	**(34)**	-	**-**	-
Purchase of intangible assets	27.7	**(9 311)**	(4 260)	**(9 311)**	(4 260)
Purchase of investment securities		**(2 118)**	(10 075)	**(2 118)**	(10 075)
Proceeds from disposal of property and equipment		**265**	35	**265**	35
Dividend income	22	**1 271**	985	**8 271**	7 985
Decrease in investment in and amount due by subsidiary		**-**	-	**2 226**	1 478
Net cash (utilised)/generated in investing activities		**(21 407)**	(25 963)	**(12 147)**	(16 177)
Cash flow from financing activities					
(Repayments)/proceeds from shareholders mudaraba advance		**-**	(50 005)	**-**	(50 005)
Proceeds from rights issue		**-**	149 733	**-**	149 733
Net cash from financing activities		**-**	99 728	**-**	99 728
Net (decrease)/increase for the year		**(20 575)**	(124 016)	**(20 575)**	(124 016)
Net foreign exchange difference		**1 962**	-	**1 962**	-
Cash and cash equivalents at beginning of year		**245 575**	369 591	**245 575**	369 591
Cash and cash equivalents at end of year	12	**226 962**	245 575	**226 962**	245 575

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 2015 comprise the company and its subsidiary (together referred to as the "group"). The accounting policies below are applicable to both the company and group financial statements, unless otherwise stated.

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

2. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with, and comply with the South African Companies Act and International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board. Comparative figures have been adjusted where necessary in order to meet comparative disclosure requirements in terms of IAS 1.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets measured at fair value.

Functional and presentation currency

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

Use of significant estimates and judgements

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

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

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

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. In determining the extent to which the deferred tax assets may be recognised, management considers factors such as the likely period of future operations, estimated profits which are adjusted for exceptional items and estimated taxable profits based on the applicable legislation, as well as future tax planning strategies. In determining the useful lives of property and equipment, management has exercised judgement as further detailed in accounting policy note 4, property and equipment.

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

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

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

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

3. Basis of consolidation

Investment in subsidiary

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

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

Transactions eliminated on consolidation

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

4. Property and equipment

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

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

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

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

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

5. Impairment of non-financial assets

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

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

An impairment loss is recognised in profit for the year in the statement of comprehensive income whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of its net selling price and its value in use. A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill, a recognised impairment loss is not reversed.

6. Provisions

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

7. Contingencies and commitments

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

8. Financial instruments

Non-derivative financial instruments

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

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

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

Available-for-sale financial assets

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held–for-trading nor designated at fair value through profit or loss. The group's investment in available-for-sale financial assets are stated at fair value based on the best available data for the valuation. Where the fair value cannot be reasonably determined,

8. Financial instruments (continued)

these are carried at cost. After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the other reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income.

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

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

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

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

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

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

Fair value measurement
The group discloses financial instruments at fair value at each reporting date in terms of IFRS 13. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability accessible to the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

9. Impairment of financial assets

At each reporting date the group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. The group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant financial assets or cash generating units found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets or cash generating units that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar characteristics. In respect of advances, refer to accounting policy note 2 for use of estimates and judgements.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an advance by the group on terms that the group would otherwise not consider, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security, other observable data relating to a group of assets, such as adverse changes in the payment status of debtors, or issuers in the group or economic conditions that correlate with defaults in the group.

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

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

In assessing the net realisable value, the expected future cash flows from advances are discounted to their present value at their original effective mark-ups. Portfolio impairments cover losses which, although not specifically identified, are present in any portfolio of advances. The movements in provisions are recognised in profit for the year in the statement of comprehensive income.

10. Income tax expense

Income tax expense on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit for the year except to the extent that it relates to items recognised directly in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment of tax payable for previous years.

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted at the reporting date. These can be offset, if legally enforceable and relate to the same tax entity and authority.

11. Revenue recognition

Income from Islamic activities

Income from Islamic activities comprises:

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

Non-Islamic income

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

11. Revenue recognition (continued)

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 and company as a lessee

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of return on the remaining balance of the liability. Finance costs are recognised in profit for the year in the statement of comprehensive income.

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

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

Group as a lessor

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

13. Cash and cash equivalents and regulatory balances

Cash and cash equivalents comprise short-term negotiable securities, cash and short-term funds. Regulatory balances comprise our holdings in treasury bills, as well as regulatory balances held with the central bank.

14. Investment properties

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

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

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

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

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

15. Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

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

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

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

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in profit and loss. During the period of development, the asset is tested for impairment annually.

Intangible assets are amortised on a straight-line basis. The current estimated useful lives are as follows:

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

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

16. Employee benefits

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

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

17. Earnings per share

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

18. Related parties

A related party is a person or entity that is related to the group.
A person or a close member of that person's family is related to the group if that person:
- Has control or joint control over the group;
- Has significant influence over the group; or
- Is a member of the key management personnel of the group or of a subsidiary of the group.

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

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

1. CAPITAL ADEQUACY

Introduction

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

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

Capital structure

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

	2015	2014
	R'000	**R'000**
Regulatory capital		
Tier 1		
Share capital	**322 403**	322 403
Share premium	**82 196**	82 196
Retained income	**179 553**	142 652
Less: unappropriated profits	**(17 035)**	(14 406)
Unrealised gains and losses on available for sale items net of tax	**1 200**	-
Total capital and reserves	**568 317**	532 845
Less: prescribed deductions against capital and reserve funds	**(23 800)**	(18 849)
Total Tier 1 capital	**544 517**	513 996
Tier 2		
Portfolio impairment	**19 165**	15 860
Total eligible capital	**563 682**	529 856
Capital adequacy ratios (Tier 1 %)	**14,6%**	14,5%
Capital adequacy ratios (Total %)	**15,2%**	15,0%
Minimum regulatory requirement ratios (Total %)	**10,0%**	10,0%

The bank's capital strategy plays an important role in growing shareholder value and has contributed significantly to growth in the current year. The objective of active capital management is to:
• Enable growth in shareholder value; and
• Protect the capital base.

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

The bank is committed to maintaining sound capital and strong liquidity ratios. The overall capital needs are continually reviewed to ensure that its capital base appropriately supports current and planned business and regulatory capital requirements.

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

At 31 December 2015, the minimum capital requirements and risk-weighted assets of the bank for credit risk, equity risk, market risk and other risks, as calculated under the standardised approach and for operational risk as calculated under the basic indicator approach in terms of the Banks Act and Regulations, were as follows:

	Capital requirements		Risk-weighted assets	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Credit risk	313 542	302 780	3 135 420	3 027 800
Operational risk	39 887	34 344	398 874	343 441
Equity risk	2 465	-	24 645	-
Market risk	1 808	1 132	18 078	11 323
Other risk	14 000	15 682	140 000	156 816
	371 702	353 938	3 717 017	3 539 380

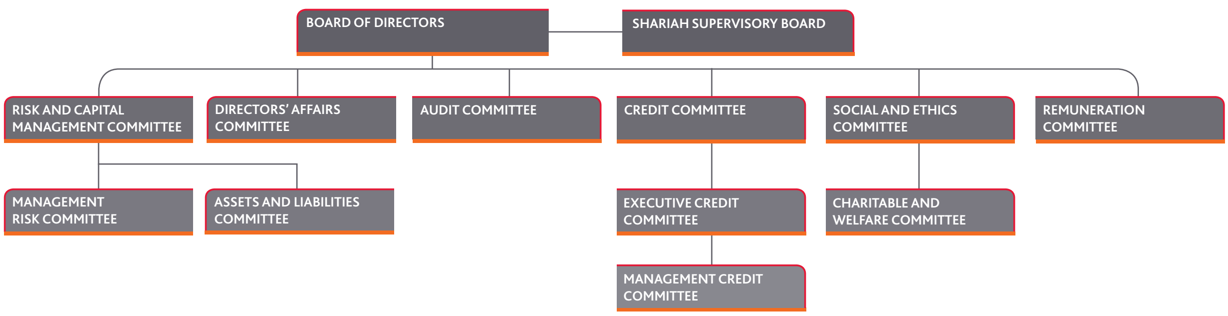
2. RISK MANAGEMENT AND ASSESSMENT

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

These committees are assisted by management committees (more particularly the assets and liabilities committee (ALCO), the executive credit committee and the management risk committee) to discharge their responsibilities effectively. The composition, terms of reference and delegated powers of authority of the board and management committees are set by the board and are reviewed annually. The board and management committees are responsible for developing and monitoring risk management policies and programmes in their specified areas. These policies and programmes are established to identify and analyse risks faced by the bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The risk management policies and programmes are reviewed regularly to reflect changes in market conditions and products offered. In addition, the bank has adopted a strategy seeking to entrench at all levels within Albaraka Bank a culture that is risk-management orientated.

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



2. RISK MANAGEMENT AND ASSESSMENT (continued)

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

Major risks

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

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

2.1 Credit risk

Credit risk refers to the potential loss that the bank could sustain as a result of counter-party default and arises principally from advances to customers and other banks. The bank manages its credit risk within a governance structure supported by delegated powers of authority as approved by the board. The credit approval process is graduated, whereby increasingly higher levels of authorisation are required depending on the type and value of the transactions concerned. Applications for credit may therefore be considered progressively by line management, senior and executive management, the management credit committee, the executive credit committee, the board credit committee and the board itself.

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

- Formulating credit policies covering collateral requirements, credit 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 counterparties and by product; and
- Developing and maintaining risk gradings in order to categorise exposures to the degree of risk of financial loss faced and to focus management on the relevant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework is described under the section dealing with portfolio measures of risk.

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

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

The credit risk management process needs to identify all risk factors to enable such risks to be quantified and their impact on the pricing or credit risk to be taken into account. Pricing for credit risk is therefore, a critical component of the risk management process. The main risk of default by the counter-party is mitigated by means of collateral security obtained from the debtor concerned.

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

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

Portfolio measures of credit risk

Credit loss expense is reported in accordance with International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement. Under these rules, losses are recognised and charged to the profit for the year in the statement of comprehensive income in the period in which they arise.

The occurrence of actual credit losses is erratic in both timing and amount and those that arise usually relate to transactions entered into in previous accounting periods. In order to make the business accountable for any credit losses suffered in a portfolio of advances that have not yet been individually identified as impaired, a credit impairment for incurred but not reported losses is created based on historic loss and estimated emergence patterns. Based on the performance of individual customers and the results of assessments performed, credit exposures are classified under five main categories, or risk gradings, which are Standard, Special Mention, Sub-standard, Doubtful and Loss.

- Exposures that are current and where full repayment of the principal and profit is expected are classified under the Standard category;
- Exposures where evidence exists that the debtor is experiencing some difficulties that may threaten the bank's position, but where ultimate loss is not expected, but could occur if adverse conditions continue, are classified under the Special Mention category;
- Exposures that show underlying, well-defined weaknesses that could lead to probable loss if not corrected are classified under the Sub-standard category. The risk that such exposures may become impaired is probable and the bank relies to a large extent on available security;
- Exposures that are considered to be impaired, but are not yet considered total losses because of some pending factors that may strengthen the quality of such exposures are classified under the Doubtful category;
- Exposures that are considered to be uncollectable and where the realisation of collateral and institution of legal proceedings have been unsuccessful are classified under the Loss category. These exposures are considered to be of such little value that they should no longer be

included in the net assets of the bank;
- Exposures that are classified under the Sub-standard, Doubtful and Loss categories are regarded as non-performing; and
- Exposures that have not met their individual repayment terms are classified as past due exposures.

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

Credit exposures

	Group and Company	
	2015	2014
	R'000	R'000
Advances to customers	**3 853 360**	3 626 301
Advances and balances with banks	**698 519**	691 574
Advances, treasury bills and regulatory balances	**329 158**	339 444
Letters of credit, guarantees and confirmations	**219 410**	186 534
Total exposure	**5 100 447**	4 843 853
Impairment of advances	**(26 075)**	(21 744)
Net exposure	**5 074 372**	4 822 109

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

Geographical distribution of exposures

	2015	2014
Customer exposure		
KwaZulu-Natal	**2 012 057**	1 975 040
Gauteng	**1 395 016**	1 241 689
Western Cape	**665 697**	596 106
Total customer exposure	**4 072 770**	3 812 835
Bank exposure		
KwaZulu-Natal	**15 942**	16 905
Gauteng	**1 009 843**	1 010 622
United States of America	**1 892**	3 491
Total bank exposure	**1 027 677**	1 031 018
Total exposure	**5 100 447**	4 843 853

2. RISK MANAGEMENT AND ASSESSMENT (continued)

2.1 Credit risk

		Group and Company 2015 R'000	Group and Company 2014 R'000
Industry distribution of exposures			
Banks and financial institutions		**1 027 677**	1 031 018
Individuals		**1 372 007**	1 234 653
Business and trusts		**2 700 763**	2 578 182
Total exposure		**5 100 447**	4 843 853
Product distribution analysis			
Property (Musharaka and Murabaha)		**2 823 076**	2 542 108
Equity finance		**627 116**	625 157
Instalment sales		**546 138**	562 185
Trade		**480 803**	519 022
Balances with local and central banks		**400 561**	405 861
Letters of credit		**5 719**	5 758
Guarantees and confirmations		**213 691**	180 776
Other		**3 343**	2 986
Total exposure		**5 100 447**	4 843 853
Residual contractual maturity of book			
Within 1 month	- equity finance	**204 050**	242 254
	- other	**486 854**	538 024
From 1 to 3 months	- equity finance	**372 788**	302 208
	- other	**383 679**	357 862
From 3 months to 1 year	- equity finance	**50 278**	80 695
	- other	**622 594**	611 112
From 1 year to 5 years		**1 501 492**	1 369 505
More than 5 years		**1 478 712**	1 342 193
Total exposure		**5 100 447**	4 843 853

	Group and Company							
	Advances to customers		Advances and balances with banks		Other exposures		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Past due and individually impaired								
Gross amount	**46 630**	32 261	**-**	-	**-**	-	**46 630**	32 261
Specific impairment	**(6 910)**	(5 884)	**-**	-	**-**	-	**(6 910)**	(5 884)
Carrying amount	**39 720**	26 377	**-**	-	**-**	-	**39 720**	26 377
Past due but not impaired								
Standard category	**695 048**	687 510	**-**	-	**-**	-	**695 048**	687 510
Special mention category	**131 950**	120 221	**-**	-	**-**	-	**131 950**	120 221
Sub-standard category	**29 397**	3 462	**-**	-	**-**	-	**29 397**	3 462
Doubtful category	**5 696**	23 950	**-**	-	**-**	-	**5 696**	23 950
Loss category	**5 641**	16 875	**-**	-	**-**	-	**5 641**	16 875
Carrying amount	**867 732**	852 018	**-**	-	**-**	-	**867 732**	852 018
Neither past due nor impaired								
Carrying amount	**2 938 998**	2 742 025	**1 027 677**	1 031 018	**219 410**	186 534	**4 186 085**	3 959 577
Total carrying amount before portfolio impairment	**3 846 450**	3 620 420	**1 027 677**	1 031 018	**219 410**	186 534	**5 093 537**	4 837 972
Portfolio impairment - Standard category	**(19 165)**	(15 863)	**-**	-	**-**	-	**(19 165)**	(15 863)
Net carrying amount	**3 827 285**	3 604 557	**1 027 677**	1 031 018	**219 410**	186 534	**5 074 372**	4 822 109

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

Financial assets classified as neither past due nor impaired are well diversified with 69% invested in property transactions, 16% in instalment sale transactions (equipment and motor vehicle) and 15% in trade finance transactions. All of the above exposures are collateralised in the form of property, assets, personal sureties and company guarantees.

The maximum exposure to credit risk is calculated as being the maximum amount payable by customers, banks and other financial institutions (refer to note 30.1).

Restructured advances are exposures which have been refinanced by the bank, due to the client experiencing financial distress on an existing exposure and where it has been ascertained that the client will be able to meet the amended modified repayment amount after the restructure. Restructured advances are classified as non-performing for the first six months after a restructure has occurred and are, thereafter, classified according to the bank's normal classification policies.

2. RISK MANAGEMENT AND ASSESSMENT (continued)

2.1 Credit risk (continued)

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

Collateral is allocated per asset class as follows:

	Group and Company	
	Credit exposure	Collateral cover
	2015	
	R'000	R'000
Standard asset	**3 431 198**	**2 681 176**
Special mention asset	**334 799**	**284 126**
Sub-standard asset	**36 984**	**31 791**
Doubtful asset	**25 860**	**10 011**
Loss asset	**24 519**	**17 242**
	3 853 360	**3 024 346**

	Group and Company	
	2015	2014
	R'000	R'000
A distribution analysis of past due advances, impaired and past due and not impaired, is disclosed below:		
Past due and individually impaired		
- Individuals	**18 557**	18 527
- Business and trusts	**28 073**	13 734
	46 630	32 261
Past due and individually impaired		
- Individuals	**397 406**	348 003
- Business and trusts	**470 326**	504 015
	867 732	852 018

An aging analysis of past due advances 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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Individuals	**354 051**	300 381	**27 907**	33 142	**11 220**	11 186	**4 228**	3 294	**397 406**	348 003
Business and trusts	**399 466**	441 186	**28 553**	34 488	**40 545**	12 755	**1 762**	15 586	**470 326**	504 015
	753 517	741 567	**56 460**	67 630	**51 765**	23 941	**5 990**	18 880	**867 732**	852 018

2.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate resulting in losses due to movements in observable market variables such as profit rates, exchange rates and equity markets. In addition to these and other general market risk factors, the risk of price movements specific to individual issuers of securities is considered market risk. Al Baraka Bank's exposure to market risk is limited in that the bank does not trade in marketable securities other than those that it is required to hold for liquid asset purposes, which are usually held to maturity and foreign currency, held in terms of its foreign exchange licence. The bank's exposure to market risk at year end is tabled below:

		Group and Company	
		2015	2014
		R'000	**R'000**
Assets held under interest rate risk	- Treasury bills	**93 452**	86 560
Assets held under exchange rate risk	- Foreign currency held	**18 078**	11 323
		111 530	97 883

In accordance with Islamic banking principles, the bank does not levy interest on finance provided, hence it is not exposed to interest rate risk but rather profit rate risk as described in note 2.5. The treasury bills disclosed above are held for statutory liquidity requirements and thus interest earned on these bills is included in the amounts donated as per note 14.

2.3 Equity risk

Equity risk relates to the risk of loss that the bank would suffer due to material fluctuations in the fair values of equity investments. Equity risk in the case of Al Baraka Bank, relates to its 100% investment in Albaraka Properties Proprietary Limited, a property-owning subsidiary, whose sole assets are properties held in Athlone (Cape Town) and Kingsmead (Durban). In addition, the bank owns 52 000 shares in Kiliminjaro Investments Proprietary Limited, a property-holding company, as well as 1 000 shares in Earthstone Investments (Pty) Ltd, also a property-holding company and 160 000 shares in Ahmed Al Kadi Private Hospital Limited, a hospital development that will provide healthcare services to the general public.

Both investment companies hold property in Durban, as well as the private hospital being situated in Durban. The fair values of the underlying properties are obtained by an independent valuation on a periodic basis and compared to the cost of these investments to identify any need for impairment. The bank also has an investment in unit trusts which is classified as fair-value through-profit-and–loss and is subject to regular monitoring by management and the board, but is not currently significant in relation to the overall results and financial position of the group.

2.4 Liquidity risk

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

Liquidity risk is managed mainly by ensuring that the funding of the bank is sourced from a wide range of retail deposits with an appropriate spread of short, medium and long-term maturities. Exposure to large deposits is strictly controlled. ALCO monitors and reviews the maturity profiles of the bank's assets and liabilities on a regular basis to ensure that appropriate liquidity levels are maintained to meet future commitments. The bank also has a policy of maintaining liquidity buffers (in the form of Treasury Bills and cash surpluses held on call) comfortably in excess of regulatory requirements. In terms of Regulation 43, the bank has made available, via its website, the disclosure on the liquidity coverage ratio. This may be accessed via www.albaraka.co.za/Files/LCR.pdf.

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

2.5 Profit rate risk

In keeping with Islamic banking principles, the bank does not levy interest on finance provided to debtors, but instead earns income either by means of buying the item to be financed from the supplier and on-selling the item to the bank's clients at an agreed mark-up or by entering into arrangements with the debtor in terms of which the bank shares in the profit generated by the debtor at an agreed profit sharing ratio. In a similar fashion, the bank's depositors do not earn interest on deposits placed with the bank, but instead earn income on their deposits based on their proportionate share of the profits earned from customers, by the bank.

There is thus no mismatch in terms of the earning profile of depositors and that of the bank as the bank will only be able to share profits which are earned. As the bank shares profits earned on advances in a predetermined ratio to the profit to be paid to the depositors, the bank is not at risk of earning less from advances than it would be required to pay to its depositors.

2.6 Shariah risk

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

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

2. RISK MANAGEMENT AND ASSESSMENT (continued)

2.6 Shariah risk (continued)

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

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

2.7 Operational risk

Operational risk refers to those risks that do not have a direct financial impact as opposed to pure financial risks, such as credit risk, liquidity risk and profit rate risk. Operational risk is the risk of loss that could arise as a result of breakdowns in internal controls and processes, system inefficiencies, theft and fraud.

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

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

2.8 Reputational risk

Reputational risk is a risk of loss resulting from damages to a firm’s reputation, in lost revenue, increased operating, capital or regulatory costs, or destruction of shareholder value.

The bank manages this risk by employing adequately trained staff to ensure any risk of exposure to reputational risk is managed proactively.

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
3. PROPERTY AND EQUIPMENT				
Cost				
Land and buildings	**76 237**	76 237	**63 444**	63 444
Vehicles	**5 461**	4 822	**5 461**	4 822
Equipment and computers	**36 299**	31 303	**36 228**	31 303
Leasehold improvements	**19 404**	17 897	**18 708**	17 123
Tank containers	**7 145**	7 145	**7 145**	7 145
Capital work in progress	**3 437**	242	**3 435**	239
	147 983	137 646	**134 421**	124 076
Accumulated depreciation and impairment	**(38 984)**	(33 046)	**(64 859)**	(54 815)
Land and buildings	**-**	-	**(26 083)**	(21 853)
Vehicles	**(3 009)**	(2 809)	**(3 009)**	(2 809)
Equipment and computers	**(20 811)**	(17 631)	**(20 785)**	(17 631)
Leasehold improvements	**(9 656)**	(7 405)	**(9 474)**	(7 321)
Tank containers	**(5 508)**	(5 201)	**(5 508)**	(5 201)
Carrying amount	**108 999**	104 600	**69 562**	69 261
Land and buildings comprise the following commercial properties presented at their carrying amount, as described below:				
1. Commercial property in Cape Town described as Erf no. 33983 Cape Town in extent 610 square metres independently valued at R11,0 million in 2015. The property was leased entirely to the bank. Commercial property comprises land and buildings at carrying amount.	**3 655**	3 655		
2. Commercial property in Durban described as Portion 6 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is leased to the bank. The lease contains an initial non-cancellable period of 10 years, starting from 2009. The property was independently valued at R105 million in 2015. Commercial property comprises land at a cost of R3,5 million (2014: R3,5 million) and buildings thereon at a cost of R69,1 million (2014: R69,1 million).	**72 582**	72 582		
3. Land and buildings held under finance leases comprise Portion 6 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is measured at the present value of the minimum lease payments and is fully depreciated over the period of the lease. The minimum lease payments were discounted taking into consideration an unguaranteed residual of R72 million (2014: R72 million) and calculating a rate intrinsic in the lease of 14,3% (2014:14,3%).			**37 361**	41 591
	76 237	76 237	**37 361**	41 591

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
3. PROPERTY AND EQUIPMENT (continued)				
Carrying amount at beginning of year	**76 237**	76 237	**41 591**	45 821
Additions	**-**	-	**-**	-
Depreciation	**-**	-	**(4 230)**	(4 230)
Carrying amount at end of year	**76 237**	76 237	**37 361**	41 591

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

	Land and buildings	Vehicles	Equipment and computers	Leasehold improvements	Tank containers	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Movement in property and equipment: Carrying Amount							
Group							
2015							
Cost at beginning of year	76 237	4 822	31 303	17 897	7 145	242	137 646
Accumulated depreciation at beginning of year	-	(2 809)	(17 631)	(7 405)	(5 201)	-	(33 046)
Net carrying amount at beginning of year	76 237	2 013	13 672	10 492	1 944	242	104 600
Additions	-	1 279	4 547	315	-	5 339	11 480
Transfers	-	-	939	1 205	-	(2 144)	-
Disposals	-	(43)	(22)	-	-	-	(65)
Assets written-off	-	-	-	-	-	-	-
Depreciation for the year	-	(797)	(3 648)	(2 264)	(307)	-	(7 016)
Net carrying amount at end of year	76 237	2 452	15 488	9 748	1 637	3 437	108 999
Cost at end of year	76 237	5 461	36 299	19 404	7 145	3 437	147 983
Accumulated depreciation at end of year	-	(3 009)	(20 811)	(9 656)	(5 508)	-	(38 984)

	Land and buildings	Vehicles	Equipment and computers	Leasehold improvements	Tank containers	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group							
2014							
Cost at beginning of year	76 237	3 531	25 803	10 839	7 145	1 559	125 114
Accumulated depreciation at beginning of year	-	(2 180)	(14 204)	(6 024)	(4 895)	-	(27 303)
Net carrying amount at beginning of year	76 237	1 351	11 599	4 815	2 250	1 559	97 811
Additions	-	1 291	2 935	1 326	-	7 096	12 648
Transfers	-	-	2 977	5 732	-	(8 413)	296
Disposals	-	-	(34)	-	-	-	(34)
Assets written-off	-	-	-	-	-	-	-
Depreciation for the year	-	(629)	(3 805)	(1 381)	(306)	-	(6 121)
Net carrying amount at end of year	76 237	2 013	13 672	10 492	1 944	242	104 600
Cost at end of year	76 237	4 822	31 303	17 897	7 145	242	137 646
Accumulated depreciation at end of year	-	(2 809)	(17 631)	(7 405)	(5 201)	-	(33 046)
Company							
2015							
Cost at beginning of year	**63 444**	**4 822**	**31 303**	**17 123**	**7 145**	**239**	**124 076**
Accumulated depreciation at beginning of year	**(21 853)**	**(2 809)**	**(17 631)**	**(7 321)**	**(5 201)**	**-**	**(54 815)**
Net carrying amount at beginning of year	**41 591**	**2 013**	**13 672**	**9 802**	**1 944**	**239**	**69 261**
Additions	**-**	**1 279**	**4 547**	**315**	**-**	**5 340**	**11 481**
Transfers	**-**	**-**	**880**	**1 264**	**-**	**(2 144)**	**-**
Disposals	**-**	**(43)**	**(22)**	**-**	**-**	**-**	**(65)**
Assets written-off	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation for the year	**(4 230)**	**(797)**	**(3 634)**	**(2 147)**	**(307)**	**-**	**(11 115)**
Net carrying amount at end of year	**37 361**	**2 452**	**15 443**	**9 234**	**1 637**	**3 435**	**69 562**
Cost at end of year	**63 444**	**5 461**	**36 228**	**18 708**	**7 145**	**3 435**	**134 421**
Accumulated depreciation at end of year	**(26 083)**	**(3 009)**	**(20 785)**	**(9 474)**	**(5 508)**	**-**	**(64 859)**

3. PROPERTY AND EQUIPMENT (continued)

	Land and buildings	Vehicles	Equipment and computers	Leasehold improvements	Tank containers	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Movement in property and equipment: Carrying Amount							
Company							
2014							
Cost at beginning of year	63 444	3 531	25 803	11 379	7 145	1 559	112 861
Accumulated depreciation at beginning of year	(17 624)	(2 180)	(14 204)	(6 024)	(4 895)	-	(44 927)
Net carrying amount at beginning of year	45 820	1 351	11 599	5 355	2 250	1 559	67 934
Additions	-	1 291	2 935	18	-	7 096	11 340
Transfers	-	-	2 977	5 735	-	(8 416)	296
Disposals	-	-	(34)	-	-	-	(34)
Assets written-off	-	-	-	-	-	-	-
Depreciation for the year	(4 229)	(629)	(3 805)	(1 306)	(306)	-	(10 275)
Net carrying amount at end of year	41 591	2 013	13 672	9 802	1 944	239	69 261
Cost at end of year	63 444	4 822	31 303	17 123	7 145	239	124 076
Accumulated depreciation at end of year	(21 853)	(2 809)	(17 631)	(7 321)	(5 201)	-	(54 815)

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

	Group	
	2015	2014
	R'000	R'000

4. INVESTMENT PROPERTIES

Balance at beginning of year	**10 399**	10 476
Additions	**34**	-
Depreciation	**-**	(77)
Write-off	**(60)**	-
Balance at end of year	**10 373**	10 399

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

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

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

The group carries investment properties at historic cost less provision for depreciation and impairment. The cost of the properties were considered to be equal to their fair value at the time of acquisition. The investment property was independently valued at R12,5 million as at 1 July 2015 which is in line with the group policy to obtain such valuations every three years.

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

The inputs into the valuation as applied by the independent valuator were location, surrounding environment and any improvements applied to the property. The valuator further considered sales of comparable properties in proximity to the investment property. Investment property would be classified in a level two category in the fair value hierarchy.

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

	Group		Company	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000

5. INTANGIBLE ASSETS

Cost				
Computer software	**4 874**	3 053	**4 874**	3 053
Capitalised project costs	**33 472**	29 805	**33 472**	29 805
Capital work in progress	**5 603**	1 780	**5 603**	1 780
	43 949	34 638	**43 949**	34 638
Accumulated amortisation and impairment	**(20 149)**	(15 789)	**(20 149)**	(15 789)
Computer software	**(2 449)**	(1 562)	**(2 449)**	(1 562)
Capitalised project costs	**(17 700)**	(14 227)	**(17 700)**	(14 227)
	23 800	18 849	**23 800**	18 849

5. INTANGIBLE ASSETS (continued)

Movement in intangible assets:
Carrying Amount

Group and Company

	Computer software	Capitalised project costs	Capital work in progress	Total
	R'000	R'000	R'000	R'000
2015				
Cost at beginning of year	**3 053**	**29 805**	**1 780**	**34 638**
Accumulated amortisation at beginning of year	**(1 562)**	**(14 227)**	**-**	**(15 789)**
Net carrying amount at beginning of year	**1 491**	**15 578**	**1 780**	**18 849**
Additions	**1 156**	**2 518**	**5 637**	**9 311**
Transfers	**492**	**1 322**	**(1 814)**	**-**
Disposal	**-**	**-**	**-**	**-**
Assets written-off	**-**	**-**	**-**	**-**
Amortisation for the year	**(714)**	**(3 646)**	**-**	**(4 360)**
Net carrying amount at end of year	**2 425**	**15 772**	**5 603**	**23 800**
Cost at end of year	**4 874**	**33 472**	**5 603**	**43 949**
Accumulated amortisation at end of year	**(2 449)**	**(17 700)**	**-**	**(20 149)**
2014				
Cost at beginning of year	2 318	27 716	640	30 674
Accumulated amortisation at beginning of year	(1 094)	(11 284)	-	(12 378)
Net carrying amount at beginning of year	1 224	16 432	640	18 296
Additions	735	2 089	1 436	4 260
Transfers	-	-	(296)	(296)
Disposal	-	-	-	-
Assets written-off	-	-	-	-
Amortisation for the year	(468)	(2 943)	-	(3 411)
Net carrying amount at end of year	1 491	15 578	1 780	18 849
Cost at end of year	3 053	29 805	1 780	34 638
Accumulated amortisation at end of year	(1 562)	(14 227)	-	(15 789)

	Company	
	2015	2014
	R'000	R'000

6. INVESTMENT IN AND AMOUNT DUE BY SUBSIDIARY COMPANY

Albaraka Properties Proprietary Limited is 100% (2014: 100%) owned by Albaraka Bank Limited.

The issued share capital of Albaraka Properties Proprietary Limited comprises 100 shares of R1 each (2014: 100 shares of R1 each).

	2015 R'000	2014 R'000
Shares at cost	*	*
Due by subsidiary	**11 590**	13 816
- Amounts owing by subsidiary	**83 067**	85 370
- Finance lease liability (note 31.2)	**(71 477)**	(71 554)
	11 590	13 816

* Amount less than R1 000.

The amount due by the subsidiary is profit-free. For the purposes of classification of financial instruments this is considered to be advances and receivables.

The difference between the amounts owing by the subsidiary and the finance lease liability above, is a result of the present value of the lease liability which will unwind over the period of the lease.

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

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
7. DEFERRED TAX ASSET/(LIABILITY)				
Balance at beginning of year	**614**	375	**20 097**	15 815
Tax income/(expense) recognised in profit or loss	**(829)**	542	**1 791**	4 585
Tax income/(expense) recognised in other comprehensive income	**(277)**	-	**(277)**	-
Deferred tax - prior year over-provision recognised in profit or loss	**15**	(303)	**10**	(303)
Balance at end of year	**(477)**	614	**21 621**	20 097
The deferred tax asset/(liability) comprises the following:				
Temporary differences arising on finance lease	**-**	-	**9 552**	8 390
Deferred tax on accumulated tax credits in subsidiary	-	220	-	-
Temporary differences on financial assets	**(853)**	(719)	**(853)**	(719)
Impairment for doubtful advances	**1 451**	1 235	**1 451**	1 235
Leave pay provision	**1 676**	1 637	**1 676**	1 637
Portfolio impairment	**5 366**	4 442	**5 366**	4 442
Profit not paid to depositors	**10 702**	10 946	**10 702**	10 946
Other	**(699)**	268	**407**	258
Prepaid expenses	**(248)**	(179)	**(210)**	(172)
Intangible assets, property and equipment	**(17 595)**	(17 236)	**(6 193)**	(5 920)
Fair value on investments	**(277)**	-	**(277)**	-
	(477)	614	**21 621**	20 097

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.

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
8. INVESTMENT SECURITIES				
Unit trust investments				
Fair value at beginning of year	**7 975**	7 306	**7 975**	7 306
Additions at cost	**118**	75	**118**	75
Fair value gains	**476**	594	**476**	594
Fair value at end of year	**8 569**	7 975	**8 569**	7 975
Unlisted investments				
Kiliminjaro Investment Proprietary Limited, at fair value	**4 076**	2 600	**4 076**	2 600
Earthstone Investments Proprietary Limited at fair value	**10 000**	10 000	**10 000**	10 000
Ahmed Al Kadi Private Hospital Limited at cost	**2 000**	-	**2 000**	-
	24 645	20 575	**24 645**	20 575

The bank's investment in unit trusts comprise 430 586 units (2014: 424 377 units) in the Old Mutual Albaraka Equity Fund. The carrying value of this investment is R8,6 million (2014: R8,0 million) and has been designated as a fair-value-through-profit-or-loss financial instrument on initial recognition. The investment is treated in this manner in order to eliminate any potential recognition inconsistencies that may arise on changes in the fair value of this instrument, had the instrument been classified on an alternate basis. The fair value of this investment is determined by quoted market prices and changes in fair value are recorded in profit or loss for the year.

Kiliminjaro Investments Proprietary Limited and Earthstone Investments Proprietary Limited are property-owning companies, whilst Ahmed Al Kadi Private Hospital Limited is a hospital development that will provide healthcare to the general public. The bank owns 52 000 shares (2014: 52 000 shares) of Kiliminjaro Investments, it purchased 1 000 shares in Earthstone Investments during 2014 and it purchased 160 000 shares in Ahmed Al Kadi Private Hospital in 2015.

These investments are classified as available-for-sale financial instruments. Kiliminjaro Investments Proprietary Limited and Earthstone Investments Proprietary Limited are measured at fair value. Ahmed Al Kadi Private Hospital is measured at cost as the cost approximates its fair value. The bank currently has no intention to dispose of these assets.

9. ADVANCES AND OTHER RECEIVABLES

	Group 2015	Group 2014	Company 2015	Company 2014
9.1 Sectoral analysis				
Advances to customers				
Property (Musharaka and Murabaha)	**2 823 076**	2 542 108	**2 823 076**	2 542 108
Instalment sale	**546 138**	562 185	**546 138**	562 185
Trade	**480 803**	519 022	**480 803**	519 022
Other	**3 343**	2 986	**3 343**	2 986
Gross advances to customers	**3 853 360**	3 626 301	**3 853 360**	3 626 301
Provision for impairment of doubtful advances	**(26 075)**	(21 744)	**(26 075)**	(21 744)
Net advances to customers after provisions	**3 827 285**	3 604 557	**3 827 285**	3 604 557
Advances to banks				
Equity finance	**627 116**	625 157	**627 116**	625 157
Net advances	**4 454 401**	4 229 714	**4 454 401**	4 229 714
Other receivables	**18 982**	11 922	**18 723**	11 700
	4 473 383	4 241 636	**4 473 124**	4 241 414

Included under property are Musharaka advances amounting to R2,802 million (2014: R2,509 million).

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
9. ADVANCES AND OTHER RECEIVABLES (continued)				
9.2 Maturity analysis				
Advances to customers				
Within 1 month	**252 492**	271 693	**252 492**	271 693
From 1 month to 3 months	**293 464**	299 773	**293 464**	299 773
From 3 months to 1 year	**480 391**	483 383	**480 391**	483 383
From 1 year to 5 years	**1 470 204**	1 340 573	**1 470 204**	1 340 573
More than 5 years	**1 356 809**	1 230 879	**1 356 809**	1 230 879
	3 853 360	3 626 301	**3 853 360**	3 626 301
Equity finance				
Within 1 month	**204 050**	242 254	**204 050**	242 254
From 1 month to 3 months	**372 788**	302 208	**372 788**	302 208
From 3 months to 1 year	**50 278**	80 695	**50 278**	80 695
	627 116	625 157	**627 116**	625 157
9.2.1 Specific impairments	**6 910**	5 884	**6 910**	5 884
Balance at beginning of year	**5 884**	7 137	**5 884**	7 137
Charge to profit for the year	**2 876**	(332)	**2 876**	(332)
Bad debts written-off	**(1 850)**	(921)	**(1 850)**	(921)
9.2.2 Portfolio impairment	**19 165**	15 860	**19 165**	15 860
Balance at beginning of year	**15 860**	11 691	**15 860**	11 691
Charge to profit for the year	**3 305**	4 169	**3 305**	4 169
	26 075	21 744	**26 075**	21 744
9.2.3 Impairment for credit losses				
Specific impairments	**2 876**	(332)	**2 876**	(332)
Portfolio impairments	**3 305**	4 172	**3 305**	4 172
Bad debts recovered	**(122)**	(73)	**(122)**	(73)
	6 059	3 767	**6 059**	3 767

There was an increase of specific impairments of R2 876 854 for the year which was a result of impairments of R3 373 421 being raised and a further R496 567 being released. During 2014, there was a release in specific impairments of R332 677 for the year which was a result of impairments of R1 651 865 being raised and a further R1 984 542 being released.

10. SOUTH AFRICAN REVENUE SERVICE RECEIVABLE				
Value Added Taxation	**-**	-	**50**	-
Income Tax	**2 305**	-	**2 238**	-
	2 305	-	**2 288**	-

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
11. REGULATORY BALANCES				
Government and other stock	**93 452**	86 560	**93 452**	86 560
Balances with Central Bank	**93 924**	85 046	**93 924**	85 046
	187 376	171 606	**187 376**	171 606

These balances represent mandatory reserve deposits for liquidity requirements and are therefore not available for use in the bank's daily operations. These balances have, therefore, been separated from other cash and cash equivalents in order to meet the disclosure requirements in terms of IAS 7: Statement of cash flows. Comparative information has been accordingly re-stated

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
12. CASH AND CASH EQUIVALENTS				
Cash on hand	**13 777**	11 322	**13 777**	11 322
Balances with Central Bank	**141 782**	167 838	**141 782**	167 838
Placements with other banks	**71 403**	66 416	**71 403**	66 416
	226 962	245 576	**226 962**	245 576
The following banking facilities are available to the group:				
Letters of credit and guarantees	**-**	20 000	**-**	20 000
Settlement facilities	***77 675***	9 232	***77 675***	9 232
	77 675	29 232	***77 675***	29 232
13. SHARE CAPITAL AND SHARE PREMIUM				
13.1 Authorised share capital				
100 000 000 (2014: 100 000 000) ordinary shares of R10 each	**1 000 000**	1 000 000	**1 000 000**	1 000 000
13.2 Issued and fully paid share capital				
32 240 260 (2014: 32 240 260) ordinary shares of R10 each	**322 403**	322 403	**322 403**	322 403
13.3 Share premium				
Balance at beginning of year	**82 196**	29 866	**82 196**	29 866
Movement for year	**-**	52 330	**-**	52 330
Balance at end of year	**82 196**	82 196	**82 196**	82 196
Reconciliation of Shares *				
- Opening number of shares issued	**32 240 260**	22 500 000	**32 240 260**	22 500 000
- Rights issue	**-**	9 740 260	**-**	9 740 260
- Closing number of shares issued	**32 240 260**	32 240 260	**32 240 260**	32 240 260

Values represent number of shares and have therefore not been rounded.

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
14. WELFARE AND CHARITABLE FUNDS				
Gross income from non-Islamic activities during the year	**11 731**	10 776	**11 731**	10 776
Normal tax thereon	**(1 660)**	(1 703)	**(1 660)**	(1 703)
Net income from non-Islamic activities during the year	**10 071**	9 073	**10 071**	9 073
Donations and advances	**(8 724)**	(7 636)	**(8 724)**	(7 636)
Transfers	**2 830**	-	**2 830**	-
Balance at beginning of year	**3 734**	2 297	**3 734**	2 297
Balance at end of year	**7 911**	3 734	**7 911**	3 734
15. ACCOUNTS PAYABLE				
Sundry creditors	**8 623**	7 322	**8 605**	7 284
Accruals	**7 179**	7 112	**6 986**	6 963
	15 802	14 434	**15 591**	14 247

Terms and conditions of the above financial liabilities:
Sundry creditors are non-interest bearing and are normally settled on 30-day terms.
Accruals are non-interest bearing and have an average term of six months.

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
16. SOUTH AFRICAN REVENUE SERVICE PAYABLE				
Value Added Taxation	**81**	161	**-**	161
Pay-As-You-Earn	**-**	271	**-**	271
	81	432	**-**	432

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

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
17. PROVISION FOR LEAVE PAY				
Balance at beginning of year	**5 845**	5 669	**5 845**	5 669
Accrued and utilised during the year	**142**	176	**142**	176
Balance at end of year	**5 987**	5 845	**5 987**	5 845

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

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

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
18. DEPOSITS FROM CUSTOMERS				
Participation investment accounts	**1 652 267**	1 801 998	**1 652 267**	1 801 998
Premium investment	**112 166**	-	**112 166**	-
Savings accounts	**6 004**	6 820	**6 004**	6 820
Monthly investment plan	**151 691**	130 875	**151 691**	130 875
Haj investment scheme	**137 445**	123 959	**137 445**	123 959
Regular income provider	**1 774 319**	1 653 769	**1 774 319**	1 653 769
Electronic banking	**393 667**	338 951	**393 667**	338 951
Profits distributable to depositors	**38 222**	39 091	**38 222**	39 091
Guarantee deposit accounts	**110 098**	70 120	**110 098**	70 120
Other	**50 248**	64 102	**50 248**	64 102
	4 426 127	4 229 685	**4 426 127**	4 229 685
Maturity analysis				
Within 1 month	**1 715 482**	1 784 894	**1 715 482**	1 784 894
From 1 month to 3 months	**864 212**	733 678	**864 212**	733 678
From 3 months to 1 year	**1 805 410**	1 669 890	**1 805 410**	1 669 890
Greater than 1 year	**2 801**	2 131	**2 801**	2 131
More than 5 years	**38 222**	39 092	**38 222**	39 092
	4 426 127	4 229 685	**4 426 127**	4 229 685

The maturity of the deposit products offered by the bank range from current to 720 days. As such, amounts reflected as more than 5 years are representative of funds held as an investment risk reserve for the benefit of the total depositor pool. The funds in this reserve should not exceed a fixed percentage of the depositor's book and will be paid to depositors when the need arises.

19. INCOME PAID TO DEPOSITORS

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

20. NET NON-ISLAMIC INCOME

	Group 2015	Group 2014	Company 2015	Company 2014
Interest income	**11 731**	10 776	**11 731**	10 776
	11 731	10 776	**11 731**	10 776
Amount transferred to welfare and charitable funds	**(11 731)**	(10 776)	**(11 731)**	(10 776)
	-	-	**-**	-

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
21. FEE AND COMMISSION INCOME				
Service fees	**21 434**	21 852	**21 434**	21 852
Commission received on sale of unit trusts	**6 164**	5 806	**6 164**	5 806
Profit from foreign currency trading	**16 064**	9 917	**16 064**	9 917
Management fee from subsidiary	**-**	-	**210**	200
	43 662	37 575	**43 872**	37 775
22. OTHER OPERATING INCOME				
Property rental income	**2**	105	**231**	214
Net parking income from investment property	**800**	729	**-**	-
Tank container rental income	**654**	842	**654**	842
Dividend income	**1 271**	985	**8 271**	7 985
Fair value gain on financial instrument	**476**	594	**476**	594
Other	**2 941**	865	**2 941**	865
	6 144	4 120	**12 573**	10 500
23. OPERATING EXPENDITURE				
Operating expenditure includes:				
Auditor's remuneration				
Audit fees				
- current year	**2 250**	2 102	**2 231**	2 053
- prior year under-provision	**97**	319	**97**	319
Fees for other services				
- Tax consultancy	**-**	-	**-**	-
- Other	**384**	164	**384**	164
	2 731	2 585	**2 712**	2 536
Consultancy fees	**4 290**	2 080	**4 196**	2 068
Depreciation of property and equipment	**7 016**	6 121	**11 115**	10 275
Depreciation on investment property	**-**	77	**-**	-
Amortisation of intangible assets	**4 360**	3 411	**4 360**	3 411
Assets written-off	**65**	-	**65**	-
Loss on investment property	**60**	-	**-**	-
Net loss on disposal of property and equipment	**-**	34	**-**	34
Operating lease charges	**2 912**	2 642	**3 584**	2 897
Research costs	**650**	754	**650**	754
Staff costs	**82 516**	76 693	**82 516**	76 693
Directors' emoluments			**8 154**	6 061
Executive services			**6 582**	4 656
Non-executive directors' fees			**1 572**	1 405

	2015			2014		
	Salary	**Other benefits**	**Total**	Salary	Other benefits	Total
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
23.1 Executive services						
Company only						
SAE Chohan - Chief executive	**2 065**	**504**	**2 569**	1 924	501	2 425
MJD Courtiade - Chief operating officer	**1 714**	**175**	**1 889**	1 602	125	1 727
A Ameed - Financial director	**1 157**	**139**	**1 296**	501	3	504
M Kaka - Executive director	**791**	**37**	**828**	-	-	-
	5 727	**855**	**6 582**	4 027	629	4 656

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

	Company	
	2015	2014
	R'000	**R'000**
23.2 Non-executive directors' fees		
AA Yousif	**166**	155
Adv. AB Mahomed SC	**168**	168
F Kassim	**120**	112
A Lambat	**175**	163
MS Paruk	**221**	207
YM Paruk	**155**	151
SA Randeree	**177**	161
M Youssef Baker	**163**	159
MG McLean	**138**	129
NJ Kunene	**89**	-
	1 572	1 405

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
24. TAXATION				
South African tax				
Normal - current year	**21 968**	17 413	**20 898**	17 413
- prior year	**(26)**	547	**(9)**	547
Attributable to income from non-Islamic activities (refer to accounting policy 11 and note 14)				
- current year	**(1 660)**	(1 703)	**(1 660)**	(1 703)
- prior year	**-**	(14)	**-**	(14)
Deferred tax - current year	**829**	(542)	**(1 791)**	(4 586)
- prior year	**1**	(97)	**(10)**	(97)
Taxation attributable to Islamic activities	**21 112**	15 604	**17 428**	11 560

	Group		Company	
	2015	2014	**2015**	2014
	%	**%**	**%**	**%**
24. TAXATION (continued)				
Effective tax rate	**27,7**	28,3	**25,3**	24,0
Adjustable items:				
Non-taxable income and non-deductible expenditure	**0,3**	(0,2)	**2,7**	4,1
Current tax adjustment - prior year	**-**	(0,3)	**-**	(0,3)
Deferred tax adjustment - prior year	**-**	0,2	**-**	0,2
	28,0	28,0	**28,0**	28,0
25. EARNINGS PER SHARE				
Basic earnings per share are calculated on after tax income attributable to ordinary shareholders and a weighted average number of 32 240 260 (2014: 25 746 753) ordinary shares in issue during the year (cents)	**170,7**	153,5		
Headline earnings per share are calculated on headline earnings and a weighted number of 32 240 260 (2014: 25 746 753) ordinary shares in issue during the year (cents)	**170,9**	153,6		
Headline earnings per share are derived from:				
Profit for the year	**55 041**	39 517		
Loss arising on disposal of property and equipment	**-**	34		
Write-off of property, equipment and intangible assets	**65**	-		
	55 106	39 551		

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
26. DIVIDENDS				
A dividend of 45 cents per share (2014: 45 cents) was paid on 24 July 2015 to shareholders registered on the shareholders register of the bank at the close of business on 03 July 2015.	**14 508**	10 125	**14 508**	10 125

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
27. STATEMENT OF CASH FLOWS				
27.1 Cash generated from operations				
Profit before taxation	**76 153**	55 121	**68 837**	48 153
Adjustment for non-cash items and investment income:				
Depreciation of property and equipment	**7 016**	6 121	**11 115**	10 275
Depreciation of investment property	**-**	77	**-**	-
Dividend income	**(1 271)**	(985)	**(8 271)**	(7 985)
Unrealised forex (gains)/losses	**(4 220)**	-	**(4 220)**	-
Amortisation of intangible assets	**4 360**	3 411	**4 360**	3 411
Loss on disposal of property and equipment	**(202)**	34	**(202)**	34
Assets written-off	**-**	-	**-**	-
Investment property writen-off	**60**	-	**-**	-
Straight-lining of operating leases	**89**	184	**89**	134
Provision for leave pay	**142**	176	**142**	176
Impairment for credit losses	**(6 181)**	(3 840)	**(6 181)**	(3 840)
Fair value gain on financial instruments	**(476)**	(594)	**(476)**	(594)
	75 470	59 705	**64 193**	49 764
27.2 Changes in working capital				
Increase in deposits from customers	**196 442**	289 049	**196 442**	289 049
(Decrease)/increase in accounts payable	**3 843**	(10 251)	**3 686**	(10 108)
(Decrease)/increase in welfare and charitable funds	**5 837**	3 139	**5 837**	3 139
Increase in advances and other receivables	**(225 566)**	(484 754)	**(225 528)**	(484 742)
(Increase)/decrease in regulatory balances	**(15 770)**	(22 070)	**(15 770)**	(22 070)
	(35 214)	(224 887)	**(35 333)**	(224 732)
27.3 Taxation paid				
Amount receivable at beginning of year	**(271)**	1 825	**(271)**	1 825
Amount charged to profit for the year	**(20 298)**	(16 243)	**(19 229)**	(16 243)
Amount charged to welfare and charitable funds	**(1 660)**	(1 703)	**(1 660)**	(1 703)
Amount receivable at end of year	**(2 305)**	271	**(2 238)**	271
	(24 534)	(15 850)	**(23 398)**	(15 850)
27.4 Dividends paid				
Amount outstanding at beginning of year	**(1 343)**	(7 967)	**(1 343)**	(7 967)
Dividends declared and paid	**(14 508)**	(10 125)	**(14 508)**	(10 125)
Amount outstanding at end of year	**961**	1 343	**961**	1 343
	(14 890)	(16 749)	**(14 890)**	(16 749)
27.5 Purchase of property and equipment				
Vehicles	**(1 279)**	(1 291)	**(1 279)**	(1 291)
Equipment and computers	**(4 547)**	(2 935)	**(4 547)**	(2 935)
Leasehold improvements	**(315)**	(1 326)	**(315)**	(18)
Work in progress	**(5 339)**	(7 096)	**(5 339)**	(7 096)
	(11 480)	(12 648)	**(11 480)**	(11 340)

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
27. STATEMENT OF CASH FLOWS (continued)				
27.6 Purchase of investment property				
Development of land	**(34)**	-	**-**	-
	(34)	-	**-**	-
27.7 Purchase of intangible assets				
Computer software	**(1 156)**	(735)	**(1 156)**	(735)
Capitalised project costs	**(2 518)**	(2 089)	**(2 518)**	(2 089)
Work in progress	**(5 637)**	(1 436)	**(5 637)**	(1 436)
	(9 311)	(4 260)	**(9 311)**	(4 260)
28. LETTERS OF CREDIT, GUARANTEES AND CONFIRMATIONS				
Guarantees and confirmations	**213 691**	180 776	**213 691**	180 776
Letters of credit	**5 719**	5 758	**5 719**	5 758
	219 410	186 534	**219 410**	186 534

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 2015	Group 2014	Company 2015	Company 2014
29. CAPITAL COMMITMENTS				
Authorised and contracted for				
- Property and equipment	**73**	968	**38**	968
	73	968	**38**	968

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

	Group 2015	Group 2014	Company 2015	Company 2014
30. FINANCIAL INSTRUMENTS				
30.1 Credit risk - maximum exposure to credit risk				
Advances to customers (Note 9.1)	**3 853 360**	3 626 301	**3 853 360**	3 626 301
Advances and balances with banks	**698 519**	691 574	**698 519**	691 574
Advances and balances with central bank	**329 158**	339 444	**329 158**	339 444
Letters of credit, guarantees and confirmations	**219 410**	186 534	**219 410**	186 534
	5 100 447	4 843 853	**5 100 447**	4 843 853
30.2 Currency risk				
The group's exposure to currency risk was as follows:				
Cash and cash equivalents				
- EUR	**6 635**	820	**6 635**	820
- GBP	**861**	160	**861**	160
- SAR	**324**	114	**324**	114
- USD	**9 691**	10 079	**9 691**	10 079
- Others	**567**	150	**567**	150
	18 078	11 323	**18 078**	11 323

30.3 Derivative instruments
The group did not trade in any derivative instruments during the years under review.

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

	Carrying amount	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2015						
Assets						
Advances and other receivables	**4 473 383**	**471 720**	**667 764**	**532 935**	**1 470 203**	**1 330 761**
Investment securities	**24 645**	**-**	**-**	**-**	**-**	**24 645**
Cash and cash equivalents and regulatory balances	**414 338**	**226 962**	**-**	**93 452**	**-**	**93 924**
	4 912 366	**698 682**	**667 764**	**626 387**	**1 470 203**	**1 449 330**
Liabilities						
Deposits from customers	**4 426 127**	**1 715 483**	**864 212**	**1 805 409**	**2 801**	**38 222**
Accounts payable	**15 802**	**14 032**	**1 180**	**590**	**-**	**-**
South African Revenue Service	**81**	**81**	**-**	**-**	**-**	**-**
Provision	**5 987**	**499**	**998**	**4 490**	**-**	**-**
Letters of credit, guarantees and confirmations	**219 410**	**21 176**	**90 215**	**48 751**	**31 288**	**27 980**
	4 667 407	**1 751 271**	**956 605**	**1 859 240**	**34 089**	**66 202**
Net liquidity gap	**244 959**	**(1 052 589)**	**(288 841)**	**(1 232 853)**	**1 436 114**	**1 383 128**
Group						
2014						
Assets						
Advances and other receivables	4 241 636	523 440	602 952	565 537	1 340 573	1 209 134
Investment securities	20 575	-	-	-	-	20 575
Cash and cash equivalents and regulatory balances	417 182	245 576	-	86 560	-	85 046
	4 679 393	769 016	602 952	652 097	1 340 573	1 314 755
Liabilities						
Deposits from customers	4 229 685	1 784 894	733 678	1 669 890	2 131	39 092
Accounts payable	14 434	13 632	422	211	-	169
South African Revenue Service	432	161	-	271	-	-
Provision	5 845	487	974	4 384	-	-
Letters of credit, guarantees and confirmations	186 534	32 076	58 088	41 169	28 932	26 269
	4 436 930	1 831 250	793 162	1 715 925	31 063	65 530
Net liquidity gap	242 463	(1 062 234)	(190 210)	(1 063 828)	1 309 510	1 249 225

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
30. FINANCIAL INSTRUMENTS (continued)				
30.5 Market risk				
The bank's exposure to market risk at year end:				
- Interest rate risk - Treasury Bills	**93 452**	86 560	**93 452**	86 560
- Exchange rate risk - Foreign currency	**18 078**	11 323	**18 078**	11 323
	111 530	97 883	**111 530**	97 883

30.6 Intrinsic rate risk

Loans and borrowings subject to intrinsic rate risk

	Intrinsic rate	Maturity	Company 2015 R'000	Company 2014 R'000
	14,3%	2024		
Current portion – less than 12 months			**10 304**	9 540
Non-current portion – greater than 12 months			**61 173**	62 014
Total obligations under finance leases (Note 31.2)			**71 477**	71 554

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

30.7 Accounting classification

The fair value of assets in the group and company are not materially different and thus only group disclosures have been presented. Please refer to note 6 for information regarding details of balances of amounts owing between the company and the subsidary.

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

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

Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing market profit rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed profit-bearing deposits is based on discounted cash flows using prevailing money-market profit rates for debts with similar credit risk and maturity.

For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current profit rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

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

	Advances and receivables	Available-for-sale	Held to maturity	Amortised cost	Fair value through profit and loss	Carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2015						
Assets						
Advances	**4 454 401**	**-**	**-**	**-**	**-**	**4 454 401**
Investment securities	**-**	**16 076**	**-**	**-**	**8 569**	**24 645**
Cash and cash equivalents	**226 962**	**-**	**-**	**-**	**-**	**226 962**
Regulatory balances	**93 924**	**-**	**93 452**	**-**	**-**	**187 376**
	4 775 287	**16 076**	**93 452**	**-**	**8 569**	**4 893 384**
Liabilities						
Deposits from customers	**-**	**-**	**-**	**4 426 127**	**-**	**4 426 127**
Accounts payable	**-**	**-**	**-**	**15 802**	**-**	**15 802**
	-	**-**	**-**	**4 441 929**	**-**	**4 441 929**
Group						
2014						
Assets						
Advances	4 229 714	-	-	-	-	4 229 714
Investment securities	-	12 600	-	-	7 975	20 575
Cash and cash equivalents	245 576	-	-	-	-	245 576
Regulatory balances	85 046	-	86 560	-	-	171 606
	4 560 336	12 600	86 560	-	7 975	4 667 471
Liabilities						
Deposits from customers	-	-	-	4 229 685	-	4 229 685
Accounts payable	-	-	-	14 434	-	14 434
	-	-	-	4 244 119	-	4 244 119

30.8 Fair value hierarchy

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

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

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

The fair value of Kiliminjaro Investment Proprietary limited and Earthstone Investments Proprietary limited were derived from observable market data, ie. square metres and prices from comparable buildings in similar locations, by the valuation using multiples technique.

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

30. FINANCIAL INSTRUMENTS (continued)

30.8 Fair value hierarchy (continued)

Group

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2015				
Financial assets				
- Advances and receivables	-	**4 775 287**	-	**4 775 287**
- Available-for-sale	-	**16 076**	-	**16 076**
- Held to maturity	-	**93 452**	-	**93 452**
- Fair value through profit and loss	**8 569**	-	-	**8 569**
	8 569	**4 884 815**	-	**4 893 384**
Financial liabilities				
- Amortised cost	-	**4 441 929**	-	**4 441 929**
	-	**4 441 929**	-	**4 441 929**
2014				
Financial assets				
- Advances and receivables	-	4 560 336	-	4 560 336
- Available-for-sale	-	12 600	-	12 600
- Held to maturity	-	86 560	-	86 560
- Fair value through profit and loss	7 975	-	-	7 975
	7 975	4 659 496	-	4 667 471
Financial liabilities				
- Amortised cost	-	4 244 119	-	4 244 119
	-	4 244 119	-	4 244 119

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

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

31. LEASES

Operating leases

31.1 Leases as lessee

Non-cancellable operating lease rentals payable are as follows:

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Less than one year	**2 790**	2 024	**2 790**	2 695
Between one and five years	**3 908**	3 465	**3 908**	3 465
	6 698	5 489	**6 698**	6 160

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

	2015		2014	
	R'000	R'000	R'000	R'000
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Finance leases				
31.2 Leases as lessee - company				
Less than one year	**10 996**	**10 304**	10 181	9 540
Between one and five years	**53 512**	**35 122**	49 548	32 520
More than five years	**69 187**	**26 051**	84 147	29 494
Total minimum lease payments	**133 695**	**71 477**	143 876	71 554
Less amounts representing finance charges	**(62 218)**	**-**	(72 322)	-
Present value of minimum lease payments - (note 6)	**71 477**	**71 477**	71 554	71 554

Albaraka Bank Limited has entered into a finance lease with its wholly-owned subsidiary, Albaraka Properties (Proprietary) Limited for the use of its property as the bank's corporate head office. This lease is for an initial period of 10years with a five-year renewal option. Rentals are escalated annually at 8%. No purchase option exists.

Renewals are at the option of the bank. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are stated above. The rate intrinsic in the lease is 14,3% (2014: 14,3%) after considering the unguaranteed residual value of R72 million (2014: R72 million) which will be realised at the end of the lease.

32. RETIREMENT BENEFITS

Albaraka Bank Limited contributes to the Albaraka Bank Provident Fund, a defined contribution plan. The fund is registered under and governed by the Pension Funds Act, 1956, as amended. Employee benefits are determined according to each member's equitable share of the total assets of the fund. The company's contribution for the year was R7.9 million (2014: R7,1 million). Executives portion of the benefit amounted to R572 778 for the year (2014: R412 293).

33. RELATED PARTY INFORMATION

The holding company of Albaraka Bank Limited at 31 December 2015 is Al Baraka Banking Group B.S.C. which is a company registered in the Kingdom of Bahrain and which holds 64,5% (2014: 64,5%) 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 12,6% (2014: 12,6%) of the company's ordinary shares.

Timewest Investments Proprietary Limited, a company incorporated in South Africa, holds 7,7% (2014: 7,7%) of the company's ordinary shares.

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

The subsidiary of the bank, Albaraka Properties (Proprietary) Limited, and the related inter-company balances are identified in note 6. The bank also made finance lease repayments amounting to R10 181 223 (2014: R9 427 058) for the year. As the subsidiary does not maintain a physical bank account, all revenue and expenditure transactions are facilitated by Albaraka Bank Limited and are accounted for via the inter-company account.

The management fee charged to the subsidiary is disclosed in note 21. A dividend of R7 000 000 (2014: R7 000 000) was declared during the year.

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

Albaraka Bank Limited enters into financial transactions, including normal banking relationships, with companies in which the directors of the bank have a beneficial interest. These transactions are governed by terms no less favourable than those arranged with third parties and are subject to the bank's normal credit approval policies and procedures. Directors are required to declare their interest in such transactions and recuse themselves from participating in any meeting at which these matters are discussed. Any transactions, irrespective of size, have to be reviewed by the board.

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

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

	Company	
	2015	2014
	R'000	R'000
33. RELATED PARTY INFORMATION (continued)		
Property finance - Musharaka and Murabaha		
Balance outstanding at beginning of year	**19 786**	16 520
Advances granted during the year	**2 710**	4 831
Repayments during the year	**(8 069)**	(3 189)
Profit earned	**1 876**	1 624
	16 303	19 786
Profit mark-up range for the year	**5,0% - 10,25%**	5,0% - 9,5%

The profit mark-up of 5% is in respect of advances to executive directors at subsidised rates which, at year end, amounted to R1 545 712 (2014: R1 033 708).

Instalment sale		
Balance outstanding at beginning of year	**2 162**	1 460
Advances granted during the year	**2 237**	1 683
Repayments during the year	**(2 065)**	(1 634)
Profit earned	**674**	653
	3 008	2 162
Profit mark-up range for the year	**6,0% - 11,5%**	6,0% - 9,5%
Trade finance		
Balance outstanding at beginning of year	**4 341**	3 985
Advances granted during the year	**8 377**	8 805
Repayments during the year	**(9 462)**	(9 750)
Profit earned	**756**	1 301
	4 012	4 341
Profit mark-up range for the year	**9,25% - 9,75%**	8,5% - 9,75%
Iqraa Trust		
Balance due to the trust at beginning of year	**-**	-
Funds received on behalf of the trust	**(1)**	(1)
Funds paid over to the trust	**1**	1
Balance due to the trust at end of year	**-**	-

During the year, the bank donated an amount of R5 516 524 (2014: R4 427 440) to the trust.
At 31 December 2015 funds deposited by the trust with the bank amounted to R26 448 977 (2014: R22 204 091)

Total exposure to related parties	**23 323**	26 289

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	**49 903**	43 876

34. STANDARDS AND AMENDMENTS NOT YET EFFECTIVE

At the date of authorisation of the annual financial statements for the year ended 31 December 2015, the following accounting standards, interpretations and amendments were in issue but not yet effective. These standards will be adopted at their effective dates, with no early adoption intended.

	Effective Date
IFRS 9: Financial Instruments The standard addresses the classification, measurement and derecognition of financial assets and financial liablities. This standard is expected to have an impact on both the measurement and the presentation of financial assets and financial liabilities held by the bank. An IFRS 9 committee has been formed internally as well as across the Albaraka Banking Group to assess the impact of the changes relating to IFRS 9.	01 Jan 2018
IFRS 10, IFRS 12 and IAS 28: Investment entities These amendments relate to clarification in terms of applying these standards more consistently. This is not expected to impact the group financial statements.	01 Jan 2016
IFRS 15: Revenue from contracts with customers IFRS 15 replaces all existing revenue requirements in terms of IFRS and applies to revenue from contracts with customers. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The underlining assumption is that revenue will need to be recognised when any performance obligations are met. Our initial high level review of the standard indicates the impact on the group financial statements will be minimal.	01 Jan 2018
IAS 1: Presentation of financial statements Amendments to IAS 1 seek to clarify rather than signficantly change disclosure requirements for annual financial statements. These amendments to IAS 1 are not expected to significantly change the group financial statements.	01 Jan 2016
IAS 16 and IAS 38: Property, plant and equipment The IASB issued amendments to IAS 16: Property, plant and equipment and IAS 38: Intangible assets prohibiting the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. The amendments are effective prospectively. This is not expected to impact the group financial statements.	01 Jan 2016
IAS 27: Consolidated financial statements When IAS 27 and IAS 28 were revised in 2003, the equity method was removed as an option to account for investments in subsidiaries and associates in an entity's separate financial statements. In some jurisdictions, local regulations require an entity to use the equity method for this purpose, therefore creating a difference between separate financial statements prepared in accordance with local GAAP and those prepared in accordance with IFRS. The objective of these amendments is to restore the option to use the equity method. This is not expected to impact the group financial statements.	01 Jan 2016
IFRS 16: Leases The IASB has issued IFRS 16: Leases that requires lessees to recognise most leases on their balance sheets. Lessees will have a single accounting model for all leases, with certain exemptions. Lessors accounting is substantially unchanged. The standard contains additional disclosure requirements for leasing arrangements entered into. The impact of the new standard on the group's financial statements is still to be assessed.	01 Jan 2019

AAOIFI STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
Assets				
Cash and cash equivalents	**414 338**	417 182	**414 338**	417 182
Sales receivables	**1 669 648**	1 735 822	**1 669 648**	1 735 822
Musharaka financing	**2 784 753**	2 493 892	**2 784 753**	2 493 892
Investment securities	**24 645**	20 575	**24 645**	20 575
Investment in subsidiary company	**-**	-	**11 590**	13 816
Total investments	**4 893 384**	4 667 471	**4 904 974**	4 681 287
Other assets	**21 287**	12 536	**42 632**	31 797
Property and equipment	**108 999**	104 600	**69 562**	69 261
Investment properties	**10 373**	10 399	**-**	-
Intangible assets	**23 800**	18 849	**23 800**	18 849
Total assets	**5 057 843**	4 813 855	**5 040 968**	4 801 194
Liabilities, unrestricted investment accounts and owners' equity				
Liabilities				
Customer current accounts and other	**443 915**	403 053	**443 915**	403 053
Payables	**22 347**	20 711	**21 578**	20 524
Other liabilities	**7 911**	3 734	**7 911**	3 734
Shareholders mudaraba advance	**-**	-	**-**	-
Total liabilities	**474 173**	427 498	**473 404**	427 311
Equity of unrestricted investment account holders	**3 943 990**	3 787 541	**3 943 990**	3 787 541
Profits distributable to depositors	**38 222**	39 091	**38 222**	39 091
Total liabilities and unrestricted investment accounts	**4 456 385**	4 254 130	**4 455 616**	4 253 943
Owners' equity	**601 458**	559 725	**585 352**	547 251
Share capital	**322 403**	322 403	**322 403**	322 403
Share premium	**82 196**	82 196	**82 196**	82 196
Other reserve	**1 200**	-	**1 200**	-
Retained income	**195 659**	155 126	**179 553**	142 652
Total liabilities, unrestricted investment accounts and owners' equity	**5 057 843**	4 813 855	**5 040 968**	4 801 194

AAOIFI STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015	2014	**2015**	2014
	R'000	**R'000**	**R'000**	**R'000**
Income from sales receivables	**131 555**	121 377	**131 555**	121 377
Income from Musharaka financing	**260 117**	212 937	**260 117**	212 937
Return on unrestricted investment accounts before the bank's share as mudarib	**391 672**	334 314	**391 672**	334 314
Less: bank's share as mudarib	**(198 378)**	(162 769)	**(198 378)**	(162 769)
Return on unrestricted accounts	**193 294**	171 545	**193 294**	171 545
Bank's share in income from investment (as a mudarib and as a fund-owner)	**198 378**	162 769	**198 378**	162 769
Bank's income from its own investments	**1 271**	985	**8 271**	7 985
Revenue from banking services	**26 813**	25 718	**26 813**	25 721
Other revenue	**21 722**	14 989	**21 361**	14 569
Total bank revenue	**248 184**	204 461	**254 823**	211 044
Administrative and general expenditure	**(160 655)**	(139 886)	**(170 511)**	(149 207)
Depreciation of property and equipment	**(7 016)**	(6 043)	**(11 115)**	(10 273)
Amortisation of intangible assets	**(4 360)**	(3 411)	**(4 360)**	(3 411)
Profit before taxation	**76 153**	55 121	**68 837**	48 153
Taxation	**(21 112)**	(15 604)	**(17 428)**	(11 560)
Profit for the period	**55 041**	39 517	**51 409**	36 593

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