INTEGRATED ANNUAL REPORT 2011

alBaraka

Your Partner Bank

VISION, MISSION, VALUES, CODE OF BUSINESS CONDUCT, STRATEGIC OBJECTIVES AND 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, practising the highest professional standards and sharing the mutual benefits with the customers, staff and shareholders who participate in our business success.

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

Driven
We have the energy and perseverance it 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 to 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
- Launch of corporate banking services;
- Launch of professional business sector hub in Killarney, Johannesburg.

Financial highlights
- Profit before taxation increased by 56,1% to R25,8 million;
- Total assets exceeded R3,2 billion;
- Total deposits of R2,9 billion;
- Gross advances to customers increased by R444,0 million; and
- Shareholders' equity of R346,6 million.

Capturing the Partnership Ideal through Nature
The origami* art approach to the graphics we portray in this document is a creative expression of our commitment to 'sculpting' truly meaningful and symbiotic relationships with our clients.

Given our geographic location on the southern tip of Africa, we believe it appropriate to echo our partnership ideal through the symbiosis which exists and flourishes in our natural environment.

* *Origami is the traditional Japanese art of paper folding, started in the 17th century at the latest and popularised outside Japan in the mid-1900s. It has since evolved into a modern art form.*

CONTENTS

COMPANY PROFILE

Al Baraka Banking Group – Bahrain
Albaraka Bank Limited in South Africa is a subsidiary of Al Baraka Banking Group, based in Bahrain.

The eminent, internationally-renowned Al Baraka Banking Group has a wide geographical presence in the form of subsidiary banking units and representative offices in 15 countries which, in turn, provide their services through more than 400 branches and is listed on the Bahrain and Dubai financial exchanges.

Established to meet the need for Islamic banking services around the world, Al Baraka Banking Group provides a wide range of Shariah-compliant retail, corporate and investment banking offerings, together with treasury services and is striving to become a totally integrated financial institution, delivering to its customers a comprehensive bouquet of financial products to meet the ever-growing requirements of its customer-base.

The group is positioned to capitalise on rapid growth within its niche market. Indeed, Al Baraka Banking Group's 2011 net income totalled US$212,0 million and total assets increased to US$17,2 billion.

International subsidiaries in the Al Baraka Banking Group stable include:
Banque Al Baraka D'Algerie in Algeria, Al Baraka Islamic Bank in Bahrain, Al Baraka Bank Egypt in Egypt, Jordan Islamic Bank in Jordan, Al Baraka Bank Lebanon SAL in Lebanon, Al Baraka Bank Pakistan in Pakistan, Al Baraka Bank in South Africa, Al Baraka Bank Sudan in the Sudan, Al Baraka Bank Syria 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 .

Al Baraka Bank – South Africa
Al Baraka Bank Limited in South Africa was established in 1989 and is the only fully-fledged Islamic bank in the country. Following a faith-based system of financial management and taking its guiding principles from Shariah, Al Baraka Bank offers a viable alternative to the conventional banking models.

Shariah promotes profit-sharing, while prohibiting the payment or the receiving of interest in any transaction. With its head office in Durban, the bank's national footprint includes six retail branches and four corporate banking offices and a professional sector business hub throughout South Africa, providing a range of sophisticated and fully Shariah-compliant products and services.

Al Baraka Bank is owned by both local and international investors. Primary shareholders, as at 31 December 2011, included the Bahrain-based Al Baraka Banking Group B.S.C. (61,98%), DCD Holdings (SA) (Pty) Ltd. (8,61%), DCD London and Mutual plc (4%), Johannesburg-based Timewest Investments (Pty) Ltd. (7,67%) and Sedfin (Pty) Ltd. (3,33%). The balance of the bank's shareholding comprised foreign and local shareholders.

Recognising the South African bank's tremendous growth and development, Al Baraka Banking Group has steadily increased its shareholding in the local business unit.

The South African operation is now regarded as an integral part of the group. Utilising this international linkage, together with the growth momentum the bank has itself developed in recent years, Al Baraka Bank is poised to take Islamic banking to a new level in this country. Against this background, and with a solid financial foundation, Al Baraka Bank is an effective and efficient operator at the cutting-edge of Islamic banking in South Africa.

The financial institution's board comprises both local and international business people, all with the keen individual business skills and collective expertise and experience in Islamic banking to take Al Baraka Bank to new heights in South Africa. As an Islamic bank, Al Baraka Bank adheres strictly to Shariah in its day-to-day business activities, whilst ensuring that its products and services comply with Islamic business principles.

The bank has an internal Shariah Department, an independent Shariah Supervisory Board and is a member of the international Accounting and Auditing Organisation for Islamic Financial Institutions. Its financial products are regularly reviewed and audited to maintain ongoing compliance with Shariah.

Al Baraka Bank also provides a significant contribution to the socio-economic development of South Africa and its people through a wide-ranging Corporate Social Investment Programme.

With an enviable track-record and clear-cut positioning as 'your partner bank,' Al Baraka Bank is gaining a steadily increasing level of public support as a financial institution which actively embraces Islamic business principles. This is a business committed to the delivery of a highly professional, fully-fledged and viable alternative to conventional banking in South Africa.

TEN-YEAR REVIEW

	2011 R'000	2010 Restated R'000	2010 Restated 01 Jan R'000	2008 R'000	2007 R'000	2006 R'000	2005 R'000	2004 R'000	2003 R'000	2002 R'000
Statement of Financial Position (Rm)										
Share capital	225	150	150	150	150	150	89	53	41	41
Shareholders' interest	347	233	228	217	202	187	118	75	58	55
Deposits from customers	2 881	2 571	2 130	1 624	1 449	1 254	1 004	885	749	552
Advances and other receivables	2 826	2 395	2 057	1 604	1 478	1 300	1 009	836	543	527
Total assets	3 246	2 825	2 381	1 871	1 686	1 470	1 179	1 012	859	645
Statement of Comprehensive Income (Rm)										
Profit before taxation	26	17	18	31	27	15	10	8	5	9
Total comprehensive income for the year	16	11	18	21	18	10	7	5	3	6
Share Statistics (Cents)										
Basic and diluted earnings per share	77	74	125	145	121	102	128	129	77	197
Headline earnings per share	76	69	121	144	121	101	134	102	83	217
Dividend per share	45	45	45	35	25	20	-	-	-	50
Net asset value per share	1 541	1 551	1 522	1 446	1 344	1 249	1 330	1 415	1 440	1 370
Ratios (%)										
Return on average shareholders' interest	4,6	4,8	8,2	10,4	9,4	7,0	8,9	8,9	5,5	13,1
Return on average total assets	0,5	0,4	0,9	1,2	1,2	0,7	0,7	0,5	0,4	1,1
Shareholders' interest to total assets	10,7	8,2	9,6	11,6	12,0	12,7	10,0	7,4	6,7	8,5

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

Board of directors
During the 2011 financial year, Al Baraka Bank's board of directors comprised the following members:

Non-executive
AA Yousif (56)
Bahraini
- MBA
- Joined the board in 2005
- Non-executive chairman
- Currently president and chief executive of Al Baraka Banking Group

SA Randeree (50)
British
- BA (Hons) MBA
- Joined the board in 2003
- Vice chairman of the board and non-executive director *
- Chairman of the directors' affairs committee
- Member of the board credit committee and remuneration committee

MG McLean (64)
- AEP - UNISA
- Joined the board in 2001
- Non-executive director
- Member of the board credit committee
- Previously deputy chief executive, prior to retirement in March 2011

OA Suleiman (71)
Sudanese
- BC Jon Economics
- Joined the board in 1997
- Non-executive director
- Chairman of the board credit committee
- Member of the risk and capital management committee and the remuneration committee
- Retired on 1 January 2012 and subsequently passed away on 13 January 2012

Independent non-executive
F Kassim (53)
Sri Lankan
- EMP – Harvard Business School
- Joined the board in 2006
- Independent non-executive director
- Member of the directors' affairs committee

A Lambat (53)
- 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 (66)
- BA LLB
- Joined the board in 1989
- Independent non-executive director
- Chairman of the remuneration committee
- Member of the audit committee and risk and capital management committee

MS Paruk (57)
- 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 (53)
- Joined the board in 2003
- Independent non-executive director
- Member of the risk and capital management committee and the remuneration committee

M Youssef Baker (57)
Egyptian
- B.Sc Economics and Political Science
- Joined the board in 1992
- Independent non-executive director
- Chairman of the social and ethics committee
- Member of the audit committee and the directors' affairs committee

Executive
SAE Chohan (47)
- CA (SA)
- Joined the board in 2004
- Chief executive
- Member of the board credit committee and the social and ethics committee

MJD Courtiade (58)
French
- CA (SA)
- Joined the board in 2004
- Financial director
- Member of the risk and capital management committee.

Company secretary
CT Breeds BA LLB

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

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

* Independent non-executive director with effect from 16 March 2012. Interim chairman of the board credit committee with effect from 26 January 2012

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

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 (with effect 01/01/2012)

Kingsmead (Durban)
Regional Manager: D Desai (until 31/12/2011)
F Randeree (with effect 01/01/2012)
2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street
Durban, 4001
PO Box 4395, Durban, 4000

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

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

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

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

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

Professional office:
Killarney (Johannesburg)
Acting Manager: N Seedat
First floor, Office 105, Office Towers, Killarney Mall, Killarney.

Corporate offices:
General Manager: I Yuseph (with effect 01/01/2012)

Durban
Manager: I Yuseph (until 31/12/2011)
M Ameen (with effect 01/01/2012)
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
3rd floor, 63 Dolly Rathebe Road, Fordsburg, 2092
PO Box 42897, Fordsburg, 2033

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

Economic overview

Following the recovery of global economic activity in the wake of the 2008/09 recession, South Africa's economy showed signs of improvement, recording moderate growth during the 2010/11 financial years, reaching levels of some 4,5% during the fourth quarter of 2010 and the first quarter of 2011.

A rise in commodity prices early in 2011 associated with the massive injection of global liquidity emanating from US quantitative easing, helped support South African exports and overall economic growth. Increased risk appetite resulting from the abundance of liquidity also contributed to substantial capital inflows to the domestic bond market during that period. Sustained strength in the Rand helped inflation remain subdued and domestic interest rates to fall to their lowest levels in 37 years.

However, by mid-2011, sentiment had turned decidedly negative globally on the back of concerns that the exceptionally high levels of sovereign debt in peripheral European countries would compel the European Union to adopt severe austerity measures, so causing Europe's economic growth to fall sharply. In addition, oil price rises earlier in the year and a resultant increase in global inflation eroded disposable incomes in advanced economies and compelled many emerging markets to tighten monetary policy. This resulted in a slackening in economic growth in these economies. Unsurprisingly, given South Africa's close links with Europe and its dependence on demand for commodities from emerging markets, this country's economic growth slowed perceptibly from the second quarter of 2011 onward. Perceptions about slowing growth might also have been exaggerated by comparisons against a buoyant performance in mid-2010 in South Africa, the result of the staging of the FIFA World Cup.

Severe industrial action around mid-year further exacerbated the reduction in economic activity. An increase in global risk aversion associated with the Euro debt crisis caused the Rand to weaken sharply between July and November 2011, heightening domestic inflationary fears and dashing prospects for any further interest rate reductions. Sentiment was further depressed by the downgrading of the credit rating of sovereign debt in the United States and several European countries. South Africa was not immune, with two leading credit rating agencies placing a negative outlook watch on South Africa's own foreign bonds. It was feared that in the face of an inability to reduce unemployment, worsened by the loss of growth momentum, populist pressures by the poor and under-privileged masses would compel Government to overspend, causing its debt levels to rise sharply during the next several years.

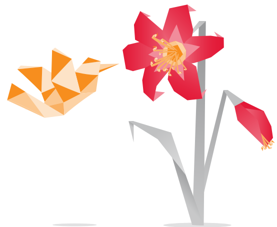
Fortunately, towards the end of 2011, the offer of massive doses of liquidity by the European Central Bank to European banks turned global financial sentiment around and, consequently, risk appetite towards South African assets improved. The Rand's slide was reversed and, associated with this, the fear of a further escalation in inflation and a rise in interest rates during the course of 2012 dissipated. A fairly lacklustre, but not disastrous scenario is anticipated for 2012, with interest rates likely to remain stable.

From a socio-political perspective, the publication of a comprehensive and holistic National Development Plan by the National Planning Commission towards the end of 2011, provides a logical path along which South Africa's economy might progress – with the necessary political will – so generating increased prosperity and employment during the next 20 years. The plan encapsulates schemes for improving the educational and skills base and health-care facilities, whilst calling for a more job-friendly labour market and the promotion of small business activity. Significant infrastructural development by the public sector is also integral to the plan, as are recommendations for changes in political processes, enhancing the implementation of such schemes.

From a longer-term perspective, concerns remain that the huge build-up of personal and sovereign debt in advanced economies during the past three decades will take many years to unwind.

Consequently, the best that may be hoped for is a scenario of subdued, but not disastrous, global and domestic economic growth. South Africa's real hope lies in progressive improvements in the economies of emerging markets, bringing forth increases in demand for Africa's resources and drawing on South Africa's relative expertise in supplying services to develop the continent's undoubted potential as the world's last bastion of untapped mineral and agricultural resources.

Strength in the Rand helped inflation remain subdued



"In business, the simple act of a handshake signals the beginning of a relationship built on mutual trust; one that becomes entrenched as a lasting partnership."

Al Baraka Banking Group
During the 2011 financial year, Al Baraka Banking Group successfully consolidated its position as a world leader in Islamic banking, further enhancing its ability to service its global client base.

The group, which maintained its impressive financial rating, enjoys a significant shareholding in Islamic banking operations in no fewer than 13 countries around the world and employs more than 9 000 members of staff. The group's assets exceeded US$17,2 billion and in the 2011 financial year the group generated net income of US$212,0 million.

Good progress was made during the 2011 financial year with the construction of Al Baraka Banking Group's new office building in Bahrain. The project is scheduled for completion in 2013 and will undoubtedly be a fitting symbol of the group's standing as a significant role-player in the global financial arena.

Shariah banking
Al Baraka Bank's absolute adherence to Shariah is and remains the cornerstone of all our business activities with and on behalf of our clients. We continue to hold in the highest regard the fact that ours is the only fully-fledged Islamic bank in South Africa.

In spite of having achieved such standing, we constantly strive to advance and intensify the bank's structures and controls, and to focus on effective staff training in order to improve Shariah compliance still further in all that we do.

As is regularly reported, the bank is a member of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), which organisation is acclaimed world-wide for the standards it lays down; standards to which Al Baraka Bank readily adheres in our every-day business activities. In addition, we are also guided by the Shariah Supervisory Board, an independent body of specialist jurists in Islamic commercial jurisprudence. Our commitment is evidenced through our display, throughout our branch and office network, of our Shariah Certificates, an assurance to our clients, prospective clients and stakeholders that we remain dedicated to unconditional adherence to Shariah.

During the 2011 financial year our bank was delighted to have been afforded the opportunity to host Al Baraka Banking Group's international Shariah Board in South Africa. During the visit, members of the team addressed the bank's members of staff regarding a range of Shariah matters. We also arranged for the group to address both local Islamic scholars and interested community members.

Dividend
Pleasingly, for the sixth consecutive year, Al Baraka Bank paid a dividend to shareholders. We take this opportunity to confirm that the bank's board approved a dividend of 45 cents per share for the 2011 financial year.

South African financial performance
Following the disappointing results of the 2010 financial year and the period of consolidation necessary following the ravages of the 2008/9 global economic catastrophe, our 2011 financial results are particularly pleasing. This is a sure sign of our overall business resilience and the fact that the practical improvement measures which we previously implemented were, indeed, justified.

This basis for renewed business growth was augmented by a 2011 board review of our business strategy for the medium-term. Crucially, our adoption of a number of new and innovative initiatives, designed specifically to assist in growing the business, immediately bore fruit. The outcome was a step-change to vastly improved financial results for the 2011 financial year. The review period saw the bank's profitability improve by a tremendously impressive 56,1% and third party advances were boosted by 22,9%, while total assets showed a 14,9% increase. We also benefited from an increase in our capital base, assisted by the share capital injection of R105,0 million secured in March 2011.

A primary 2011 focus was to increase the bank's non-funding income and it is pleasing to note the success achieved in this respect through the 39,0% increase in fee, commission and other operating income.

During the year-end audit, it was ascertained that employee contributions to the Provident Fund had been incorrectly categorised, resulting in the taxation of lump-sum benefits paid by the fund on the exit of certain employees being incorrectly calculated. As the correction affects periods prior to 2009, the prior year figures and, where appropriate, those relating to 2009, have been restated to disclose the related effects.

In line with trends experienced in the previous year, the demand for credit strengthened in the second half of 2011, resulting in the bank's gross advances book growing by 22,9%, or R444,0 million, for the year ended 31 December 2011. By comparison, the deposit book grew by a more moderate 12,1%, or R310,4 million, while the equity finance book decreased by 2,2%, or R10,2 million. This, taken together with the generally lower level of mark-ups which prevailed during the year, contributed towards restricting the growth of the bank's income earned from advances to 13,4%, while income earned from equity finance decreased by R10,7 million, when compared against the previous year.

As a consequence and after allowing for profits shared with and paid to depositors, the bank's net income before impairment for credit losses increased by 12,4% to R106,1 million. The improvement in fee and commission income, together with other income, contributed to increasing the bank's net income from operations by R16,8 million, or 15,6%, to R125,1 million.

As part of a process of group re-structuring, the residual assets and liabilities of the bank's wholly-owned subsidiary company, Albaraka Properties Proprietary Limited, will be taken up by the bank within the course of 2012 and the subsidiary will then be dissolved. As a result, a portion of the deferred tax asset on the accumulated tax credits within the subsidiary has been impaired in the current year, as it is not probable that there will be sufficient future taxable profits against which the tax credits may be utilised. This has resulted in the higher than normal taxation charge for the year.

At Al Baraka Bank, we constantly endeavour to improve and expand our Shariah-compliant financial product offering to the advantage of our clients. In this regard and following Old Mutual's 2010 involvement in our Shariah-compliant unit trust, now known as the Old Mutual Al Baraka Equity Fund, the fund was not only rated as one of the top-performing general equity funds in South Africa during the 2011 financial year, but was also acknowledged as one of the foremost Shariah-compliant equity funds globally. In fact and most pleasingly, the Old Mutual Al Baraka Equity Fund, which serves – though not exclusively – the South African Muslim community, was placed first out of 85 funds in this country's general equity sector for the 12-month period ended September 2011.

In 2009 we launched electronic banking products, providing clients with debit cards and access to our own ATMs before going on, in 2010, to introduce the electronic Al Baraka business account, supplying business owners with simple, secure, affordable and convenient internet-based banking. The continued roll-out of our electronic banking products witnessed the launch, in the third quarter of 2011, of the new electronic corporate banking account, marking the introduction of greatly advanced products designed to effectively meet both client needs and internal bank payment requirements.

Client interest in the range of electronic banking products now available has been exceptional and demand for such products continues to grow exponentially. In addition, three years ago the bank secured a licence to provide a limited foreign exchange facility. The instant success of and client interest in this added product prompted us to apply for a full foreign exchange licence in 2010.

That licence was approved during the 2011 financial year and we immediately entered an implementation phase. Our full foreign exchange operation is scheduled to 'go live' to clients by mid-2012. Not only will the availability, at any branch of Al Baraka Bank, of all the essentials relating to foreign exchange offer significant benefits to clients, it will also open the door to our being able to directly handle foreign exchange transactions with Al Baraka Banking Group and its subsidiaries world-wide.

During 2011 a major in-house, back-office business process re-engineering project was undertaken. The move was calculated to improve client application times, so delivering an enhanced service experience. The re-engineering project spawned our new updated Credit Application Processing System (CAPS) for the application and processing of client credit applications. It is envisaged that the introduction of CAPS will greatly assist in taking the bank's superior customer service delivery to a new level going forward.

With the continuing growth of the bank and increasing interest throughout South Africa in the Shariah-compliant banking ideal, we continuously give consideration to ways and means of bringing our banking facilities closer to the communities we serve.

We have in recent years delivered on this objective, increasing our national infrastructure footprint to cover more centres. During the 2011 financial year an opportunity was identified to expand Al Baraka Bank's presence in Gauteng to include the region's northern suburbs. An Al Baraka 'business hub' was opened in Killarney during March 2012, equipped to service the area's burgeoning professional market sector. Its success could be the springboard for the bank's additional facilities growth into other regions within South Africa and brings the bank's national infrastructural facilities to include 11 outlets.

Finally, we worked industriously during the 2011 financial year to successfully meet the requirements of two new – and, currently, draft – regulatory ratios. Essentially and having achieved our obligations in terms of both the Liquidity Coverage Ratio and the Net Stable Funding Ratio, we are now ideally positioned to conform with such legislative requirements in the future.

Corporate governance

Transparency and compliance are watchwords Al Baraka Bank holds most dear. Sound corporate governance is, as a consequence, regarded as a crucial obligation within our financial institution. Indeed, we enjoy a long and proud track-record of adherence to best practice, as regards our business actions within South Africa's financial environment, in line with the corporate governance ideal.

Thus, during 2011 our bank continued paying close attention to fulfilling its obligations in terms of the principles contained in the King Report on Corporate Governance for South Africa (King III), which came into effect the previous year, so ensuring that we constantly and consistently comply fully with all regulations. In addition, the period saw us give effect to legislative changes associated with the new Companies Act.

Information technology

Following the 2010 introduction of the bank's new Equation Banking and Branch Automation System and its two-year implementation programme, we utilised the 2011 financial year to consolidate our information technology activities. This, in turn, opened the way for us to effectively begin reaping the undoubted benefits of the new banking system during the review period.

Corporate social investment
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, creed or religion.

We have, since 1994, implemented a comprehensive, five-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, humanitarianism, health, security and poverty alleviation. During the 2011 financial year, our bank made donations valued at R7,3 million to worthy organisations or causes throughout South Africa. We remain a keen participant in redressing socio-economic inequalities and imbalances, committed – as we are – to the achievement of prosperity for all within South Africa's disparate societies.

Future prospects
Looking to the future, it is anticipated that the bank will continue on its growth curve, although given the possibility of another economic slow-down, the level of such growth will be dependent on the then prevailing economic conditions. Should the down-turn fail to materialise, it is envisaged that the investment environment will improve, allowing us to utilise the consolidation platform created in 2011 to create significantly better levels of profitability for the bank going forward. Our intent is to continue embracing technology to better meet client requirements. Given the increasing client utilisation of our toll-free contact number, it is clear that the centralised call centre systems provided appropriate implementation, assisting in offering clients the instant answers they required to their queries. We are, accordingly, looking to further investment in our call centre operation for the increased benefit of our valued clients, certain in the knowledge that superior client service must be our overriding imperative into the future.

Tribute
We were greatly saddened to learn of the passing, in January this year, of Al Baraka Banking Group stalwart, Mr Othman Ahmed Suleiman, occurring very shortly after his retirement as a long-serving director of Al Baraka Bank South Africa. Mr Suleiman, who was also deputy chief executive of Al Baraka Banking Group, had served the group since its inception, devoting his vast experience and expertise to the betterment of the financial institution and its subsidiaries. Mr Suleiman was appointed as a non-executive director of Al Baraka Bank South Africa in March 1997 and as chairman of the board's credit committee in March 2009, positions he held until his retirement from the board on 1 January 2012. We remain eternally grateful to Mr Suleiman for his close involvement in forging the strategic direction of our bank. The great banking experience, incisiveness and visionary approach he brought to our board deliberations will be sorely missed. On behalf of Al Baraka Bank South Africa, we extend our heartfelt condolences to Mr Suleiman's family at this time of loss. Our thoughts and prayers are with all those close to Mr Suleiman.

Appreciation
With the devastating effects of the 2008/09 global financial meltdown receding, our bank has shown pleasingly consistent growth in recent times, particularly during the 2011 review period. This growth trajectory is, in no small measure, a result of the commitment of our executive team and members of staff who, having assisted us weather the economic storm, vigorously set about implementing interventions designed to, particularly, improve profitability and increase assets. We, accordingly, extend our thanks to the bank's entire staff complement for a job well done.

Our most sincere thanks is also extended to members of the board for the pragmatic way in which the company's business strategy was adapted to include a number of innovative initiatives aimed at giving effect to a new growth impetus. Their banking expertise and general business acumen is greatly appreciated in the drive to position the bank as a leading financial services provider in South Africa. Equally, we acknowledge with grateful thanks the role played by Al Baraka Banking Group. The group's constant support of our subsidiary operation has greatly enhanced our ongoing business development for the benefit of our growing South African client base.

Finally, we extend a cordial vote of thanks to our shareholders and each and every one of our private, business and corporate clients. Your partnership with Al Baraka Bank is greatly valued and is the motivation which drives our continued efforts to introduce yet more advanced Shariah-compliant financial products for utilisation of both shareholders and clients.

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

……………………………

Adnan Ahmed Yousif
Chairman

Shabir Chohan
……………………………

Shabir Chohan
Chief Executive

HUMAN RESOURCES REPORT

Al Baraka Bank's human resources function is regarded as strategically important and displayed its resilience through a challenging year by ensuring the smooth functioning of the bank from a staff and staff-related matters perspective.

Identifying talented staff

The bank has taken steps towards significantly improving the decision-making process with regard to the identification of talent at the recruitment stage. This was achieved by introducing psychometric tests capable of, in particular, assessing the integrity of applicants.

A project was launched in which a battery of tests, developed and interpreted by a leading human resources expert, are utilised by the bank in its quest to secure the right people. All front-line staff recruits and appointees are required to participate in these psychometric tests and initial results have proved most encouraging, significantly improving the overall recruitment process. In addition and in view of the importance the bank attaches to identifying highly capable management talent, prospective managers – externally recruited or internally promoted – are, over and above normal interview procedures, required to participate in a day-long series of comprehensive psychometric tests, conducted by an external consultant. Assessment techniques used have shown themselves useful in not only identifying immediately suitable candidates, but also in recognising managers with potential. The introduced approach has also proved invaluable as a means of identifying the training and development needs of managers.

Human resources policies and procedures

Effective and meaningful policies and procedures play an integral role in the day-to-day operations of the bank.

In addition and as the bank continues to grow, the need for best practice human resources policies, designed to guide employees throughout the company, has become increasingly important. Such an approach helps ensure consistency and equality in the treatment of employees across the departmental spectrum of an organisation, such as Al Baraka Bank. Accordingly, during the 2011 financial year the bank's human resources policies and procedures were rigorously reviewed and numerous amendments made, inclusive of the preparation and adoption of a number of new policies. The project will be completed during the ensuing year.

Training and development

Albaraka Bank's long-held commitment to deploying significant resources in the training and development of its members of staff was further offset during the review period with the introduction of a number of initiatives geared towards skills improvement.

Indeed, the period under review saw two of the bank's senior managers participate in an International Executive Development Programme, operated in conjunction with the Bankseta. The programme included visits to countries in Africa, the Middle East and the United Kingdom.

Given the bank's commitment to developing a keen service ethos, a far-reaching compulsory customer service training programme was initiated during the 2011 financial year, attended by all members of staff, inclusive of managers. In addition and in line with the need to meet regulatory requirements, specifically identified staff also attended Financial Advisory and Intermediary Services Act, Financial Intelligence Centre Act and compliance training during the 2011 financial year.

Graduate development programme

Al Baraka Bank has for the past four years taken on a number of newly qualified graduates, allowing them to spend a 12-month period within the bank's business environment and exposing them to the workings of the various departments. This new learning opportunity both provides young graduates with the opportunity to acquire invaluable work experience and presents the bank with potential managers who it is able to groom for the future.

World-wide tour

In previous financial years, the bank activated a 'world-wide tour' concept as a means of promoting the need for wellness amongst its members of staff.

The purpose behind the tour is to promote health and wellness, while building sound relationships and creating team spirit within the company.

Members of staff from each department within the bank are encouraged to add kilometres to the tour by actively jogging, walking or cycling. In this way the cumulative distance covered contributes to a 'virtual tour' of Al Baraka Banking Group's subsidiaries throughout the countries in which the group is active. The concept has caught the imagination of staff, proving to be informative and an interesting method for the development of relationships, whilst encouraging healthy living and creating an exciting atmosphere amongst employees.

Human resources information system

The bank is constantly looking to improve business efficiencies. In striving to meet this objective, the company has initiated the introduction of an advanced human resources system. The system is interactive and facilitates the effective management of employee information. Available features include job and position management, employee management, performance management, skills and development and employment equity.

"Success is based on firm, honourable partnerships formed at the very beginning of any trustworthy relationship."

	AIC*		White		Total		Total
	male	female	male	female	male	female	
Executive management	2	-	1	-	3	-	3
Professionally qualified and experienced specialists and mid-management	29	7	2	2	31	9	40
Skilled technical and academically qualified workers, junior management and supervisors	52	45	1	-	53	45	98
Semi-skilled and discretionary decision-making	23	60	-	-	23	60	83
Unskilled and defined decision-making	6	8	-	-	6	8	14
Total	112	120	4	2	116	122	238

* *AIC = African, Indian and Coloured*

INFORMATION TECHNOLOGY REPORT

The technology landscape during the 2011 financial year, insofar as Al Baraka Bank's environment is concerned, was underpinned by efforts to enhance customer service.

We looked to speeding up delivery mechanisms and supporting production processes, reducing costs by utilising both existing and new technologies, extending the branch foreign exchange footprint for wider accessibility, improving internal efficiencies and services by exploiting existing systems and resources and expanding the bank's portfolio of electronic banking products.

In line with these endeavours and as strategised during the previous reporting period, the objective of introducing corporate banking services as an extension of electronic banking was successfully realised.

Further enhancements, in the form of linked cheque accounts, are planned for the ensuing period as a means of broadening the product and services range to corporate customers, whilst also strengthening the bank's competitive advantage within this sector.

As an internal value-added benefit, the bank also utilises a variation of the corporate banking system, known as 'corporate plus,' for its own corporate transactional requirements and this has contributed towards the lowering of operational costs, while improving processing efficiencies.

In support of the business strategy for potential growth in income and to meet increasing consumer demand, foreign exchange processing systems were extended to another branch in Gauteng, bringing the national footprint to six branches involved in foreign exchange trading under a limited licence.

The bank was also pleased to have received the approval of the South African Reserve Bank regarding an application for a full foreign exchange licence, which will facilitate the bank taking advantage of a number of global trading opportunities going forward.

In this regard, an assessment of suitable systems capable of operating within a similar core banking environment was undertaken and, following finalisation, implementation was scheduled for the ensuing period, with anticipated completion by the second quarter of 2012.

In terms of customer service, the bank undertook a re-engineering exercise, automating customer statements with a view to streamlining both on-demand and batch-based production requirements.

The success of such efforts resulted in a new, user-friendly format of deposit and advances statements which are automatically generated on pre-determined frequencies for mailing to clients.

The statement design caters for both business and customer needs, whilst the automation of production and distribution processes enhances efficiencies, improves customer service, minimises manual production errors and effectively reduces costs.

A strategic focus on an organisation-wide reduction in costs during the review period prompted an introspective rationalisation of systems, by utilising existing virtualisation technologies to maximise existing hardware investment, and consolidating equipment to reduce the effective number of devices, amongst other initiatives. The rationalisation process effectively combined lower cost of ownership with improved processing and administration efficiencies, while maximising the use of technologies in line with market trends.

It is envisaged that the radius of such initiatives will be expanded to encompass other regions in order to take advantage of these opportunities, while simultaneously targeting economies of scale, relative to associated resources.

The general outlook for the ensuing period includes a key focus on the exploitation of existing and new income-generating prospects, such as those presented by way of the bank's foreign exchange, cheque and electronic banking services.

In addition, every effort will be made to further reduce costs through the use of technology and re-engineering endeavours and, concurrently, to constantly improve customer service levels, whilst not losing sight of the corporate and regulatory governance requirements which fundamentally underscore every aspect of the bank's activities.

CORPORATE GOVERNANCE REPORT

Introduction
The board of directors and management of Al Baraka Bank remain committed to the highest standards of corporate governance and the implementation of ethical and moral business behaviour throughout the organisation.

Furthermore, the board acknowledges that it is responsible for setting the governance benchmarks which must be adopted and applied by executive management and all employees. These standards are applied throughout the business operations and practices of the company and in its interaction with a wide-ranging and diverse group of stakeholders.

The King III report on corporate governance constitutes South Africa's primary corporate governance framework. Having conducted a review of King III, the board is satisfied that it complies with virtually all the principles contained in the report.

Where Al Baraka Bank does not comply with the requirements of King III, reasons for such non-compliance are stated in the annual report. The board remains ever mindful of the fact that maintaining good corporate governance practices represents an ongoing process; a process which is subject to the evolving business and social environment within which the bank operates.

Emphasis has always been placed on substance rather than form and in the application of its governance framework, the board of directors has consistently acknowledged the four ethical values underpinning good corporate governance, namely responsibility, accountability, fairness and transparency.

In giving effect to its governance framework, the board acknowledges the importance of complying with all applicable legislation, regulations and codes which form part of the bank's legal and regulatory environment.

Board of directors

Role and function of the board
The board of directors ultimately remains responsible for the governance of the bank in its entirety. Through the governance framework which the board of directors has established, the board effectively oversees a management and control structure which is, in turn, responsible for driving and executing all functions throughout the bank.

Structure and composition
Al Baraka Bank has a unitary board structure, with the roles and responsibilities of the chairman and the chief executive being separate.

The board possesses an appropriate balance of independent non-executive directors. As at 31 December 2011, the board comprised 12 directors, six of whom were independent non-executive directors and four of whom were non-executive directors. The remaining two executive directors comprised the chief executive and the financial director. Collectively, the directors possess a variety of skills, experience and knowledge, all of which are deemed essential in enabling the board to successfully meet the challenges of the business environment and to facilitate effective decision-making and strategy.

The board, through the directors' affairs committee, regularly undertakes a review of the composition, skills, experience and demographic profile of the board in order to ensure that its composition remains relevant in meeting the demands of the banking environment

The composition of the board also ensures an effective balance of power amongst board members, such that no one individual director has unfettered powers.

In view of their different skills, knowledge and expertise, the directors are able to discuss board matters constructively and vigorously, acting at all times in the best interest of the bank and its stakeholders.

The chairman of the board, who is elected on an annual basis, is a non-executive director. He is not an independent director, as he is president and chief executive of Al Baraka Banking Group.

However, the board considers Mr Yousif the best person to fulfill the role of chairman of Al Baraka Bank, by virtue of his extensive knowledge of and experience in Al Baraka Banking Group and the banking industry as a whole.

On 16 March 2012, Mr Randeree was confirmed as an independent non-executive director and was subsequently appointed as the board's lead independent director.

Independence of directors
The independence of directors is assessed by the directors' affairs committee, against the criteria set out in King III. To this end, the board supports the view expressed in King III that an independent director should not only be independent in character and judgement, but also be seen to be independent in the perception of a reasonably informed outsider.

The board has assessed the independence status of those independent directors who have served on the board for more than nine years, namely Adv. AB Mahomed SC and Mr YM Paruk. After a rigorous review, the board was satisfied that the independence of character and judgement of both the directors is not in any way affected or impaired by their length of service on the board.

Resignation of director
Mr OA Suleiman retired from the board of directors with effect from 01 January 2012. Mr Suleiman, as a

non-executive director, played an integral role in the development of Al Baraka Bank. He was a member of the risk and capital management committee, the remuneration committee and the board credit committee, the last named of which he chaired up until his retirement from the board.

Succession planning and board appointments
Through the review of the composition of the board and the board committees, both the directors' affairs committee and the board are satisfied that the board possesses sufficient cover from a succession planning perspective.

With the resignation of Mr Suleiman, Mr Randeree has been appointed interim chairman of the board credit committee. It is envisaged that the board will look to appoint an additional director during the course of 2012, to replace Mr Suleiman. In terms of the Memorandum of Incorporation, non-executive directors have no fixed term of appointment and are subject to retirement by rotation and re-election by shareholders. In terms of the requirements of the Banks Act, directors of a bank must be approved, prior to appointment, by the Reserve Bank.

The board has also defined its own levels of materiality, reserving specific powers for itself. Through this process of delegation, the board does not abdicate its duties and responsibilities. Delegated authorities are reviewed on a regular basis to ensure that the responsibilities assigned to the executive directors are sufficient to achieve the board's objectives.

Director training and induction
Director training and development remains an ongoing area of focus, especially given the nature of the rapidly changing financial services environment. Directors are, therefore, kept informed and updated about all applicable legislation and regulations impacting on the business of the bank.

Directors are encouraged to attend external training courses, where appropriate. In this regard, board members are requested to attend the Banking Board Leadership Programme presented by GIBS, as well as other training interventions which are relevant to the business operations of the bank. Training may be provided internally or through external service providers.

Through the board committees, the board is able to identify and monitor key risks

Strategy formulation
As the body ultimately responsible for the overall performance of the bank, the board is responsible for formulating the bank's strategy. The board also monitors management in its implementation of board-approved plans and strategies. During the course of 2011, the board approved a new strategy for Al Baraka Bank, which is in the process of being implemented by management.

Oversight of risks
Through the board committees, the board of directors is able to identify and monitor key risks which are relevant to the performance and sustainability of the bank.

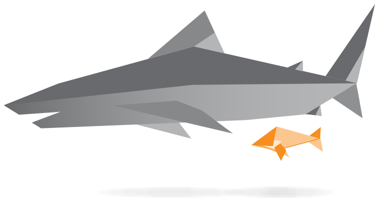
Delegation of authority
Through a governance structure comprising several board committees, the board is able to retain effective control of the business. The board-appointed committees not only provide the board with a specialised focus in terms of key areas of the bank's operations, they also allow the board to discharge its responsibilities.The board of directors delegates appropriate and relevant powers of authority to the chief executive of the bank on a day-to-day basis.

Newly appointed directors undergo a formal orientation programme with members of management. Through this personalised process of induction, new directors are able to acquire an in-depth understanding of the business of the bank.

To facilitate the induction process, newly appointed directors receive a governance portfolio containing information relevant to the business of the bank, such as key legislation in the life of the bank, including the Banks Act and accompanying regulations, board-approved policies, financial reports and the terms of reference of the board committees and the board charter.

Board evaluation and assessment
Through the directors' affairs committee, the bank conducted an evaluation of the board and its committees during the course of 2011. The primary objective of these assessments was to establish whether the effectiveness of the board and the directors could be enhanced.

The performance of the chairman and the chief executive is similarly assessed on an annual basis. Having considered the outcome of the evaluation process, the directors' affairs committee is satisfied that there are no matters of a material nature which need to be addressed.



"Effective client-business alliances and the shared belief in a common goal inevitably lead to the delivery of superior client service."

In terms of the regulations to the Banks Act, the board conducted an assessment of the processes of corporate governance, internal controls, risk management, capital management and capital adequacy implemented by the bank.

The board, having considered the assessment, was satisfied that the bank had achieved its corporate governance objectives, as determined by the board.

Board meetings
The board meets on a quarterly basis. In addition to its quarterly meetings, the board met separately to discuss the bank's strategy. Ad hoc meetings may be held, when circumstances dictate the need. Board meeting dates are scheduled annually in advance, following consultation with the board.

Directors are accordingly expected to attend board meetings as well as the meetings of the board committees upon which they serve. Directors who are unable to attend meetings in person have the opportunity of linking-up via tele-conference, such need arises. These meetings are arranged through the office of the chief executive. Over and above this, the directors interact with management at board and board committee meetings.

The board is governed by a charter which sets out the responsibilities of the board inclusive of the following:

- Formulation of the bank's strategic plan and overall management of the bank;
- Determination of the board committees and their composition;
- 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;
- Reputational risk;
- Stakeholder communication; and
- Directors selection, orientation and evaluation.

Membership and attendance: board meetings 2011	March	June	September	December
AA Yousif (Chairman)	✓	✓	✓	✓
SA Randeree	✓	✓	✓	✓
F Kassim	✓	✓	✓	✓
A Lambat	✓	✓	✓	✓
Adv. AB Mahomed SC	✓	✓	✓	✓
MS Paruk	✓	✓	✓	✓
YM Paruk	✓	✓	✓	✓
OA Suleiman *	✓	✓	A	A
M Youssef Baker	✓	✓	✓	✓
SAE Chohan	✓	✓	✓	✓
MG McLean	✓	✓	✓	✓
MJD Courtiade	✓	✓	✓	✓

✓ = attendance   A = apology   * = retired on 01 January 2012

that their input may be taken into account. Board documentation is supplied electronically to directors well ahead of planned meetings. In this way, board and board committee members are able to view matters under discussion and provide valuable input at the time of the meeting, thereby leading to the taking of well informed decisions.

To facilitate the process of objective decision-making, the directors have unrestricted access to all of the bank's information. Directors may, where it is deemed necessary, obtain independent professional advice on any topic in order to fulfill their roles and obligations as directors. In such instances, the independent advice will be at the cost of the bank.

Directors may meet independently of the executive directors with members of management, where the

Board committees
Board committees form an important part of the bank's corporate governance framework. To this end, the board has established the audit committee, the risk and capital management committee, the board credit committee, the directors' affairs committee and the remuneration committee.

Having reviewed the requirements of the Companies Act, the board has also established a social and ethics committee, which had its first meeting on 20 October 2011. The board has also established the board property committee, whose specific mandate is to oversee the development of sites 23 and 24 Kingsmead Office Park.

All board committees, with the exception of the board property committee, which operates in terms of a very specific mandate, possess formal terms of reference. These have been harmonised with the requirements of King III and are the subject of an annual review by the board. The board of directors acknowledges that it bears ultimate responsibility for the performance of the bank. The board also recognises that delegating specific functions to board committees does not relieve the board of this responsibility. Board committee chairpersons provide the board with verbal feedback pertaining to recent board committee meetings.

Apart from the board committees, a number of management committees have also been established, the purpose of which is to assist the board and board committees in the execution of their duties and responsibilities. These management committees include the executive management committee, the executive credit committee, the management risk committee, the assets and liabilities committee, the FICA executive committee and the IT steering committee. The board of directors, having reviewed the functioning of the board committees for the year under review, with the exception of the newly established social and ethics committee, which has only had one meeting, is satisfied that the board committees have fulfilled their mandates.

Audit committee

The audit committee acts in accordance with its responsibilities as set out in the Companies Act, 71 of 2008 (as amended) and the Banks Act, 94 of 1990 (as amended).

The audit committee has an approved charter which incorporates these responsibilities and which is subject to annual review and approval by the board of directors.

The members of the audit committee are all independent non-executive directors, as set out below.

Membership and attendance: audit committee meetings 2011	February	March	June	September	November
MS Paruk (Chairman)	✓	✓	✓	✓	✓
A Lambat	✓	✓	✓	✓	✓
Adv. AB Mahomed SC	✓	✓	✓	✓	✓
M Youssef Baker	✓	✓	✓	✓	✓

✓ = attendance

The audit committee report is included on page 33 of the annual financial statements.

Risk and capital management committee
The role of the risk and capital management committee is to assist the board in addressing issues of risk and capital management and ensuring compliance with the Banks Act.

The function of the risk and capital management committee is to also:
- Develop a risk mitigation strategy to ensure that the bank manages its risk in an optimal manner and to assist the board in ensuring that a formal risk assessment is undertaken at least annually;
- Identify and regularly monitor all key risks and key performance indicators to ensure that its decision-making capability and the accuracy of its reporting is maintained at a high level;
- Determine the levels of risk tolerance/appetite at least once a year, set limits for the risk appetite and monitor that such risks taken are within the tolerance and appetite levels;
- Ensure that management considers and implements appropriate risk responses identified and that these risks are subsequently recorded in a risk register; and
- Approve new products and ensure that adequate measures have been taken to address all related risks before making recommendations to the board for the approval of such products.

The risk and capital management committee is chaired by an independent non-executive director.

In addition to these members, the risk and capital management committee is also attended by the chief executive, the compliance officer and the manager: internal audit.

Four meetings of the risk and capital management committee were held in 2011.

Membership and attendance: risk and capital management committee meetings 2011	March	June	September	December
A Lambat (Chairman)	✓	✓	✓	✓
MJD Courtiade	✓	✓	✓	✓
Adv. AB Mahomed SC	✓	✓	✓	✓
MS Paruk	✓	✓	✓	✓
YM Paruk	✓	✓	✓	✓
OA Suleiman *	✓	✓	✓	A
Y Nakhooda (Manager: risk)	✓	✓	✓	✓

✓ = attendance A = apology * = retired on 01 January 2012

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

…………………………..
A Lambat
Chairman: risk and capital management committee

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

The credit committee gives effect to its role by, inter-alia:

- Reviewing, and subsequently recommending to the board, any change in strategy, marketing and business plans in respect of the financing activities of the bank;
- Evaluating any significant credit risks faced by Al Baraka Bank;
- Assessing the adequacy of Al Baraka Bank's provisioning policy; and
- Ensuring adherence to prudential limits.

The credit committee met four times during 2011.

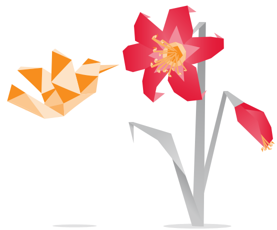
The credit committee meetings are also attended by the financial director and management representatives from both the credit and legal departments.

Membership and attendance: credit committee meetings 2011	March	June	September	December
OA Suleiman (Chairman) *	✓	✓	✓	A
SAE Chohan	✓	✓	✓	✓
MG McLean	✓	✓	✓	✓
MS Paruk	✓	✓	✓	✓
SA Randeree	✓	✓	✓	✓
EM Hassan (General manager: credit)	✓	✓	A	✓

✓ = attendance   A = apology   * = retired on 01 January 2012

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

……………………………..
SA Randeree
Interim chairman: credit committee



> "The vital key to any form of partnership formed for the parties' mutual benefit, is honest and transparent communication."

Directors' affairs committee

The role of the directors' affairs committee is to assist the board by evaluating the appropriateness of corporate governance structures and practices throughout the bank.

The directors' affairs committee gives effect to this role by:

- Identifying, evaluating and recommending nominees to the board of directors and other entities in terms of an agreed process. To this end, the directors' affairs committee serves as the nominations committee for directors;
- Reviewing the skills, experience and other qualities required for the effective functioning of the board;
- Facilitating the annual assessment of the board and board committees;
- Reviewing the structure, size and composition of the board; and
- Maintaining a board directorship continuity programme.

The membership of the directors' affairs committee is limited to non-executive directors, in accordance with the requirements of the Banks Act.

The chief executive attends the meetings, at the invitation of the directors' affairs committee.

The directors' affairs committee met twice during 2011.

Membership and attendance:
directors' affairs committee meetings 2011

	March	September
SA Randeree (Chairman)	✓	✓
M Youssef Baker	✓	✓
F Kassim	✓	✓

✓ = attendance

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

……………………………

SA Randeree
Chairman: directors' affairs committee

Remuneration committee

The role of the remuneration committee is to advise the board on a wide-ranging number of human resources issues.

These include:

- Ensuring that a correct balance exists between the interests of employees and shareholders, such that Al Baraka Bank is in a position to attract and retain the expertise required to achieve the bank's strategy;
- Ensuring that an employment equity policy exists and is appropriately implemented;
- Creating an environment where employees who demonstrate initiative, effort, ability, enterprise and loyalty are able to develop meaningful and rewarding careers within Al Baraka Bank; and
- Submitting recommendations to the board on matters such as remuneration, benefits, bonuses, incentive schemes and succession planning at senior management and executive management level.

The remuneration committee has considered the recommendations in King III that companies should make full disclosure in respect of the three most highly paid employees who are not directors of the company.

This will be disclosed in future, once the remuneration policy has been approved by the shareholders.

The chief executive attends meetings of the remuneration committee by invitation, but does not participate in discussions and decisions regarding his own remuneration and benefits.

The remuneration committee met on four occasions in 2011.

Membership and attendance: remuneration committee meetings 2011	January	March	May	December
Adv. AB Mahomed SC (Chairman)	✓	✓	✓	✓
OA Suleiman *	✓	✓	✓	A
YM Paruk	✓	✓	✓	✓
SA Randeree	✓	✓	A	✓
SAE Chohan **	✓	✓	-	-

✓ = attendance   A = apology   * = retired on 01 January 2012

** = resigned following the March meeting

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

……………………………

Adv. AB Mahomed SC

Chairman: remuneration committee

Social and ethics committee
The social and ethics committee was established during the course of 2011, pursuant to the introduction of the new Companies Act on 01 May 2011.

The role of the social and ethics committee is to monitor Al Baraka Bank's activities, having regard to legislation, legal and best practice in the areas of ethics and stakeholder management and with particular reference to employees, communities, consumers and the environment.

At the inaugural meeting of the social and ethics committee in October 2011, the charter of the committee and a high level plan of action for the committee were approved.

The social and ethics committee is chaired by an independent non-executive director. The composition of the social and ethics committee is in accordance with the requirements of Regulation 43 of the Companies Act Regulations, 2011. The social and ethics committee met once in 2011, being its inaugural meeting.

Membership and attendance: social and ethics committee meetings 2011	October
M Youssef Baker (Chairman)	✓
S Chohan	✓
Adv. MA Vahed	✓

✓ = attendance

……………………………..
M Youssef Baker
Chairman: social and ethics committee

Company secretary
Every director has access to the services of the appropriately qualified and experienced company secretary.

The company secretary is responsible for providing the board and the individual directors with guidance as to how their responsibilities should be discharged in the best interests of the bank.

The company secretary, who is responsible for facilitating the induction of new directors, also provides a source of guidance and advice to the board with regard to matters of ethics and corporate governance.

The ongoing education of the directors is also a function which falls within the responsibility of the company secretary.

Going concern status
The board has considered and assessed the going concern basis recorded in the financial statements at the year-end. The board is of the opinion that the business of the bank will be a going concern in the year ahead. The assumptions underlying the going concern status of the bank are assessed at the financial year-end and the interim reporting stage.

Ethics
The board shares the view, as recorded in King III, that ethics constitutes the foundation of and is the reason for corporate governance. Based on this premise, the board is committed to ensuring that the bank conducts its operations with absolute integrity at all times.

In order to give effect to high standards of conduct, Al Baraka Bank has developed a code of conduct, which sets out its key values and objectives.

The code has been formulated in such a way that employees are able to apply its values and objectives in their everyday work situations.

Regular briefings with staff are held in order to communicate the contents of the code and to re-inforce these values. In support of the code, Al Baraka Bank has set up an anti-fraud hotline, which may be used anonymously if so required, to report concerns.

Codes of transformation
Al Baraka Bank endorses and supports the measures taken by the relevant role-players to formulate a legally enforceable financial sector code.

In the interim, Al Baraka Bank has briefed an accredited black economic empowerment verification agency to undertake an independent assessment of the bank's black economic empowerment performance in terms of the codes of good practice, formulated by the Department of Trade and Industry.

Introduction
King III recommends that all companies should produce an integrated report, setting out how such companies have impacted on the social and economic life of the communities within which they are active.

A sustainability report serves, therefore, as a staging-post for a company's communication of its history, performance and future planned activities which impact on the 'triple bottom line,' as embraced by Al Baraka Bank. The integrated report is a holistic and integrated representation of the bank's performance in terms of both finance and sustainability.

Al Baraka Bank is committed to adopting business practices which integrate environmental, social and ethical principles which will have the effect of advancing the transformation and sustainability of the bank into the future.

Company overview
The bank remains committed to the provision of Shariah-compliant banking in South Africa. Its vision is to meet the financial needs of the community it serves by conducting business ethically and in accordance with Islamic beliefs, practicing the highest professional standards and sharing the mutual benefits with customers, staff and shareholders who participate in the bank's business success. The bank acknowledges that society requires a fair and equitable financial system; one which rewards effort and contributes to the development of the community.

Al Baraka Bank believes that it provides such a system.

Organisational and governance structure
Every effort has been made to ensure that the bank's business activities remain in line with good corporate governance practices. This is achieved through the company's own King III committee, an internal body charged with the responsibility of implementing King III recommendations within the bank's existing governance framework. The committee is mandated to ensure the continuance of improved transparency of information and the adoption of international best standards. Al Baraka Bank sets out to conduct its banking activities in a Shariah-compliant and ethical manner, which prohibits:
- The collection or payment of interest;
- Transactions involving undue risk and speculation; and
- Investing in prohibited activities.

In line with its objective of providing ethical banking, guidelines followed by Al Baraka Bank include adherence to Shariah standards as published, from time to time, by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), avoiding investment in non-Shariah-compliant fixed-income instruments or securities, not holding cash balances in interest-bearing accounts or assets and not investing in companies involved in alcohol, tobacco, pork, casinos, hotels or conventional banks.

Managing sustainable development within the bank
The economic, environmental and social factors which influence the way in which the bank operates in a sustainably responsible manner are set out below:

Economic
Shariah-compliant banking, responsible financing, the implementation of effective and efficient risk management systems, combined with the implementation of good corporate governance practices, compliance and ethics, impact on the manner in which the bank creates economic value for the benefit of its stakeholders.

Environmental
As a financial institution, Al Baraka Bank's business operations do not have a marked impact on the environment, as compared against business enterprises active in energy-intensive sectors. It is, however, recognised that it should be mindful of its own energy and resource usage.

Consequently, the bank regularly assesses ways in which to become ever more environmentally sustainable. To date a number of direct measures have been implemented, inclusive of the following:
- The use of energy-saving light-bulbs throughout the company;
- The minimising of the use of artificial light through the effective use of natural light filtering through the company's Durban-based head office;
- The automatic shutdown of the centrally-ducted air conditioning and lighting systems at head office through the company's building management system;

The bank acknowledges that society requires a fair and equitable financial system

"Those alliances that enjoy the greatest successes stem from a mutual relationship of respect and sincerity."

- The maintenance and upkeep of an atrium within the reception area of the bank's head office, which is fully bedded with indigenous plants, as a means of improving the quality of air circulation within the building; and
- The sorting of waste for appropriate recycling activities.

The bank has also introduced systems to manage both electricity and water usage throughout its national branch and office network.

The bank aims to introduce environmental efficiency targets in respect of electricity and water consumption going forward. All these initiatives will be further enhanced and extended in future.

In addition, the bank is cognisant of the nature of the facilities which it proffers to customers, with the intention that such facilities should not be utilised in such a manner as to have a negative impact on the environment.

Social

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

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

During the past financial year, the bank invested R7,3 million in worthy corporate social investment projects throughout South Africa.

Staff members are also encouraged to present social projects within their respective communities which may require the bank's corporate social investment assistance. An additional part of the bank's broad corporate social investment programme entails providing staff with study loans, thus creating an enabling environment for individuals to take up new opportunities in the corporate environment.

The bank also actively keeps the community aware of legislative and banking developments by hosting and sponsoring various seminars and presentations.

Stakeholder engagement

Customers

Customers provide the bank with a business purpose and mission. Client service excellence, therefore, remains a key priority for the bank. It places a high premium on engaging with its customers by way of the utilisation of a wide range of print and electronic communication channels.

As part of Al Baraka Bank's client service excellence commitment, new customers are randomly contacted with a view to ascertaining their bank transaction experiences. Through this process, client service matters are identified and appropriately addressed in a responsible and Shariah-compliant manner.

The company has implemented a dedicated customer service centre sharecall telephone number for the express benefit of clients. This contact number is continually reinforced through the bank's marketing collateral.

Through regular analysis of its customer feedback, the bank is better able to understand the dynamic needs and business requirements of its customer base.

Further, it regularly evaluates new and innovative products, especially those providing for electronic banking, with a view to extending its already comprehensive banking products, inclusive of a full suite of foreign exchange facilities, and making them more accessible to customers.

In all its business operations, Al Baraka Bank strives to remain customer-centric.

Employees

Recruitment and training

Members of staff are regarded as being central to the continued success of Al Baraka Bank. The company operates in a business environment requiring high standards of client service, risk management, regulatory compliance and originality of thought.

Accordingly, the bank continually strives to attract, develop and retain talented members of staff. In order to assist such high-calibre members of staff reach their true potential, various training programmes are identified and offered through individual development plans.

The bank aims to create a culture which nurtures and retains talent, whilst accelerating the transformation ideal. The company remains committed to the practice of fair, professional and scientific recruitment, thereby ensuring the appropriate placement of suitable talent within available positions, thus further promoting performance excellence.

Additional initiatives for the benefit of existing staff include training for managers and employees, the inception of a graduate programme for university graduates and a number of Islamic educational initiatives.

The bank has leveraged off the offerings provided by the Banking Seta and obtained sponsorship for numerous management and executive courses locally, nationally and internationally, with members of staff realising the benefits of such courses.

Managing diversity

A business culture is fundamental to any company in terms of how employees work with and relate to one another.

Through a process of shared skills and work-related activities, the bank is able to maximise the broadening of perspectives, enabling the formulation of creative business outcomes.

By embracing the philosophy of diversity, Al Baraka Bank actively promotes amongst its employees mutual respect, together with a sense of value and belonging, whilst simultaneously encouraging employees to participate meaningfully in the business decision-making process.

Transformation

Al Baraka Bank recognises the importance of transformation within the South African context and regards this as a business imperative.

From an internal perspective, the bank actively promotes the employment of the historically disadvantaged, inclusive of women and persons with disabilities. From an external aspect, every effort is made to support the Broad-Based Black Economic Empowerment policies of the Department of Trade and Industry through the implementation, where appropriate, of preferential procurement guidelines.

Given the recent demise of the Financial Sector Charter, Al Baraka Bank will in future report its Black Economic Empowerment initiatives through the Department of Trade and Industry codes. To this end, Al Baraka Bank has engaged the services of a ratings agency to undertake an evaluation of the bank's Black Economic Empowerment performance.

Employment equity

The bank is also dedicated to the ideal associated with employment equity and strives to recruit staff from the various historically disadvantaged race groups in South Africa, while also ensuring that women increasingly feature in top management positions.

Employee wellness

Employee wellness remains a key component of the bank's strategic objectives. In support of this, Al Baraka Bank has developed a health and wellness policy, the principle objectives of which are to improve the health and well-being of employees' lives through health, education and activities which support positive lifestyle change, thereby resulting in improved employee productivity, morale and health-care costs for the individual.

Staff communication

A range of broad-based communication channels are utilised by the bank to regularly engage with staff. These channels include:

- The chief executive's address, updating all staff following each quarterly meeting of the board;
- The intranet site, providing members of staff with online access to information;
- The contact centre, providing an email and telephonic contact point regarding employee issues;
- Employee self-service facilities, affording employees the ability to apply for leave and other applications; and
- An external fraud hotline.

Shareholders

Regular communication with shareholders is provided by way of Al Baraka Bank's annual report, comprehensive website, circulars and email.

Shareholders are encouraged to attend the bank's annual general meeting, where the chairmen of the respective board committees and the Shariah Supervisory Board are present to address any shareholder queries.

The bank's board believes that informed shareholders enjoy a greater appreciation for the business and are better able to make informed decisions, which will enhance the bank's activities. Any and all shareholder queries are dealt with by the bank's customer service department or, where necessary, may be escalated up to the company secretary and the chief executive.

Community

Al Baraka Bank engages with the community in a number of ways, inclusive of personal interaction, community service events, print media, special publications, the annual report, SMS messaging and access to the website.

Such communication enables the bank to effectively understand the needs of the community in order to better serve the community, particularly in view of funding required for and sponsorship of various community projects. The bank also regularly invites select clients and members of the public to attend the Islamic banking module of the Islamic Law course.

Regulators and external governing bodies

Al Baraka Bank is a member of the Banking Association of South Africa and its managers are on the mailing list of its various committees.

The company is also widely acclaimed as the leading authority on Islamic banking. Indeed, as the only fully-fledged Islamic bank in South Africa, it has provided National Treasury with important inputs which have been included in amendments to South African Income Tax legislation.

Suppliers

The financial institution has indicated its preference to utilising, wherever deemed appropriate, the services of approved Black Economic Empowerment suppliers in support of the process of facilitating black-owned business development and access to new markets.

Our strategic objectives, competencies and key performance indicators

Al Baraka Bank's primary strategic objectives include:

- The promotion of customer service excellence;
- The development of innovative products;
- The utilisation of enhanced technology; and
- Improving returns to shareholders.

Identification of risks and opportunities

The bank identifies and appropriately manages risks and opportunities on an ongoing basis.

Conclusion

This sustainability report validates Al Baraka Bank's fulfilment of its sustainability responsibilities, its provision of ethical leadership and the rendering of effective communication with stakeholders. It is also indicative of the fact that the company operates as a responsible corporate citizen and, critically, that it may be seen to be operating as such in the eyes of its broad stakeholder base.

The good business journey which Al Baraka Bank has embarked upon will be vigorously maintained throughout the forthcoming year, whilst also providing for ever greater refinement in order to further enhance reporting into the future.

No assurance has been obtained regarding Al Baraka Bank's sustainability measures for the period under review.

COMPLIANCE REPORT

The primary role of Al Baraka Bank's compliance function is to monitor regulatory and reputational risk.

Regulatory risk is understood to be the risk that the bank could be exposed to penalties and sanctions for not complying with statutory, regulatory and supervisory requirements imposed by the South African Reserve Bank and any other regulatory bodies by which Al Baraka Bank is regulated. Reputational risk is the risk that the bank could be exposed to negative publicity resulting from a contravention of laws applicable to the bank.

The compliance function sets out to actively assist management in complying with both the letter and spirit of the law and supervisory requirements. The compliance officer performs under an authority delegated by the board, in terms of a board-approved compliance charter and enjoys unrestricted access to the chief executive, the audit committee and the chairman of the board. Updates or reports are regularly submitted to the audit committee, board and the South African Reserve Bank regarding matters of compliance. There were no material issues of non-compliance that had to be reported during the 2011 financial year. Significant regulatory developments which had an impact on Al Baraka Bank during the period under review included the following:

- **Anti-money laundering control and combating of terrorism legislation**
  The bank employed significant time, effort and resources in order to devise, implement and update appropriate policies and procedures, as well as amendments to the system processes and suitable staff training in order to comply with all applicable legislation.

  Regardless of the fact that the deadline for client identification and verification expired on 30 September 2006, the bank's focus on compliance continues to be maintained by dedicated branch staff, the anti-money laundering officer and the compliance officer.

  The new Equation Islamic Banking and Branch Automation System was implemented on 1 August 2010, complete with its own Watch List Checking Module. The system, which replaced the Midas System, assists with name matching on terrorist watch lists. This function, together with the need to detect and report suspicious money laundering transactions, has been greatly enhanced by the introduction of the new banking system.

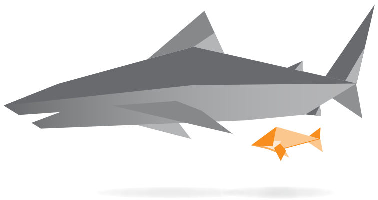
- **Cash threshold reporting**
  The compulsory daily reporting of all cash and foreign exchange (excluding travellers' cheques) transactions of R25 000 or more commenced at the beginning of December 2010. Extensive system enhancements have been made to enable the timely submission of cash threshold reports. Cash threshold reporting notwithstanding, the bank is still required to file normal suspicious transaction reports to the Financial Intelligence Centre in terms of the Financial Intelligence Centre Act.

- **Financial Advisory and Intermediary Services Act (FAIS)**
  Al Baraka Bank's licence allows for the implementation of various activities geared to ensuring compliance with the Act. These include:
  - The identification and appointment of additional representatives, the establishment of training requirements and the updating of the required register;
  - A review of processes, communication, promotional and other materials to align with the requirements of the Act and codes of consumer protection;
  - The up-skilling of staff to meet the qualification requirements of FAIS; and
  - The updating of the bank's FAIS policy and procedure document when required.

- **Home Loan and Mortgage Disclosure Act**
  This legislation was introduced to level the playing fields with respect to accessing residential property finance by formerly disenfranchised members of our society. In this regard, too, extensive system changes were necessitated by the Act. The Office of Disclosure in the Department of Human Settlements is furnished with the required statistics on an annual basis.

- **Monitoring**
  Monitoring is regarded as a vital component of the compliance function. Three internal control officers – one each in the Durban, Gauteng and Athlone regions – are responsible for assisting with the monitoring function. They have assisted in monitoring the bank's compliance with the Financial Advisory and Intermediary Services Act, Anti Money-Laundering, National Credit Act and the Code of Banking Practice. Their reports are tabled at monthly management executive committee and quarterly Financial Intelligence Centre Act executive committee meetings.

- **New Legislation**
  Consumer Protection Act
  The Consumer Protection Act came into effect on 1 April 2011. A committee was formed to unpack the relevant provisions, resulting in the successful implementation of the Act within the bank's policies and procedures. General and intensive training was provided to staff by the committee.



"Success in the future of business will be built on relationships; people will be regarded as partners rather than ciphers, resulting in the development of truly meaningful and rewarding partnerships."

Companies Act 2008
The new Companies Act came into effect on 1 May 2011.

The Companies Act Committee has completed an examination of the Act and Regulations and implementation thereof is ongoing, with external expert assistance where necessary.

Several presentations have been delivered by experts in the field for the benefit of directors, management and relevant staff.

FAIS Conflict of Interest Management Policy
The FAIS Conflict of Interest Management Policy was approved by the board on 24 June 2011 and training modules were presented to all members of staff in October 2011.

Code of Banking Practice 2011
The new Code of Banking Practice came into effect on 1 January 2012. A committee has been formed to ensure implementation of the provisions of the code into the bank's policies and procedures in the ensuing period.

SHARIAH REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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).

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:
- Financial statements;
- Murabaha financing;
- Musharaka financing;
- Equity Murabaha transactions;
- Profit distribution;
- Disposal of impermissible income;
- Foreign exchange transactions; and
- Review and approval of the 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 30c 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 the success in this World and the Hereafter.

....
Dr Abdus Sattar Abu Ghudda
Chairman

....
Sheikh Mahomed Shoaib Omar
Member

....
Mufti Shafique Jakhura
Member

26 January 2012

SHARIAH SUPERVISORY BOARD

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

The board sets out to ensure that all Shariah matters regarding Al Baraka Bank are dealt with in a professional manner and in strict accordance with the standards set by AAOIFI. The Shariah Supervisory Board's rulings and resolutions are binding on the bank.

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

Al Baraka Bank's Shariah Supervisory Board comprises:

Dr Abdus Sattar Abu Ghudda (Syrian)
Dr Ghudda is the senior Shariah consultant for the 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.

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

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

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

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

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

The local sub-committee meets at least four times a year in order to ensure the execution of its mandate and to report to the Shariah Supervisory Board annually.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

NATURE OF BUSINESS	Islamic 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

CONTENTS

The financial statements of Albaraka Bank Limited have been audited in compliance with S30 of the Companies Act of South Africa. Rishaad Bismilla CA (SA), Financial Manager and Abdullah Ameed CA (SA), General Manager: Finance of Albaraka Bank Limited were responsible for the preparation of the financial statements.

Approval of Annual Financial Statements
The financial statements set out on pages 33 to 87 were approved by the Chairman and Chief Executive on 19 April 2012.

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

……………………………
Shabir Chohan
Chief Executive

DIRECTORS' RESPONSIBILITY STATEMENT

The company's directors are responsible for the preparation and fair presentation of the group annual financial statements and separate parent annual financial statements, comprising the audit committee report, directors' report, company sectretary statement, the statement of financial position as at 31 December 2011 and the statement of comprehensive income, the statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

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

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

The directors have made an assessment of the group'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 the applicable financial reporting framework.

Approval of group annual financial statements and annual financial statements
The group annual financial statements and annual financial statements were approved by the board of directors on 19 April 2012 and signed on their behalf by:

....	....
Adnan Ahmed Yousif	**Shabir Chohan**
Chairman	Chief Executive

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Albaraka Bank Limited
We have audited the group annual financial statements and the annual financial statements of Albaraka Bank Limited, which comprise the audit committee report, the directors' report and the company secretary statement, the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 87.

Directors' responsibility for the financial statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and 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 financial statements that are free from material misstatements, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 financial statements present fairly, in all material respects, the consolidated and separate financial position of Albaraka Bank Limited at 31 December 2011, 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.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Emilio Pera
Registered Auditor
Chartered Accountant (SA)

19 April 2012

AUDIT COMMITTEE REPORT

During the financial year ended 31 December 2011, the 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 the 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 the 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 22 June 2012.

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:
- 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;
- Ensured that the internal audit plan was risk-based to address the specific risks of the company;
- Approved the internal audit plan;
- Ensured that the charter used by internal audit was approved by the board;
- Reviewed the internal audit charter;
- Regularly met separately with the internal audit manager; and
- 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:
- Approved Ernst & Young Inc.'s terms of engagement;
- Reviewed the quality and effectiveness of the external audit process;
- Reviewed the external auditors' report to the committee and management's responses thereto;
- Reviewed significant judgements and/or unadjusted differences resulting from the audit, as well as any reporting decisions made;
- Maintained a non-audit services policy which determines the nature and extent of any non-audit services that Ernst & Young Inc. may provide to the company;
- Regularly met separately in confidence with Ernst & Young Inc.;
- Through enquiry, ascertained that Ernst & Young Inc. has not identified any irregularity that required reporting thereof to IRBA; and
- Evaluated and were satisfied with the independence of Ernst & Young Inc.

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 it relates to financial reporting. The committee played an oversight role in respect of risk, combined assurance and ethics.

Conclusion on fulfilment of duties and obligations
The committee members have sufficient qualifications and experience in the fields of commerce, finance, economics, external and internal audit processes, financial reporting, risk management, governance, compliance and law to fulfil their obligations. In addition, the members have kept up-to-date with the latest developments in the business and in the audit environment. The members bring invaluable integrity and experience to the committee's deliberations and make positive contributions on an ongoing basis. Throughout the review period they remained independent of character and their judgement has not been impaired in any way.

Given the above, the committee is of the opinion that it has appropriately addressed its key responsibilities in respect of, amongst others, internal control, financial accounting control, stakeholder reporting and statutory and regulatory requirements.

……………………………..

MS Paruk
Chairman: audit committee

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 AND COMPANY SECRETARY STATEMENT

The directors have pleasure in presenting their report for the year ended 31 December 2011.

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), Kingsmead (Durban), Overport (Durban), Laudium (Pretoria), Lenasia (Johannesburg) and corporate offices in Cape Town, Durban, Johannesburg and Port Elizabeth.

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

Share capital

The authorised share capital of the company comprises 30,0 million (2010: 30,0 million) ordinary shares of R10 each amounting to R300,0 million (2010: R300,0 million). The issued share capital of the company comprises 22,5 million (2010: 15,0 million) ordinary shares of R10 each amounting to R225,0 million (2010: R150,0 million).

In order to increase the bank's qualifying capital, 7,5 million new ordinary shares were offered to existing shareholders in terms of a non-renounceable rights issue. The effective date of issue was 31 March 2011, as further detailed in note 12.

Financial results

The results of the group and the company for the year ended 31 December 2011 are set out on pages 36 to 87.

Group structure

Albaraka Properties Proprietary Limited, a wholly-owned subsidiary of Albaraka Bank Limited, is in the process of being dissolved. On 27 October 2011, the board of directors of Albaraka Properties Proprietary Limited resolved to deregister Albaraka Properties Proprietary Limited and, therefore, classified it as a disposal group held for distribution. The residual assets will be distributed to the holding company, Albaraka Bank Limited, in terms of Section 47 of the Income Tax Act, Section 8(25) of the VAT Act and Section 9(1)(l)(iii) of the Transfer Duties Act.

The intention of the deregistration is to align the business treatment of the Kingsmead property with the initial intent of the group, which was to utilise the property as owner-occupied. The dissolution is due to be completed by 30 June 2012 and as at 31 December 2011, processes for the unwinding and transfer of the assets were in progress. Delays were experienced due to the obtaining of tax and municipal clearance certificates, which resulted in the dissolution being held over to the 2012 financial year. As at 31 December 2011, the total assets and liabilities of Albaraka Properties Proprietary Limited were classified as a disposal group held for distribution to the owners and is disclosed as a discontinued operation in its separate financial statements.

In light of the aforementioned, Albaraka Properties Proprietary Limited is no longer regarded as a going concern and will be consolidated in the statement of comprehensive income to the extent of its trading activities for the 2012 financial period.

Dividends

On 17 March 2011, the directors declared a dividend of 45 cents (2010: 45 cents) per share amounting to R6,75 million (2010: R6,75 million) paid to shareholders registered as at the close of business on 28 February 2011.

Events after the reporting period

On 16 March 2012 the directors declared a dividend of 45 cents (2011: 45 cents) per share amounting to R10,13 million (2011: R6,75 million) payable on 29 June 2012 to shareholders registered as at close of business on 8 June 2012.

Directors

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

Non-executive

AA Yousif, Chairman, Bahraini
SA Randeree, Vice chairman, British ****
OA Suleiman, Sudanese ***
MG McLean **

Independent non-executive
F Kassim, Sri Lankan
A Lambat, CA (SA)
Adv. AB Mahomed SC
MS Paruk, CA (SA)
YM Paruk
M Youssef Baker, Egyptian *

Executive
SAE Chohan, CA (SA), Chief executive
MJD Courtiade, CA (SA), Financial director, French

**** Independent from 16 March 2012

*** Retired on 01 January 2012

** Retired March 2011 as Deputy chief executive, appointed as non-executive director March 2011.

* Independent from 01 February 2011.

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

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

Postal address
P O Box 4395
Durban
4000

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

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
19 April 2012

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	Group			Company		
		2011	2010 Restated	2010 Restated 01 Jan	**2011**	2010 Restated	2010 Restated 01 Jan
		R'000	R'000	R'000	**R'000**	R'000	R'000
Assets							
Property and equipment	3	**100 435**	98 882	95 264	**79 017**	81 866	83 618
Investment properties	4	**10 682**	10 339	-			
Intangible assets	5	**19 007**	22 713	19 839	**19 007**	22 713	19 839
Investment in and amount due by subsidiary company	6				**15 045**	18 192	7 636
Deferred tax asset	7	**3 019**	5 831	7 193	**8 755**	9 578	7 388
Investment securities	8	**7 576**	7 239	6 535	**7 576**	7 239	6 535
Advances and other receivables	9	**2 825 687**	2 394 556	2 057 087	**2 825 529**	2 394 436	2 057 084
South African Revenue Service	10	**1 899**	3 082	1 817	**1 899**	3 082	1 392
Cash and cash equivalents	11	**277 392**	282 382	192 901	**277 392**	282 382	192 901
Total assets		**3 245 697**	2 825 024	2 380 636	**3 234 220**	2 819 488	2 376 393
Equity and liabilities							
Equity							
Share capital	12	**225 000**	150 000	150 000	**225 000**	150 000	150 000
Share premium	12	**29 866**	-	-	**29 866**	-	-
Reserves		**91 782**	82 681	78 377	**81 043**	79 253	77 804
Shareholders' interests		**346 648**	232 681	228 377	**335 909**	229 253	227 804
Liabilities							
Welfare and charitable funds	13	**2 795**	2 812	7 233	**2 795**	2 812	7 233
Accounts payable	14	**9 791**	14 340	10 969	**9 098**	12 418	7 299
South African Revenue Service	15	**1 094**	968	501	**1 049**	782	501
Provision for leave pay	16	**4 341**	3 609	3 896	**4 341**	3 609	3 896
Deposits from customers	17	**2 881 028**	2 570 614	2 129 660	**2 881 028**	2 570 614	2 129 660
Total liabilities		**2 899 049**	2 592 343	2 152 259	**2 898 311**	2 590 235	2 148 589
Total equity and liabilities		**3 245 697**	2 825 024	2 380 636	**3 234 220**	2 819 488	2 376 393

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Group		Company	
		2011	2010 Restated	**2011**	2010 Restated
		R'000	R'000	**R'000**	R'000
Income earned from advances		**204 529**	180 378	**204 529**	180 378
Income earned from equity finance		**26 399**	37 060	**26 399**	37 060
Gross income earned		**230 928**	217 438	**230 928**	217 438
Income paid to depositors	18	**(124 829)**	(123 002)	**(124 829)**	(123 002)
Net income before impairment for credit losses		**106 099**	94 436	**106 099**	94 436
Impairment for credit losses	9.3.3	**(895)**	(506)	**(895)**	(506)
Net income after impairment for credit losses		**105 204**	93 930	**105 204**	93 930
Net non-Islamic income	19	**-**	-	**-**	-
Fee and commission income	20	**17 623**	12 315	**17 823**	12 515
Other operating income	21	**2 306**	2 018	**5 999**	7 743
Net income from operations		**125 133**	108 263	**129 026**	114 188
Operating expenditure	22	**(99 320)**	(91 725)	**(103 032)**	(94 876)
Finance costs				**(9 480)**	(9 181)
Profit before taxation		**25 813**	16 538	**16 514**	10 131
Taxation	23	**(9 962)**	(5 484)	**(7 974)**	(1 932)
Total comprehensive income for the year, net of tax, attributable to equity holders		**15 851**	11 054	**8 540**	8 199
Weighted average number of shares in issue ('000)		**20 625**	15 000		
Basic and diluted earnings per share (cents)	24	**76,9**	73,7		

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Share premium	Investment risk reserve	Retained income	General credit risk reserve	Regulatory credit risk reserve	Shareholders' interest
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group							
2011							
Balance at beginning of year	**150 000**		**-**	**82 681**	**-**	**-**	**232 681**
Rights issue	**75 000**	**30 000**					**105 000**
Share issue costs		**(134)**					**(134)**
Total comprehensive income				**15 851**			**15 851**
Dividends paid				**(6 750)**			**(6 750)**
Balance at end of year	**225 000**	**29 866**	**-**	**91 782**	**-**	**-**	**346 648**
2010 Restated							
Balance at beginning of year	150 000		2 605	64 516	600	10 656	228 377
Transfer to/(from) reserves			(2 605)	13 861	(600)	(10 656)	-
Total comprehensive income				11 054			11 054
Dividends paid				(6 750)			(6 750)
Balance at end of year	150 000		-	82 681	-	-	232 681

	Share capital	Share premium	Investment risk reserve	Retained income	General credit risk reserve	Regulatory credit risk reserve	Shareholders' interest
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Company							
2011							
Balance at beginning of year	**150 000**		**-**	**79 253**	**-**	**-**	**229 253**
Rights issue	**75 000**	**30 000**					**105 000**
Share issue costs		**(134)**					**(134)**
Total comprehensive income				**8 540**			**8 540**
Dividends paid				**(6 750)**			**(6 750)**
Balance at end of year	**225 000**	**29 866**	**-**	**81 043**	**-**	**-**	**335 909**
2010 Restated							
Balance at beginning of year	150 000		2 605	63 943	600	10 656	227 804
Transfer to/(from) reserves			(2 605)	13 861	(600)	(10 656)	-
Total comprehensive income				8 199			8 199
Dividends paid				(6 750)			(6 750)
Balance at end of year	150 000		-	79 253	-	-	229 253

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Group 2011 R'000	Group 2010 Restated R'000	Company 2011 R'000	Company 2010 Restated R'000
Cash flow from operating activities					
Cash generated from operations	26.1	**33 678**	21 125	**24 636**	12 990
Changes in working capital	26.2	**(122 549)**	106 326	**(121 168)**	107 783
Taxation paid	26.3	**(7 117)**	(7 386)	**(7 117)**	(7 633)
Dividends paid	26.4	**(6 750)**	(6 750)	**(6 750)**	(6 750)
Increase in South African Revenue Service liability	33	**229**	210	**229**	210
Net cash (outflow)/inflow from operating activities		**(102 509)**	113 525	**(110 170)**	106 600
Cash flow from investing activities					
Purchase of property and equipment	26.5	**(7 023)**	(8 619)	**(6 852)**	(7 477)
Purchase of investment properties	26.6	**(343)**	(10 339)		
Purchase of intangible assets	26.7	**(401)**	(5 345)	**(401)**	(5 345)
Purchase of investment securities		**(42)**	(27)	**(42)**	(27)
Proceeds from disposal of property and equipment		**14**	79	**14**	79
Dividend income		**448**	207	**4 448**	6 207
Decrease/(increase) in investment in and amount due by subsidiary				**3 147**	(10 556)
Net cash (outflow)/inflow from investing activities		**(7 347)**	(24 044)	**314**	(17 119)
Cash flow from financing activities					
Proceeds from rights issue		**104 866**		**104 866**	
Net cash inflow from financing activities		**104 866**	-	**104 866**	-
Net (decrease)/increase for the year		**(4 990)**	89 481	**(4 990)**	89 481
Cash and cash equivalents at beginning of year		**282 382**	192 901	**282 382**	192 901
Cash and cash equivalents at end of year	11	**277 392**	282 382	**277 392**	282 382

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, Durban, 4001. The consolidated financial statements of the company for the year ended 31 December 2011 comprise the company and its subsidiary (together referred to as the "group").

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

2. Basis of preparation

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

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

Use of significant estimates and judgements

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

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

In determining the rate intrinsic in finance leases, the group estimates any unguaranteed residual value which may be realised at the end of the lease. This unguaranteed residual is compared to the fair value of the underlying asset 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 4, Property and equipment.

The impairment on advances comprises a specific 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 five years has been used as the basis for providing the portfolio impairment. Management considers external economic and other indicators for their impact on the advances book and consequently the portfolio impairment. Another factor that is considered during this process and which requires management judgement applies to the weighting of security cover per product type.

In determining the financial impact of the error related to the manner in which some employees were categorised in terms of their retirement contributions, management was required to apply judgement and estimates in calculating the taxation liability due. In making these estimates, management considered historical taxation rates, prescribed rates of interest and penalties that may be levied by revenue authorities and the timing of when these liabilities arose.

3. Basis of consolidation

Investment in subsidiary

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

3. Basis of consolidation (continued)

Investment in subsidiary (continued)

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

Transactions eliminated on consolidation

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

4. Property and equipment

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

Buildings – Owned	50 years
Buildings – Leased	15 years
Tank containers	20 years
Equipment	5 - 10 years
Vehicles	3 - 5 years
Computer software	3 - 5 years
Computer hardware	3 - 5 years
Leasehold improvements	3 -10 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.

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 an 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, loans and borrowings, and accounts payable.

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

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

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

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 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.

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

Fair value measurement
The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques which include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist and valuation models.

The group uses widely recognised valuation models for determining fair value of common and more simple financial instruments where inputs into models are market observable.

For more complex instruments, the group uses proprietary models which are usually developed from recognised valuation models.

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

This initial difference, usually an increase in fair value indicated by valuation techniques is recognised in profit for the year depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable. The group complies with International Accounting Standard (IAS) 39 - Financial intruments: recognition and measurement, and day one gains are immaterial to the operations of the group.

8. Financial instruments (continued)

Fair value measurement (contiuned)

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, liquidity risks as well as other factors. These adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

Non-derivative financial liabilities

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

Guarantees

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

9. Impairment of financial assets

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

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

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

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

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

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

10. Income tax expense

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

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

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

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised

only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

11. Revenue recognition

Income from Islamic activities

Income from Islamic activities comprises:

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

Non-Islamic income

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

Dividend income

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

12. Leases

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

Group as a lessee

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

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

14. Investment properties

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

Investment properties are derecognised when either 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 deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes

14. Investment properties (continued)

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.

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 is 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;
- Its intention to complete and its 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 years
Capitalised project costs	3 – 8 years

Computer software comprises acquired third party software and capitalised project costs represent internally generated costs.

16. Employee benefits

Defined contribution plan

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

Short-term employee benefits

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

17. Earnings per share

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

18. Related parties

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

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

Close member of the family of an individual includes:

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

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 II in terms of the Banks Act, No. 94 of 1990, as amended and Regulations relating thereto.

The bank has a wholly-owned subsidiary, which is a property owning company. The subsidiary is consolidated for accounting purposes and group annual financial statements are prepared annually. The subsidiary is consolidated for regulatory purposes in accordance with Regulation 36(2) of the Banks Act and Regulations.

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

Capital structure

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

At 31 December 2011 the minimum regulatory capital requirement of the bank was 9,5% (2010: 9,5%) of risk-weighted assets. The capital structure of the bank was as follows:

	2011	2010 Restated
	R'000	R'000
Regulatory capital		
Tier 1		
Share capital	**225 000**	150 000
Share premium	**29 866**	-
Retained income	**81 043**	79 253
Total capital & reserves	**335 909**	229 253
Less: Prescribed deductions against capital and reserve funds	**(19 007)**	(22 713)
Total Tier 1 capital	**316 902**	206 540
Tier 2		
Portfolio impairment (net of deferred tax)	**7 201**	5 955
Total eligible capital	**324 103**	212 495
Capital adequacy ratios (Tier 1 %)	**12,8%**	9,8%
Capital adequacy ratios (Total %)	**13,1%**	10,1%

1. Capital Adequacy (continued)

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 2011, 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	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Credit risk	**201 097**	168 013	**2 116 811**	1 768 557
Operational risk	**18 887**	17 053	**198 811**	179 500
Equity risk	**2 149**	2 416	**22 621**	25 431
Market risk	**1 610**	257	**16 950**	2 709
Other risk	**10 831**	11 949	**114 012**	125 780
	234 574	199 688	**2 469 205**	2 101 977

2. Risk management and assessment

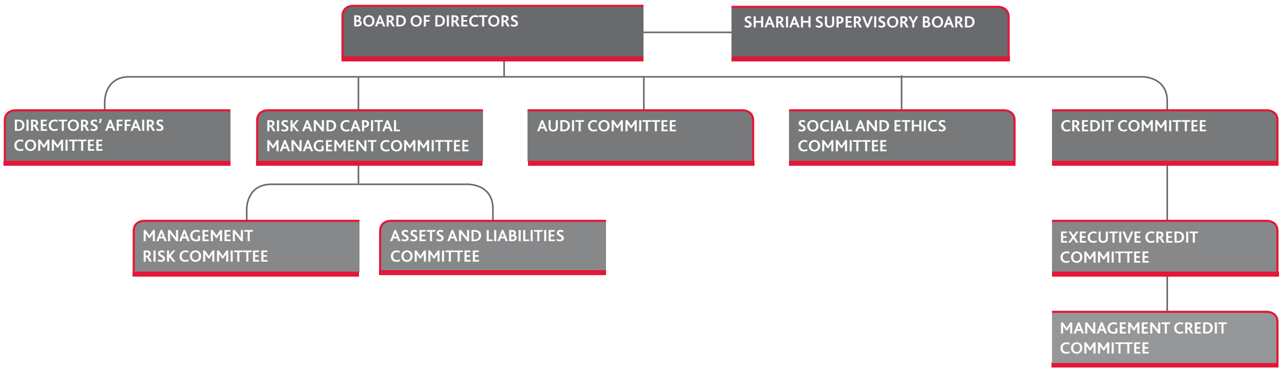
Whilst the board is ultimately responsible for risk management and to determine the type and level of risk which the bank is willing to accept in conducting its banking activities, the effective management of risk has been delegated to five board committees, namely, the risk and capital management committee,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

These committees are assisted by management committees (more particularly, the assets and liabilities committee (ALCO), the executive credit committee, and the management risk committee) to discharge their responsibilities effectively. The composition, terms of reference and delegated powers of authority of the board and management committees are set by the board and are reviewed annually.

The board and management committees are responsible for developing and monitoring risk management policies and programmes in their specified areas. These policies and programmes are established to identify and analyse risks faced by the bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

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

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



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

Major risks
The following are the major forms of risks to which the bank is exposed:
- Credit risk;
- Market risk;
- Equity risk;
- Liquidity risk;
- Profit rate risk;
- Shariah risk;
- Operational risk;
- Compliance risk; and
- Other risk.

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

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

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

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

2. Risk management and assessment (continued)

2.1 Credit risk (continued)
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 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.

	Group and Company	
	2011	2010
	R'000	R'000
Credit exposures		
Advances to customers	**2 378 647**	1 934 667
Advances and balances with banks	**516 224**	546 398
Advances and balances with central bank	**219 552**	205 688
Letters of credit, guarantees and confirmations	**125 516**	147 612
Total exposure	**3 239 939**	2 834 365
Impairment of advances	**(16 319)**	(14 705)
Net exposure	**3 223 620**	2 819 660

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

Geographical distribution of exposures		
Customer exposure		
KwaZulu-Natal	**1 367 204**	1 186 379
Gauteng	**772 659**	596 363
Western Cape	**364 300**	299 537
Total customer exposure	**2 504 163**	2 082 279
Bank exposure		
KwaZulu-Natal	**7 586**	12 176
Gauteng	**728 190**	739 910
Total Bank exposure	**735 776**	752 086
Total exposure	**3 239 939**	2 834 365
Industry distribution of exposures		
Banks and financial institutions	**735 776**	752 086
Individuals	**711 337**	555 960
Other services	**1 792 826**	1 526 319
Total exposure	**3 239 939**	2 834 365

2. Risk management and assessment (continued)

2.1 Credit risk (continued)

Product distribution analysis

	Group and Company 2011 R'000	Group and Company 2010 R'000
Property (Musharaka and Murabaha)	**1 619 299**	1 290 250
Equity finance	**461 480**	471 650
Instalment sales	**397 834**	336 085
Trade	**360 771**	307 705
Balances with local and central banks	**274 296**	280 436
Letters of credit	**3 279**	2 470
Guarantees and confirmations	**122 237**	145 142
Other	**743**	627
Total exposure	**3 239 939**	2 834 365

Residual contractual maturity of book

		Group and Company 2011 R'000	Group and Company 2010 R'000
Within 1 month	- equity finance	**282 392**	153 933
	- other	**339 074**	312 552
From 1 to 3 months	- equity finance	**179 088**	195 621
	- other	**306 517**	291 904
From 3 months to 1 year	- equity finance	**-**	122 096
	- other	**393 006**	378 835
From 1 year to 5 years		**986 731**	805 834
More than 5 years		**753 131**	573 590
Total exposure		**3 239 939**	2 834 365

	Group and Company							
	Advances to customers		Advances and balances with banks		Other exposures		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000
Past due and individually impaired								
Standard category	**-**	-	**-**	-	**-**	-	**-**	-
Special mention category	**-**	-	**-**	-	**-**	-	**-**	-
Sub-standard category	**11 032**	7 577	**-**	-	**-**	-	**11 032**	7 577
Doubtful category	**1 367**	5 556	**-**	-	**-**	-	**1 367**	5 556
Loss category	**15 957**	20 903	**-**	-	**-**	-	**15 957**	20 903
Gross amount	**28 356**	34 036	**-**	-	**-**	-	**28 356**	34 036
Specific impairment	**(6 316)**	(6 434)	**-**	-	**-**	-	**(6 316)**	(6 434)
Carrying amount	**22 040**	27 602	**-**	-	**-**	-	**22 040**	27 602
Past due but not impaired								
Standard category	**435 930**	242 410	**-**	-	**-**	-	**435 930**	242 410
Special mention category	**228 014**	224 789	**-**	-	**-**	-	**228 014**	224 789
Sub-standard category	**19 270**	3 005	**-**	-	**-**	-	**19 270**	3 005
Doubtful category	**4 803**	9 039	**-**	-	**-**	-	**4 803**	9 039
Loss category	**23 753**	13 946	**-**	-	**-**	-	**23 753**	13 946
Carrying amount	**711 770**	493 189	**-**	-	**-**	-	**711 770**	493 189
Neither past due nor impaired								
Standard category	**1 638 520**	1 407 442	**735 776**	752 086	**125 516**	147 612	**2 499 812**	2 307 140
Carrying amount	**1 638 520**	1 407 442	**735 776**	752 086	**125 516**	147 612	**2 499 812**	2 307 140
Total carrying amount before portfolio impairment	**2 372 330**	1 928 233	**735 776**	752 086	**125 516**	147 612	**3 233 622**	2 827 931
Portfolio impairment - Standard category	**(10 002)**	(8 271)	**-**	-	**-**	-	**(10 002)**	(8 271)
Net carrying amount	**2 362 328**	1 919 962	**735 776**	752 086	**125 516**	147 612	**3 223 620**	2 819 660

The bank holds collateral against advances to customers in the form of mortgage interests over property or other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of the advance and are updated for commercial property and residential property supporting a revolving facility which are assessed on a three-year interval based on independent valuations. In other instances collateral is re-assessed when an advance is individually assessed as impaired. Collateral is generally not held over advances to banks. Financial assets classified as neither past due nor impaired are well diversified with 63% invested in property transactions, 18% in instalment sale transactions (equipment and motor vehicle) and 19% in trade finance transactions. All of the above exposures are collateralised in the form of property, assets, personal sureties and company guarantees.

The maximum exposure to credit risk is calculated as being the maximum amount payable by customers, banks and other financial institutions (refer to note 29).

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.

	Group and Company	
	Credit Exposure 2011 R'000	Collateral cover 2011 R'000
Collateral is allocated per asset class as follows:		
Standard Asset	**2 074 450**	**1 725 546**
Special Mention Asset	**228 014**	**232 651**
Sub-standard Asset	**30 302**	**31 192**
Doubtful Asset	**6 170**	**11 261**
Loss Asset	**39 710**	**43 013**
	2 378 646	**2 043 663**

	Group and Company	
	2011 R'000	2010 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	**13 183**	12 376
- Other customers	**15 173**	21 660
	28 356	34 036
Past due but not impaired		
- Individuals	**182 509**	118 696
- Other customers	**529 261**	374 493
	711 770	493 189

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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000
Individuals	**144 804**	80 148	**24 814**	20 982	**5 077**	7 464	**7 814**	10 102	**182 509**	118 696
Other customers	**488 807**	334 385	**22 925**	27 187	**7 893**	7 323	**9 636**	5 598	**529 261**	374 493
	633 611	414 533	**47 739**	48 169	**12 970**	14 787	**17 450**	15 700	**711 770**	493 189

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

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

		Group and Company	
		2011	2010
		R'000	R'000
Assets held under interest rate risk	- Treasury bills	**53 691**	97 282
Assets held under exchange rate risk	- Foreign currency held	**1 356**	217
		55 047	97 499

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, which sole assets are properties held in Athlone (Cape Town) and Kingsmead (Durban). In addition, the bank owns 9,4% in Kiliminjaro Investments Limited, a property holding company which owns a property in Durban. The fair values of the underlying properties are obtained by an independent valuation on a periodic basis and compared to the cost of these investments to identify any need for impairment. The bank also has an investment in unit trusts which is classified as fair-value-through-profit-or-loss and is subject to regular monitoring by management and the board, but is not currently significant in relation to the overall results and financial position of the group.

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

Liquidity risk is managed mainly by ensuring that the funding of the bank is sourced from a wide range of retail deposits with an appropriate spread of short, medium and long-term maturities. Exposure to large deposits is strictly controlled. ALCO monitors and reviews the maturity profiles of the bank's assets and liabilities on a regular basis to ensure that appropriate liquidity levels are maintained to meet future commitments.

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

Refer to note 29 for details relating to liquidity risk management.

2. Risk management and assessment (continued)

2.5 Profit rate risk

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

2.6 Shariah risk

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

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

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

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

2.7 Operational risk

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

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

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

2.8 Compliance risk

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

2.9 Other risk

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

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000

3. Property and Equipment

Cost				
Land and buildings	**76 237**	76 066	**63 444**	63 444
Vehicles	**2 914**	2 708	**2 914**	2 708
Equipment and computers	**41 083**	39 000	**41 083**	39 000
Leasehold improvements	**12 786**	10 328	**13 325**	10 867
Tank containers	**7 145**	7 145	**7 145**	7 145
Capital work in progress	**2 337**	-	**2 337**	-
	142 502	135 247	**130 248**	123 164
Accumulated depreciation and impairment	**(42 067)**	(36 365)	**(51 231)**	(41 298)
Land and buildings	**-**	-	**(9 164)**	(4 933)
Vehicles	**(1 390)**	(1 019)	**(1 390)**	(1 019)
Equipment and computers	**(27 767)**	(24 919)	**(27 767)**	(24 919)
Leasehold improvements	**(8 629)**	(6 453)	**(8 629)**	(6 453)
Tank containers	**(4 281)**	(3 974)	**(4 281)**	(3 974)
	100 435	98 882	**79 017**	81 866

Land and buildings comprise the following commercial properties as described below:

1. Commercial property in Cape Town described as Erf no. 33983 Cape Town in extent 610 square metres independently valued at R9,8 million in 2010. The property is leased partly to the bank and partly to third parties. The leases contain an initial non-cancellable period of three years. Commercial property comprises land and buildings at cost.	**3 655**	3 655		
2. Commercial property in Durban described as Portion 6 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is leased to the bank. The lease contains an initial non-cancellable period of ten years. The property was independently valued at R72,0 million in 2009. Commercial property comprises land at a cost of R3,5 million (2010: R3,5 million) and buildings thereon at a cost of R69,1 million (2010: R68,9 million).	**72 582**	72 411		

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
3. Property and Equipment (continued)				
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. In determining the fair value of the property, the minimum lease payments were discounted taking into consideration an unguaranteed residual of R72,0 million (2010: R72,0 million) and calculating a rate intrinsic in the lease 14,3% (2010:14,3%).			**54 280**	58 511
	76 237	76 066	**54 280**	58 511
Carrying value at beginning of year	**76 066**	74 385	**58 511**	62 739
Additions	**171**	1 681	**-**	-
Depreciation	**-**	-	**(4 231)**	(4 228)
	76 237	76 066	**54 280**	58 511

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							
Group							
2011							
Net carrying value at beginning of year	**76 066**	**1 689**	**14 081**	**3 875**	**3 171**	**-**	**98 882**
Additions	**171**	**206**	**2 111**	**2 458**	**-**	**2 077**	**7 023**
Transfers	**-**	**-**	**-**	**-**	**-**	**260**	**260**
Disposals	**-**	**-**	**(24)**	**-**	**-**	**-**	**(24)**
Depreciation for the year	**-**	**(371)**	**(2 845)**	**(2 176)**	**(307)**	**-**	**(5 699)**
Impairment for the year	**-**	**-**	**(7)**	**-**	**-**	**-**	**(7)**
Net carrying value at end of year	**76 237**	**1 524**	**13 316**	**4 157**	**2 864**	**2 337**	**100 435**
2010							
Net carrying value at beginning of year	74 385	1 443	11 674	2 630	3 478	1 654	95 264
Additions	1 681	669	3 288	2 494	-	487	8 619
Transfers	-	-	2 141	-	-	(2 141)	-
Disposals	-	(13)	(10)	-	-	-	(23)
Depreciation for the year	-	(410)	(2 965)	(1 249)	(307)	-	(4 931)
Impairment for the year	-	-	(47)	-	-	-	(47)
Net carrying value at end of year	76 066	1 689	14 081	3 875	3 171	-	98 882

	Land and buildings R'000	Vehicles R'000	Equipment and computers R'000	Leasehold improvements R'000	Tank containers R'000	Capital work in progress R'000	Total R'000
Movement in property and equipment							
Company							
2011							
Net carrying value at beginning of year	**58 511**	**1 689**	**14 081**	**4 414**	**3 171**	**-**	**81 866**
Additions	**-**	**206**	**2 111**	**2 458**	**-**	**2 077**	**6 852**
Transfers	**-**	**-**	**-**	**-**	**-**	**260**	**260**
Disposals	**-**	**-**	**(24)**	**-**	**-**	**-**	**(24)**
Depreciation for the year	**(4 231)**	**(371)**	**(2 845)**	**(2 176)**	**(307)**	**-**	**(9 930)**
Impairment for the year	**-**	**-**	**(7)**	**-**	**-**	**-**	**(7)**
Net carrying value at end of year	**54 280**	**1 524**	**13 316**	**4 696**	**2 864**	**2 337**	**79 017**
2010							
Net carrying value at beginning of year	62 739	1 443	11 674	2 630	3 478	1 654	83 618
Additions	-	669	3 288	3 033	-	487	7 477
Transfers	-	-	2 141	-	-	(2 141)	-
Disposals	-	(13)	(10)	-	-	-	(23)
Depreciation for the year	(4 228)	(410)	(2 965)	(1 249)	(307)	-	(9 159)
Impairment for the year	-	-	(47)	-	-	-	(47)
Net carrying value at end of year	58 511	1 689	14 081	4 414	3 171	-	81 866

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
4. Investment properties				
Balance at beginning of year	**10 339**	-		
Additions	**343**	10 339		
Balance at end of year	**10 682**	10 339		

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.

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000

4. Investment properties (continued)

The Group carries investment properties at historic cost less provision for depreciation and impairment. The cost of the properties was considered to be equal to their fair value at the time of acquisition. The investment property was independently valued at R11,4 million as at 31 December 2011. The valuation was performed by RM Roper & Associates, industry specialists in valuing these types of investment properties.

5. Intangible assets

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Cost				
Computer software	**1 578**	1 250	**1 578**	1 250
Capitalised project costs	**24 843**	25 037	**24 843**	25 037
	26 421	26 287	**26 421**	26 287
Accumulated amortisation and impairment	**(7 414)**	(3 574)	**(7 414)**	(3 574)
Computer software	**(946)**	(619)	**(946)**	(619)
Capitalised project costs	**(6 468)**	(2 955)	**(6 468)**	(2 955)
	19 007	22 713	**19 007**	22 713

	Computer software	Capitalised project costs	Capital work in progress	Total
	R'000	R'000	R'000	R'000
Movement in intangible assets				
Group and company				
2011				
Net carrying value at beginning of year	631	22 082	-	22 713
Additions	328	73	-	401
Transfers	-	(266)	-	(266)
Amortisation for the year	(327)	(3 514)	-	(3 841)
Net carrying value at end of year	632	18 375	-	19 007

	Computer software	Capitalised project costs	Capital work in progress	Total
	R'000	R'000	R'000	R'000
Movement in intangible assets				
Group and company				
2010				
Net carrying value at beginning of year	637	4 644	14 558	19 839
Additions	336	94	4 915	5 345
Transfers	-	19 473	(19 473)	-
Amortisation for the year	(342)	(2 129)	-	(2 471)
Net carrying value at end of year	631	22 082	-	22 713

	Company	
	2011	2010
	R'000	R'000
6. Investment in and amount due by subsidiary company		
Albaraka Properties Proprietary Limited is 100% (2010: 100%) owned by Albaraka Bank Limited.		
The issued share capital of Albaraka Properties Proprietary Limited comprises 100 shares of R1 each (2010: 100 shares of R1 each).		
Shares at cost	*	*
Due by subsidiary	**15 045**	18 192
- Loan account	**83 097**	84 247
- Finance lease liability (note 30.3)	**(68 052)**	(66 055)
	15 045	18 192

* Amount less than R1 000.

The amount due by the subsidiary is profit-free.

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. The remaining balance is repayable on demand.

The bank's subsidiary is in the process of being dissolved, whereby the residual assets of the subsidiary will be taken up by the bank. The dissolution has been approved by the directors and shareholders of Albaraka Properties Proprietary Limited in terms of the Companies Act of South Africa. The dissolution of the bank's subsidiary is expected to be concluded within the ensuing twelve months.

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000

7. Deferred tax asset

Balance at beginning of year	**5 831**	7 193	**9 578**	7 388
Transfers to profit for the year	**(745)**	(1 351)	**3 033**	2 201
Derecognition of temporary differences arising on finance lease			**(3 856)**	-
Impairment of accumulated tax credits in subsidiary	**(2 067)**	-		
Transfers to welfare and charitable funds	**-**	(11)	**-**	(11)
Balance at end of year	**3 019**	5 831	**8 755**	9 578

The deferred tax asset comprises the following:

Temporary differences arising on finance lease			**3 856**	2 113
Derecognition of temporary differences arising on finance lease			**(3 856)**	-
Deferred tax on accumulated tax credits in subsidiary	**3 190**	3 679		
Impairment of accumulated tax credits in subsidiary	**(2 067)**	-		
Temporary differences on financial assets	**56**	139	**56**	139
Impairment for doubtful advances	**1 326**	1 351	**1 326**	1 351
Other provisions	**9 280**	6 987	**9 300**	7 000
Prepaid expenses	**(100)**	(208)	**(93)**	(203)
Intangible assets, plant and equipment	**(8 666)**	(6 117)	**(1 834)**	(822)
	3 019	5 831	**8 755**	9 578

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. The temporary differences that arose on the finance lease between the bank and its subsidiary will no longer be realised over the period of the lease, due the impending dissolution of Albaraka Properties Proprietary Limited. In view of this, the deferred tax asset on the finance lease has been derecognised in the current year as the recovery thereof is no longer probable. The deferred tax asset created by the accumulated tax credits in the bank's subsidiary, has been impaired by the group in the current year. Due to the dissolution of Albaraka Properties Proprietary Limited, it is no longer probable that the deferred tax asset will be fully recouped through future taxable profits. In determining the realisable value of the deferred tax asset, management has considered; the likely period of future operations, the estimated income, expenditure and profits that will be derived over this period, the effect of any exceptional transactions that are not expected to re-occur, the application of relevant tax legislation and tax rates, as well as future tax planning strategies. As a result of the aforementioned, the deferred tax asset was impaired by R2,1 million in the current year.

8. Investment securities

Unit trust investments				
Fair value at beginning of year	**4 639**	3 935	**4 639**	3 935
Additions at cost	**42**	27	**42**	27
Fair value gains	**295**	677	**295**	677
Fair value at end of year	**4 976**	4 639	**4 976**	4 639
Unlisted investments				
Kiliminjaro Investment Limited, at cost	**2 600**	2 600	**2 600**	2 600
	7 576	7 239	**7 576**	7 239

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000

The bank's investment in unit trusts comprise 409 055 units (2010: 405 522 units) in the Old Mutual Albaraka Equity Fund. The cost of this investment is R5,2 million (2010: R5,1 million) and is designated as a fair-value-through-profit-or-loss financial instrument 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 Limited is a property owning company of which the bank owns 9,4% (2010: 9,4%). The investment is classified as an available-for-sale financial instrument which is measured at cost, due to the fair value being indeterminable as there is no active market for unlisted shares of this nature.

9. Advances and other receivables

9.1 Sectoral analysis				
Advances to customers				
Property (Musharaka and Murabaha)	**1 619 299**	1 290 250	**1 619 299**	1 290 250
Instalment sale	**397 834**	336 085	**397 834**	336 085
Trade	**360 771**	307 705	**360 771**	307 705
Other	**743**	627	**743**	627
Gross advances to customers	**2 378 647**	1 934 667	**2 378 647**	1 934 667
Provision for impairment of doubtful advances	**(16 319)**	(14 705)	**(16 319)**	(14 705)
Net advances to customers	**2 362 328**	1 919 962	**2 362 328**	1 919 962
Advances to banks				
Equity finance	**461 480**	471 650	**461 480**	471 650
Net advances	**2 823 808**	2 391 612	**2 823 808**	2 391 612
Other receivables	**1 879**	2 944	**1 721**	2 824
	2 825 687	2 394 556	**2 825 529**	2 394 436

Included under property are Musharaka advances amounting to R1 548,7 million (2010: R1 221,8 million)

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
9. Advances and other receivables (continued)				
9.2 Maturity analysis				
Advances to customers				
Within 1 month	**147 813**	152 864	**147 813**	152 864
From 1 month to 3 months	**235 756**	175 025	**235 756**	175 025
From 3 months to 1 year	**341 116**	312 541	**341 116**	312 541
From 1 year to 5 years	**973 161**	785 779	**973 161**	785 779
More than 5 years	**680 801**	508 458	**680 801**	508 458
	2 378 647	1 934 667	**2 378 647**	1 934 667
Equity finance				
Within 1 month	**282 392**	153 933	**282 392**	153 933
From 1 month to 3 months	**179 088**	195 621	**179 088**	195 621
From 3 months to 1 year	**-**	122 096	**-**	122 096
	461 480	471 650	**461 480**	471 650
9.3 Analysis of impairment for doubtful advances				
9.3.1 Specific impairments	**6 316**	6 434	**6 316**	6 434
Balance at beginning of year	**6 434**	9 692	**6 434**	9 692
(Release)/charge to profit for the year	**(5)**	695	**(5)**	695
Bad debts written off	**(113)**	(3 953)	**(113)**	(3 953)
9.3.2 Portfolio impairments	**10 002**	8 271	**10 002**	8 271
Balance at beginning of year	**8 271**	7 400	**8 271**	7 400
Charge to profit for the year	**1 731**	871	**1 731**	871
	16 318	14 705	**16 318**	14 705
9.3.3 Impairment for credit losses				
Specific impairments	**(5)**	695	**(5)**	695
Portfolio impairments	**1 731**	871	**1 731**	871
Bad debts recovered	**(831)**	(1 060)	**(831)**	(1 060)
	895	506	**895**	506

There was a net release of specific impairments of R5 000 for the year which was a result of impairments of R1 367 000 being raised and a further R1 372 000 being released. The net release is primarily due to an improvement in the credit collection process

	Group 2011	Group 2010	Company 2011	Company 2010
10. South African Revenue Service				
Income tax	**1 899**	3 082	**1 899**	3 082
	1 899	3 082	**1 899**	3 082

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000

11. Cash and cash equivalents

Cash on hand	**3 096**	1 946	**3 096**	1 946
Government and other stock	**53 691**	97 282	**53 691**	97 282
Funds at call	**-**	3 050	**-**	3 050
Balances with Central Bank	**165 861**	108 406	**165 861**	108 406
Placements with other banks	**54 744**	71 698	**54 744**	71 698
	277 392	282 382	**277 392**	282 382
The following banking facilities are available to the group:				
Letters of credit and guarantees	**20 000**	20 000	**20 000**	20 000
Foreign exchange facilities	**2 752**	2 715	**2 752**	2 715
Settlement facilities	**14 200**	14 779	**14 200**	14 779
	36 952	37 494	**36 952**	37 494

Deposits with the Central Bank of R112,3 million (2010: R48,5 million) and in Government stock of R53,7 million (2010: R97,2 million) represent mandatory reserve deposits and are therefore not available for use in the bank's daily operations.

Funds at call in the sum of Rnil (2010: R3,0 million) were pledged with a financial institution, to secure the acceptance of the bank's guarantees, for financial transactions entered into in the normal course of business. This pledge was removed in 2011 with the bank's guarantees still being accepted by this institution.

12. Share capital and share premium

12.1 Authorised share capital

30 000 000 (2010: 30 000 000) ordinary shares of R10 each	**300 000**	300 000	**300 000**	300 000

12.2 Issued and fully paid share capital

22 500 000 (2010: 15 000 000) ordinary shares of R10 each	**225 000**	150 000	**225 000**	150 000

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000

12. Share capital and share premium (continued)

12.3 Share premium				
Balance at beginning of year	**-**	-	**-**	-
Increase due to rights issue	**30 000**	-	**30 000**	-
Costs related to rights issue	**(134)**	-	**(134)**	-
Balance at end of year	**29 866**	-	**29 866**	-

On 31 January 2011, the bank offered 7,5 million new ordinary shares (Rights offer shares) to existing shareholders in terms of a non-renounceable rights issue. The purpose of the rights issue was to increase the bank's qualifying capital, in order to comply with capital adequacy requirements under Basel II, in terms of the Banks Act, No. 94 of 1990 and Regulations relating thereto. The offer was underwritten by the holding company, Al Baraka Banking Group B.S.C.

The Rights offer shares were offered to shareholders in the ratio of one new ordinary share for every two ordinary shares held as at 25 January 2011. The Rights offer shares were offered at a subscription price of R14,00 each, comprising a nominal price of R10,00 and a premium of R4,00. The total value of shares offered through the rights issue was R105,0 million. The effective date of the issue was 31 March 2011 and was issued in accordance with the Companies Act of 1973.

13. Welfare and charitable funds

Gross income from non-Islamic activities during the year	**7 261**	8 594	**7 261**	8 594
Normal tax thereon	**(1 149)**	(1 821)	**(1 149)**	(1 821)
Net income from non-Islamic activities during the year	**6 112**	6 773	**6 112**	6 773
Donations and advances	**(6 129)**	(11 194)	**(6 129)**	(11 194)
Balance at beginning of year	**2 812**	7 233	**2 812**	7 233
Balance at end of year	**2 795**	2 812	**2 795**	2 812

14. Accounts payable

Sundry creditors	**4 608**	8 249	**4 608**	8 249
Accruals	**5 183**	6 091	**4 490**	4 169
	9 791	14 340	**9 098**	12 418

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.

	2011 R'000	2010 Restated R'000	2010 Restated 01 Jan R'000

15. South African Revenue Service

Group			
Value added taxation	**179**	283	26
South African Revenue Service liability (note 33)	**915**	685	475
	1 094	968	501
Company			
Value added taxation	**134**	97	26
South African Revenue Service liability (note 33)	**915**	685	475
	1 049	782	501

Payables to the South African Revenue Service in terms of value added taxation are settled within 30 days to avoid penalties and interest.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000

16. Provision for leave pay

Balance at beginning of year	**3 609**	3 896	**3 609**	3 896
Accrued and utilised during the year	**732**	(287)	**732**	(287)
Balance at end of year	**4 341**	3 609	**4 341**	3 609

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
17. Deposits from customers				
Participation investment accounts	**1 361 008**	1 289 164	**1 361 008**	1 289 164
Savings accounts	**15 437**	65 348	**15 437**	65 348
Monthly investment plan	**99 338**	77 370	**99 338**	77 370
Haj investment scheme	**91 106**	81 853	**91 106**	81 853
Regular income provider	**1 166 620**	953 608	**1 166 620**	953 608
Electronic banking	**104 744**	71 103	**104 744**	71 103
Profits distributable to depositors	**18 622**	12 332	**18 622**	12 332
Other	**24 153**	19 836	**24 153**	19 836
	2 881 028	2 570 614	**2 881 028**	2 570 614
Maturity analysis				
Within 1 month	**1 029 379**	927 298	**1 029 379**	927 298
From 1 month to 3 months	**693 407**	650 812	**693 407**	650 812
From 3 months to 1 year	**1 137 699**	978 921	**1 137 699**	978 921
Greater than 1 year	**1 921**	1 251	**1 921**	1 251
More than 5 years	**18 622**	12 332	**18 622**	12 332
	2 881 028	2 570 614	**2 881 028**	2 570 614

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. These funds are reserved for the protection of depositor monies should the need arise.

18. 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.

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000

19. Net non-Islamic income

Interest income	**7 066**	8 531	**7 066**	8 531
Other non-Shariah-compliant income	**195**	63	**195**	63
	7 261	8 594	**7 261**	8 594
Amount transferred to welfare and charitable funds	**(7 261)**	(8 594)	**(7 261)**	(8 594)
	-	-	**-**	-

20. Fee and commission income

Service fees	**12 416**	8 358	**12 416**	8 358
Commission received on sale of unit trusts	**2 112**	2 200	**2 112**	2 200
Profit from foreign currency trading	**3 095**	1 757	**3 095**	1 757
Management fee from subsidiary			**200**	200
	17 623	12 315	**17 823**	12 515

21. Other operating income

Property rental income	**438**	428	**161**	161
Net parking income from investment property	**30**	-		
Tank container rental income	**684**	598	**684**	598
Surplus on disposal of property and equipment	**-**	56	**-**	56
Dividend income	**448**	207	**4 448**	6 207
Fair value gain on financial instrument	**295**	677	**295**	677
Other	**411**	52	**411**	44
	2 306	2 018	**5 999**	7 743

	Group		Company	
	2011	2010 Restated	2011	2010 Restated
	R'000	R'000	R'000	R'000
22. Operating expenditure				
Operating expenditure is stated after charging the following items:				
Auditor's remuneration				
Audit fees – current year	**1 745**	1 649	**1 745**	1 649
– prior year under provision	**54**	44	**54**	-
Fees for other services				
Tax consultancy	**88**	67	**79**	67
Other	**382**	235	**329**	235
	2 269	1 995	**2 207**	1 951
Correction of error (note 33)	**229**	210	**229**	210
Consultancy fees	**1 555**	964	**1 506**	964
Depreciation of property and equipment	**5 699**	4 931	**9 930**	9 159
Impairment of property and equipment	**7**	47	**7**	47
Amortisation of intangible assets	**3 841**	2 471	**3 841**	2 471
Loss on disposal of property and equipment	**11**	-	**11**	-
Operating lease charges	**1 737**	1 506	**1 992**	1 747
Staff costs	**53 200**	48 878	**53 200**	48 878
Directors' emoluments			**4 639**	4 986
Executive services			**3 374**	3 940
Non-executive directors' fees			**1 265**	1 046

	Salary	Other benefits	Total
	R'000	R'000	R'000
Directors' emoluments			
22.1 Executive services			
Company only			
2011			
SAE Chohan - Chief executive	**1 546**	**101**	**1 647**
MG McLean - Deputy chief executive	**206**	**442**	**648**
MJD Courtiade - Financial director	**1 079**	**-**	**1 079**
	2 831	**543**	**3 374**
2010			
SAE Chohan - Chief executive	1 467	189	1 656
MG McLean - Deputy chief executive	1 145	23	1 168
MJD Courtiade - Financial director	1 092	24	1 116
	3 704	236	3 940

	Company	
	2011	2010
	R'000	R'000
22.2 Non-executive directors' fees		
AA Yousif	**124**	118
Adv. AB Mahomed SC	**145**	121
F Kassim	**90**	86
A Lambat	**131**	120
MG McLean	**104**	-
MS Paruk	**178**	156
YM Paruk	**123**	102
SA Randeree	**128**	116
OA Suleiman	**120**	134
M Youssef Baker	**122**	93
	1 265	1 046

Included in non-executive directors' fees are amounts that have been accrued in regard to attendance of two committee meetings, the remuneration of which has not yet been approved by shareholders in terms of the Companies Act of South Africa. These amounts will be paid once this approval is obtained.

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
23. Taxation				
South African tax				
Normal - current year	**7 563**	5 128	**7 563**	5 128
- prior year	**105**	181	**105**	181
Attributable to income from non-Islamic activities (refer accounting policy 11 and note 13)	**(1 149)**	(1 821)	**(1 149)**	(1 821)
Deferred tax - current year	**2 912**	1 391	**924**	(2 161)
- prior year	**(101)**	(29)	**(101)**	(29)
Secondary tax on companies	**632**	634	**632**	634
Taxation attributable to Islamic activities	**9 962**	5 484	**7 974**	1 932
Reconciliation of taxation charge	**%**	%	**%**	%
Effective tax rate	**38,6**	33,2	**48,3**	19,1
Secondary tax on companies	**(2,4)**	(3,8)	**(3,8)**	(6,2)
Adjustable items:				
Non-taxable income and non-deductible expenditure	**(0,1)**	(0,6)	**7,0**	16,6
Derecognition of temporary differences on the finance lease			**(23,4)**	-
Impairment of deferred tax asset	**(8,0)**	-		
Current tax adjustment - prior year	**(0,5)**	(1,0)	**(0,7)**	(1,8)
Deferred tax adjustment - prior year	**0,4**	0,2	**0,6**	0,3
	28,0	28,0	**28,0**	28,0

	Group		Company	
	2011	2010 Restated	**2011**	2010
	R'000	R'000	**R'000**	R'000

24. Earnings per share

Basic and diluted earnings per share are calculated on after tax income attributable to ordinary shareholders and a weighted average number of 20 625 000 (2010: 15 000 000) ordinary shares in issue during the year (cents)	**76,9**	73,7		
Headline earnings per share are calculated on headline earnings and a weighted number of 20 625 000 (2010: 15 000 000) ordinary shares in issue during the year (cents)	**75,5**	69,1		
Headline earnings per share are derived from:				
Profit for the year	**15 851**	11 054		
Loss/(surplus) arising on disposal of property and equipment	**11**	(56)		
Impairment of property and equipment	**7**	47		
Fair value gain on financial instruments	**(295)**	(677)		
	15 574	10 368		

25. Dividends

A dividend of 45 cents per share (2010: 45 cents) was paid on 27 June 2011 to shareholders registered on the shareholders register of the bank at the close of business on 28 February 2011.	**6 750**	6 750	**6 750**	6 750

	Group		Company	
	2011	2010 Restated	2011	2010 Restated
	R'000	R'000	R'000	R'000
26. Statement of cash flows				
26.1 Cash generated from operations				
Profit before taxation	**25 813**	16 538	**16 514**	10 131
Adjustment for non-cash items:				
Depreciation of property and equipment	**5 699**	4 931	**9 930**	9 159
Dividend income	**(448)**	(207)	**(4 448)**	(6 207)
Impairment of property and equipment	**7**	47	**7**	47
Amortisation of intangible assets	**3 841**	2 471	**3 841**	2 471
Loss/(Surplus) arising on disposal of property and equipment	**11**	(56)	**11**	(56)
Straight-lining of operating leases	**44**	(69)	**70**	(25)
Provision for leave pay	**732**	(287)	**732**	(287)
Impairment for credit losses	**(1 726)**	(1 566)	**(1 726)**	(1 566)
Fair value gain on financial instruments	**(295)**	(677)	**(295)**	(677)
	33 678	21 125	**24 636**	12 990
26.2 Changes in working capital				
Increase in deposits from customers	**310 414**	440 954	**310 414**	440 954
(Decrease)/increase in accounts payable	**(4 694)**	3 697	**(3 350)**	5 215
Increase/(decrease) in welfare and charitable funds	**1 134**	(2 600)	**1 134**	(2 600)
Increase in advances and other receivables	**(429 403)**	(335 725)	**(429 366)**	(335 786)
	(122 549)	106 326	**(121 168)**	107 783
26.3 Taxation paid				
Amount receivable at beginning of year	**3 082**	1 639	**3 082**	1 392
Amount charged to profit for the year	**(7 139)**	(4 133)	**(7 139)**	(4 133)
Amount charged to welfare and charitable funds	**(1 161)**	(1 810)	**(1 161)**	(1 810)
Amount receivable at end of year	**(1 899)**	(3 082)	**(1 899)**	(3 082)
	(7 117)	(7 386)	**(7 117)**	(7 633)
26.4 Dividends paid				
Amount outstanding at beginning of year	**-**	-	**-**	-
Dividends declared and paid	**(6 750)**	(6 750)	**(6 750)**	(6 750)
Amount outstanding at end of year	**-**	-	**-**	-
	(6 750)	(6 750)	**(6 750)**	(6 750)
26.5 Purchase of property and equipment				
Land and buildings	**(171)**	(1 681)	**-**	-
Vehicles	**(206)**	(669)	**(206)**	(669)
Equipment and computers	**(2 111)**	(3 288)	**(2 111)**	(3 288)
Leasehold improvements	**(2 458)**	(2 494)	**(2 458)**	(3 033)
Work in progress	**(2 077)**	(487)	**(2 077)**	(487)
	(7 023)	(8 619)	**(6 852)**	(7 477)

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000

26.6 Purchase of investment properties

Land	**(343)**	(10 339)		
	(343)	(10 339)		

26.7 Purchase of intangible assets

Computer software	**(328)**	(336)	**(328)**	(336)
Capitalised project costs	**(73)**	(5 009)	**(73)**	(5 009)
	(401)	(5 345)	**(401)**	(5 345)

27. Letters of credit, guarantees and confirmations

Guarantees and confirmations	**122 237**	145 142	**122 237**	145 142
Letters of credit	**3 279**	2 470	**3 279**	2 470
	125 516	147 612	**125 516**	147 612

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.

28. Capital commitments

Authorised but not yet contracted for	**-**	-	**-**	-
Authorised and contracted for				
- Property and equipment	**1 075**	319	**1 075**	319
- Intangible assets	**9**	-	**9**	-
	1 084	319	**1 084**	319

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

29. Financial instruments

29.1 Credit risk management - maximum exposure to credit risk

Advances to customers	**2 378 647**	1 934 667	**2 378 647**	1 934 667
Advances and balances with banks	**516 224**	546 398	**516 224**	546 398
Advances and balances with Central Bank	**219 552**	205 688	**219 552**	205 688
Letters of credit, guarantees and confirmations	**125 516**	147 612	**125 516**	147 612
	3 239 939	2 834 365	**3 239 939**	2 834 365

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
29. Financial instruments (continued)				
29.2 Currency risk management				
The group's exposure to currency risk was as follows:				
Cash and cash equivalents				
- EUR	**48**	24	**48**	24
- GBP	**20**	22	**20**	22
- SAR	**92**	31	**92**	31
- USD	**1 149**	140	**1 149**	140
- Others	**47**	-	**47**	-
	1 356	217	**1 356**	217

29.3 Derivative instruments

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

29.4 Liquidity risk management

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. 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						
2011						
Assets						
Advances and other receivables	2 825 687	432 417	413 570	342 055	973 161	664 484
South African Revenue Service	1 899	-	-	1 899	-	-
Investment securities	7 576	-	-	-	-	7 576
Cash and cash equivalents	277 392	180 378	40 720	56 294	-	-
	3 112 554	612 795	454 290	400 248	973 161	672 060
Liabilities						
Deposits from customers	2 881 028	1 029 379	693 407	1 137 699	1 921	18 622
Accounts payable	9 791	9 005	417	210	-	159
South African Revenue Service	1 094	179	-	915	-	-
Provision	4 341	362	724	3 255	-	-
Letters of credit, guarantees and confirmations	125 516	13 978	30 041	51 890	13 570	16 037
	3 021 770	1 052 903	724 589	1 193 969	15 491	34 818
Net liquidity gap	90 784	(440 108)	(270 299)	(793 721)	957 670	637 242

	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						
2010 Restated						
Assets						
Advances and other receivables	2 394 556	307 288	371 628	436 109	785 779	493 752
South African Revenue Service	3 082	-	-	3 082	-	-
Investment securities	7 239	-	-	-	-	7 239
Cash and cash equivalents	282 382	158 585	72 339	-	-	51 458
	2 687 259	465 873	443 967	439 191	785 779	552 449
Liabilities						
Deposits from customers	2 570 614	927 298	650 812	978 021	2 151	12 332
Accounts payable	14 340	13 555	579	-	-	206
South African Revenue Service	968	283	-	-	685	-
Provision	3 609	3 609	-	-	-	-
Letters of credit, guarantees and confirmations	147 612	3 049	44 540	66 294	20 055	13 674
	2 737 143	947 794	695 931	1 044 315	22 891	26 212
Net liquidity gap	(49 884)	(481 921)	(251 964)	(605 124)	762 888	526 237

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
29.5 Market risk				
The exposure to market risk is as follows:				
Investment securities – fair-value-through-profit-or-loss	**4 976**	4 639	**4 976**	4 639
Investment securities – available-for-sale	**2 600**	2 600	**2 600**	2 600
	7 576	7 239	**7 576**	7 239

	Intrinsic rate	Maturity	Company 2011 R'000	Company 2010 R'000
29. Financial instruments (continued)				
29.6 Intrinsic rate risk				
Loans and borrowings subject to intrinsic rate risk				
	14,3%	2012		
Current portion			**68 052**	7 012
Non-current portion			**-**	59 043
Total obligations under finance leases (note 30.3)			**68 052**	66 055

Intrinsic rate risk is limited to the finance lease between the bank and its wholly-owned subsidiary. The total value of the finance lease liability has been classified as current due to the impending dissolution of the subsidiary, as described in note 6.

29.7 Accounting classification and fair values

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

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.

The following is a comparison, by class, of the carrying amounts and fair values of the bank's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	Non-financial instruments	Advances and receivables	Available-for-sale	Held to maturity	Fair-value-through-profit-or-loss	Carrying amount	Fair Value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group							
2011							
Assets							
Advances and other receivables	**1 879**	**2 823 808**	**-**	**-**	**-**	**2 825 687**	**2 825 687**
South African Revenue Service	**1 899**	**-**	**-**	**-**	**-**	**1 899**	**1 899**
Investment securities	**-**	**-**	**2 600**	**-**	**4 976**	**7 576**	**7 576**
Cash and cash equivalents	**-**	**223 701**	**-**	**53 691**	**-**	**277 392**	**277 392**
	3 778	**3 047 509**	**2 600**	**53 691**	**4 976**	**3 112 554**	**3 112 554**
Liabilities							
Deposits from customers	**-**	**-**	**-**	**-**	**2 881 028**	**2 881 028**	**2 881 028**
Accounts payable	**-**	**-**	**-**	**-**	**9 791**	**9 791**	**9 791**
South African Revenue Service	**-**	**-**	**-**	**-**	**1 094**	**1 094**	**1 094**
Provision for leave pay	**-**	**-**	**-**	**-**	**4 341**	**4 341**	**4 341**
	-	**-**	**-**	**-**	**2 896 254**	**2 896 254**	**2 896 254**
Group							
2010 Restated							
Assets							
Advances and other receivables	2 944	2 391 612	-	-	-	2 394 556	2 394 556
South African Revenue Service	3 082	-	-	-	-	3 082	3 082
Investment securities	-	-	2 600	-	4 639	7 239	7 239
Cash and cash equivalents	-	185 100	-	97 282	-	282 382	282 382
	6 026	2 576 712	2 600	97 282	4 639	2 687 259	2 687 259
Liabilities							
Deposits from customers	-	-	-	-	2 570 614	2 570 614	2 570 614
Accounts payable	-	-	-	-	14 340	14 340	14 340
South African Revenue Service	-	-	-	-	968	968	968
Provision for leave pay	-	-	-	-	3 609	3 609	3 609
	-	-	-	-	2 589 531	2 589 531	2 589 531

29.8 Fair value hierarchy

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

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

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

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
29. Financial instruments (continued)				
Group				
2011				
Financial assets				
Investment securities – fair-value-through-profit-or-loss				
- Unit trust investments	**4 976**	**-**	**-**	**4 976**
	4 976	**-**	**-**	**4 976**
Financial liabilities	**-**	**-**	**-**	**-**
2010				
Financial assets				
Investment securities – fair-value-through-profit-or-loss				
- Unit trust investments	4 639	-	-	4 639
	4 639	-	-	4 639
Financial liabilities	-	-	-	-

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

Financial instruments – 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. These assets are valued using quoted (unadjusted) prices which only incorporate data observable in the market.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
30. Leases				
Operating leases				
30.1 Leases as lessee				
Non-cancellable operating lease rentals payable are as follows:				
Less than one year	**1 301**	1 182	**1 429**	1 437
Between one and five years	**955**	1 028	**955**	1 793
	2 256	2 210	**2 384**	3 230

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. The inter-group operating lease rentals payable have only been disclosed up to the anticipated date of dissolution of the subsidiary. Operating lease rentals are accounted for on a straight line basis over the period of the lease.

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
30.2 Leases as lessor				
Non-cancellable operating lease rentals receivable are as follows:				
Less than one year	**247**	247		
Between one and five years	**41**	41		
	288	288		

Operating lease rentals receivable relate to building premises owned by Albaraka Properties Proprietary Limited. This property will be transferred to Albaraka Bank Limited upon dissolution of Albaraka Properties Proprietary Limited. The associated rental income is accounted for on a straight line basis over the period of the lease.

	2011		2010	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
30.3 Leases as lessee – company				
Less than one year	**72 890**	**68 052**	7 484	7 012
Between one and five years			36 419	23 903
More than five years			133 694	35 140
Total minimum lease payments	**72 890**	**68 052**	177 597	66 055
Less amounts representing finance charges	**(4 838)**		(111 542)	
Present value of minimum lease payments - (note 6)	**68 052**	**68 052**	66 055	66 055

Albaraka Bank Limited has entered into a finance lease with its wholly-owned subsidiary, Albaraka Properties Proprietary Limited for the use of its property as the bank's corporate head office. This lease is for an initial period of ten years with a five year renewal option. Rentals are escalated annually at 8%. No purchase option exists. Renewals are at the option of the bank. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are stated above. The rate intrinsic in the lease is 14,3% (2010: 14,3%) after considering the unguaranteed residual value of R72,0 million (2010: R72,0 million) which will be realised at the end of the lease. The minimum payments have all been classified as current due to the impending dissolution of the bank's subsidiary, as described in note 6.

31. Retirement benefits

Albaraka Bank Limited contributes to the Albaraka Bank Provident Fund, a defined contribution plan. The Fund is registered under and governed by the Pension Funds Act, 1956, as amended. Employee benefits are determined according to each member's equitable share of the total assets of the Fund. The company's contribution for the year was R1,9 million (2010: R1,8 million).

32. Related party information

The holding company of the Albaraka Bank Limited at 31 December 2011 is Al Baraka Banking Group B.S.C. which is a company registered in the Kingdom of Bahrain and which holds 61,8% (2010: 56,3%) 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% (2010: 15,0%) of the company's ordinary shares.

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

The subsidiary of the bank is identified in note 6. The property rental paid to the subsidiary for the year amounted to R255 099 (2010: R241 829). The bank made finance lease repayments amounting to R7 483 503 (2010: R6 929 169) for the year.

The remuneration paid to the directors is disclosed in note 22.

The management fee charged to the subsidiary is disclosed in note 20.

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

In order to avoid conflicts of interest and with a view to ensuring transparency at all times, a register of directors' interests in companies containing the nature of such interests, as well as the nature and extent of the beneficial shares held in the companies is submitted to the board of directors annually for reviewing and updating. Balances owing by/(to) related parties, including loans to executive and non-executive directors, are disclosed below:

	Company	
	2011	2010
	R'000	R'000
Property finance - Musharaka and Murabaha		
Balance outstanding at beginning of year	**4 741**	6 175
Advances granted during the year	**6 480**	-
Repayments during the year	**(2 881)**	(1 987)
Profit earned	**732**	553
	9 072	4 741
Profit mark-up range for the year	**5,0% - 9,5%**	5,0% - 10,0%

The profit mark-up of 5% is in respect of advances to executive directors at subsidised rates which, at year-end amounted to R219 894 (2010: R626 868)

Instalment sale		
Balance outstanding at beginning of year	**1 134**	2 097
Advances granted during the year	**130**	-
Repayments during the year	**(491)**	(1 195)
Profit earned	**141**	232
	914	1 134
Profit mark-up range for the year	**9,5% - 15,0%**	10,0% - 15,0%

	Company	
	2011	2010
	R'000	R'000
Trade finance		
Balance outstanding at beginning of year	**3 800**	2 172
Advances granted during the year	**9 847**	13 216
Repayments during the year	**(9 484)**	(11 932)
Profit earned	**224**	344
	4 387	3 800
Profit mark-up range for the year	**8,5% - 9,0%**	9,0% - 12,0%
Iqraa Trust		
Balance due to the trust at beginning of year	**(1)**	(1)
Funds received on behalf of the trust	**(14)**	(19)
Funds paid over to the trust	**-**	19
	(15)	(1)

During the year, the bank donated an amount of R4 760 584 (2010: R5 817 777) to the trust.

At 31 December 2011 funds deposited by the trust with the bank amounted to R29 276 625 (2010: R26 708 947)

Total exposure to related parties	**14 358**	9 674

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	**27 200**	25 302

33. Restatement of error

Nature of Error

In the current year, an understatement was identified with respect to the manner in which certain employees were categorised regarding their retirement contributions. The employees were designated incorrectly as non-contributory members and hence no PAYE was deducted. However, the employee contracts and payslips indicate that they are contributory members and hence PAYE should be deducted. The understatement dates back to periods prior to 2009 and, thus, the 2009 and 2010 figures have been restated to disclose the impact of these resulting tax liabilities.

However, the period has been limited to understatements arising from August 2005 onwards as information prior to that date is not available as a result of changes in the fund. The amounts raised as liabilities are inclusive of the estimated penalties and interest that may be raised by the revenue authority.

The following amounts disclosed relate only to employees that have exited the fund.

	Group and Company		
	2011	2010 31 Dec	2010 01 Jan
	R'000	R'000	R'000
33. Restatement of error (continued)			
Increases in operating expenditure	**229**	210	-
Income taxation	**-**	-	-
Decrease in total comprehensive income for the period	**229**	210	-
Decreases in opening retained income	**686**	476	476
Increases in South African Revenue Service liability	**915**	686	476

The restatement has the following effect on the earnings per share

	Group	
	2011	2010
	cents	cents
EPS prior to restatement	**77.9**	75.1
EPS post-restatement	**76.9**	73.7
Headline EPS prior to restatement	**76.6**	70.5
Headline EPS post-restatement	**75.5**	69.1

34. Contingent Liability

It was identified that certain contributions made by employees to third parties had been incorrectly classified by the bank. This results in a possible obligation by the employees which the bank may bear. The obligation is dependent on the outcome of discussions with the bank and the relevant authority, as to how the obligation will be extinguished going forward. The bank has obtained independent tax advice which supports the remedial actions proposed by the bank. Therefore the bank has determined that the likelihood of a future obligation materialising is not probable based on the information available at the date of the Annual Financial Statements, and therefore no provision has been recognised. However it is possible that a further liability may arise.

35. Standards and interpretations not yet effective

At the date of authorisation of the Annual Financial Statements for the year ended 31 December 2011, 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
IAS 27 Separate Financial Statements This revised standard is required for years commencing on or after 1 July 2013 and is not expected to have a significant impact on the current activities of the group.	1 Jan 2013
IIAS 28 Investments in Associates and Joint Ventures This standard is required for years commencing on or after 1 July 2013 and is not expected to have a significant impact on the current activities of the group.	1 Jan 2013
IFRS 9 Financial Instruments The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. The effect on the group will be determined closer to the effective date.	1 Jan 2015
IFRS 10 Consolidated Financial Statements This standard introduces a new single control model as the basis for consolidation applicable to all investees. It also introduces a changed definition of control. It is not expected to have a material impact on the group financial statements.	1 Jan 2013
IFRS 11 Joint Arrangements This standard establishes principles for the financial reporting by parties to a joint arrangement. The standard is not expected to affect the group financial statements.	1 Jan 2013
IFRS 12 Disclosure of Interests in Other Entities This standard combines, enhances and replaces disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is not expected to affect the group financial statements.	1 Jan 2013
IFRS 13 – Fair Value Measurement This standard applies when other IFRS require or permit fair value measurements. It defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The group will modify its disclosures accordingly.	1 Jan 2013
IAS 19 Revised 2011 – Employee Benefits The amendments relate to plan assets and defined benefit obligations. This standard is not expected to have a significant impact on the activities of the group.	1 Jan 2012
IAS 12 Recovery of Underlying Assets The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The benefits from group's investment properties are derived through the use thereof and not through intended sale. The effect of this standard will be applied on the effective date.	1 Jan 2012

	Effective Date
35. Standards and interpretations not yet effective (continued)	
The following standards and interpretations are not applicable to the business of the group and will, therefore, have no impact on future financial statements:	
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 Jan 2013
IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 Jul 2011
IFRS 1 First-time adoption of International Financial Reporting Standards	1 Jan 2011
IFRS 3 Business combinations	1 Jan 2011
IFRS 7 Transfers of Financial Assets	1 Jul 2011
IAS 1 Presentation of Financial Statements	1 Jan 2011
IAS 34 Interim Financial Reporting	1 Jan 2011
IFRIC 13 Customer Loyalty Programmes	1 Jan 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 Jul 2010
IFRS 1 Additional Exemptions for First-time Adopters	1 Jan 2010
IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures	1 Jul 2010
IFRS 2 Amendments to IFRS 2 – Share-based Payments – Group Cash-settled Share-based Payment Arrangements	1 Jan 2010
IAS 32 Classification of Rights Issues	1 Feb 2010
IFRIC 14 Prepayments of a Minimum Funding Requirement	

36. Adoption of new standards

The following amendments to standards and new interpretations were adopted during the year, as they became effective for years commencing on or after 1 January 2011.

These amended standards impacted the disclosure in the financial statements:

	Effective Date
IFRS 7 Financial Instruments: Disclosures - Amendments to Quantitative and Credit Risk Disclosures	1 Jan 2011

The group has modified its disclosures in accordance with the requirements of this standard.

AAOIFI STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Group		Company	
	2011	2010 Restated	**2011**	2010 Restated
	R'000	R'000	**R'000**	R'000
Assets				
Cash and cash equivalents	**277 392**	282 382	**277 392**	282 382
Sales receivables	**1 283 979**	1 175 851	**1 283 979**	1 175 851
Musharaka financing	**1 539 087**	1 215 134	**1 539 087**	1 215 134
Investment securities	**7 576**	7 239	**7 576**	7 239
Investment in subsidiary company			**15 045**	18 192
Total investments	**3 108 034**	2 680 606	**3 123 079**	2 698 798
Other assets	**7 539**	12 484	**13 117**	16 111
Property and equipment	**100 435**	98 882	**79 017**	81 866
Investment properties	**10 682**	10 339		
Intangible assets	**19 007**	22 713	**19 007**	22 713
Total assets	**3 245 697**	2 825 024	**3 234 220**	2 819 488
Liabilities, unrestricted investment accounts and owners' equity				
Liabilities				
Customer current accounts and other	**128 897**	91 241	**128 897**	91 241
Payables	**15 226**	18 917	**14 488**	16 809
Other liabilities	**2 795**	2 812	**2 795**	2 812
Total liabilities	**146 918**	112 970	**146 180**	110 862
Equity of unrestricted investment account holders	**2 733 509**	2 467 041	**2 733 509**	2 467 041
Total liabilities and unrestricted investment accounts	**2 880 427**	2 580 011	**2 879 689**	2 577 903
Owners' equity	**365 270**	245 013	**354 531**	241 585
Share capital	**225 000**	150 000	**225 000**	150 000
Share premium	**29 866**		**29 866**	
Reserves	**18 622**	12 332	**18 622**	12 332
Retained income	**91 782**	82 681	**81 043**	79 253
Total liabilities, unrestricted investment accounts and owners' equity	**3 245 697**	2 825 024	**3 234 220**	2 819 488

AAOIFI STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Group		Company	
	2011	2010 Restated	**2011**	2010 Restated
	R'000	R'000	**R'000**	R'000
Income from sales receivables	**133 190**	105 451	**133 190**	105 451
Income from Musharaka financing	**97 738**	111 987	**97 738**	111 987
Return on unrestricted investment accounts before the bank's share as mudarib	**230 928**	217 438	**230 928**	217 438
Less: bank's share as mudarib	**(106 099)**	(94 436)	**(106 099)**	(94 436)
Return on unrestricted accounts	**124 829**	123 002	**124 829**	123 002
Bank's share in income from investment (as a mudarib and as a fund owner)	**106 099**	94 436	**106 099**	94 436
Bank's income from its own investments	**448**	207	**4 448**	6 207
Revenue from banking services	**12 416**	8 358	**12 416**	8 358
Other revenue	**7 065**	5 768	**6 958**	5 693
Total bank revenue	**126 028**	108 769	**129 921**	114 694
Administrative and general expenditure	**(90 675)**	(84 829)	**(99 636)**	(92 933)
Depreciation of property and equipment	**(5 699)**	(4 931)	**(9 930)**	(9 159)
Amortisation of intangible assets	**(3 841)**	(2 471)	**(3 841)**	(2 471)
Profit before taxation	**25 813**	16 538	**16 514**	10 131
Taxation	**(9 962)**	(5 484)	**(7 974)**	(1 932)
Profit for the period	**15 851**	11 054	**8 540**	8 199

AL BARAKA BANKING GROUP – HOLDING COMPANY AND SUBSIDIARIES

Bahrain

Al Baraka Banking Group B.S.C.
AlBaraka Tower
Diplomatic Area
PO Box 1882, Manama, Kingdom of Bahrain
Board Member, President and
Chief Executive Officer:
Mr Adnan Ahmed Yousif
Tel: +973 17 541 122, Fax: +973 17 536 533
Web: www.albaraka.com

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

Algeria

Banque Al Baraka D'Algerie S.P.A.
Hai Bouteldja Houidef
Villa No. 1 Rocade Sud
Ben Aknoun, Algiers, Algeria
General Manager:
Mr Mohammed Seddik Hafid
Tel: +213 21 916 450, Fax: +213 21 916 458
Web: www.albaraka-bank.com

Egypt

Al Baraka Bank Egypt
60 Mohie Elddin Abu Elezz Street
PO Box 455, Dokki, Giza, Egypt
Vice Chairman and Chief Executive Officer:
Mr Ashraf Al Ghamrawi
Tel: +202 37 481 222, Fax: +202 37 611 436
Web: www.albaraka-bank.com.eg

Indonesia

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

Jordan

Jordan Islamic Bank
PO Box 926225, Amman, 11190, Jordan
Vice Chairman and Chief Executive Officer:
Mr Musa Shihadeh
Tel: +96 26 567 7377, Fax: +96 26 566 6326
Web: www.jordanislamicbank.com

Lebanon

Al Baraka Bank Lebanon S.A.L.
2nd Floor, Centre Verdun 2000
Rashid Karameh Street
Verdun, Beirut, Lebanon
Board Member and General Manager:
Mr Mutasim Mahmassani
Tel: +96 11 808 008, Fax: +96 11 806 499
Web: www.al-baraka.com

Libya

Al Baraka Banking Group
Representative Office
Office No. 144, 14th floor
Tower 1, Tripoli
PO Box 93271, Libya
Chief Representative:
Mr Wafik Al Shater
Tel: +218 21 336 2310, Fax: +218 21 336 2312
Web: www.albarakalibya.com.ly

Pakistan

Al Baraka Bank Pakistan Limited
162, Bangalore Town, Main
Sharah-e-Faisal
Karachi, Pakistan
Board Member and Chief Executive Officer:
Mr Shafqaat Ahmed
Tel: +92 21 343 15851, Fax: +92 21 345 46465
Web: www.albaraka.com.pk

South Africa

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

Sudan

Al Baraka Bank Sudan
Al Baraka Tower
PO Box 3583
Qasr ST, Khartoum, Sudan
General Manager:
Mr Abdulla Khairy Hamid
Tel: +24 918 378 0688, Fax: +24 918 378 8585
Web: www.albaraka.com.sd

Syria

Al Baraka Bank Syria
Alshahbander Street
PO Box 100, Damascus, Syria
Chief Executive Officer:
Mr Mohammed Halabi
Tel: +96 311 443 7820, Fax: +96 311 443 7810
Web: www.albarakasyria.com

Tunisia

Al Baraka Bank Tunisia
88 Avenue Hedi Chaker 1002
Tunis, Tunisia
Board Member and Chief Executive Officer:
Mr Fraj Zaag
Tel: +21 671 790 000, Fax: +21 671 780 235
Web: www.albarakabank.com.tn

Turkey

Al Baraka Türk Participation Bank
Saray Mahallesi (district)
Dr Adnan Büyükdeniz Caddesi (street) No. 6
Ümraniye, Istanbul, Turkey
Board Member and General Manager:
Mr Fahrettin Yahsi
Tel: +90 216 666 0101, Fax: +90 216 666 1600
Web: www.albarakaturk.com.tr

NOTES

NOTES