20th ANNIVERSARY

ALBARAKA BANK

Banking only one way, the Islamic way

A Member of the Albaraka Banking Group

Annual Report 2008

Islamic Banking Explained

Islam permits trade and forbids interest, as stated in the Holy Quran.

However, Islam does permit the making of a profit and this forms the basis of the Islamic financial system, insofar as every technique of Islamic finance allows for the making of a profit by the party that provides the risk capital, as well as the party that uses the capital.

As a concept, Islamic banking was developed as a result of the religious prohibition of the payment or receipt of interest. The fundamental principles of Islamic banking go back over 1 400 years. They are set out in the Shari'ah, the primary sources of which are the Quran and the Sunnah[1]. Today, these principles form the basis of contemporary Islamic financial products and services. Shari'ah scholars and practitioners have identified the following four pillars as guiding principles of conducting Islamic banking business:

- Prohibition of interest or usury;
- Ethical standards;
- Moral and social values; and
- Liability and business risk.

In essence, the basis of Islamic finance and banking is equity - profit and loss sharing schemes - whereas conventional banking uses debt - interest - as its underlying principle.

Key features of Islamic banking include:

- Ensuring that wealth is generated against money created in the banking system; and
- The financing of assets only, ensuring that at each step the actual wealth of society is increased. This is regarded as a socially responsible, ethical and moral banking method, operating - as it does - under Shari'ah, or Islamic law principles.

Recognised modes of Islamic banking include:

- Mudaraba (partnership) - Mudaraba is an Islamic mode of financing between the bank, providing a specified amount of capital, and the Mudarib, providing management for carrying out the venture, trade or service with a view to earning profit;
- Murabaha (cost plus) - charging a fixed (known) profit on the sale of goods or assets (used for property and asset finance);
- Musharaka (equity financing) - profit or loss is shared according to equity (can be used for home finance); and
- Ijaara (leasing) - entails the rental of a physical asset to another party (used for asset finance).

Profit, according to Islamic principles, cannot be made if it violates religious law or is harmful to stakeholders, such as companies whose trading activities involve alcohol, gambling and interest-bearing institutions. Thus, it may be held that Islam emphasises responsible, ethical business activities.

Islamic banking relates to social justice and equitable profit partnering.

The involvement of institutions and governments has led to the transformation of theory into practice, resulting in the establishment of interest-free banks. Albaraka Bank, established in Durban, South Africa in 1989, was born out of this process. Today Islamic banks are active in some 42 countries around the world.

Sunnah[1] : A word spoken, act done or ratified by the Prophet Muhammad, Peace be upon Him.

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Vision, Mission and Code of Business Conduct

Vision

Our Vision is to be an institution that endeavours to reflect the Islamic economic system in all its activities.

We desire to be an institution that is responsive to the socio-economic needs of the people of South Africa, irrespective of religion, race or gender.

Albaraka Bank is creative and innovative in establishing a stimulating and challenging environment that makes optimal use of technology to develop products and services. In this way we meet the needs of our customers in an effective and cost-efficient manner and generate an appropriate return for our shareholders and depositors.

We ultimately envisage an economic order in which our employees and our customers will take full advantage of the opportunities presented to them for their economic growth and social well-being, in accordance with Islamic economic principles.

Mission

We are dedicated to becoming the leader in the promotion of socio-economic development through the application of Islamic economic principles and values, providing optimum returns to our shareholders and investors through partnership banking on a risk-reward basis.

Code of Business Conduct

Albaraka Bank has developed and implemented a Code of Business Conduct which gives effect to the culture of the organisation and the business activities of its members of staff.

The principles contained in the bank's Code of Business Conduct include:

- Reflecting the Islamic economic system and complying with Shari'ah 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.

The Albaraka Banking Group

Albaraka Bank Limited is a subsidiary of the international Albaraka Banking Group B.S.C. (ABG), which is based in Bahrain and which operates under an offshore licence.

ABG is the holder of its shareholders' interests in a range of geographically diverse subsidiaries and representative offices, incorporated in Algeria, Bahrain, Egypt, Indonesia, Jordan, Lebanon, Pakistan, Sudan, Syria, Tunisia and Turkey.

ABG is one of the largest international Islamic banking groups in the world and currently operates in no fewer than 12 countries around the globe, providing customers access to Islamic banking facilities through more than 280 branches. ABG was incorporated in Bahrain in June 2002 and is 55% owned by the Dallah Group and 45% by strategic shareholders and the public.

The group is listed on the Bahrain and Dubai stock exchanges and enjoys Standard and Poors long and short-term credit ratings of BBB- and A-3 respectively. ABG offers retail, corporate and investment banking and treasury services strictly in accordance with the principles of Shari'ah. ABG is striving to create an Islamic banking conglomerate capable of providing its world-wide customer base with a significant array of products and services strictly conforming to the principles of Shari'ah. ABG was born out of the need for an Islamic banking service for Muslims around the world and the group is today well placed to take advantage of rapid growth within this burgeoning market.

Albaraka Bank in South Africa, as a subsidiary of ABG, is regarded as an important business unit within the international Islamic banking environment and is committed to further increasing its service footprint in this country.

ABG's 2008 net income amounted to US$201,0 million, while total assets topped US$11,0 billion in the same period.

Such impressive results are a reflection of the group's commitment to capitalising its global subsidiaries, including Albaraka Bank in South Africa, and world-wide improvements to staffing, technology and controls.

The group's international footprint currently includes the following banking units: Jordan Islamic Bank in Jordan, AlBaraka Islamic Bank in Bahrain, AlBaraka Islamic Bank in Pakistan, Banque AlBaraka D'Algerie in Algeria, AlBaraka Bank Sudan in Sudan, Albaraka Bank in South Africa, AlBaraka Bank Lebanon in Lebanon, Bank Et-Tamweel Al-Tunisi Al-Saudi in Tunisia, The Egyptian Saudi Finance Bank in Egypt, AlBaraka Turk Participation Bank in Turkey, AlBaraka Bank Syria (under formation) in Syria and an ABG representative office in Indonesia.

Strategic Objectives and 2008 Highlights

Albaraka Bank - primary strategic objectives

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

Albaraka Bank - 2008 financial and operational highlights

• Profits	up by 19,5%;
• Earnings per share	up 19,5%;
• Total assets	totalled R1,9 billion;
• Total deposits	exceeded R1,6 billion;
• Advances and other receivables	increased by R126,4 million;
• Shareholders' equity	in excess of R200,0 million;
• Financial Sector Charter rating	an 'A' rating, equating to 91,46%; and
• Foreign exchange licence	awarded a limited foreign exchange licence.

Albaraka Banking Group's 2008 highlights

• Total assets	exceeded US$11,0 billion;
• Profits	totalled US$201,0 million;
• Customer deposits and unrestricted investment accounts	exceeded US$8,8 billion; and
• Representation	12 countries and more than 280 branches.

Ten-Year Review

	2008 Dec	2007 Dec	2006 Dec	2005 Dec	2004 Dec	2003 Dec	2002 Dec	2001 Dec	2000 Dec	1999 June
Balance Sheet (Rm)										
Share capital	**150,0**	150,0	150,2	89,3	53,4	40,9	41,0	31,0	31,0	31,0
Shareholders' interest	**216,9**	201,6	187,4	118,4	75,0	57,6	54,8	40,3	33,8	32,2
Deposits from customers	**1 624,2**	1 449,5	1 253,7	1 004,0	885,4	749,2	551,7	451,8	373,1	326,1
Advances and other receivables	**1 604,3**	1 477,9	1 300,4	1 009,3	836,5	543,4	527,0	403,1	290,8	263,4
Total assets	**1 870,7**	1 686,3	1 470,4	1 179,2	1 012,4	858,6	645,0	524,6	432,3	401,4
Income Statement (Rm)										
Profit before taxation	**31,0**	26,9	15,3	10,2	7,6	4,8	8,9	3,9	4,9	4,6
Profit for the year	**21,7**	18,2	9,9	7,5	5,5	3,1	6,2	1,6	2,9	2,6
Share Statistics (cents)										
Basic and diluted earnings per share	**144,9**	121,2	101,6	128,2	128,9	77,4	196,6	54,0	98,1	86,5
Headline earnings per share	**144,1**	121,1	100,9	133,9	102,2	83,1	217,5	97,0	126,1	122,0
Dividend per share	**35,0**	25,0	20,0	-	-	-	50,0	30,0	30,0	75,0
Net asset value per share	**1 445,7**	1 343,8	1 249,2	1 330,2	1 415,4	1 440,3	1 370,0	1 343,5	1 127,3	1 072,9
Ratios (%)										
Return on average shareholders' interest	**10,4**	9,4	7,0	8,9	8,9	5,5	13,1	4,4	8,9	8,2
Return on average total assets	**1,2**	1,2	0,7	0,7	0,5	0,4	1,1	0,3	0,7	0,7
Shareholders' interest to total assets	**11,6**	12,0	12,7	10,0	7,4	6,7	8,5	7,7	7,8	8,0

Shareholders' interest

Ordinary share capital, share premium, non-distributable reserves and distributable reserves.

Return on average shareholders' interest

Profit for the period expressed as a percentage of the weighted average shareholders' interest adjusted relative to the timing of the introduction of any additional capital in a particular year.

Return on average total assets

Profit for the period expressed as a percentage of the weighted average total assets in a particular year.

Basic and diluted earnings per share

Profit for the period 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.

Company Profile

Albaraka Bank Limited is a subsidiary of one of the world's leading Islamic financial institutions, the Bahrain-based Albaraka Banking Group B.S.C. (ABG).

Albaraka Bank was established in South Africa in 1989 and this year celebrates 20 years of Islamic banking service provision in this country. Its pioneering business activities formed a direct and comprehensive response to a need in South Africa for a system of banking which adhered strictly to Islamic economic principles.

Today the bank, with its head office in Durban and supporting a strategically located national network of five branches and three corporate offices, is South Africa's only fully-fledged Islamic bank. In addition, its international linkage provides the bank with the ideal platform to further grow its footprint in this country, while ensuring that the financial institution is equipped to operate effectively and efficiently at the leading edge of Islamic banking in South Africa.

Albaraka Bank, which conducts its business in an important and expanding niche market, is jointly owned by both local and international investors. Major shareholders, as at 31 December 2008, included:

- Albaraka Banking Group B.S.C., based in Bahrain (53,6%);
- DCD Holdings (SA) (Pty) Ltd. (11,0%);
- DCD London & Mutual plc (4,0%);
- Takaful Holdings Ltd., based in the United Arab Emirates (6,7%); and
- Timewest Investments (Pty) Ltd., based in Johannesburg (7,7%).

The balance comprises local shareholders.

The bank's board comprises both local and international business people with individual professional and management business acumen and collective expertise in the Islamic banking industry. Albaraka Bank adheres strictly to Shari'ah principles in its day-to-day business activities and transactions and ensures that all its products and services comply with Islamic business principles, thus allowing the bank to contribute significantly to the socio-economic development of the community it, in essence, exists to serve.

Since its inception 20 years ago the bank has shown a positive growth trend. Indeed, increasing demand for Albaraka Bank's products and services is widely regarded as being a direct consequence of its unswerving commitment to Shari'ah compliance.

In this regard, Albaraka Bank is subject to regular internal Shari'ah audits, while its Shari'ah Department works closely with an independent Shari'ah Supervisory Board as a means of ensuring ongoing compliance with Islamic economic principles.

Albaraka Bank's continued growth and development may be attributed to its niche market's faith and confidence in the bank's ability to implement and further develop a viable alternative to traditional interest-based banking in South Africa. Indeed, the bank's track-record to date clearly demonstrates this growing market's increasing acceptance of and confidence in Albaraka Bank as a financial institution which truly embraces and adheres to the ideals of Islamic economic principles within this country's Islamic financial sector.

Directorate and Administration

Board of directors

During the 2008 financial year Albaraka Bank's board of directors comprised the following members:

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

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

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

Advisor

Prof. S Cassim MCom; University Higher Diploma in Education

Company secretary

CT Breeds BA LLB

Shari'ah Supervisory Board

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

Head office

First floor, 134 Dr AB Xuma Street*, Durban, 4001
PO Box 4395, Durban, 4000
Email: info@albaraka.co.za
Web : www.albaraka.co.za

Retail branches

Durban - Manager: D Desai
Ground floor, 134 Dr AB Xuma Street*, Durban, 4001
PO Box 4395, Durban, 4000

Fordsburg (Johannesburg) - Manager: AR Gangat
Ground floor, Baitul Hamd, 32 Dolly Rathebe Road, Fordsburg, 2092
PO Box 42897, Fordsburg, 2033

Lenasia (Johannesburg) - Manager: A Garda
Shop U75, Trade Route Mall, Cnr K43 and Nirvana Drive, Lenasia, 1827
PO Box 2020, Lenasia, 1820

Laudium (Pretoria) - Manager: AR Sulaiman
Laudium Plaza, Cnr 6th Avenue and Tangerine Street, Laudium, 0037
PO Box 13706, Laudium, 0037

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

Corporate offices

Durban - Manager: I Yuseph
Office 301, Musgrave Office Towers, 115 Musgrave Road, Berea, Durban, 4001
PO Box 4395, Durban, 4000

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

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

Registered office

First floor, 134 Dr AB Xuma Street*, Durban, 4001

Transfer secretaries

Albaraka Bank Limited, First floor, 134 Dr AB Xuma Street*, Durban, 4001

Auditors

Ernst & Young Inc.
1 Pencarrow Crescent, Pencarrow Park, La Lucia Ridge Office Estate, Durban, 4001

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

** Formerly Commercial Road*

Executive Management

Board of Directors
Chairman:
Adnan Ahmed Yousif

Chief Executive:
Shabir Chohan

- Credit
- Human resources
- Internal audit
- Risk
- Secretarial
- Shari'ah

Deputy Chief Executive:
Thys McLean

- Branch and corporate operations
- Equity funds
- Marketing

Executive Director:
Jacques Courtiade

- Electronic banking
- Finance
- Information technology
- Project management

Executive:
Mahomed Abdullah Vahed

- Administration
- Compliance
- Conveyancing and securities
- Legal

Chairman and Chief Executive's Statement

Economic summary

It was emphasised in Albaraka Bank's 2007 annual report that 2008 would see the South African economy facing its biggest challenges in several years. Whilst it was clear that growth in consumer spending would slow because of high and rising interest rates, the real concern related to the possibility of a sharp down-turn in global economic growth in the wake of the sub-prime crisis which had broken out in 2007.

In the event, although the domestic political scene proved extremely dynamic and turned out substantially different to that which most analysts might have expected, by far the biggest influence on the domestic economy was the onset of global financial turmoil.

The year began with a devastatingly negative concoction of issues, including an electricity crisis, worries about the course of future economic policy in the wake of the outcome of the ANC National Convention at Polokwane and the onset of a vicious down-turn in global equity markets. Fortunately, sentiment improved in the second quarter with the dissipation of electricity outages, an increase - to record levels - in commodity prices and an associated recovery in equity markets. However, this reprieve was short-lived. The third quarter witnessed the onset, in earnest, of a more general global financial and a related collapse in commodity prices. It also coincided with the recall of Mr Thabo Mbeki as President of the Republic of South Africa, raising associated anxieties about the future domestic political environment.

However, the dominant driver of reduced economic activity in the second half of 2008 was the lagged effect of progressive increases in interest rates from mid-2006 onward and the erosion of disposable income, wrought by huge increases in inflation resulting from higher food and oil prices. The increase in inflation and further increases in interest rates experienced during 2008 were exacerbated by a sharp depreciation in the value of the Rand as a result of increased risk aversion towards emerging markets.

Looking ahead at 2009, the principal determinant of the extent to which domestic economic activity will decline further or might stabilise and recover, is likely to be the course of the global economy. It is currently mired in the most severe recessionary conditions since World War II. The question on the minds of most people is whether or not this recession is going to gain momentum. If this turns out to be the case, then South Africa's commodity exports will suffer further declines over and above those already experienced. The Rand will fall significantly further under the weight of increased risk aversion amongst international investors, inflation will increase and interest rates will be unable to decline as much as intended. Domestic economic growth will suffer further and, as a consequence, the South African economy could enter full-scale recession.

However, against this one has to weigh the extraordinary fiscal and monetary stimulus currently being debated and gradually introduced in leading industrialised countries. The election of Barack Obama as President of the United States of America has heightened the probability of the implementation of highly stimulatory fiscal and monetary policy in the world's largest economy. There is a high chance that this will assist in arresting the depth of domestic economic decline in the medium-term.

Nonetheless, in the medium-term, by the beginning of 2010, one could well begin to see some revival in global economic conditions and in commodity prices.

There are other corresponding influences on the South African economy which are likely to see it gradually recovering during the course of the coming year. To begin with, one has already seen a dramatic reversal in recent months in the erstwhile rising trend of fuel prices. The 40% reduction in the petrol price since August 2008 alone will help restore 2% of disposable income. Allied to this trend, inflation, more generally, is likely to fall sharply in coming months, not only because of declining commodity prices, but also for technical reasons. This enhances the chances of significant further interest rate cuts.

Secondly, the economy is set to reap the benefits of a much lower exchange rate in terms of helping to insulate the Rand value of exports from the full extent of the ravages of lower dollar commodity prices. It should also have the effect of enhancing the competitiveness of domestically produced goods at the expense of more expensive imported goods.

Thirdly, as the year progresses, one is likely to witness increased optimism relating to available opportunities resulting from the country's hosting of the 2010 FIFA World Cup. In addition, the hosting of the Confederations Cup in mid-June, coupled with the British Lions rugby tour of this country and the hosting of the Indian Premier League cricket tournament are likely to provide an additional source of economic activity, even as early as 2009. The continuation of infrastructural investment projects aimed at gearing up for the huge and unique FIFA World Cup sporting showpiece, should continue exerting knock-on benefits throughout the domestic economy.

Finally, it should not be forgotten that South Africa's financial system is in a much healthier state than that of its counterparts overseas. It has been relatively untouched by the contagion experienced by many financial institutions resulting from the inability of borrowers to meet their debt commitments. The ratio of deposits to assets is far higher than in advanced economies.

There is, therefore, considerable scope for the domestic economy to sustain positive economic growth in the year ahead, albeit modest by recent standards. However, should global economic turmoil prove to be significantly deeper and have a more lasting immediate negative impact, then some of this relative optimism will prove unfounded.

Albaraka Banking Group

During the 2008 financial year the internationally-acclaimed Albaraka Banking Group B.S.C. (ABG) increased its shareholding in its South African subsidiary, Durban-based Albaraka Bank Limited, from 51,7% to 53,6%. The step is in line with ABG's active interest in increasing its influence in Africa generally and Southern Africa specifically.

ABG, based in Bahrain, has an interest in banking units in 12 countries around the world, employing some 5 500 members of staff. The group has assets in excess of US$11,0 billion and achieved net profit of US$201,0 million for the 2008 financial year.

ABG opened new offices in Indonesia in the middle of 2008 and is in the process of securing a licence for its new banking unit in Syria. The group has also launched an ambitious world-wide re-branding exercise, geared to creating a single identity for all the banking units - including South Africa - within the ABG stable, together with alignment to the group's business objectives. There can be no doubt that this will re-position ABG as a strengthened and unified brand world-wide; a truly professional leader in Islamic banking within the global financial arena. Importantly, its transformation comes in the wake of wide-scale financial turmoil resulting from the much-publicised credit crunch. Because of its strict adherence to Islamic business principles, ABG has been spared many of the effects of the banking sector meltdown.

The Islamic banking model has proved more resilient than conventional banking and this, together with its brand consolidation, will combine to position ABG in a strong and highly favourable space within international banking into the future.

Shari'ah banking

Albaraka Bank is the only fully-fledged Islamic bank in South Africa and remains wholly committed to ensuring the bank's Shari'ah compliance.

The bank is a member of the highly respected Bahrain-based Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), an organisation which lays down the very standards by which we abide in our day-to-day business operations. In addition, we acknowledge and recognise the vital role played by the local Shari'ah Supervisory Board, an independent body of specialist jurists in Islamic commercial jurisprudence, which effectively directs the activities of the bank with regard to Shari'ah. Finally, we have in place various interventions to ensure the training of staff in Shari'ah compliance and, equally, are applying such standards to our computer processes.

Accordingly, we take great pride in our internal Shari'ah controls and in actively demonstrating that our bank is 'walking the talk' as regards ongoing compliance with Shari'ah. We are also pleased to display our Shari'ah Certificates, issued to us by the Shari'ah Supervisory Board, in our offices and branches for the benefit of both clients and prospective clients.

Indeed, we believe our dedication to Shari'ah principles was strengthened still further during the 2008 financial year as a consequence of the ABG International Shari'ah Board holding its annual meeting in South Africa for the first time.

During the review period our ongoing Shari'ah compliance was confirmed through a series of Shari'ah audits conducted by the Shari'ah Supervisory Board, revealing that we had met the rules and principles set by AAOIFI.

Corporate governance

Albaraka Bank's board of directors has a long-held commitment to adherence to best practice as regards our activities within South Africa's banking sector.

We believe strongly in the corporate governance ideal and are committed to entrenching the principles contained in the King Report for Corporate Governance for South Africa. Indeed, we have already implemented aspects of King III in our ongoing promotion of transparency and accountability, especially with regard to the Corporate Amendments Act.

We have taken steps to ensure that membership of our Audit Committee is restricted to only non-executive directors and, as regards our risk framework, have appointed a full-time risk manager as a tangible means of strengthening risk process management, in line with the group's Risk Management Plan.

We place great emphasis on the need for effective risk management and are proud of the fact that in this regard we meet all regulatory requirements. Pleasingly, too, and in line with the regulatory compliance requirements of the Reserve Bank, we successfully introduced the Basel II reporting system to the bank, effective 1 January 2008. The implementation of this project met the Reserve Bank's deadline, while simultaneously achieving the internal benefits of improved business processes.

In addition, we have made a new executive appointment responsible for the overseeing of legal compliance at the bank, thus further strengthening our adherence to good corporate governance.

South African financial performance

Critically and in spite of the legacy of the international financial crisis currently blighting the industry, the 2008 financial year proved successful for our bank, enabling us to continue the growth trend we have enjoyed in the past several years.

Given industry constraints, we are pleased to report that we have posted excellent financial results for the period under review. This is particularly gratifying coming on the eve of our bank's 20th anniversary, which we celebrate in 2009, and is indicative of the progress we have made as pioneers of Islamic banking in South Africa.

Profit for the year increased by 19,5% to R21,7 million, which equated to a similar percentage increase in basic and diluted earnings per share to 144,9 cents. This was attributable, primarily, to an increase of R18,6 million, or 26,2%, in net income before impairment for credit losses to R89,5 million. This was mainly as a result of a higher mark-up earned on the advances book, offset by an increase of 32,9% - or R26,4 million - in income paid to depositors.

Critically, given the prevailing economic turmoil, the bank's continued application of stringent credit approval and pro-active monitoring process, our arrears ratio stood at a very respectable 1,3% of our advances book at year-end.

However, while we increased our deposit book by R174,7 million, or 12,1%, as was to be expected in terms of the prevailing trading conditions, our gross advances book to customers experienced a relatively slower growth of R91,0 million, or 6,9%.

Albaraka Bank remains convinced of the need to continually look to expanding its bouquet of products for the benefit of its clients and in an effort to grow its client database through the attraction of new clients. During the 2008 financial year, we successfully secured a foreign exchange licence, enabling us to sell foreign exchange within the international travel market. Such services are currently limited to the buying and selling of notes and traveller's cheques - activities which, by definition, add value to our other products, most notably our Haj Investment Scheme. In addition, the review period saw the execution of very necessary groundwork surrounding the planned introduction of another first for Albaraka Bank… a debit card.

Our debit card product project heralds a major development milestone in the history of our bank. We believe the introduction of the debit card to our product offering will take our bank to a new level and provide our clients with unprecedented access to their funds.

The Albaraka Bank debit card is to be introduced during the course of 2009.

Dividends

We are pleased to be able to report that for the third consecutive year Albaraka Bank has declared a dividend for the benefit of our shareholders.

In the 2006 financial year we declared a 20c per share dividend, followed by a dividend of 25c per share in the 2007 financial year. In 2008 the board approved a dividend of 35c per share to all shareholders.

Financial Sector Charter - Rating

Albaraka Bank is committed to the furtherance of Broad-Based Black Economic Empowerment (B-BBEE) principles throughout our business operations. In the 2007 financial year we were, therefore, proud to have been accredited with an 'A' rating, equating to 83,1%, in terms of the Financial Sector Charter.

The 2008 financial year brought us an even greater empowerment accolade, an 'A' rating, equating to 91,46%, a fitting response to our continued focus on the B-BBEE ideal within South African banking circles.

Head office relocation and facilities growth

The need to vigorously promote the professional image of our bank and to provide banking facilities to our clients conducive to their expectations, coupled with the fact that we are a subsidiary of one of the largest Islamic banking groups in the world, has necessitated a revision of our infrastructure.

As a result, a multi-million Rand new and iconic head office is under construction at Durban's Kingsmead Office Park - the city's emergent financial hub. The 4 000 square metre office complex, designed to accommodate the recent growth of the bank, was started towards the end of 2007 and we expect to move into the new premises during the second quarter of 2009. The easily accessible new structure will house our head office business component, as well as our Durban branch and our existing Durban corporate office.

In addition, we will open a new branch of the bank at Overport, on Durban's Berea, for the further convenience of clients. This will bring our South African footprint to six branches and three corporate offices nationally, with an additional corporate office scheduled for introduction in Johannesburg during the course of 2009, adding to our existing corporate presence in Durban, Port Elizabeth and Cape Town.

Corporate social investment

We at Albaraka Bank recognise that we operate in a developing country, a country still wracked by poverty and a country in dire need of significant socio-economic upliftment.

We acknowledge, too, that business has a role to play in impacting positively on the socio-economic issues besetting South Africa. In view of this fundamental belief, we have in place an active corporate social investment programme, geared to tackling humanitarian, education, poverty alleviation and health concerns.

Our corporate social investment activities, therefore, remain a high priority for the bank. As a local subsidiary of an international banking group, our location in South Africa essentially means we are well placed to assist those in the greatest need.

Chairman and Chief Executive's Statement *(Continued)*

The 2008 financial year saw the bank commit some R10,4 million through a carefully orchestrated donations and advances programme to a range of local charities and charitable organisations throughout the country.

Future Prospects

Turning to the future, we believe that the niche banking sector in which we operate in South Africa holds continued growth potential for Albaraka Bank, in spite of an economy in decline.

The introduction of our important new product offerings, coupled with our continued high performance level stand us in good stead as we strive for even greater heights into the future. We aim to further enhance the image of the bank locally through both our infrastructural development and by way of the role we will play in becoming a part of a unified international brand within ABG, providing our clients with a banking institution whose corporate identity is interlinked with a world-wide network. In addition, service is the watchword for our bank; we will invest significantly in our human resources going forward to hone our service ethic, transforming our service delivery into a way of life, thus far exceeding our clients' banking service level expectations.

Appreciation

Albaraka Bank's impressive financial performance under generally difficult economic circumstances during the 2008 financial year is, in no small measure, the result of the dedication of our board, executive, management and staff to ensuring the continued growth of our bank. We also thank our loyal customer base for its support.

We therefore take this opportunity to acknowledge the vital role these individuals have played and continue to play in taking our business forward at every level. We also congratulate Mr Mahomed Vahed on his executive appointment during the review period.

We must also thank ABG most sincerely for its unswerving support for our bank and for the strategic direction it affords us.

It would be remiss of us not to thank former external auditors, KPMG, for their professional services during past years. A close working relationship was developed between staff of the auditing firm and ourselves, which provided us a high degree of comfort. Their business-like approach was greatly appreciated.

Finally, we would also like to welcome and thank our new external auditors, Ernst & Young Inc. - the firm which now provides group auditing services - for seamlessly picking up the reins during the 2008 financial year.

May Allah Ta'ala continue to shower us with His mercy and blessings in the times ahead.

Adnan Ahmed Yousif
Chairman
12 March 2009
Durban

Shabir Chohan
Chief Executive

Human Resources

The 2008 financial year brought to fruition a number of human resource-related projects for the benefit of members of staff.

Training focus

With regard to the training requirements of both staff and management, the bank was successful in establishing a working relationship with the BANKSETA, which will stand the bank in good stead going forward.

During the course of the financial year under review, one of the bank's managers was nominated to participate in the BANKSETA Middle Management Training Programme, which ran for some six months and exposed participants to all the critical areas of management.

The bank's own management training focus was also maintained through the 2008 financial year. Working in conjunction with the University of KwaZulu-Natal, we formulated a series of structured management workshops.

The Graduate Programme was implemented early in 2008 with three participating graduates. In essence, participants are exposed to the various departments within the bank for a period of 18 months.

Employee wellness

The bank's employee wellness programme was launched during the course of 2008, running in conjunction with the medical aid administration company and providing for a nurse's availability at various branches of our bank for the benefit of members of staff.

In addition, our employee wellness effort provides for an incentive programme enabling members of staff to accumulate points for their participation in an exercise regime, attending workshops and managing their sick leave.

At year-end a wellness champion and wellness group was nominated and acknowledged.

Long service

Albaraka Bank prides itself on the dedication of the staff it employs. Such dedication is often most ably demonstrated through the service and delivery record of staff. We are, therefore, pleased to recognise those members of our team who have shown high levels of commitment and loyalty to the bank during past years and for assisting us to meet our strategic objectives and business obligations.

Electronic human resource environment

The 2008 financial year heralded a significant change - the move from manual to electronic payslips.

All staff members now receive their payslip information electronically, opening the way for the provision of further information electronically, such as IRP5 documentation.

In addition, we are investigating the feasibility of acquiring an updated human resource information system during the 2009 financial year.

Human Resources *(Continued)*

Workforce	AIC*		White		Total		Grand Total
	M	F	M	F	M	F	
Executive Management	2	-	2	-	4	-	4
Professionally qualified and experienced specialist and mid-management	24	7	2	2	26	9	35
Skilled technical and academically qualified workers, junior management supervisors	39	31	2	-	41	31	72
Semi-skilled and discretionary decision-making	20	49	-	-	20	49	69
Unskilled and defined decision-making	3	5	-	-	3	5	8
Total	**88**	**92**	**6**	**2**	**94**	**94**	**188**

** AIC = African, Indian and Coloured*

Information Technology

Albaraka Bank's Information Technology (IT) division has played a vital role in strategic areas of the bank's rapidly developing business and operational architecture by lending itself to the achievement of the broader objectives of the bank and, inherently, the group.

In undertaking various developments and the implementation thereof, the concepts of one-time data capture, business flow, document production, tracking and monitoring have been adhered to.

With respect to regulatory reporting requirements, necessary updates to the Basel II reporting system have been satisfactorily addressed, while from an overall technology perspective, the year under review saw a number of focus areas being addressed, inclusive of service automation, initiation of core banking system replacements, new business applications, new product development, infrastructural upgrades and relocation planning, whilst continuously being mindful of underlying cost and efficiency considerations.

Significant developments and systems implementation

In July 2008, a key project designed to replace the core banking system was initiated, with a view to enhancing business technologies and addressing a number of objectives aimed primarily at excelling in the delivery of services to customers, while also focusing on branch automation, streamlining internal processes, improving risk management reporting, flexibility of development and product expansion capabilities, anti-money laundering monitoring and the like.

The project, dubbed "M2E," represents the bank's "Mission to Excellence" and is to charter the course for the bank's migration to its new core banking system environment.

Given the strategic importance of this project, both to the bank and the group in terms of future growth, every member of staff has been encouraged to be mindful of its significance and to ensure organisational-wide participation in the transformation of technology at the bank. The project will continue into 2009 with anticipated completion by mid-year.

Electronic banking, debit cards and ATM systems implementation was initiated in conjunction with recognised industry solution providers to introduce internet-based corporate banking services, coupled with debit cards and ATMs. The project aims to introduce competitive services focusing on the corporate market and, subsequently, the retail consumer market. With much of the groundwork being completed, remaining aspects leading to the deployment of electronic banking, debit cards and ATMs are expected by mid-2009.

Other key projects

The relocation of the bank's head office and the Durban branch to Kingsmead Office Park has drawn intensive preparatory efforts, in tandem with service providers, vendors and project consultants, to provide the bank with a highly secure computer data centre, state-of-the-art network, security access control systems and integrated audio-visual technology throughout the building. The project continues through to migration and occupation within the second quarter of 2009.

In addition to the relocation project, other key project requirements, such as head office and branch server upgrades, infrastructural upgrades, together with data line capacity increases, were initiated during the review period. High-capacity Multi-Protocol Label Switching (MPLS), communication device upgrades and Voice-Over-IP (VOIP) telephony have been assessed with a view to implementation during the forthcoming year.

Risk management and business continuity

A project designed to ensure that the bank's head office and its branches are appropriately equipped with back-up generator power was completed during the year, so ensuring the availability of continuous sustainable power. The now-mitigated risk was highlighted during the period of load-shedding experienced nationally. Business continuity facilities are hosted at off-site centres situated at key geographical locations around the country. Cold recovery testing is conducted at all locations to ensure that business continuity capabilities are in a constant state of readiness and that routine processes are regularly assessed and improved, where necessary.

The year ahead

The future remains challenging, but not without a high degree of optimism and excitement with regard to the opportunities presented.

Completion of initiated key projects from the 2008 financial year, such as the replacement of the core banking system, the introduction of electronic banking, debit cards and ATMs, relocation to Kingsmead Office Park and infrastructural upgrades, will be the primary focus for the first half of the year. During the latter part of the year our focus will turn to high-availability systems in order to enhance the bank's business continuity contingencies and to build on the aforementioned key projects.

A further notable sub-project planned includes the standardisation of equipment with a view to curbing production and operating costs while ensuring that the environment is not negatively impacted upon. The solution is expected to promote electronic communication whilst providing manageability and accountability in terms of production costs. The web-facing presence of the bank is scheduled for enhancement, introducing a dynamic and flexible management interface, including consumer survey capabilities. The website upgrade is expected to address functionality and system maintenance requirements, as well as to facilitate the transition to the new corporate image of the bank.

Introduction

The board of directors fully endorses the principles of corporate governance as recorded in the King Report on Corporate Governance (King II), whose purpose is to promote the highest level of corporate governance in South Africa.

In recognising the importance of good corporate governance to the organisation, the board continuously strives to improve upon the bank's existing governance structures, wherever possible. It goes without saying that the board places a very high premium on good corporate governance, which constitutes an integral component of Albaraka Bank's business operations. Furthermore, the board acknowledges the need to conduct the business of the bank with integrity and in accordance with good corporate governance practices.

Through its implementation of the principles contained in the King Report, the board of directors acknowledges that issues of substance, including the spirit of good corporate governance, should always prevail over issues of form, and this is particularly relevant in view of what has transpired in the international financial markets during the course of 2008. Through its dedication to the implementation of best governance practices, the board has remained fully focused on the critical areas of risk and compliance which impact on the business of the bank.

Having assessed the principles of corporate governance as set out in King II against the statutes, regulations and other directives which shape the conduct and business operations of the bank, the board is of the opinion that the bank has, in all material respects, complied with the requirements, as well as the spirit of King II, with regard to the year under review.

Corporate governance ethos

As the board of directors is the focal point of the bank's corporate governance system, it is ultimately accountable and responsible for ensuring that good governance is applied consistently throughout the bank. In giving effect to its corporate governance obligations, the board conducts an annual review and assessment of the bank's compliance with King II. In this regard, the board is assisted by the directors' affairs committee, which is responsible for reviewing governance matters on an ongoing basis throughout the year.

In terms of regulation 39 (18) (a) and (b) of the Regulations relating to banks, the board is required to, at least once a year, assess and document as to whether the processes relating to corporate governance, internal controls, risk management, capital management and capital adequacy implemented by the bank successfully achieve the objectives specified by the board. Having conducted this review for 2008, the board is satisfied that the bank has successfully achieved the objectives determined by the board.

Board of directors

Structure

Albaraka Bank has a unitary board structure, which is ultimately responsible for the performance and affairs of the bank. The functions and roles of the chairman and the chief executive are separate and distinct. The board comprises 12 directors, five of whom are independent non-executive directors. Of the remaining seven directors, four are non-executive, with three being executive directors, namely the chief executive, the deputy chief executive and the financial director.

The independent status of the directors is a function of the definitions recorded in King II, read in conjunction with other statutory and regulatory requirements. During the year under review, the board took cognisance of the definition of independence contained in the Corporate Laws Amendment Act, and as a result thereof, brought about changes to the composition of the bank's audit committee. The board also strongly believes that directors should be independent in both thought and deed.

Through the presence of the independent directors, the board is satisfied that strong independent thought is brought to board discussions, which is ultimately reflected in the quality and nature of board decisions. Non-executive directors perform key roles in that they monitor executive management's implementation of board-approved plans and strategies. Having due regard for the nature of the business environment within which the bank operates, together with the complexity and size of its business operations, the board is satisfied that it comprises an appropriate ratio of non-executive directors to executive directors.

During the year under review, no new appointments were made to the board of directors.

Skills and experience of directors

The board comprises directors who possess a diverse range of skills, experience and knowledge. This mix of attributes ensures that directors are well-suited to meeting the challenges confronting the business of the bank and that they are in a position to fulfil their obligations in a competent manner.

During the course of 2008, a review of the board and board committee composition was undertaken and resulted in the board committees being restructured during the early part of 2009, in order to give effect to the objectives of the bank.

Strategy

The board of directors, as the body ultimately responsible for the overall performance of the bank, is responsible for formulating the strategic direction of the bank. As part of this process, the board determines appropriate financial and corporate governance objectives, which are then monitored throughout the course of the year.

During October 2008, the board conducted a strategy meeting during which the strategic priorities of the bank were reviewed. This session was also attended by representatives of executive management.

Delegation of powers

The board of directors bears ultimate responsibility for the bank's performance and, to assist the board in this regard, it has established a sound governance structure consisting of various board committees. Through this governance structure, the board is able to retain effective control. The board committees, which are relevant to and complement the bank's business operations, provide the board with a focus on specialised areas of the bank's operations.

The board has also delegated prescribed powers of authority to the chief executive, together with the deputy chief executive and the financial director, who are responsible for the day-to-day management of the business of the bank. Notwithstanding the delegation of authority from the board to the respective board committees and management of the bank, this does not in any way whatsoever mitigate or dissipate the discharge by the board collectively and the directors individually of their duties and responsibilities.

Director-training and induction

The board is committed to ongoing director-training and development and encourages directors to attend training programmes, such as the Banking Board Leadership Programme, offered through the Gordon Institute of Business Science, as well as other courses which are relevant to the business of the bank. In this regard, a number of directors attended various risk management programmes offered through the Institute of Directors.

The board acknowledges that the legislative framework within which the bank operates is subject to rapid change. In this regard, it receives regular updates regarding the legal environment, addressing, inter-alia, the Corporate Laws Amendment Act and the Companies Bill. In addition, once King III is released, it will also be subject to analysis. Where appropriate, recognised experts in their fields are retained to provide the board with specialist training, thereby ensuring that the directors remain at the very forefront of changing legislative requirements.

Newly appointed directors are presented with a governance portfolio, consisting of information relevant to the business of the bank and the environment within which it operates. The portfolio also includes information, such as financial reports, policies, significant legislation and information pertaining to Basel II.

As part of the induction process, the bank's directors are also introduced to key management and staff. The objective of such meetings is to ensure that non-executive directors are able to obtain a comprehensive overview of the bank's operations, thereby enabling them to make informed decisions at board meetings.

Board evaluation and effectiveness

The directors' affairs committee considers different methods of evaluation and thereafter makes recommendations to the board as to the appropriateness and relevance thereof. The objectives of such evaluations are to ultimately improve the effectiveness and performance of the board.

During the year under review, the board conducted a number of evaluations, including an evaluation of the board as a whole and the committees of the board. More recently, the performance of the chairman was assessed, with the board given feedback on the outcome of the evaluation.

Board meetings

Although the board is required to hold four meetings a year, the board may, at its discretion, convene additional meetings should it deem it necessary to do so. No special meetings were held during the course of 2008. Through the process of holding regular board meetings, the board is in a position to retain full and effective control over the bank and its operations.

Board meeting dates are scheduled in consultation with the directors, especially given that a number of directors are based overseas. Unless there are exceptional circumstances preventing them from doing so, all directors are expected to attend each board meeting and meetings of committees on which they serve.

In order to cater for those directors who cannot, for some reason, attend meetings in person, the bank provides a tele-conference facility, such that these directors may fully participate in board discussions and be an integral part of the collective decision-making process.

Board meetings and agendas are structured in such a manner so as to promote director participation, thereby ensuring effective decision-making. Board documentation is generally distributed to directors two weeks in advance of meetings. The purpose of this early distribution is to provide the directors with sufficient time to adequately prepare for meetings and to limit, insofar as this is possible, the tabling of late submissions at board meetings. Directors are, nevertheless, at liberty to place additional matters onto the agenda for discussion.

During June 2008, the annual general meeting was held at the offices of the bank. There was a strong presence of directors, with the chairmen of each of the respective board committees also being present in order to address queries raised by shareholders.

Director attendance at the four board meetings held during 2008 is as follows:

Membership and attendance: board meetings in 2008

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

✓ = Attendance
A = Apology

Board committees

The board of directors has established the risk and capital management committee, the audit committee, the credit committee, the directors' affairs committee and the remuneration committee to assist the board in discharging its responsibilities. The board has also established the board property committee, a specialist committee, whose function is to oversee the construction of the bank's new head office at Kingsmead Office Park, Durban. Once the relocation to the new corporate premises has been completed, the board property committee will have completed its mandate.

All the board committees possess formal terms of reference, which are reviewed annually by the board. In support of the principle that there should be full disclosure and transparency between the board committees and the board of directors, the respective chairmen of the board committees are required to report verbally on the matters considered at recent board committee meetings. In addition to this, the minutes of the previous board committees are submitted to the board, thereby further enhancing the governance process.

All board committees of the bank are chaired by non-executive directors. Where it is deemed necessary, board committees are at liberty to seek independent professional advice on issues relevant to the mandate of that particular board committee. Although the board committees are designed to assist the board and the directors in discharging their responsibilities, it is fully acknowledged by the directors that the board cannot shield behind the operations of such committees.

Several management committees have also been established and assist the board and board committees in giving effect to their respective mandates. The more significant of these management committees include the executive management committee, the executive credit committee, the management risk committee, the FICA executive committee, the IT steering committee and the assets and liabilities committee.

Having reviewed the operations and workings of the board committees during the course of the year, the board is of the opinion that the board committees have discharged their responsibilities in accordance with their mandates.

Risk and capital management committee

During the course of 2008, the risk committee expanded its terms of reference to include issues of capital management, in accordance with the requirements of the Banks Act.

The expanded role of the risk and capital management committee is to assist the board and management in identifying, managing and overseeing the risks across the bank by:

- Developing a risk mitigation strategy to ensure that the bank manages its risks in an optimal manner;
- Establishing an independent risk management function;
- Establishing and implementing a process of internal controls and reviews to ensure the integrity of the overall risk and capital management process;
- Establishing and implementing a process that relates capital to the level of risk; and
- Approving new products and ensuring that adequate measures have been taken to address all related risks before making recommendations to the board for the approval of such products.

The risk and capital management committee met on three occasions during the course of 2008. In addition to the members, meetings of the risk and capital management committee were also attended by the risk manager and the manager: internal audit, as well as the compliance officer.

Membership and attendance: risk and capital management committee meetings in 2008

Member	March	June	October
YM Paruk (Chairman)	✓	✓	✓
MS Paruk	✓	✓	✓
Adv. AB Mahomed SC	✓	✓	✓
SAE Chohan (Executive director and chief executive)	✓	✓	✓
MG McLean (Executive director and deputy chief executive)	✓	✓	✓
MJD Courtiade (Executive director and financial director)	✓	✓	✓

✓ = Attendance
A = Apology

Audit committee

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

- Safeguard the bank's assets;
- Maintain adequate accounting records; and
- Develop and maintain effective systems of internal control.

The audit committee's responsibilities cover four principal issues, being:

- Reviewing internal control structures, including financial controls, accounting systems and reporting;
- Reviewing internal audit's function;
- Liaising with external auditors; and
- Monitoring the level of the bank's compliance with its legal and statutory requirements.

During 2008, the audit committee met on five occasions. Over and above the members of the audit committee, meetings were also attended by the executive directors, representatives from the internal and external auditors and the compliance officer, as well as the risk manager.

Membership and attendance: audit committee meetings in 2008

Member	February	March	May	June	October
MS Paruk (Chairman)	✓	✓	✓	✓	✓
Adv. AB Mahomed SC	✓	✓	A	✓	✓
OA Suleiman*	✓	A	✓	✓	-
M Youssef Baker*	✓	✓	✓	✓	-
A Lambat**	-	-	-	-	✓

✓ = Attendance
A = Apology
** = Resigned 07/10/2008*
*** = Appointed 07/10/2008*

Credit committee

The role of the credit committee is to review, measure and manage the bank's overall credit risk strategy and to approve advances in terms of the appropriately delegated powers of authority. Further functions of the credit committee are to:

- Recommend to the board the credit risk policies and the credit risk framework of the bank;
- Review the adequacy of provisions made for credit losses;
- Monitor large exposures and group-connected party lending exposures; and
- Monitor the overall credit review processes of the bank, taking into account the quantitative and qualitative assessment of the credit worthiness of debtors.

The credit committee met three times during the course of 2008, with management representatives from the credit and legal functions being in attendance at the meetings.

Membership and attendance: credit committee meetings in 2008

Member	March	June	October
Adv. AB Mahomed SC (Chairman)	A	✓	A
MS Paruk	✓	✓	✓
SA Randeree	✓	✓	✓
OA Suleiman	A	✓	✓
SAE Chohan (Executive director and chief executive)	✓	✓	✓
MG McLean (Executive director and deputy chief executive)	✓	✓	✓
MJD Courtiade (Executive director and financial director)	✓	✓	✓

✓ = Attendance
A = Apology

Directors' affairs committee

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

- Monitor the adequacy and effectiveness of the bank's corporate governance structure;
- Maintain a board directorship continuity programme;
- Regularly review the composition, skills, experience and qualities required for the effective functioning of the board; and
- Consider methodologies for the annual assessment of the performance of the board, board committees and the contribution of the individual directors by making recommendations to the board.

In accordance with the requirements of the Banks Act, the directors' affairs committee consists solely of non-executive directors. However, the chief executive attends the meetings by invitation.

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

Membership and attendance: directors' affairs committee meetings in 2008

Member	March	October	December
SA Randeree (Chairman)	✓	✓	✓
Adv. AB Mahomed SC	✓	A	A
YM Paruk	✓	✓	✓

✓ = Attendance
A = Apology

Remuneration committee

The overall function of the remuneration committee is to ensure that an appropriate balance exists between the interests of employees and those of shareholders, such that the bank is able to attract and retain the necessary expertise required to achieve the bank's strategic goals and objectives.

The remuneration committee also ensures that the bank's employment equity policy remains current and that it is implemented throughout the organisation. The committee is also responsible for making recommendations to the board on issues of succession planning - both at senior management and executive management levels - remuneration and benefits.

The remuneration committee met on two occasions during the year under review.

Membership and attendance: remuneration committee meetings in 2008

Member	March	June
A Lambat (Chairman)	✓	A
SA Randeree	✓	✓
OA Suleiman	A	✓
SAE Chohan (Executive director and chief executive)	✓	✓

✓ = Attendance
A = Apology

Board property committee

The board property committee is a specialist advisory committee to the board, established with the objective of overseeing the construction of the bank's new corporate head office, located at Kingsmead Office Park, Durban.

The board property committee met twice during the course of 2008.

Membership and attendance: board property committee meetings in 2008

Member	March	October
MS Paruk (Chairman)	✓	✓
A Lambat	✓	✓
YM Paruk	✓	✓
SA Randeree	✓	A
SAE Chohan (Executive director and chief executive)	✓	✓

✓ = Attendance
A = Apology

Company secretary

All directors have access to the service of the company secretary, who is responsible for providing the board collectively, as well as the directors individually, with appropriate guidance on their duties and responsibilities on how they should be discharged in the best interests of the bank.

The company secretary is also required to keep the board informed of best governance practices and to ensure that board procedures are complied with.

Going concern status

The board of directors, having reviewed the going concern basis, as reflected in the financial statements, is of the opinion that the bank will continue operating as a going concern in the coming year. This review process is repeated at the interim reporting stage.

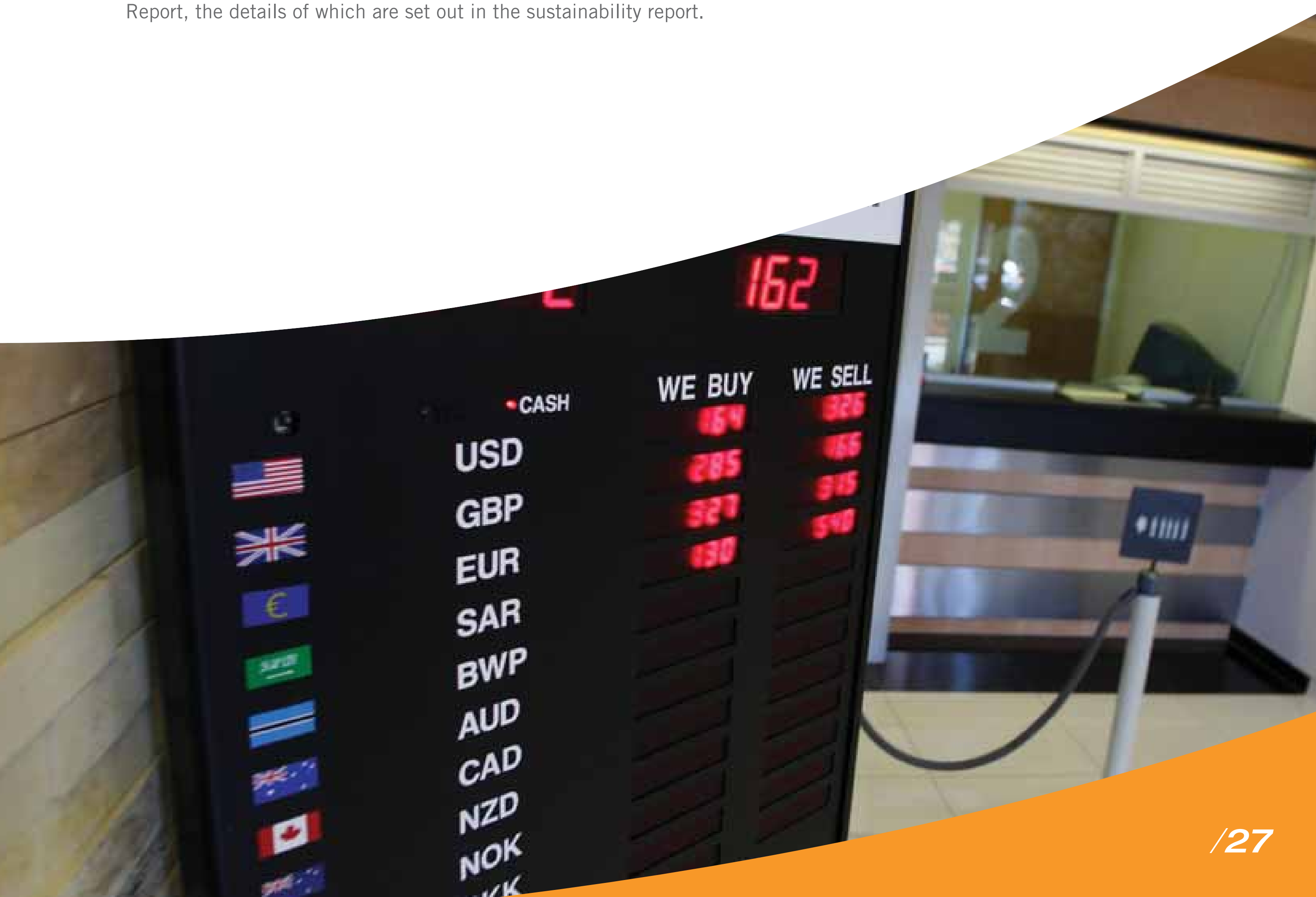
Organisational integrity

In accordance with King II, Albaraka Bank has formulated a code of conduct, which sets the standard of conduct expected of management and staff when engaging with clients, stakeholders and fellow colleagues.

The board of directors and executive management place a high premium on matters pertaining to integrity, regarded as being fundamental to the well-being of the bank. In pursuit of this objective, the bank conducts regular training, whereby the values and principles of the code of conduct are re-enforced with employees. Having due regard for the values reflected in the code and the conduct of staff throughout the year under review, the directors are of the opinion that the standards of the code are, in all material respects, being met.

Financial Sector Charter

Albaraka Bank is committed to the principles of the Financial Sector Charter, which is a framework designed to address the implementation of Black Economic Empowerment across the financial services sector. The bank pleasingly received an "A" rating from the Financial Sector Charter Council in respect of its most recent Black Economic Empowerment Performance Report, the details of which are set out in the sustainability report.



Albaraka Bank acknowledges the importance of disclosing non-financial information in the annual report which is both relevant and appropriate to the business operations of the bank.

Such information addresses the bank's social, transformation, ethical, safety, health and environmental management policies and practices, which disclosure is in keeping with the recommendations of King II. It is the function of the board to determine what is relevant for disclosure, having due regard for the circumstances of the bank.

Financial Sector Charter

The Financial Sector Charter, which is a transformation charter as contemplated in the Broad-Based Black Economic Empowerment legislation, provides the principles upon which Black Economic Empowerment is to be implemented throughout the financial sector. The charter establishes various targets in the areas of human resource development, procurement, enterprise development, access to financial services, empowerment financing, ownership and control and corporate social investment.

For the year under review, Albaraka Bank received the following ratings across the different targets:

Charter category	Target points	Albaraka Bank's score
Human resources	20	13
Procurement and enterprise development	15	15
Access to financial services	02	02
Empowerment financing	22	17
Ownership and control	20	25 (incl. bonus points)
Corporate social investment	03	03
Total score	**82**	**75**

Percentage score: 91,46%
Rating: "A"

Stakeholder relationships

Albaraka Bank recognises the need for timely and transparent disclosure on matters of public interest to all its categories of stakeholders, including, but not limited to employees, clients, shareholders, regulators and suppliers. The development of sound working relationships with all its stakeholders is regarded as a key objective of the bank.

Customer service excellence remains an ongoing priority for the bank with significant steps having been taken by management to achieve this objective during the 2008 financial year. The bank is also committed to customer confidentiality at all times. In keeping with the bank's "zero tolerance" approach to fraud-linked and unethical conduct an externally managed anti-fraud hotline has been established in terms of which staff and clients may confidentially call in and relay details of alleged activities. All matters which are reported are investigated, irrespective of the nature of the matter or the amount in question.

The bank acknowledges that well-informed stakeholders play a significant role in support of the continued growth of the bank. It is for this reason that shareholders are encouraged to attend annual general meetings of the bank, where they are afforded the opportunity to interact with the directors on a personal level. Through this ongoing process, the bank seeks to enhance its shareholders' understanding and knowledge of the bank, as well as its operations.

Employees

Albaraka Bank continues to place significant emphasis on empowering staff, providing them with relevant training opportunities aimed at increased efficiencies and improved financial performance at the bank. Management is ever mindful of the fact that the bank's members of staff play a critical role in helping it achieve its financial objectives and for this reason the bank's human resources strategy specifically focuses on retaining its best employees.

Skills development and training: 2008	
Skills spend 2008	R657 244
Total training hours	9 427

Health and safety

Since the last report, much time and effort has been invested in occupational health and safety matters. Inspections were conducted at all branches by the respective occupational health and safety representatives in order to detect and eradicate areas of non-compliance.

Fire marshals were elected for each of our branches and the marshals from the Durban area attended off-site training to assist them to perform their duties effectively. Fire drills will be conducted during the new financial year in order to prepare staff for any potential disaster.

A new facilities manager will be appointed, so ensuring greater emphasis and focus on occupational health and safety issues.

During the period under review no employees sustained any injuries nor were any major health hazards reported.

Verification statement by internal audit

Having conducted a limited review of the information set forth in the sustainability report, we are of the opinion that it fairly represents Albaraka Bank's social, transformation, ethical, safety, health and environmental management policies and practices.

The bank has a compliance function whose primary role is to monitor regulatory and reputational risk.

Regulatory risk is the risk that the bank could be exposed to penalties and sanctions for failing to comply with those statutory, regulatory and supervisory requirements imposed by the South African Reserve Bank and any other regulatory bodies by which the bank is regulated. Reputational risk is the risk that the bank could be exposed to negative publicity due to the contravention of laws applicable to the bank.

The overriding role of compliance is, therefore, to assist management in complying not only with the letter, but also with the spirit of the law and any and all supervisory requirements.

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

The compliance officer submits regular updates or reports to the bank's audit committee, the board and South African Reserve Bank as regards a range of compliance issues. During the 2008 financial year no material issues of non-compliance were reported.

Significant regulatory developments which had an impact on Albaraka Bank during the 2008 financial year included:

- **Anti-money laundering control and combating of terrorism legislation**
  The bank has spent time, effort and resources in an effort to devise, implement and update appropriate policies and procedures, together with amendments to system processes, as well as providing effective staff training in an effort to comply with applicable legislation. Although the final deadline date for client identification and verification expired on 30 September 2006, the bank has continued focusing on compliance at both branch and dedicated FICA Project Team levels.

  The bank has also continued utilising Compliance Watch software as a means of assisting with name matching on terrorist watch lists. However, this - together with the detection and reporting of suspicious money laundering transactions - will be enhanced by the new Equation Islamic core banking solution, to be implemented shortly.

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

- **Code of Banking Practice**
  The bank continued implementing the Code of Banking Practice at all its branches. Clients were informed of their rights in terms of the code by way of posters in the banking halls and handbills distributed at the bank. Ongoing monitoring of compliance with the code is maintained and 'mystery shoppers' were also used for this purpose.

- **The National Credit Act**
  Extensive system changes, staff training, adaptation of documentation and legal agreements were undertaken in order to meet the requirements of the National Credit Act. Possible regulatory risks have been identified and are being monitored to ensure full compliance by the bank. A detailed review by external consultants is planned for 2009.

- **Home Loan and Mortgage Disclosure Act**
  This legislation was introduced to level the playing fields in respect of the obtaining of residential property finance by formerly disenfranchised members of our society. In this regard, extensive system changes became necessary by virtue of the Act. Full implementation occurred in 2008.

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 Albaraka Bank during the year under review. We have also conducted our review to form an opinion as to whether Albaraka Bank has complied with the rules and principles of Shari'ah in accordance with the standards set by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

Albaraka Bank's management is responsible for ensuring that the bank conducts its business in accordance with the rules and principles of the Shari'ah. It is the Shari'ah Supervisory Board's (SSB) responsibility to form an independent opinion, based on its review of the operations of Albaraka Bank and report to you.

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

The scope of the audit included:
- Financial statements (draft available as at 16 January 2009);
- Murabaha financing;
- Musharaka financing;
- Equity Murabaha transactions;
- Profit distribution;
- Disposal of impermissible income; and
- Foreign exchange transactions.

We planned and performed our review so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Albaraka Bank has not violated the rules and principles of the Shari'ah.

In our opinion:
1. The contracts, transactions and dealings entered into by Albaraka Bank during the year under review are generally in compliance with the rules and principles of Shari'ah, subject to certain concerns, namely the following:
   a) In certain cases, as a consequence of inadequate filing, relevant documents relating to Shari'ah compliance were not available at the time of the audit. The SSB has given appropriate directions with regard to the rectification of these transgressions;
   b) Impermissible funds have been segregated. Management has undertaken to distribute such funds to charitable causes as per the guidelines of the SSB; and
   c) Certain transactions requiring rectification were drawn to the attention of management.
2. The allocation of profit relating to investment accounts conforms to the rules and principles of Shari'ah.

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

Dr Abdus Sattar Abu Ghudda
Chairman
17 January 2009

Sheikh Mahomed Shoaib Omar
Member

Mufti Shafique Jakhura
Member

Shari'ah Supervisory Board of Albaraka Bank

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

The board sets out to ensure that all Shari'ah matters regarding Albaraka Bank are dealt with in a professional manner and in strict accordance with the standards set by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

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

It is the responsibility of the Shari'ah 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.

Albaraka Bank's Shari'ah Supervisory Board comprises:

Dr Abdus Sattar Abu Ghudda (Syrian) -
Dr Ghudda is the senior Shari'ah consultant for the Albaraka 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 Shari'ah Supervisory Boards of several Islamic financial institutions. He is an active member of the OIC Islamic Fiqh Academy and the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

He was responsible for research and compilation of the Encyclopaedia of Fiqh of the Kuwait Ministry of Awqaf and Islamic Affairs and is a former member of the Ministry's Fatwa Board. He has taught fiqh and Islamic studies in Kuwait and Saudi Arabia. Dr Ghudda obtained BA degrees in Islamic Shari'ah and in Law from Damascus University. He went on to earn his MA degree in Shari'ah and hadith and his PhD in Shari'ah and comparative fiqh from Al-Azhar University in Cairo.

Mr Mahomed Shoaib Omar -
Mr Omar serves as member of the Shari'ah Supervisory Board of Albaraka 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.

Shari'ah supervision of the Futuregrowth Albaraka Equity Fund

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

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

The board has also appointed a local Shari'ah sub-committee, comprising Mahomed Shoaib Omar and Mufti Zubair Bayat, who examine the Shari'ah 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 Shari'ah principles, as set by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). All investments made by the fund ensure ongoing compliance with Shari'ah board directives.

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

A Shari'ah audit is conducted twice annually in an effort to further ensure that returns to investors comply with Shari'ah principles.

The last international Shari'ah board meeting was held on 4 May 2008.

Directors' Responsibility Statement and Secretary's Declaration

Directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the group annual financial statements and separate parent annual financial statements, comprising the directors' report, the balance sheets as at 31 December 2008, the income statements, the statements of changes in shareholders' equity and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

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

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

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

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

Approval of group annual financial statements and separate parent annual financial statements

The group annual financial statements and separate parent annual financial statements were approved by the board of directors on 12 March 2009 and signed on their behalf by:

Adnan Ahmed Yousif
Chairman

Shabir Chohan

Shabir Chohan
Chief Executive

Secretary's declaration

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

Colin Breeds
Company Secretary
Durban
12 March 2009

Annual Financial Statements

for the year ended 31 December 2008

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Albaraka Bank Limited

Registration number 1989/003295/06

Independent Auditor's Report

to the members of Albaraka Bank Limited and its subsidiary

Report on the Financial Statements

We have audited the annual financial statements of Albaraka Bank Limited, and its subsidiary which comprise the directors' report, the balance sheets as at 31 December 2008, the income statements, the statements of changes in shareholders' equity and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 79.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group as at 31 December 2008, the financial performance of the company and group and the cash flows of the company and group for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor
1 Pencarrow Crescent,
Pencarrow Park,
La Lucia Ridge Office Estate,
Durban, 4001

12 March 2009

The directors have pleasure in presenting their report for the year ended 31 December 2008.

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

The bank's parent and ultimate holding company is the Albaraka 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 (2007 : 30,0 million) ordinary shares of R10 each amounting to R300,0 million (2007 : R300,0 million). The issued share capital of the company comprises 15,0 million (2007 : 15,0 million) ordinary shares of R10 each amounting to R150,0 million (2007 : R150,0 million).

Financial results

The results of the group and of the company for the year ended 31 December 2008 are set out on pages 40 to 79.

Dividends

On 14 March 2008 the directors declared a dividend of 35 cents (2007 : 25 cents) per share amounting to R5,3 million (2007 : R3,8 million) payable to shareholders registered as at close of business on 13 June 2008.

Directors

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

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

Secretary

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

Business address
First floor, 134 Dr AB Xuma Street,
(Formerly Commercial Road)
Durban,
4001

Postal address
PO Box 4395,
Durban,
4000

Registered address
First floor, 134 Dr AB Xuma Street,
(Formerly Commercial Road)
Durban,
4001

Subsidiary company

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

	2008	2007
	R	R
Shares	**100**	100
Amount owing	**47 373 620**	18 566 678
Impairment losses	**(667 976)**	(370 684)
	46 705 744	18 196 094

The loss incurred by its subsidiary and attributable to the bank amounted to R297 292 (2007 : R285 623). The company has subordinated, for the benefit of other creditors of Albaraka Properties (Proprietary) Limited, an amount not exceeding R700 000 until such time as that company's assets exceeds its liabilities.

Subsequent events

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

Balance Sheets

as at 31 December 2008

	Notes	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Assets					
Property and equipment	3	**67 874**	33 561	**22 181**	16 657
Investment in and amount due by subsidiary company	4			**46 706**	18 196
Deferred tax asset	5	**6 325**	4 549	**6 144**	4 368
Advances and other receivables	6	**1 604 330**	1 477 939	**1 604 323**	1 477 936
Investment securities	7	**5 972**	7 601	**5 972**	7 601
Cash and cash equivalents	8	**186 155**	162 656	**186 155**	162 656
Total assets		**1 870 656**	1 686 306	**1 871 481**	1 687 414
Equity and liabilities					
Equity					
Share capital	9	**150 000**	150 000	**150 000**	150 000
Reserves	10	**66 856**	51 572	**66 856**	51 572
Shareholders' interest		**216 856**	201 572	**216 856**	201 572
Liabilities					
Deposits from customers	11	**1 624 156**	1 449 483	**1 624 156**	1 449 483
Accounts payable	12	**14 229**	19 813	**15 054**	20 921
Welfare and charitable funds	13	**15 415**	15 438	**15 415**	15 438
Total equity and liabilities		**1 870 656**	1 686 306	**1 871 481**	1 687 414

Income Statements

for the year ended 31 December 2008

		Group		Company	
	Notes	**2008**	2007	**2008**	2007
		R'000	R'000	**R'000**	R'000
Income earned from advances		**172 490**	127 494	**172 490**	127 494
Income earned from equity finance		**23 415**	23 483	**23 415**	23 483
Gross income earned		**195 905**	150 977	**195 905**	150 977
Income paid to depositors		**106 406**	80 042	**106 406**	80 042
Net income before impairment for credit losses		**89 499**	70 935	**89 499**	70 935
Impairment for credit losses	6.3	**2 357**	1 408	**2 357**	1 408
Net income after impairment for credit losses		**87 142**	69 527	**87 142**	69 527
Net non-Islamic income	14	**-**	-	**-**	-
Fee and commission income	15	**7 774**	10 519	**7 974**	10 719
Other operating income	16	**1 991**	1 187	**1 693**	888
Net income from operations		**96 907**	81 233	**96 809**	81 134
Operating expenditure	17	**65 949**	54 326	**65 851**	54 195
Profit before taxation		**30 958**	26 907	**30 958**	26 939
Taxation	18	**9 229**	8 723	**9 229**	8 755
Profit for the year		**21 729**	18 184	**21 729**	18 184
Weighted average number of shares in issue ('000)		**15 000**	15 000		
Basic and diluted earnings per share (cents)	19	**144,9**	121,2		

Statements of Changes in Shareholders' Equity

for the year ended 31 December 2008

	Share capital and share premium	Investment risk reserve	Retained income/ (Accumulated loss)	General credit risk reserve	Regulatory credit risk reserve	Shareholders' interest
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2008						
Balance at beginning of year	**150 000**	**2 605**	**37 711**	**600**	**10 656**	**201 572**
Total of income and expense for the year			**20 534**			**20 534**
Profit for the year			**21 729**			**21 729**
Fair value adjustment to investment securities net of deferred taxation			**(1 195)**			**(1 195)**
Dividends paid			**(5 250)**			**(5 250)**
Balance at end of year	**150 000**	**2 605**	**52 995**	**600**	**10 656**	**216 856**
2007						
Balance at beginning of year	150 234	2 605	(1 723)	600	35 656	187 372
Total of income and expense for the year			43 183		(25 000)	18 183
Profit for the year			18 184			18 184
Fair value adjustment to investment securities net of deferred taxation			(1)			(1)
Transfer from regulatory credit risk reserve			25 000		(25 000)	-
Expenses in respect of increase in authorised share capital	(234)					(234)
Dividends paid			(3 749)			(3 749)
Balance at end of year	150 000	2 605	37 711	600	10 656	201 572

	Share capital and share premium	Investment risk reserve	Retained income/ (Accumulated loss)	General credit risk reserve	Regulatory credit risk reserve	Shareholders' interest
	R'000	R'000	R'000	R'000	R'000	R'000
Company						
2008						
Balance at beginning of year	**150 000**	**2 605**	**37 711**	**600**	**10 656**	**201 572**
Total of income and expense for the year			**20 534**			**20 534**
Profit for the year			**21 729**			**21 729**
Fair value adjustment to investment securities net of deferred taxation			**(1 195)**			**(1 195)**
Dividends paid			**(5 250)**			**(5 250)**
Balance at end of year	**150 000**	**2 605**	**52 995**	**600**	**10 656**	**216 856**
2007						
Balance at beginning of year	150 234	2 605	(1 723)	600	35 656	187 372
Total of income and expense for the year			43 183		(25 000)	18 183
Profit for the year			18 184			18 184
Fair value adjustment to investment securities net of deferred taxation			(1)			(1)
Transfer from regulatory credit risk reserve			25 000		(25 000)	-
Expenses in respect of increase in authorised share capital	(234)					(234)
Dividends paid			(3 749)			(3 749)
Balance at end of year	150 000	2 605	37 711	600	10 656	201 572

Cash Flow Statements
for the year ended 31 December 2008

	Notes	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Cash flow from operating activities					
Cash generated from operations	**21.1**	**35 805**	31 815	**36 102**	32 098
Changes in working capital	**21.2**	**49 750**	26 858	**49 547**	26 860
Taxation paid	**21.3**	**(17 490)**	(13 562)	**(17 566)**	(12 400)
Dividends paid	**21.4**	**(5 250)**	(3 749)	**(5 250)**	(3 749)
Net cash inflow from operating activities		**62 815**	41 362	**62 833**	42 809
Cash flow from investing activities					
Additions to property and equipment	**21.5**	**(39 543)**	(16 758)	**(10 754)**	(7 009)
Purchase of investment securities		**(31)**	(7 603)	**(31)**	(7 603)
Proceeds from disposal of property and equipment		**258**	46	**258**	46
Increase in investment in and amount due by subsidiary				**(28 807)**	(11 196)
Net cash utilised in investing activities		**(39 316)**	(24 315)	**(39 334)**	(25 762)
Cash flow from financing activities					
Expenses in respect of increase in authorised share capital		**-**	(755)	**-**	(755)
Net cash utilised in financing activities		**-**	(755)	**-**	(755)
Net increase for the year		**23 499**	16 292	**23 499**	16 292
Cash and cash equivalents at beginning of year		**162 656**	146 364	**162 656**	146 364
Cash and cash equivalents at end of year		**186 155**	162 656	**186 155**	162 656

1 Reporting entity

Albaraka Bank Limited is a company domiciled in South Africa. The company's registered address is 134 Dr AB Xuma Street (formerly Commercial Road), Durban, 4001. The consolidated financial statements of the company as at, and for the year ended 31 December 2008 comprise the company and its subsidiary (together referred to as the "group").

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

2 Basis of preparation

Statement of compliance

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

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value; and
- Available-for-sale financial assets are measured at fair value.

Functional and presentation currency

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

Use of estimates and judgements

The preparation of the group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities, at the reporting date.

However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of uncertainty, at the balance sheet 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.

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 an impairment is required by assessing the cash flow being received on the advance. In calculating the impairment against the individual advance, the following assumptions were made:

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.

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.

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.

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, other than leasehold improvements and computer equipment are depreciated on a reducing balance basis. Leasehold improvements and computer equipment are depreciated on a straight line basis. The current estimated useful lives are as follows:

Buildings	50 years
Tank containers	20 years
Equipment	5 - 10 years
Vehicles	3 - 5 years
Computer software	3 - 5 years
Computer hardware	3 - 5 years

The assets' depreciation methods, residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Management has exercised judgement in determining useful lives and residual values of each category of property and equipment as required by IAS 16. These judgements have been based on past history of the expected future economic benefits to be derived from the assets.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Subsequent expenditure relating to an item of property and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement 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 balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated.

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

An impairment loss is recognised in the income statement 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.

7 Contingencies and commitments

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

8 Financial instruments

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

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

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

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

Available-for-sale financial assets
The group's investments in equity securities and certain debt securities are classified as available-for-sale financial

8 Financial instruments (continued)

assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

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 method except when the group designates the advances at fair value through profit or loss.

Offsetting

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

Investment securities

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

Fair value measurement

The determination of fair 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 or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase in fair value indicated by valuation techniques is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

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

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 balance sheet 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 borrower, restructuring of an advance by the group on terms that the group would otherwise not consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers 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 the income statement.

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 the income statement.

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 the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

10 Income tax expense (continued)

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 balance sheet 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 balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

11 Revenue recognition

Income from Islamic activities

Income from Islamic activities comprises:

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

Non-Islamic income

The group does not, as a policy, engage in any activities that involve usury.

However, any non-Islamic income earned by the company, due to circumstances beyond its control, is transferred to the welfare and charitable fund. Fair value gains and losses on treasury bills are regarded as non-Islamic income and are therefore transferred to the charity and welfare fund. Non-Islamic income is reported net of these transfers on the face of the income statement.

Dividends

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

12 Leases

The leases entered into by the group are operating leases. The total payments made under the operating leases are charged to the income statement on a straight line basis over the period of the lease.

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.

13 Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise short-term negotiable securities, cash and short-term funds.

14 Employee benefits

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

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

15 Earnings per share

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

16 Related parties

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

Close family member of the family of an individual includes:
- The individual's domestic partner and children;
- Children of the individual's domestic partner; and
- Dependents of the individual or the individual's domestic partner.

1 Capital adequacy

Introduction

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

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

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

Capital structure

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

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

Regulatory capital	2008 R'000	2007 R'000
Tier 1		
Share capital	**150 000**	150 000
Investment risk reserve	**2 605**	2 605
General credit risk reserve	**600**	600
Regulatory credit risk reserve	**10 656**	10 656
Retained income	**52 995**	37 711
Total capital and reserves	**216 856**	201 572
Less: Regulatory credit risk reserve	**10 656**	10 656
Total Tier 1 capital	**206 200**	190 916
Tier 2		
Portfolio impairment (net of deferred tax)	**6 051**	5 521
Total eligible capital	**212 251**	196 437
Capital adequacy ratios (Tier 1 %)	**14,0%**	15,0%
Capital adequacy ratios (Total %)	**14,4%**	15,4%

The bank's capital strategy plays an important role in growing shareholder value and has contributed significantly to growth in the current year. The 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 takes account of 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 2008, the bank's capital requirements and risk-weighted assets for credit risk, equity risk, market risk and other assets as calculated under the standardised approach and for operational risk as calculated under the basic indicator approach in terms of the Banks Act and Regulations were as follows:

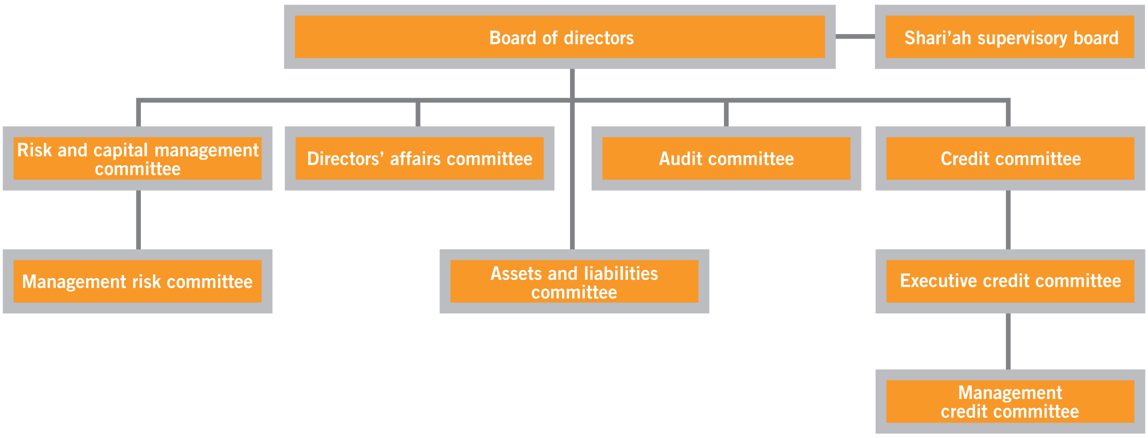
	Capital requirements		Risk-weighted assets	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
Credit risk	**120 858**	191 388	**1 239 575**	1 275 921
Operational risk	**14 692**	-	**150 691**	-
Equity risk	**5 136**	-	**52 678**	-
Market risk	**184**	-	**1 888**	-
Other	**3 000**	-	**30 771**	-
	143 870	191 388	**1 475 603**	1 275 921

2 Risk management and assessment

While the board is ultimately responsible for risk management and to determine the type and level of risk which the bank is willing to accept in conducting its banking activities, the effective management of risk has been delegated to four board committees, namely the risk and capital management committee, the audit committee, the credit committee and the directors' affairs committee. These committees are assisted by management committees (more particularly the assets and liabilities committee (ALCO), the executive credit committee and the management risk committee) to discharge their responsibilities effectively. The composition, terms of reference and delegated powers of authority of the board and management committees are set by the board and are reviewed annually. All board committees have both executive and non-executive members and report regularly to the board.

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 the bank a culture that is risk-management oriented.

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



The audit committee is 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;
- Liquidity risk;
- Profit rate risk;
- Shari'ah risk;
- Operational risk; and
- Compliance risk.

2.1 Credit risk

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

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

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

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

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

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

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

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

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

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

Portfolio measures of credit risk

Credit loss expense is reported in accordance with IAS 39 Financial Instruments: Recognition and Measurement. Under these rules, losses are recognised and charged to the income statement in the period when they arise.

2 Risk management and assessment (continued)

2.1 Credit risk (continued)

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

Exposures that have not met their individual repayment terms are classified as past due exposures.

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The bank considers that the obligor is unlikely to pay its credit obligations to the bank, without recourse by the bank to actions such as realising security (if held); and
- The obligor is past due more than 90 days on any material credit obligation to the bank.

Credit impairments

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

Credit exposures	Group and company 2008 R'000	2007 R'000
Advances to customers	**1 412 435**	1 321 469
Advances to banks	**205 083**	166 275
Cash and cash equivalents (excluding cash on hand)	**184 811**	161 329
Investment securities - available-for-sale	**5 972**	7 601
Letters of credit, guarantees and confirmations	**37 049**	46 415
Total exposure	**1 845 350**	1 703 089
Impairment of advances	**15 560**	13 199
Net exposure	**1 829 790**	1 689 890

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

Analysis of concentration of credit risk

	2008 R'000	2007 R'000
Geographical distribution of exposures		
KwaZulu-Natal	**860 543**	1 003 225
Gauteng	**830 741**	581 992
Western Cape	**154 066**	117 872
Total exposure	**1 845 350**	1 703 089
Industry distribution of exposures		
Banks and financial institutions	**389 894**	327 604
Individuals	**380 733**	381 549
Other services	**1 074 723**	993 936
Total exposure	**1 845 350**	1 703 089
Product distribution analysis		
Property (Musharaka and Murabaha)	**920 612**	834 286
Equity finance	**205 083**	166 275
Instalment sales	**277 933**	277 245
Trade	**213 890**	209 938
Cash with banks and central banks	**184 811**	161 329
Investment in unit trusts	**3 372**	5 001
Investment in unlisted property owning company	**2 600**	2 600
Letters of credit	**4 923**	7 426
Guarantees and confirmations	**32 126**	38 989
Total exposure	**1 845 350**	1 703 089

		2008 R'000	2007 R'000
Residual contractual maturity of book			
Within 1 month	- equity finance	**64 597**	51 594
	- other	**295 738**	265 553
From 1 to 3 months	- equity finance	**114 026**	114 681
	- other	**160 843**	192 574
From 3 months to 1 year	- equity finance	**26 460**	-
	- other	**259 306**	170 659
From 1 year to 5 years		**670 635**	592 791
More than 5 years		**253 745**	315 237
Gross exposure		**1 845 350**	1 703 089

2 Risk management and assessment (continued)

2.1 Credit risk (continued)

	Group and company							
	Advances to customers		Advances to banks		Other exposures		Total	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000	**2008 R'000**	2007 R'000	**2008 R'000**	2007 R'000
Past due and individually impaired								
Special mention category	**187 095**	170 753	**-**	-	**-**	-	**187 095**	170 753
Sub-standard category	**18 694**	38 533	**-**	-	**-**	-	**18 694**	38 533
Doubtful category	**12 915**	8 296	**-**	-	**-**	-	**12 915**	8 296
Loss category	**4 260**	2 343	**-**	-	**-**	-	**4 260**	2 343
Gross amount	**222 964**	219 925	**-**	-	**-**	-	**222 964**	219 925
Specific impairment	**(7 156)**	(5 423)	**-**	-	**-**	-	**(7 156)**	(5 423)
Carrying amount	**215 808**	214 502	**-**	-	**-**	-	**215 808**	214 502
Past due but not impaired								
Standard category	**178 441**	175 877	**-**	-	**-**	-	**178 441**	175 877
Carrying amount	**178 441**	175 877	**-**	-	**-**	-	**178 441**	175 877
Neither past due nor impaired								
Standard category	**1 011 030**	925 667	**205 083**	166 275	**227 832**	215 345	**1 443 945**	1 307 287
Carrying amount	**1 011 030**	925 667	**205 083**	166 275	**227 832**	215 345	**1 443 945**	1 307 287
Total carrying amount before portfolio impairment	**1 405 279**	1 316 046	**205 083**	166 275	**227 832**	215 345	**1 838 194**	1 697 666
Portfolio impairment - Standard category	**(8 404)**	(7 776)	**-**	-	**-**	-	**(8 404)**	(7 776)
Net carrying amount	**1 396 875**	1 308 270	**205 083**	166 275	**227 832**	215 345	**1 829 790**	1 689 890

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

Estimates of fair value are based on the value of collateral assessed at time of borrowing and are updated for commercial property and residential property supporting a revolving facility which is assessed on a three-year interval based on independent valuations. In other instances collateral is re-assessed when an advance is individually assessed as impaired. Collateral is generally not held over advances to banks.

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

	2008 R'000	2007 R'000
Estimated fair value of collateral and other security enhancements	**1 075 346**	968 518

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

		2008	2007
Past due and individually impaired	- Individuals	**40 422**	33 568
	- Other customers	**182 542**	186 357
		222 964	219 925
Past due but not impaired	- Individuals	**69 078**	55 561
	- Other customers	**109 363**	120 316
		178 441	175 877

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

	Group and company					
	Less than 30 days		30 to 60 days		Total	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Property (Musharaka and Murabaha)	**122 442**	107 697	**30 465**	37 294	**152 907**	144 991
Instalment sales	**11 081**	16 882	**4 474**	3 919	**15 555**	20 801
Trade	**8 057**	6 673	**1 922**	3 412	**9 979**	10 085
	141 580	131 252	**36 861**	44 625	**178 441**	175 877

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 interest 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.

Albaraka 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 investments in unit trusts which are held as available-for-sale.

The price risk on investment in unit trusts is subject to regular monitoring by management and the board, but is not currently significant in relation to the overall results and financial position of the group.

The bank has no significant foreign currency transactions and, therefore, the bank is not exposed to any significant currency risks.

2 Risk management and assessment (continued)

2.3 Liquidity risk

Liquidity risk relates to the potential inability to repay deposits, fund asset growth or to service debt or other expense payments. Liquidity risk is managed mainly by ensuring that the funding of the bank is sourced from a wide range of retail deposits with an appropriate spread of short, medium and long-term maturities. Exposure to large deposits is strictly controlled.

ALCO monitors and reviews the maturity profiles of the bank’s assets and liabilities on a regular basis to ensure that appropriate liquidity levels are maintained to meet future commitments. The bank also has a policy of maintaining liquidity buffers (in the form of Treasury Bills and cash surpluses held on call) comfortably in excess of regulatory requirements. Refer to note 24 for details relating to liquidity risk management.

2.4 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 borrowers, 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 borrower in terms of which the bank shares in the profit generated by the borrower at an agreed profit sharing ratio.

In a similar fashion, the bank’s depositors do not earn interest on deposits placed with the bank, but instead earn income on their deposits based on their proportionate share of the profits earned from customers by the bank. There is no mis-match in terms of the earning profile of depositors and that of the bank. As the mark-up and profit sharing ratios are fixed, the bank is not subject to the risk of fluctuations in the fair value or cash flows as a result of these instruments.

2.5 Shari'ah risk

Shari'ah 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, Shari’ah risk is closely linked to and embraces the following risks:

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

Shari'ah risk is managed by monitoring, reviewing and supervising the activities of the bank to ensure that Shari'ah procedures, as prescribed by the Shari'ah Supervisory Board, are implemented and adhered to. The bank seeks to manage and minimise its exposure to Shari'ah 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 Shari'ah compliance;
- Shari'ah reviews are carried out appropriately, in a timely manner and in accordance with Shari'ah Supervisory Board policies and plans;
- Confirmation that profits earned from clients and profits paid to depositors are strictly in accordance with

Shari'ah principles;

- Profit distribution is managed by the bank in accordance with Shari'ah guidelines, as defined by the Shari'ah Supervisory Board;
- Obtaining written Shari'ah 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 Shari'ah Supervisory Board rulings;
- The effective management and/or investment, in a Shari'ah-compliant manner, of excess liquidity; and
- The employment of a programme of continuous update by the bank of new developments, changes and amendments as regards AAOIFI standards.

2.6 Operational risk

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

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

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

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

2.7 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.

	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000

3 Property and equipment

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Cost				
Land and buildings	**45 693**	16 904	**-**	-
Vehicles	**1 676**	1 410	**1 676**	1 410
Equipment and computers	**35 243**	25 900	**35 243**	25 652
Leasehold improvements	**5 767**	5 546	**5 767**	5 330
Tank containers	**7 145**	7 145	**7 145**	7 145
	95 524	56 905	**49 831**	39 537
Accumulated depreciation	**27 650**	23 344	**27 650**	22 880
Vehicles	**523**	531	**523**	531
Equipment and computers	**19 753**	16 288	**19 753**	16 040
Leasehold improvements	**4 014**	3 472	**4 014**	3 256
Tank containers	**3 360**	3 053	**3 360**	3 053
	67 874	33 561	**22 181**	16 657

	Group 2008 R'000	Group 2007 R'000
Land and buildings comprise the following commercial property and vacant land as described below:		
1. Commercial property in Cape Town described as Erf no. 33983 Cape Town in extent 610 square metres independently valued at R7,3 million (2007 : R7,3 million). The property is leased partly to the bank and partly to third parties. The leases contain an initial non-cancellable period of three years.	**3 655**	3 655
2. Vacant land in Durban described as Portion 6 of Erf 12445 Durban, Registration Division FV, Province of KwaZulu-Natal, in extent 3 316 square metres. The land was independently valued at R6,9 million (2007 : R6,9 million).	**3 500**	3 500
The land is in the process of being developed by way of construction of office premises to be leased on completion partly to the bank and partly to third parties. Development costs incurred to 31 December 2008 amounted to	**38 538**	9 749
	45 693	16 904
Carrying value at beginning of year	**16 904**	7 155
Additions	**28 789**	9 749
	45 693	16 904

The residual value of buildings exceed their cost and hence no depreciation has been provided on buildings.

Movement in property and equipment	Land and buildings	Vehicles	Equipment and computers	Leasehold improvements	Tank containers	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2008						
Net carrying value at beginning of year	**16 904**	**879**	**9 612**	**2 074**	**4 092**	**33 561**
Additions	**28 789**	**488**	**9 829**	**437**	**-**	**39 543**
Disposals	**-**	**(23)**	**(117)**	**-**	**-**	**(140)**
Depreciation for the year	**-**	**(191)**	**(3 834)**	**(758)**	**(307)**	**(5 090)**
Net carrying value at end of year	**45 693**	**1 153**	**15 490**	**1 753**	**3 785**	**67 874**
2007						
Net carrying value at beginning of year	7 155	709	7 474	1 483	4 399	21 220
Additions	9 749	328	5 407	1 274	-	16 758
Disposals	-	-	(26)	-	-	(26)
Depreciation for the year	-	(158)	(3 243)	(683)	(307)	(4 391)
Net carrying value at end of year	16 904	879	9 612	2 074	4 092	33 561
Company						
2008						
Net carrying value at beginning of year	**-**	**879**	**9 612**	**2 074**	**4 092**	**16 657**
Additions	**-**	**488**	**9 829**	**437**	**-**	**10 754**
Disposals	**-**	**(23)**	**(117)**	**-**	**-**	**(140)**
Depreciation for the year	**-**	**(191)**	**(3 834)**	**(758)**	**(307)**	**(5 090)**
Net carrying value at end of year	**-**	**1 153**	**15 490**	**1 753**	**3 785**	**22 181**
2007						
Net carrying value at beginning of year	-	709	7 439	1 483	4 399	14 030
Additions	-	328	5 407	1 274	-	7 009
Disposals	-	-	(26)	-	-	(26)
Depreciation for the year	-	(158)	(3 208)	(683)	(307)	(4 356)
Net carrying value at end of year	-	879	9 612	2 074	4 092	16 657

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000

4 Investment in and amount due by subsidiary company

Albaraka Properties (Proprietary) Limited is 100% (2007 : 100%) owned by Albaraka Bank Limited.

The issued share capital of Albaraka Properties (Proprietary) Limited comprises 100 shares of R1 each (2007 : 100 shares of R1 each).

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Shares at cost			*	*
Due by subsidiary			**47 374**	18 567
Impairment losses			**(668)**	(371)
			46 706	18 196

* Amount less than R1 000

The amount due by the subsidiary is profit-free and is repayable on demand.

5 Deferred tax asset

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Balance at beginning of year	**4 549**	2 491	**4 368**	2 491
Transfers from income statement	**1 323**	2 041	**1 323**	1 860
Recognised directly in equity	**465**	-	**465**	-
Transfers (to)/from welfare and charitable fund	**(12)**	17	**(12)**	17
Balance at end of year	**6 325**	4 549	**6 144**	4 368

The deferred tax asset comprises the following:

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Impairment loss in subsidiary			**104**	107
Deferred tax on accumulated losses in subsidiary	**104**	107		
Impairment losses for doubtful advances	**1 503**	1 180	**1 503**	1 180
Other provisions	**4 485**	3 073	**4 304**	2 892
Prepaid expenses	**(159)**	(57)	**(159)**	(57)
Plant and equipment	**388**	(195)	**388**	(195)
Unearned income	**-**	441	**-**	441
Unrealised loss on revaluation of foreign exchange	**4**	-	**4**	-
	6 325	4 549	**6 144**	4 368

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

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000

6 Advances and other receivables

6.1 Sectoral analysis

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Advances to customers				
Property (Musharaka and Murabaha)	**920 612**	834 286	**920 612**	834 286
Instalment sale	**277 933**	277 245	**277 933**	277 245
Trade	**213 890**	209 938	**213 890**	209 938
Gross advances to customers	**1 412 435**	1 321 469	**1 412 435**	1 321 469
Impairment for doubtful advances	**15 560**	13 199	**15 560**	13 199
	1 396 875	1 308 270	**1 396 875**	1 308 270
Advances to banks				
Equity finance	**205 083**	166 275	**205 083**	166 275
Net advances	**1 601 958**	1 474 545	**1 601 958**	1 474 545
Other receivables	**2 372**	3 394	**2 365**	3 391
	1 604 330	1 477 939	**1 604 323**	1 477 936

Included under property are Musharaka advances amounting to R755,5 million (2007 : R678,7 million).

6.2 Maturity analysis

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Advances to customers				
Within 1 month	**105 254**	104 224	**105 254**	104 224
From 1 month to 3 months	**145 839**	146 159	**145 839**	146 159
From 3 months to 1 year	**242 934**	170 659	**242 934**	170 659
From 1 year to 5 years	**664 663**	585 190	**664 663**	585 190
More than 5 years	**253 745**	315 237	**253 745**	315 237
	1 412 435	1 321 469	**1 412 435**	1 321 469
Equity finance				
Within 1 month	**64 597**	51 594	**64 597**	51 594
From 1 month to 3 months	**114 026**	114 681	**114 026**	114 681
From 3 months to 1 year	**26 460**	-	**26 460**	-
	205 083	166 275	**205 083**	166 275

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000

6 Advances and other receivables (continued)

6.3 Analysis of impairment for doubtful advances

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
6.3.1 Specific impairments				
Balance at beginning of year	**5 423**	4 829	**5 423**	4 829
Charge to income statement	**1 729**	82	**1 729**	82
Bad debts recovered	**822**	1 646	**822**	1 646
Bad debts written off	**(818)**	(1 134)	**(818)**	(1 134)
	7 156	5 423	**7 156**	5 423
6.3.2 Portfolio impairment	**8 404**	7 776	**8 404**	7 776
Balance at beginning of year	**7 776**	6 450	**7 776**	6 450
Charge to income statement	**628**	1 326	**628**	1 326
	15 560	13 199	**15 560**	13 199

7 Investment securities

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Unit trust investments				
393 967 (2007 : 391 201) units in Futuregrowth Albaraka Equity Fund				
At cost	**5 034**	5 003	**5 034**	5 003
Fair value adjustment	**(1 662)**	(2)	**(1 662)**	(2)
	3 372	5 001	**3 372**	5 001
Unlisted investments				
Kiliminjaro Investment Limited, at cost	**2 600**	2 600	**2 600**	2 600
	5 972	7 601	**5 972**	7 601

Kiliminjaro Investment Limited is a property owning company of which the bank owns 9,9%.

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

	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000

8 Cash and cash equivalents

Cash on hand	**1 344**	1 327	**1 344**	1 327
Government and other stock	**68 308**	59 889	**68 308**	59 889
Funds at call	**3 050**	3 050	**3 050**	3 050
Balances with central bank	**33 733**	29 839	**33 733**	29 839
Placements with other banks	**79 720**	68 551	**79 720**	68 551
	186 155	162 656	**186 155**	162 656

The following banking facilities are available to the company:

Letters of credit and guarantees	**20 104**	20 100	**20 104**	20 100
Foreign exchange facilities	**10 240**	7 590	**10 240**	7 590
Settlement facilities	**5 792**	5 792	**5 792**	5 792
Working capital facility	**1 000**	1 000	**1 000**	1 000
	37 136	34 482	**37 136**	34 482

Deposits are placed with central bank for the purpose of reserve requirements and are therefore not available for use.

9 Share capital and share premium

9.1 Authorised share capital

30 000 000 (2007 : 30 000 000) ordinary shares of R10 each	**300 000**	300 000	**300 000**	300 000

9.2 Issued and fully paid share capital

15 000 000 (2007 : 15 000 000) ordinary shares of R10 each	**150 000**	150 000	**150 000**	150 000

9.3 Share premium

	-	-	**-**	-
Balance at beginning of year	**-**	234	**-**	234
Less: expenses in respect of increase in authorised share capital	**-**	(234)	**-**	(234)
	150 000	150 000	**150 000**	150 000

10 Reserves

Investment risk reserve	**2 605**	2 605	**2 605**	2 605
Retained income	**52 995**	37 711	**52 995**	37 711
General credit risk reserve	**600**	600	**600**	600
Regulatory credit risk reserve	**10 656**	10 656	**10 656**	10 656
	66 856	51 572	**66 856**	51 572

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000

10 Reserves (continued)

The investment risk and general credit risk reserves comprise amounts re-allocated out of retained income.

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

11 Deposits from customers

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Participation investment accounts	**884 147**	852 346	**884 147**	852 346
Savings accounts	**184 854**	193 449	**184 854**	193 449
Monthly investment plan	**49 905**	49 684	**49 905**	49 684
Haj investment scheme	**55 121**	49 169	**55 121**	49 169
Regular income provider	**450 129**	304 835	**450 129**	304 835
	1 624 156	1 449 483	**1 624 156**	1 449 483
Maturity analysis				
Within 1 month	**684 251**	729 822	**684 251**	729 822
From 1 month to 3 months	**377 250**	271 722	**377 250**	271 722
From 3 months to 1 year	**562 655**	446 496	**562 655**	446 496
From 1 year to 5 years	**-**	1 443	**-**	1 443
	1 624 156	1 449 483	**1 624 156**	1 449 483

12 Accounts payable

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Sundry creditors	**5 123**	7 409	**5 123**	7 407
Accruals	**6 294**	5 757	**6 085**	5 757
South African Revenue Services	**2 812**	6 647	**3 846**	7 757
	14 229	19 813	**15 054**	20 921
Provision for leave pay is reflected under accruals as follows:				
Balance at beginning of year	**2 390**	2 353	**2 390**	2 353
Raised during the year	**254**	37	**254**	37
Balance at end of year	**2 644**	2 390	**2 644**	2 390

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000

13 Welfare and charitable funds

Gross income from non-Islamic activities during the year	**13 481**	10 561	**13 481**	10 561
Normal tax thereon	**(3 116)**	(2 346)	**(3 116)**	(2 346)
Net income from non-Islamic activities during the year	**10 365**	8 215	**10 365**	8 215
Donations and advances	**(10 388)**	(5 853)	**(10 388)**	(5 853)
Balance at beginning of year	**15 438**	13 076	**15 438**	13 076
Balance at end of year	**15 415**	15 438	**15 415**	15 438

14 Net non-Islamic income

Net interest income	**12 575**	10 059	**12 575**	10 059
Other non-Shari'ah-compliant income	**921**	561	**921**	561
Fair value adjustment on Treasury Bills	**(15)**	(59)	**(15)**	(59)
	13 481	10 561	**13 481**	10 561
Amount transferred to welfare and charitable funds	**(13 481)**	(10 561)	**(13 481)**	(10 561)
	-	-	**-**	-

15 Fee and commission income

Service fees	**4 200**	5 291	**4 200**	5 291
Commission receivable on sale of unit trusts	**3 509**	5 107	**3 509**	5 107
Management fee from subsidiary			**200**	200
Other management fees	**60**	60	**60**	60
Takafol insurance income	**5**	61	**5**	61
	7 774	10 519	**7 974**	10 719

16 Other operating income

Property rental income	**298**	299	**-**	-
Tank container rental income	**863**	652	**863**	652
Surplus on disposal of property and equipment	**118**	20	**118**	20
Dividend income	**180**	3	**180**	3
Other	**532**	213	**532**	213
	1 991	1 187	**1 693**	888

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000

17 Operating expenditure

Operating expenditure is stated after charging the following items:				
Auditor's remuneration				
Audit fees - current year	**1 287**	1 158	**1 287**	1 158
Fees for other services				
Tax consultancy	**259**	144	**259**	144
Expenses	**58**	62	**58**	62
	1 604	1 364	**1 604**	1 364
Depreciation of property and equipment	**5 090**	4 391	**5 090**	4 356
Consultancy fees	**1 180**	805	**1 180**	805
Operating lease charges - land and buildings	**2 404**	2 242	**2 548**	2 386
Loss on revaluation of foreign exchange	**13**	-	**13**	-
Expenses in respect of increase in authorised share capital	**-**	521	**-**	521
Impairment for losses in subsidiary			**297**	286
Staff costs	**34 995**	26 696	**34 995**	26 696
Directors' emoluments	**4 819**	4 210	**4 819**	4 210
Executive services	**4 269**	3 628	**4 269**	3 628
Non-executive directors' fees	**550**	582	**550**	582

17.1 Executive services

		Salary R'000	Bonus R'000	Other benefits R'000	Total R'000
2008					
SAE Chohan	- Chief executive	**1 387**	**400**	**177**	**1 964**
MG McLean	- Deputy chief executive	**980**	**200**	**38**	**1 218**
MJD Courtiade	- Financial director	**789**	**200**	**98**	**1 087**
		3 156	**800**	**313**	**4 269**
2007					
SAE Chohan	- Chief executive	1 117	230	155	1 502
MG McLean	- Deputy chief executive	948	140	93	1 181
MJD Courtiade	- Financial director	725	130	90	945
		2 790	500	338	3 628

The executive directors do not have any service contracts.

Other benefits are short-term in nature.

	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000

17.2 Non-executive directors' fees

AA Yousif	**67**	67	**67**	67
Adv. AB Mahomed SC	**61**	90	**61**	90
F Kassim	**47**	43	**47**	43
A Lambat	**49**	64	**49**	64
MS Paruk	**85**	88	**85**	88
YM Paruk	**56**	62	**56**	62
SA Randeree	**64**	58	**64**	58
OA Suleiman	**61**	57	**61**	57
M Youssef Baker	**60**	53	**60**	53
	550	582	**550**	582

18 Taxation

South African tax				
Normal - current year	**13 132**	12 752	**13 132**	12 603
Attributable to income from non-Islamic activities (refer accounting policy 10 and note 13)	**(3 116)**	(2 346)	**(3 116)**	(2 346)
Deferred tax - current year	**(1 259)**	(1 073)	**(1 259)**	(980)
- prior years	**(203)**	(985)	**(203)**	(897)
- change in taxation rate	**151**	-	**151**	-
Secondary tax on companies	**524**	375	**524**	375
Taxation attributable to Islamic activities	**9 229**	8 723	**9 229**	8 755

Reconciliation of taxation charge	%	%	%	%
Effective tax rate	**29,8**	32,4	**29,8**	32,5
Secondary tax on companies	**(1,7)**	(1,4)	**(1,7)**	(1,4)
Adjustable items:				
Non-taxable income and non-deductible expenditure	**(0,3)**	(2,0)	**(0,3)**	(2,1)
Deferred tax adjustment - prior years	**0,7**	-	**0,7**	-
Change in taxation rate	**(0,5)**	-	**(0,5)**	-
	28,0	29,0	**28,0**	29,0

The company taxation rate decreased from 29,0% to 28,0% and the rate of secondary tax on companies decreased from 12,5% to 10,0% during the year.

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000

19 Earnings per share

Basic and diluted earnings per share are calculated on after tax income attributable to ordinary shareholders and a weighted average number of 15 000 000 (2007 : 15 000 000) ordinary shares in issue during the year (cents)	**144,9**	121,2		
Headline earnings per share are calculated on headline earnings and a weighted number of 15 000 000 (2007 : 15 000 000) ordinary shares in issue during the year (cents)	**144,1**	121,1		
Headline earnings per share are derived from:				
Profit for the year	**21 729**	18 184		
Surplus arising on disposal of property and equipment	**(118)**	(20)		
	21 611	18 164		

20 Dividends

A dividend of 35 cents per share (2007 : 25 cents) was paid on 27 June 2008 to shareholders registered on the shareholders register of the bank at close of business on 13 June 2008.	**5 250**	3 749	**5 250**	3 749

21 Notes to Cash Flow Statements

21.1 Cash generated from operations

Profit before taxation	**30 958**	26 907	**30 958**	26 939
Expenses in respect of increase in authorised share capital	**-**	521	**-**	521
Adjustment for non-cash items:				
Depreciation of property and equipment	**5 090**	4 391	**5 090**	4 356
Surplus arising on disposal of property and equipment	**(118)**	(20)	**(118)**	(20)
Straight-lining of operating lease	**(125)**	16	**(125)**	16
Impairment for losses in subsidiary			**297**	286
	35 805	31 815	**36 102**	32 098

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
21.2 Changes in working capital				
Increase in deposits from customers	**174 673**	189 828	**174 673**	189 828
(Decrease)/increase in accounts payable	**(1 625)**	9 892	**(1 831)**	9 896
Increase in welfare and charitable funds	**3 093**	4 708	**3 093**	4 708
(Increase) in advances and other receivables	**(126 391)**	(177 570)	**(126 388)**	(177 572)
	49 750	26 858	**49 547**	26 860
21.3 Taxation paid				
Amount outstanding at beginning of year	**(6 647)**	(7 083)	**(7 757)**	(7 180)
Amount charged to the income statement	**(10 539)**	(10 780)	**(10 539)**	(10 631)
Amount charged to welfare and charitable funds	**(3 116)**	(2 346)	**(3 116)**	(2 346)
Amount outstanding at end of year	**2 812**	6 647	**3 846**	7 757
	(17 490)	(13 562)	**(17 566)**	(12 400)
21.4 Dividends paid				
Amount outstanding at beginning of year	**-**	-	**-**	-
Dividends declared and paid	**(5 250)**	(3 749)	**(5 250)**	(3 749)
Amount outstanding at end of year	**-**	-	**-**	-
	(5 250)	(3 749)	**(5 250)**	(3 749)
21.5 Additions to property and equipment				
Land and buildings	**(28 789)**	(9 749)	**-**	-
Vehicles	**(488)**	(328)	**(488)**	(328)
Equipment and computers	**(9 829)**	(5 407)	**(9 829)**	(5 407)
Leasehold improvements	**(437)**	(1 274)	**(437)**	(1 274)
	(39 543)	(16 758)	**(10 754)**	(7 009)

22 Letters of credit, guarantees and confirmations

	Group 2008 R'000	Group 2007 R'000	Company 2008 R'000	Company 2007 R'000
Letters of credit - maximum value	**4 923**	7 426	**4 923**	7 426
Guarantees and confirmations - maximum value	**32 126**	38 989	**32 126**	38 989
	37 049	46 415	**37 049**	46 415

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

	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000

23 Capital commitments

Authorised but not yet contracted for	**210**	18 610	**210**	18 610
Authorised and contracted for	**37 337**	49 650	**10 337**	-

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

24 Financial instruments

24.1 Credit risk management - maximum exposure to credit risk

Advances to customers (Note 6.1)	**1 412 435**	1 321 469	**1 412 435**	1 321 469
Advances to banks (Note 6.1)	**205 083**	166 275	**205 083**	166 275
Cash and cash equivalents (Excluding cash on hand)	**184 811**	161 329	**184 811**	161 329
	1 802 329	1 649 073	**1 802 329**	1 649 073

24.2 Currency risk management

The group does not have any material foreign currency exposures.

24.3 Derivative instruments

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

24.4 Liquidity risk management

		Term to maturity				
	Carrying amount R'000	Within 1 month R'000	1 to 3 months R'000	3 months to 1 year R'000	1 to 5 years R'000	More than 5 years R'000
Group						
2008						
Assets						
Advances	**1 601 958**	**169 852**	**259 865**	**253 833**	**664 663**	**253 745**
Investment securities	**5 972**	**-**	**-**	**-**	**5 972**	**-**
Cash and cash equivalents	**186 155**	**186 155**	**-**	**-**	**-**	**-**
	1 794 085	**356 007**	**259 865**	**253 833**	**670 635**	**253 745**
Liabilities						
Deposits from customers	**1 624 156**	**684 251**	**377 250**	**562 655**	**-**	**-**
Accounts payable	**14 229**	**10 188**	**456**	**3 585**	**-**	**-**
	1 638 385	**694 439**	**377 706**	**566 240**	**-**	**-**
Net liquidity gap	**155 700**	**(338 432)**	**(117 841)**	**(312 407)**	**670 635**	**253 745**
2007						
Assets						
Advances	1 474 545	155 820	260 143	158 155	585 190	315 237
Investment securities	7 601	-	-	-	7 601	-
Cash and cash equivalents	162 656	162 656	-	-	-	-
	1 644 802	318 476	260 143	158 155	592 791	315 237
Liabilities						
Deposits from customers	1 449 483	729 822	271 722	446 496	1 443	-
Accounts payable	19 813	3 502	6 741	9 570	-	-
	1 469 296	733 324	278 463	456 066	1 443	-
Net liquidity gap	175 506	(414 848)	(18 320)	(297 911)	591 348	315 237

24 Financial instruments (continued)

24.5 Accounting classification and fair values

	Non-financial instruments R'000	Advances and receivables R'000	Available for sale R'000	Other amortised cost R'000	Carrying amount R'000	Fair value R'000
Group						
2008						
Assets						
Advances and other receivables	**2 372**	**1 601 958**	**-**	**-**	**1 604 330**	**1 604 330**
Investment securities	**-**	**-**	**5 972**	**-**	**5 972**	**5 972**
Cash and cash equivalents	**-**	**186 155**	**-**	**-**	**186 155**	**186 155**
	2 372	**1 788 113**	**5 972**	**-**	**1 796 457**	**1 796 457**
Liabilities						
Deposits from customers	**-**	**-**	**-**	**1 624 156**	**1 624 156**	**1 624 156**
Accounts payable	**-**	**-**	**-**	**14 229**	**14 229**	**14 229**
	-	**-**	**-**	**1 638 385**	**1 638 385**	**1 638 385**
2007						
Assets						
Advances and other receivables	3 394	1 474 545	-	-	1 477 939	1 477 939
Investment securities	-	-	7 601	-	7 601	7 601
Cash and cash equivalents	-	162 656	-	-	162 656	162 656
	3 394	1 637 201	7 601	-	1 648 196	1 648 196
Liabilities						
Deposits from customers	-	-	-	1 449 483	1 449 483	1 449 483
Accounts payable	-	-	-	19 813	19 813	19 813
	-	-	-	1 469 296	1 469 296	1 469 296

	Group		Company	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
25 Operating leases				
25.1 Leases as lessee				
Non-cancellable operating lease rentals payable as follows:				
Less than 1 year	**1 816**	2 451	**1 816**	2 451
Between 1 and 5 years	**1 470**	2 091	**1 470**	2 091
	3 286	4 542	**3 286**	4 542

Operating leases relate to building premises leased in South Africa.

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
25.2 Leases as lessor				
Future rentals due are as follows:				
Less than 1 year	**1 012**	652	**1 012**	652
Between 1 and 5 years	**2 024**	1 956	**2 024**	1 956
	3 036	2 608	**3 036**	2 608

Future rentals due relate to the leasing of tank containers.

26 Retirement benefits

Albaraka Bank Limited contributes to the Albaraka Bank Provident Fund, a defined contribution plan. The Fund is registered under and governed by the Pension Funds Act, 1956, as amended. Employee benefits are determined according to each member's equitable share of the total assets of the Fund. The company's contribution for the year was R1,4 million (2007 : R1,1 million).

27 Related party information

The holding company of Albaraka Bank Limited at 31 December 2008 is Albaraka Banking Group B.S.C. which is a company registered in the Kingdom of Bahrain and which holds 53,6% (2007 : 51,7%) of the company's ordinary shares.

DCD Holdings (SA) (Proprietary) Limited and DCD London and Mutual Plc, a company incorporated in England and Wales, jointly hold 15,0% (2007 : 15,0%) of the company's ordinary shares.

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

The subsidiary of the company is identified as per note 4. The property rental paid to the subsidiary for the year amounted to R143 741 (2007 : R143 741).

The remuneration paid to the directors is disclosed in note 17. The management fee charged to the subsidiary is disclosed in note 15.

The Musharaka transactions are conducted on an arm's length competitive basis. The total amount advanced is as disclosed in note 6.

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 transaction, irrespective of size, has to be reviewed by the board. In order to avoid conflicts of interest and with a view to ensuring transparency at all times, a register of directors' interests in companies containing the nature of such interests, as well as the nature and extent of the beneficial shares held in the companies is submitted to the board of directors annually for reviewing and updating. Direct interests are disclosed on the page following.

27 Related party information (continued)

	Balance Outstanding	
	2008	2007
	R'000	R'000
Property finance - Musharaka and Murabaha		
Balance outstanding at beginning of year	**7 293**	2 798
Advances granted during the year	**1 965**	5 542
Repayments during the year	**(478)**	(482)
Profit earned	**(1 033)**	(565)
	7 747	7 293
Profit mark-up range for the year	**5,0% - 14,5%**	5,0% - 14,5%

The profit mark-up of 5,0% is in respect of advances to executive directors at subsidised rates which, at year end amounted to R932 434 (2007 : R1 125 133).

	2008	2007
Instalment sale		
Balance outstanding at beginning of year	**910**	246
Advances granted during the year	**2 733**	837
Repayments during the year	**(519)**	(140)
Profit earned	**(286)**	(33)
	2 838	910
Profit mark-up range for the year	**10,0% - 14,0%**	10,0% - 14,0%
Trade finance		
Balance outstanding at beginning of year	**2 188**	473
Advances granted during the year	**11 117**	8 073
Repayments during the year	**(9 607)**	(6 143)
Profit earned	**(480)**	(215)
	3 218	2 188
Profit mark-up range for the year	**13,5% - 14,5%**	11,5% - 12,5%
Iqraa Trust		
Balance (due to)/owing by the trust at beginning of year	**(130)**	3
Administration fees received	**68**	69
Payments processed on behalf of the trust net of recoveries	**234**	(202)
Balance owing by/(due to) the trust at end of year	**172**	(130)

During the year the bank donated an amount of R7 157 241 (2007 : R3 728 058) to the trust.

At 31 December 2008 funds deposited by the trust with the bank amounted to R22 458 460 (2007 : R27 924 483).

	2008	2007
Total exposure to related parties	**13 975**	10 261

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.

	2008	2007
The total staff advances outstanding at the end of the period amounted to	**18 534**	15 200

28 Standards and interpretations not yet effective

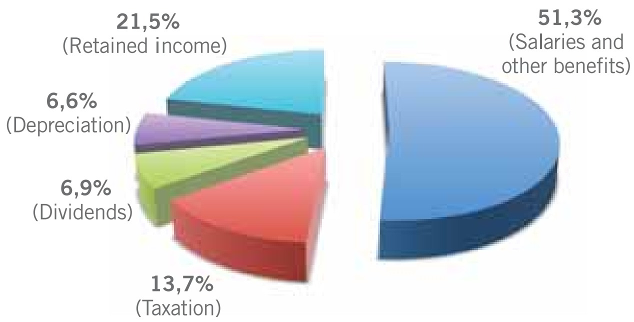
At the date of authorisation of the annual financial statements for the year ended 31 December 2008, the following applicable accounting standards were in issue but not yet effective:

Standard or interpretation		Effective date	Date issued	
	Name		IFRS	SA GAAP
IFRS 2 (AC 139)	Amendments to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations	01 January 2009	01 January 2008	01 February 2008
IFRS 3 (AC 140)	Business Combinations	01 July 2009	01 January 2008	01 February 2008
IFRS 8 (AC 145)	Operating Segments	01 January 2009	01 November 2006	01 February 2007
IAS 1 (AC 101)	Presentation of Financial Statements	01 January 2009	01 September 2007	01 February 2008
IAS 23 (AC 114)	Borrowing Costs	01 January 2009	01 March 2007	01 March 2007
IAS 27 (AC 132)	Consolidated and Separate Financial Statements	01 July 2009	01 January 2008	01 February 2008
IAS 32 (AC 125) & IAS 1 (AC 101)	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation	01 January 2009	01 February 2008	01 May 2008
IAS 39	Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items	01 July 2009	01 July 2008	Date not yet issued
IFRS 1 (AC 138) & IAS 27 (AC 132)	Amendments to IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	01 January 2009	01 May 2008	01 August 2008
IFRIC 15 (AC 448)	Agreements for the construction of real estate	01 January 2009	01 July 2008	01 August 2008
	Improvements to IFRS (May 2008)	Mostly 1 January 2009	May 2008	August 2008

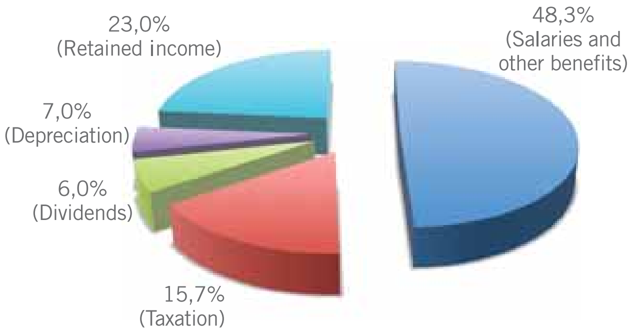
Value Added Statement
for the year ended 31 December 2008

	2008 R'000	%	2007 R'000	%
Value added				
Net income after impairment for credit losses	**87 142**		69 527	
Fee and commission income	**7 774**		10 519	
Other operating income	**1 991**		1 187	
Operating expenditure	**(20 358)**		(18 476)	
	76 549	**100,0**	62 757	100,0
Value allocated to				
Employees				
Salaries and other benefits	**39 264**	**51,3**	30 324	48,3
Government	**10 466**	**13,7**	9 858	15,7
Normal tax	**9 229**	**12,1**	8 723	13,9
Value added tax	**1 237**	**1,6**	1 135	1,8
Providers of capital				
Dividends to shareholders	**5 250**	**6,9**	3 749	6,0
Retention for expansion and growth	**21 569**	**28,1**	18 826	30,0
Depreciation	**5 090**	**6,6**	4 391	7,0
Retained income	**16 479**	**21,5**	14 435	23,0
	76 549	**100,0**	62 757	100,0

2008



2007



AAOIFI Balance Sheets and Income Statements

AAOIFI Balance Sheets

as at 31 December 2008

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
Assets				
Cash and cash equivalents	**186 155**	162 656	**186 155**	162 656
Sales receivable	**869 709**	854 822	**869 709**	854 822
Musharaka financing	**732 249**	619 723	**732 249**	619 723
Investment securities	**5 972**	7 601	**5 972**	7 601
Investment in subsidiary company	**-**	-	**46 706**	18 196
Total investments	**1 794 085**	1 644 802	**1 840 791**	1 662 998
Other assets	**8 697**	7 943	**8 509**	7 759
Investment properties	**45 693**	16 904	**-**	-
Plant and equipment	**22 181**	16 657	**22 181**	16 657
Total assets	**1 870 656**	1 686 306	**1 871 481**	1 687 414
Liabilities, unrestricted investment accounts and owners' equity				
Liabilities				
Saving accounts	**3 099**	9 640	**3 099**	9 640
Payables	**14 229**	19 813	**15 054**	20 921
Other liabilities	**15 415**	15 438	**15 415**	15 438
Total Liabilities	**32 743**	44 891	**33 568**	45 999
Equity of unrestricted investment account holders	**1 621 057**	1 439 843	**1 621 057**	1 439 843
Total liabilities and unrestricted investment accounts	**1 653 800**	1 484 734	**1 654 625**	1 485 842
Owners' equity	**216 856**	201 572	**216 856**	201 572
Share capital	**150 000**	150 000	**150 000**	150 000
Reserves	**13 861**	13 861	**13 861**	13 861
Retained income/(accumulated losses)	**52 995**	37 711	**52 995**	37 711
Total liabilities, unrestricted investment accounts and owners' equity	**1 870 656**	1 686 306	**1 871 481**	1 687 414

AAOIFI Income Statements

for the year ended 31 December 2008

	Group		Company	
	2008	2007	**2008**	2007
	R'000	R'000	**R'000**	R'000
Income from sales receivable	**100 801**	92 418	**100 801**	92 418
Income from Musharaka financing	**95 104**	58 559	**95 104**	58 559
Return on unrestricted investment accounts before the bank's share as mudarib	**195 905**	150 977	**195 905**	150 977
Less: bank's share as mudarib	**(89 499)**	(70 935)	**(89 499)**	(70 935)
Return on unrestricted accounts before taxation	**106 406**	80 042	**106 406**	80 042
Bank's share in income from investment (as a mudarib and as a fund owner)	**89 499**	70 935	**89 499**	70 935
Bank's income from its own investments	**180**	3	**180**	3
Revenue from banking services	**4 173**	5 262	**4 173**	5 262
Other revenue	**5 578**	6 441	**5 299**	6 342
Total bank revenue	**99 430**	82 641	**99 151**	82 542
Administrative and general expenditure	**(63 382)**	(51 343)	**(63 103)**	(51 247)
Depreciation of plant and equipment	**(5 090)**	(4 391)	**(5 090)**	(4 356)
Profit before taxation	**30 958**	26 907	**30 958**	26 939
Taxation	**(9 229)**	(8 723)	**(9 229)**	(8 755)
Profit for the period	**21 729**	18 184	**21 729**	18 184

Albaraka Banking Group - Holding Company and Subsidiaries

Bahrain

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Managing Director:
Mr Ashraf El Ghamrawy
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Fax: (202) 76 114 37/76 114 36
Web: www.egypt.albaraka.com
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Notes

ALBARAKA BANK

Banking only one way,
the Islamic way