ALBARAKA BANK Annual Report 2007

A Member of the
Albaraka Banking Group

ALBARAKA BANK

Banking only one way,
the Islamic way

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 that 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 Shari'ah law and are enshrined in the Quran, the Hadith[1] and the Sunna[2]. 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) - 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 (27 Muslim and 15 non-Muslim countries).

Hadith[1] : Sayings of the Prophet Mohammed, Peace be upon Him
Sunna[2] : The practices of Prophet Mohammed, Peace be upon Him, his family and companions

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Vision, Mission & 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 conduct

The successful growth and development of an organisation is built on a sound Code of Conduct.

Albaraka Bank has developed and implemented a Code of Conduct which effectively reflects the culture of the organisation.

The principles behind the organisation's Code of 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, Accounting and Auditing Organisation for Islamic Financial Institutions Standards, and 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.

Albaraka Bank – A Member of the Albaraka Banking Group

Albaraka Bank is a subsidiary of the Bahraini-based Albaraka Banking Group B.S.C. (ABG), which operates under a wholesale banking licence and is holder of its shareholders' interests in a further 11 geographically diverse banking units incorporated in Algeria, Bahrain, Egypt, Jordan, Lebanon, Pakistan, Sudan, Syria, Tunisia and Turkey and a representative office in Indonesia.

ABG is one of the largest international Islamic banking groups in the world, operating on three continents, in 12 countries and with more than 240 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.

ABG is listed on the Bahrain and Dubai stock exchanges and has been rated by Standard & Poor's as BBB – with a short-term rating of A-3. ABG offers retail, corporate and investment banking and treasury services strictly in accordance with the principles of Shari'ah.

ABG regards as its mandate the creation of an Islamic banking conglomerate capable of providing its world-wide customer base with a growing array of products and services all of which conform strictly with the principles of Shari'ah. Born out of the need for a global Islamic banking service for Muslims world-wide, ABG is today ideally placed to take advantage of the rapid growth of this market and to expand to meet the challenges of such growth.

Albaraka Bank in South Africa, as a subsidiary of ABG, is an integral part of that growth and is intent on increasing its own service footprint in this country.

After deducting expenses, ABG's net income for 2007 totalled US$200,8 million, reflecting an increase of US$77,1 million, or 62% over net income in 2006, which amounted to US$123,7 million.

Results achieved are regarded as being a direct consequence of steps taken by ABG in capitalising the subsidiaries of the Group – including Albaraka Bank in South Africa – and the effect of overall improvements in staffing, technology and controls, together with the unification of the group's strategic direction.

The Group's banking units include: Banque Al Baraka D'Algerie, Algeria; Albaraka Islamic Bank, Bahrain; the Egyptian Saudi Finance Bank, Egypt; Jordan Islamic Bank, Jordan; Al Baraka Bank Lebanon, Lebanon; Al Baraka Islamic Bank, Pakistan, Albaraka Bank Ltd, South Africa; Albaraka Bank Sudan, Sudan; Albaraka Bank, Syria (under establishment); Bank Et-Tamweel Al-Tunisi Al-Saudi, Tunisia; and Albaraka Turk Participation Bank, Turkey, as well as a representative office in Indonesia.

Strategic Objectives and 2007 Highlights

Albaraka Bank's primary strategic objectives include:

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

Albaraka Bank's 2007 highlights include:

• Profits	up by 84,5%;
• Earnings per share	up 19,3%;
• Total assets	amounting to R1,7 billion;
• Total deposits	in excess of R1,4 billion;
• Advances and other receivables	43,1% growth;
• Shareholders' equity	in excess of R200 million;
• Financial Sector Charter rating	an 'A' rating, equating to 83,1%;
• Foreign exchange licence	in the process of developing a limited foreign exchange product; and
• Head office relocation	establishing a 4 000 square metre iconic structure in Durban.

Albaraka Banking Group's 2007 highlights include:

• Total assets	amounting to more than US$10,0 billion;
• Profits	totalled US$200,8 million;
• Customer deposits and unrestricted investment accounts	in excess of US$8,0 billion; and
• Representation	240 branches in 12 countries.

Proposed new Albaraka Bank head office

Ten-Year Review

	2007 Dec	2006 Dec	2005 Dec	2004 Dec	2003 Dec	2002 Dec	2001 Dec	2000 Dec	1999 June	1998 June
Balance Sheet (Rm)										
Share capital and share premium	**150,0**	150,2	89,3	53,4	40,9	41,0	31,0	31,0	31,0	29,6
Shareholders' interest	**201,6**	187,4	118,4	75,0	57,6	54,8	40,3	33,8	32,2	30,7
Deposits from customers	**1 443,5**	1 253,7	1 004,0	885,4	749,2	551,7	451,8	373,1	326,1	284,6
Advances and other receivables	**1 477,9**	1 300,4	1 009,3	836,5	543,4	527,0	403,1	290,8	263,4	243,7
Total assets	**1 686,3**	1 470,4	1 179,2	1 012,4	858,6	645,0	524,6	432,3	401,4	338,8
Income Statement (Rm)										
Profit before taxation	**26,9**	15,3	10,2	7,6	4,8	8,9	3,9	4,9	4,6	6,4
Profit for the period	**18,2**	9,9	7,5	5,5	3,1	6,2	1,6	2,9	2,6	4,0
Share statistics (cents)										
Basic and diluted earnings per share	**121,2**	101,6	128,2	128,9	77,4	196,6	54,0	98,1	86,5	142,6
Headline earnings per share	**121,2**	100,9	133,9	102,2	83,1	217,5	97,0	126,1	122,0	142,6
Dividend per share	**25,0**	20,0	-	-	-	50,0	30,0	30,0	75,0	100,0
Net asset value per share	**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	1 076,1
Ratios (%)										
Return on average shareholders' interest	**9,4**	7,0	8,9	8,9	5,5	13,1	4,4	8,9	8,2	12,9
Return on average total assets	**1,2**	0,7	0,7	0,5	0,4	1,1	0,3	0,7	0,7	1,2
Shareholders' interest to total assets	**12,0**	12,7	10,0	7,4	6,7	8,5	7,7	7,8	8,0	9,1

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
Basic earnings per share: Profit for the period divided by the weighted average number of ordinary shares outstanding for the period. Diluted earnings per share: Profit for the period divided by the weighted average number of ordinary shares outstanding, as adjusted for the effects of all dilutive potential ordinary shares.

Headline earnings per share
Profit for the period adjusted for profits and losses on capital items 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, registered in South Africa since 1989, pioneered Islamic banking in this country in response to an identified need for a system of banking which adhered to Islamic economic principles.

The bank, with its Head Office in Durban and a strategically located national branch network, is South Africa's only fully-fledged Islamic bank and is a subsidiary of the international Albaraka Banking Group B.S.C. (ABG), which has established one of the largest international Islamic banking groups in the world.

The South African subsidiary's international linkage provides it with the springboard to significant growth potential going forward and assists in the positioning of Albaraka Bank at the leading edge of Islamic banking in this country.

Albaraka Bank, which operates in an important and rapidly growing niche market, is jointly owned by local and international investors, including the following major shareholders, as at 31 December 2007;

- Albaraka Banking Group B.S.C., based in Bahrain (51,7%);
- 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 abilities and collective expertise in the Islamic banking industry. Albaraka Bank adheres to Shari'ah in its day-to-day business activities. Its transactions and all its products and services comply with Islamic business principles, so allowing the bank to contribute significantly to the socio-economic development of the community it, in essence, exists to serve.

Since its inception, the bank has shown an impressive growth trend and the continued increased demand for Albaraka products and services is considered as being a direct consequence of its Shari'ah compliance. In this regard, the financial institution enjoys the support of regular internal Shari'ah audits, while its Shari'ah Department works closely with an independent Shari'ah Supervisory Board to ensure compliance with Islamic economic principles.

Albaraka Bank's growth and development is attributed to its niche market's faith and confidence in the bank's ability to implement and further develop a viable alternative to interest-based banking in South Africa. Indeed, the bank's track-record to date is indicative of a growing market's increasing acceptance of and confidence in an alternative system of banking in South Africa, creating the ideal platform for Albaraka Bank to further grow its footprint in South Africa's Islamic financial sector.

Directorate & Administration

Directors

The directors of Albaraka Bank during the 2007 financial year included:

Non-executive

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

Independent non-executive

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

Executive

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

Advisor

Prof. S Cassim MCom University Higher Diploma in Education

Company secretary

CT Breeds

Shari'ah Supervisory Board

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

Business and postal addresses

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

Branches:

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

* Formerly Commercial Road

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

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

Lenasia (Johannesburg) - Administrator: Y Khan
Shop U75, Trade Route Mall, Cnr K43 and Nirvana Drive, Lenasia, 1827
PO Box 2020, Lenasia, 1820

Laudium (Pretoria) - Manager: AR Sulaiman
Ladium 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

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

KPMG Inc.
20 Kingsmead Boulevard, Kingsmead Office Park, Durban, 4001

Registered bank

Registration Number: 1989/003295/06

An authorised financial services provider

FSP Number: 4652

NCR Registration

NCRCP14

Albaraka Bank - Executive Management

Board of Directors
Chairman:
Adnan Ahmed Yousif

Chief Executive:
Shabir Chohan

Deputy Chief Executive:
Thys McLean

- Branch operations (six branches)
- Marketing
- Electronic banking
- Futuregrowth Albaraka Equity Fund

Chief Executive: Shabir Chohan

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

Financial Director:
Jacques Courtiade

- Finance
- Administration
- Information technology
- Legal
- Conveyancing and securities

Chairman's Statement

Economic summary

Despite the rising trend of interest rates and the uncertainty on global markets, the South African economy managed to sustain its 5%-plus growth trajectory of the previous three years in 2007. Growth in consumer spending remained quite buoyant at close to 7%, but it was the high growth in fixed investment, of more than 15%, which was geared towards building up the country's infrastructure ahead of the 2010 FIFA World Cup, that really helped to drive economic growth.

Unfortunately, the year 2008 began on a sobering note, with confidence in the South African economy receiving a major blow. Firstly, the cumulative effect of a 4% rise in interest rates between June 2006 and December 2007 clearly began manifesting itself in terms of a marked slowdown in the growth of retail sales and consumer spending generally. In the face of household debt which has kept rising to record levels, the proportionate increase in the debt servicing burden of individuals was even greater than that reflected by the rise in interest rates alone. In addition, the rate of growth in house prices slowed substantially and equity markets remained vulnerable, implying that the positive wealth effect which had also contributed towards a vigorous growth in consumer spending in recent years, began to dissipate. Sharply increased food inflation, coupled with steep increases in fuel costs, also had a marked impact on eroding disposable income. The adverse impact of rising debt servicing burden was naturally felt most severely in the durable goods sector, where credit plays a proportionately larger role than in respect of the purchase of non-durable goods and services.

Over and above these factors, the onset of the electricity crisis played a major role in knocking consumer confidence. As a consequence, the growth of consumer spending, which had fallen off sharply towards the end of 2007, could be expected to continue to remain under pressure through 2008. At the same time, one does not foresee a total collapse of consumer spending. Towards the end of 2008, it is likely that substantial wage increases, based on expectations formed by the sharp increase in inflation which took place towards the end of 2007 and in early 2008, should help to lift disposable income somewhat in relation to an expected slowdown in the rate of price increases. Unless the double-digit depreciation of the Rand since the beginning of 2008 gains still more momentum and, in so doing, boosts inflation a lot further, interest rate increases should be kept to a minimum. As a consequence, growth in consumer spending can be expected to remain positive, albeit at a much lower rate than that experienced last year. Hopefully, in 2009 and 2010, associated with the build-up to the World Cup, one could see some revival in the growth of consumer spending.

There is little doubt that the onset of the electricity crisis will compel investors to postpone some of the large investment projects envisaged as a consequence of the uncertainty of power supply over the next five years. At the same time, there could be some countervailing investment which takes place in search of alternative energy sources. In addition, consumers are likely to reduce their consumption of electricity in the face of rising electricity costs. The electricity problem is therefore by no means insurmountable. However, it does highlight the constraint on the South African economy's ability to sustain growth in excess of 4 to 5%. Infrastructural bottlenecks and a shortage of skills are likely to make the Accelerated and Shared Growth Initiative of South Africa goal of achieving a 6% sustainable growth rate from 2010 onwards, unattainable.

There can also be no doubt that political considerations have regained their importance after many years of being subservient to economic considerations. The election of Jacob Zuma as president of the ANC in December has elicited concerns in certain quarters regarding the possibility of a shift in economic policy increasingly towards helping lesser privileged sections of society. Whilst such policies are unlikely to be introduced so long as the Mbeki regime remains in office until mid-2009, the risk is that economic policy will become increasingly interventionist.

Such a prospect is not conducive towards attracting foreign capital to the country. Furthermore, irrespective of the regime in power, the problem of service delivery by the public sector will not dissipate until such time as the sector absorbs sufficient skilled personnel, whose availability is, in any case, in short supply.

Overriding all these considerations regarding the economic outlook is the threat of a major slowdown in global economic

Economic summary (continued)

activity. South Africa's economic growth has been intimately linked with that of the global economy over many decades and to a far greater extent than is frequently perceived.

The US sub-prime mortgage crisis and the resultant credit crunch within the US financial system carries the threat of taking the global economy, including South Africa, down with it. Weakness in the Rand since the New Year has been a reflection of anxiety and rising risk aversion towards emerging markets amongst international investors. However, that very weakness in the South African currency should act as a shock absorber in insulating the productive side of the economy from the full effects of the global slowdown, by rendering exports significantly more competitive than previously.

Furthermore, in recent years, emerging markets, led by China and India, have managed to substantially outperform the more advanced economies. Intra-regional trade, especially in East Asia, has increased substantially and has provided additional stimuli to growth in such markets.

This has raised the question as to whether or not the fortunes of emerging markets might not have become decoupled from those of advanced economies. In the event of China and other emerging market economies managing to withstand the impact of a slowdown in more advanced economies, South Africa's economic performance might not yet be adversely affected.

In such an environment, commodity prices would sustain their strength, assisting the domestic economy to limit the widening of the current account deficit and succeed in paying for imports of oil and capital equipment necessary to drive economic growth in the longer term. However, there is as yet no certainty that the decoupling theory will indeed hold water.

In conclusion, the South African economy faces its biggest challenges in several years. However, in the same way as the economy had displayed resilience on previous occasions, there is significant hope that it will meet with success in the future in facing up to challenges posed.

Albaraka Banking Group

Albaraka Bank in South Africa is a subsidiary of the international Albaraka Banking Group B.S.C. (ABG), which has its headquarters in the Kingdom of Bahrain and is widely regarded as being the pioneer of Islamic banking world-wide.

Indeed, ABG, the world's leading Islamic banking group, has assets in excess of US$10,0 billion and has achieved a BBB-rating with Standards and Poor's. The group, listed on the Bahrain Stock Exchange and Dubai International Financial Market, has declared profits of US$200,8 million for the 2007 financial year. ABG is represented in 10 countries and has recently established a presence in a further two countries, namely Syria and Indonesia.

The group, having gained a significant foothold in Africa with its 51,7% shareholding in the Durban-based Albaraka Bank, is intent on increasing its African footprint, expanding into select countries to the north of South Africa.

South African performance

The 2007 financial year proved to be a period of impressive growth for Albaraka Bank South Africa. The bank excelled in meeting a range of challenging financial targets, while operating in a highly charged, though niche-based business sector.

Indeed, I am pleased to report that we successfully met all our strategic objectives for the review period and have posted excellent financial results, which auger well in future for the bank's continued growth within the community it serves. Net profit before taxation increased by 75,5% from R15,3 million in 2006 to a most gratifying R26,9 million in 2007.

Corporate governance

Our board remains committed to adhering to the best practice ideal, so living the principles espoused in the King Report for Corporate Governance for South Africa (King II).

As a significant role-player in South Africa's financial sector, we recognise and acknowledge the need for transparency and accountability in any and all our business dealings. Accordingly, we strive for the continuous strengthening of our governance policies and procedures.

In line with this thinking, the 2007 financial year saw our implementation and completion of a comprehensive series of evaluations involving myself, as chairman of the board, our directors and our chief executive. The evaluations, which are in accordance with recommendations contained in the King II Report, are specifically designed to ensure that the individuals concerned constantly improve their overall effectiveness within their respective capacities.

Allied to this is our commitment to appropriate director training, a concept we actively support as a means of keeping all our directors abreast of evolving developments in the South African business arena generally and the country's financial sector specifically. I can report that during the 2007 financial year our directors attended – together with directors of a number of other financial institutions – a training programme, delivered by the Gordon Institute of Business Science in Durban, tailored to meeting the needs of directors of banks.

I would like to congratulate Shabir Randeree on his appointment as vice chairman of our board and take this opportunity to wish him well in fulfilling the commitments of this important role.

Importantly for the bank and in line with the regulatory compliance requirements of the Reserve Bank, we made great strides as regards ensuring our readiness to comply with the Basel II reporting system by January 2008.

Previously completed work on this new system made it possible for us to successfully participate in parallel runs during the period under review and to introduce certain refinements which have effectively led to an improvement in our own internal business processes.

Critically, our efforts have paid dividends insofar as the bank was ready to accommodate Basel II returns and 'go live' by the end of December 2007, thus meeting the Reserve Bank deadline.

Shari'ah banking

We have long prided ourselves on being the only fully-fledged Islamic bank in South Africa and, by definition therefore, can also take great pride in the fact that we offer our clients the assurance and peace-of-mind that Albaraka Bank is a fully Shari'ah-compliant financial institution.

So seriously do we take our Shari'ah compliance responsibility that we continuously invest in vital staff training regarding adherence to Shari'ah standards in our everyday business and, especially, dealings with clients.

In this regard, Albaraka Bank is a member of the internationally respected Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), which is based in the Kingdom of Bahrain and which lays down the Shari'ah Standards by which we conduct our business in South Africa.

Similarly, we place great store in the knowledge of and expertise displayed by the local Shari'ah Supervisory Board, an independent body of specialist jurists in Islamic commercial jurisprudence entrusted with the responsibility

Chairman's Statement *(Continued)*

of directing, reviewing and supervising the business activities of our bank, so ensuring compliance with Shari'ah. I take this opportunity to congratulate our local Shari'ah Supervisor on having successfully attained an additional international qualification recently, namely that of Certified Islamic Professional Accountant.

I would further like to welcome Mufti Shafique Jakhura onto the Shari'ah Supervisory Board. I feel sure that his specialist knowledge will contribute still further to the valued work of this august body. Albaraka Bank wishes him well in his position on the board.

Corporate social investment

As a concerned and responsible social citizen, the bank recognises the critical importance of meeting socio-economic development needs in South Africa. We acknowledge, too, that business has a meaningful role to play in meeting such needs. Our corporate social investment programme accordingly focuses on four specific fields in which we believe our business can provide a positive impact. These include humanitarianism, education, poverty alleviation and health.This is a responsibility we take most seriously.

During the past financial year we committed some R5,9 million by way of donations and advances to a variety of different charities and charitable organisations throughout South Africa.

Future prospects

Looking to the future, there is every indication – in spite of a slowing economy – that our bank's growth trend of recent years will be sustained going forward, albeit at a much slower rate.

Continued growth in market share, coupled with our growing bouquet of product offerings and significant improvement in the bank's overall performance and attendant return on equity will give effect to the growth we seek within our niche business environment.

Appreciation

The 2007 financial year proved to be an encouragingly successful year in the history of Albaraka Bank, and for this I must thank all those who have played a role in ensuring such success.

I thank my board colleagues for the expertise they bring to the bank and for the commitment they have displayed in giving impetus to our strategic objectives, leading to the phenomenal growth we have realised. In addition, I am most grateful to our executive management team and all our members of staff for their unstinting dedication to our business operations each and every day. Their efforts are reflected in the fine financial results achieved in the 2007 financial year.

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

Adnan Ahmed Yousif
Chairman
14 March 2008
Durban

Chief Executive's Review

Unprecedented growth in advances and record profits marked our 2007 financial year as a highly significant period in the history of Albaraka Bank in South Africa and effectively placed our bank in a most favourable position going forward.

Financial performance

I am especially pleased to be able to report superb financial performance by the bank during the period under review, due in large part to initiatives implemented in support of our overall corporate strategy.

Profit for the year increased by an impressive 84,5% to R18,2 million, equating to an increase of 19,3% in basic and diluted earnings per share to 121,2 cents. This significant improvement in performance is attributable primarily to the achievement of the objective, set by the board and management in the latter part of 2006, of espousing a more aggressive, but nonetheless responsible approach towards growing the bank's advances book. As a result, the advances book grew by 43,1% to exceed R1,3 billion at the end of the year. Our new approach to growing the advances book was implemented in tandem with enhanced credit control, approval and monitoring processes.

The growth of R401,8 million in advances was funded partly by the increase of 15,1% or R189,8 million in deposits and partly by way of the conscious reduction of R217,5 million in excess liquid funds invested in equity finance to a more appropriate level of R166,3 million. As a consequence, yields and margins increased significantly, resulting in an overall increase of 44,8% in net income earned.

After taking into account the charge for impairment losses of R1,4 million in 2007 as opposed to a release of R2,0 million to the income statement in 2006 and the smaller increase of 18,6% in fee, commission and other operating income, the bank's total income increased by 33,4% to R81,2 million. With the increase in operating expenditure having been contained at the relatively lower level of 19,2%, the increase in profit before taxation surged by 75,5% to R26,9 million. The growth in advances, offset by the reduction in excess liquid fund investments, combined to limit the overall growth in total assets to 14,7%, or R215,9 million, to R1,7 billion.

In addition, much effort was invested in the ground-work necessary for the appropriate extension of our product offering. Pleasingly, a major and long-time product milestone is now set to be realised as a result of our efforts in the 2007 financial year. We have successfully developed a limited foreign exchange product, to be introduced in 2008 opening the door for the bank to buy and sell foreign currency. Our foreign exchange services will be initially limited to the buying and selling of notes and traveller's cheques, so servicing the international travel needs of our clients.

Shari'ah compliance

As a pioneer of Islamic banking in South Africa, Albaraka Bank maintains strict adherence to Shari'ah in day-to-day business dealings and transactions.

During the year under review our bank's continued compliance was ensured through a series of Shari'ah audits, undertaken by the Shari'ah Supervisory Board, indicating that rules and principles – as set by the international Accounting and Auditing Organisation for Islamic Financial Institutions (AAIOFI) - had been complied with. Increased awareness of our commitment to strict compliance with Shari'ah and the interventions in place to monitor adherence to the principles of Shari'ah have undoubtedly led to increased interest in and support for our Islamic banking approach.

The Shari'ah Supervisory Board's hand was further strengthened during the 2007 financial year with the appointment of an additional member, Mufti Shafique Jakhura. Albaraka Bank welcomes his appointment as a means of intensifying the Shari'ah audit process. We therefore look forward to enhanced interaction with our Shari'ah Supervisory Board as we continue striving to entrench continuous adherence to Shari'ah principles throughout every element of our business.

Chief Executive's Review *(Continued)*

Dividends

For the second consecutive year, Albaraka Bank has declared a dividend.

In the 2006 financial year we declared a dividend of 20c per share. Pleasingly, during the review period we were in a position to declare a dividend of 25c per share to all shareholders recorded in the register as at 12 October 2007.

Rating – Financial Sector Charter

During the 2007 financial year we were delighted to have received an exceptional rating in terms of the Financial Sector Charter.

Our bank was given an 'A' rating, equating to 83,1%, giving credence to our long-held belief in and unswerving commitment to the implementation of Black Economic Empowerment principles throughout the bank.

Head office relocation

Continued business growth and an ever-increasing demand for Shari'ah-compliant banking facilities in South Africa prompted the finalisation in 2007 of plans to relocate the bank's Durban-based head office to bigger operating premises. The move is in line with the bank's strategy to grow its footprint in the country's Islamic financial sector.

Construction of a R63 million, 4 000 square metre iconic building at Durban's Kingsmead Office Park was initiated during the latter part of the review period. Project completion is currently scheduled for late 2008. The new development will result in the accommodation under one roof of the bank's head office, its corporate division – currently located at Musgrave – and a new Kingsmead Branch. The existing Durban Branch will be retained, thus providing Albaraka Bank with a national network of six branches countrywide.

Futuregrowth Albaraka Equity Fund

This partnered Shari'ah-compliant unit trust fund continued as one of the country's most consistent general equity sector performers in 2007.

This investment option, which continued attracting significant investment inflows during the review period, has been regarded as especially attractive to investors because it offers the ability to ensure that non-permissible income is deducted at source – consistent with the Accounting and Auditing Organisation for Islamic Financial Institutions rulings. This is a first for Shari'ah-compliant unit trusts in this country. Accordingly, this has proved popular and continues to be so with major investors who recognise that the Futuregrowth Albaraka Equity Fund is indeed a highly competitive investment vehicle within the market, posting most favourable returns.

The year ahead

I believe that we will continue our period of sustained growth into the year ahead, although at a lower level, taking into account current economic conditions, and that our new product offering will stimulate further interest by clients and prospective clients in Islamic banking.

In looking to the future with confidence, we are conscious of the need to keep abreast of developments within our business environment and, indeed, of competition within the niche market in which we operate. In line with such concerns, we have developed a four-point strategy for the year ahead which is consistent with the Albaraka Banking Group's international strategy going forward and which is designed to develop uniformity amongst all the operations within the world-wide group.

Our new strategic goals are clear. We aim to significantly increase returns in the forthcoming period, to entrench customer service excellence in every facet of our business, to deliver product innovation to the benefit of our clients and to enhance our use of available technology so as to remain at the cutting edge of financial services provision in South Africa.

In addition and as a financial institution which has the best interests of our clients at heart, we will continually strive to improve our own profitability and return on assets, so ensuring higher returns to our valued depositors.

Given our current growth trend, we aim to give careful consideration to further expand the bank's national footprint into the future. We currently have six branches country-wide and, as indicated, will open an additional branch at our new head office site, Durban's Kingsmead Office Park, at the end of 2008. We do, however, recognise the need to look to the feasibility of opening branches in other parts of the country so as to better reach the communities we exist to serve.

Importantly too, we intend utilising our international link, through the Albaraka Banking Group, to leverage an ever greater range of products, bringing improved choice of product to our South African client-base and to adopt service standards which are truly considered world-class by virtue of their currently being applied in a range of highly discerning communities globally.

Appreciation

The challenge we faced in the 2007 financial year was to establish a solid foundation on which to develop the bank as a dynamic force within the Islamic financial sector.

The growth and development we have attained in the past year is testimony to the fact that we have made great strides towards the achievement of this ideal.

Our bank's impressive financial performance, growth in advances and enhanced appeal to clients have combined to take the bank to a new and exciting level in the South African financial sector. However, none of this would have been possible without the unstinting support of all those involved with the bank.

I would, therefore, extend my sincere thanks to our chairman, Mr Adnan Ahmed Yousif, members of our board, executive management and members of our staff for their unswerving dedication to our common goal....the growth and development of our bank for the benefit of our clients. Equally, I am grateful to the Albaraka Banking Group for its ongoing support of our business activities and for the guidance it has provided as regards the strategic direction, goals and objectives of the bank, given the niche market within which we operate.

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

Shabir Chohan
Chief Executive
14 March 2008
Durban

Human Resources

The 2007 financial year proved both an exciting and challenging period. In line with the bank's growth during the review period, it was necessary to increase staff numbers in order to fulfil the bank's growing business obligations. In addition, a number of staff members realised promotional opportunities.

Training focus

The impact of our training focus, too, became increasingly evident during the year with an average of three days training per employee being recorded. In this regard, the employment of a full-time training officer has already paid dividends, ensuring that individual members of staff each successfully undergo required training interventions, so assisting them to become more efficient in the performance of their day-to-day duties. An investigation into the feasibility of implementing a Graduate Programme was undertaken in June 2007. The positive outcome of this investigation allowed us to plan for the launch of the new programme in February 2008. This is regarded as a pilot programme, with the bank setting out to identify young graduates looking to gain entry into the corporate world.

Ideally, graduates should display a passion for Islamic banking and must have completed a B.Com degree in either management, accounting or finance. In addition, the bank has worked towards the introduction of a formalised succession planning process, together with management development, geared to ensuring that managers receive appropriate training so as to increase their management capabilities.

Employee wellness

Employee wellness has become an increasingly important element of business within many South African companies. Albaraka Bank is no exception in this regard; we take the ongoing wellness of our staff very seriously. Our commitment to the health and wellbeing of our employees was evidenced by a Health Day, successfully staged in each of our branches nationally during the review period.

Indeed, the Health Day concept proved so popular amongst staff that additional interventions will be introduced in 2008.

The future

Looking ahead, we aim to continue identifying initiatives to ensure that, through our staff, the bank remains at the forefront of banking in South Africa and that our valued employees are continually provided with access to growth and development opportunities. We look forward to meeting and beating the challenges of human resources going forward.

Workforce profile - as at 31 December 2007

Workforce	AIC*		White		Total		Grand Total
	M	F	M	F	M	F	
Executive Management	1	-	2	-	3	-	3
Professionally qualified and experienced specialists and mid-management	23	7	4	-	27	7	34
Skilled technical and academically qualified workers, junior management supervisors	38	26	1	-	39	26	65
Semi-skilled and discretionary decision-making	23	50	-	-	23	50	73
Unskilled and defined decision-making	3	6	-	-	3	6	9
Total	88	89	7	-	95	89	184

* AIC - African, Indian and Coloured

Information Technology

Albaraka Bank's Information Technology (IT) division, as a core component of its developing architecture, is driven by the needs of the bank and its various stakeholders.

While such needs require IT to be the very essence of service automation, strategic business transformation and progressive development, the division remains mindful of financial considerations and the economic climate within which the bank operates. To this end, the employment of cost-effective, smart technology, coupled with synergistic strategies and processes of rationalisation, are envisaged to position the division appropriately within the context of the bank's growth strategies and plans.

The 2007 financial period

Most key objectives planned for the 2007 financial year were successfully achieved, while a number of items were carried over to the new financial year, in line with the implementation of strategic decisions, a review of priorities and identification of new requirements introduced within the review period.

Branch automation

Branch automation systems, comprising front-end teller functionality integrated with the existing back-end mainframe system were implemented nationally, achieving a major milestone in front-line transaction processing systems. Implementation resulted in the successful achievement of improved efficiencies in servicing clients, with fewer capturing processes required and consequently, less human intervention required.

A further milestone was the completion of an electronic signature verification system, completed in tandem with the branch automation environment. Electronic signatures at selected branches were integrated with transaction processing systems in order to facilitate direct signature verification, as opposed to manual validation against conventional card-based systems. Branch automation has contributed significantly to business process re-engineering efforts and has resulted in visible efficiencies to the benefit of both customers and staff.

Regulatory reporting systems

During the past several years and, particularly, during 2006 and 2007, tremendous effort has been expended by the board executive team, management and staff in ensuring that Basel II compliance requirements were met. Between September and December 2007, the bank participated in and successfully completed a parallel-run programme with the Reserve Bank. While gearing itself to meeting its regulatory requirements, the bank was pleased that a number of positive organisational spin-offs were achieved during the process, such as streamlining of data, improved internal operations, development of reports and the integration of systems. Following the success of prior milestones, the bank appears to be favourably positioned to meet its reporting obligations going forward.

In a further regulatory compliance effort, the bank pursued the development of a credit application processing system able to accommodate the flow and recording of applications passing through the system. Phase one of the system development, which focused on motor vehicle applications, was successfully completed during the review period. Once again, structured development efforts assisted greatly in streamlining operations with built-in web-styled application forms, integrated legal document templates and built-in data validation. The concept of one-time data capture has been embedded within the system with a view to extending this philosophy throughout the organisation.

The introduction of the Home Loans and Mortgages Act prompted the creation of a register to record salient information relating to property financing transactions. While the elementary, though nonetheless, automated spreadsheet-based solution proves suitable for interim requirements, further regulatory updates were envisaged, together with the need for the centralisation of systems. Accordingly, subsequent developments have been planned within the credit application system environment, given the similarity in information requirements.

Information Technology *(Continued)*

Online (internet) systems

Following the success of deposit account statements being published online, the second phase introduction of debtor statements was equally well received. The timely extension of the secure online service was particularly welcomed by the bank's business customers who found access to the system convenient for the tracking of deal activity. The interface also underwent aesthetic improvements in line with the bank's corporate format.

Core banking systems

Following comprehensive workshops and product assessments, the bank concluded a decision to select a suitable core Islamic banking solution to replace its existing systems and initial licencing arrangements have accordingly been concluded. The system acquisition brokered by the group represents a significant investment in core banking technologies. The investment further emphasised the bank's ongoing commitment to enhancing its technologies and processes.

A pilot implementation programme at one of the participating entities was initiated during the period under review and expectations are that implementation of the system will begin during 2009.

Risk management and business continuity

The bank's disaster recovery systems are hosted at off-site centres located at key geographic locations. Our primary recovery facility is situated at Umhlanga Ridge, Durban.

The bank also employs the use of off-site storage facilities on a national basis, all of which are immediately accessible should an emergency arise. In providing additional assurance, recovery testing is conducted four times per annum, so ensuring that business continuity capabilities within all our operating regions are in a constant state of readiness and that routine processes are regularly assessed and improved upon where deemed necessary. In addition, the bank's front-end transaction processing systems, located at each branch, enjoy built-in fail-safe mechanisms, which allow for the continuity of operations in the event of a network line failure. In such instances, key branch personnel are able to connect via secure wireless communications to back-office and mail systems based at head office.

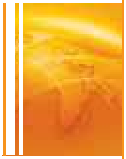
With regard to prevailing power outages, load-shedding and other business disruptions, particularly in the Gauteng region, during the period under review, the bank acquired an independent generator for its Laudium, Pretoria branch. We also entered into negotiations for the sharing of power as regards our other branches. Generator acquisition, electrical works and landlord permission requests were initiated during the review period, with implementation targeted to occur during the first quarter of 2008.

Critically, our head office in Durban and the Athlone branch in Cape Town already enjoy sustainable power, through previously acquired generator back-up systems. Clients have shown their appreciation for the bank's ability to continue branch services during prolonged power outages.

Infrastructural upgrades

A comprehensive communications infrastructure review was conducted during the past financial year aimed at assessing the current situation and inter alia, providing guidelines towards achieving improvements within the focus area. Taking cognisance of bank priorities and whilst observing the recommendations arising from the review, a series of data compression devices were acquired and deployed nationally.

The result was the overall optimisation of network performance, with data streams prioritised according to the needs of the bank. Upgrades to both traffic routing devices and communication network services are scheduled for the new financial year as a follow-through of the band-width expansion plan.



Kingsmead relocation project

Perhaps the most eagerly awaited event scheduled for 2008 is the relocation of the bank's head office to new premises at Kingsmead Office Park, Durban. The relocation planning process is gathering momentum with intensive preparatory efforts and contingency planning taking effect in tandem with service providers, vendors and project consultants, all essential elements in ensuring a smooth transition, whilst maintaining the sustainability of existing operating environments. The move is envisaged for December 2008.

Looking ahead, we recognise the challenges which lie in the future and are committed to overcoming such challenges with the vigour, dynamism and passion, all attributes the bank espouses in its day-to-day business.

Corporate Governance

Introduction

Albaraka Bank remains committed to the principles of corporate governance, as set out in the King Report on Corporate Governance for South Africa (King II), whose purpose is to promote the highest level of corporate governance in this country.

In giving effect to these principles, the board of directors acknowledges the importance of the application of governance practices such that the substance and spirit of governance prevail over form. Good corporate governance constitutes an integral part of Albaraka Bank's business operations.

The board of directors has assessed the principles set out in King II against those statutes, regulations and other directives which regulate the conduct and business operations of the bank. The purpose of this review has been to ensure that Albaraka Bank meets, not only the most applicable of requirements, but that it also adheres to the best available practice relevant to and impacting on, its business and operating environment. 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 in terms of the year under review.

Corporate governance ethos

The board of directors remains the focal point of the bank's corporate governance system, being ultimately responsible for ensuring that good governance practices are applied consistently throughout the bank.

As part of it's commitment to maintaining sound corporate governance practices, the board of directors reviews compliance with King II on a bi-annual basis. In addition, the board of directors reviews compliance with Regulation 38 (5) of the Bank's Act, which requires the board to report annually to the Registrar of Banks on the extent to which the process of corporate governance implemented by the bank successfully achieves the governance objectives determined by the board. Having conducted a review of Regulation 38 (5), the board was of the opinion that the bank had successfully achieved the governance objectives determined by the board.

Board of directors

Structure

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

In considering the independence of directors, the board takes into account the definitions of each category of directors, as set out in King II. The bank's strong contingent of independent directors ensures that independent thought is brought to board deliberations and ultimately, its decisions. Taking into account the nature of the business environment within which the bank operates, as well as the complexity and size of the business operations, the board is satisfied that it comprises an appropriate ratio of non-executive directors to executive directors. There are no shadow directors, as defined in King II. During the year under review, no new appointments were made to the board of directors.

Strategy

As the body ultimately responsible for the overall performance of the bank, the board of directors is responsible for formulating the strategic direction that the bank will pursue. The board also agrees certain financial and corporate governance objectives which are then appropriately monitored throughout the course of the year. Whilst the financial objectives are monitored through reports to the board, the corporate governance objectives are monitored by the directors' affairs committee and are subsequently reviewed by the board.

Delegation of powers

Whilst acknowledging that the board of directors bears ultimate responsibility for the bank's performance, it has established a sound governance structure comprising various board committees.

Through the operation of these committees, the board is able to retain effective control. The board committees, which are relevant to the business operations of the bank, provide the board with a focus on specialised areas of the bank's business operations.

To facilitate the day-to-day management of the bank, the board has delegated prescribed written powers of authority to the chief executive. In this way, the chief executive, together with the deputy chief executive and the financial director, are responsible for the day-to-day management of the business of the bank.

However, it is important to note that the delegation of authority from the board to board committees and management of the bank 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

As part of the bank's induction programme, newly appointed directors are presented with a governance portfolio, which consists of information relevant to the business of the bank and the legislative environment within which it operates.

The portfolio includes key information, such as management structures, key financial reports, various policies, significant legislation and information pertaining to Basel II. In order to facilitate the induction process, directors are also introduced to key management and staff.

Given the rapidly changing legislative framework governing the banking environment, directors are informed of all new legislation and regulations, together with the most recent trends impacting upon the banking environment.

This takes place by means of regular reporting, combined with director training sessions, which precede scheduled board meetings. External consultants are also retained to provide the directors with specialist training, where deemed necessary.

The board of directors fully supports the concept of ongoing director training and development and in particular, the training programme offered through the Gordon Institute of Business Science.

A number of directors attended different modules of the training programme during the year under review and the bank will continue supporting the programme going forward.

During September 2007, a number of the bank's directors attended a training programme offered through the Gordon Institute of Business Science held in Durban, in conjunction with directors of other Durban-based banks.

Board evaluation and effectiveness

During the course of 2007, the directors completed a process of board and board committee evaluations, as recommended by the directors' affairs committee and approved by the board.

The feedback derived from this process was considered by the board, which noted the outcome thereof, together with key issues to be implemented. In addition, the performances of both the chief executive and the chairman were evaluated. As noted earlier, the board also conducts an annual assessment of corporate governance performance against pre-determined governance objectives.

Board meetings

The board meets on a quarterly basis throughout the year, and may convene additional meetings as and when required. No additional meetings were convened during 2007.

In December 2007, the board meeting was held at the offices of the Cape Town Branch, with the strategic objective of providing the directors with exposure to the operations of a branch office.

By meeting regularly throughout the year, the board retains full and effective control over the bank and its operations whilst simultaneously monitoring executive management on the implementation of board-approved strategies.

Board meetings are scheduled annually in advance, with board documentation being distributed to directors ahead of meetings.

Through this process, the tabling of submissions at board meetings constitutes the exception, rather than the rule. Board agendas are structured in such a manner so as to achieve maximum efficiency.

In addition, information of a non-financial nature impacting on the broader spectrum of the bank's stakeholders is regularly considered by the board.

Directors are also able to place additional matters on the agenda for discussion. In keeping with King II, the board has unrestricted access to all company information, records, documents and property.

The board of directors met on four occasions during 2007, with attendance recorded as follows:

Membership and attendance: board meetings in 2007:

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

✓ = Attendance A = Apology

Board committees

In order to assist the board in the discharge of its collective responsibilities and obligations, the board has established the credit committee, the audit committee, the risk committee, the directors' affairs committee and the remuneration committee.

From time to time, the board also makes use of ad hoc committees to address specific areas of focus. Such an example is the board property committee, which has been established to oversee the construction of the bank's new head office at Kingsmead Office Park, Durban. The board property committee, as with standing board committees, comprises a majority of independent directors.

Board committees have formal terms of reference which are subject to annual review by the board. Board committees report to the board, with their respective chairpersons providing the board with concise verbal updates as to matters emerging from the most recent board committee meetings. These, in addition to the minutes of board committee meetings, are submitted to the board of directors every quarter.

Through the implementation of such governance practices, the board acquires an understanding of the matters addressed at meetings of the various board committees.

This practice is in keeping with the principle that there should be transparency and full disclosure from the board committees to the board. In order to facilitate the process of independence, all board committees are chaired by independent directors and comprise a majority of non-executive directors.

Board committees are at liberty to seek independent, external professional advice in giving effect to their approved mandates. It is also the practice of all board members to attend the bank's Annual General Meeting and in this way, be in a position to address any issues about which shareholders may seek clarity.

The board and board committees are also assisted in the execution of their respective mandates by several management committees, which are necessary for the efficient and effective functioning of the bank. Significant management committees in this regard include, inter-alia, the executive management committee, the executive credit committee, the assets and liabilities committee, the IT steering committee, the FICA executive committee and the capital management committee.

Taking all factors into consideration, the board is of the view that the board committees have effectively discharged their responsibilities in accordance with their mandates in the year under review.

Credit committee

The role of the credit committee is to, inter-alia:

- Approve credit policies in terms of its mandate;
- Recommend to the board the credit risk policies and credit framework of the bank;
- Assess the adequacy of the bank's provisioning policy;
- Monitor the overall credit review processes of the bank, taking into account the qualitative and quantitative assessment of the credit worthiness of debtors;
- Provide guidance with regard to specific industries, geographical location and clients; and
- Review the credit risk management programme and credit procedures on an annual basis.

The credit committee met four times in the review period, with management from the credit and legal functions in attendance.

Credit committee (continued)

Membership and attendance: credit committee meetings in 2007:

Member	March	June	September	December
Adv. AB Mahomed SC (Chairman)	✓	✓	✓	✓
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

Audit committee

The audit committee's responsibilities cover four principal areas, namely:

- Reviewing internal control structures, including financial control, 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.

Specific responsibilities include the safeguarding of the assets of the bank and ensuring that the Annual Financial Statements are accurate, complete and reliable.

The audit committee held five meetings during 2007, which, in addition to the members of the committee, were also attended by the executive directors, representatives from the internal and external auditors and the compliance officer.

In addition to the scheduled meetings, the audit committee also met with representatives of the Reserve Bank, as part of the annual audit committee function.

Membership and attendance: audit committee meetings in 2007:

Member	01 March	15 March	June	September	December
MS Paruk (Chairman)	✓	✓	✓	✓	✓
Adv. AB Mahomed SC	✓	✓	✓	✓	✓
OA Suleiman	✓	✓	A	✓	✓
M Youssef Baker	✓	✓	✓	✓	✓

✓ = Attendance A = Apology

Risk committee

The role of the risk 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;
- Evaluating the adequacy and efficiency of the risk policies, procedures, practices and controls applied throughout the bank in the day-to-day management of its business; and
- Introducing such measures which will serve to enhance the adequacy and efficiency of the risk management policies and controls applied within the bank.

The risk committee met on four occasions during 2007. The meetings were also attended by representatives from internal audit, as well as the compliance officer.

Membership and attendance: risk committee meetings in 2007:

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

✓ = Attendance A = Apology

Directors' affairs committee

The directors' affairs committee, established in terms of the requirements of the Bank's Act, comprises only non-executive directors as members. The role of the directors' affairs committee is to:

- Monitor the adequacy and effectiveness of the bank's corporate governance structures and practices;
- Review the composition, skills, experience and other skills required for the effective functioning of the board, particularly insofar as the appointment of new directors to the board are concerned; and
- Ensure that a board directorship continuity programme is maintained, together with the ongoing development and training of directors.

During 2007 the directors' affairs committee met on two occasions. The chief executive attended the meetings by invitation.

Membership and attendance: directors' affairs committee meetings in 2007:

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

✓ = Attendance A = Apology

Corporate Governance (Continued)

Remuneration committee

The remuneration committee ensures that an appropriate balance exists between the interests of employees and those of the shareholders, such that the bank is able to attract, motivate and retain the expertise required to achieve its strategy.

In addition, the remuneration committee makes recommendations to the board of directors regarding the remuneration to be paid to directors, executive and non-executive, ensures that the bank's employment equity policy is implemented and makes recommendations to the board on matters of succession planning, performance and benefits. During the course of 2007, the remuneration committee met on three occasions.

Membership and attendance: remuneration committee meetings in 2007:

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

✓ = Attendance A = Apology

Board property committee

The role of the board property committee, which is an ad hoc committee, is to oversee the construction of the bank's new head office and its subsequent relocation to Kingsmead Office Park, Durban. The board property committee is chaired by an independent director.

The board property committee met on two occasions during 2007.

Membership and attendance: board property committee meetings in 2007:

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

✓ = Attendance A = Apology

Company secretary

The company secretary provides the board, as well as individual directors, with guidance on their responsibilities and how they should be properly discharged in the best interests of the bank. The company secretary also informs the directors of the most recent best governance practices and is responsible for ensuring that board procedures are correctly adhered to. All directors have access to the services of the company secretary, whose appointment and removal is a power which resides with the board of directors.

Going concern status

Having conducted a review for the preparation of the financial statements at the year-end, the directors are of the opinion that the bank will continue operating as a going concern in the coming year. This review is repeated at the interim reporting stage.

Code of banking practice

As a member of the Banking Association of South Africa, Albaraka Bank fully supports and endorses the values and standards of fairness as set out in the Code of Banking Practice.

To ensure adherence to the Code of Banking Practice, staff members have regular training, with the compliance function being responsible for monitoring adherence to the Code of Banking Practice.

Organisational integrity

Albaraka Bank has developed a code of conduct, which records the standards of conduct required by management and staff when interacting with one another, clients, external stakeholders and regulators.

All employees receive regular briefings and updates regarding the code of conduct, so re-inforcing the bank's commitment to ethical conduct. Given the bank's stand against unethical conduct, it follows that the bank has adopted a policy of zero tolerance against offenders.

All instances of unethical behaviour are thoroughly investigated and the necessary corrective action is taken to prevent a recurrence thereof.

Financial Sector Charter

The Financial Sector Charter, which is a framework for the implementation of Black Economic Empowerment throughout the financial sector, establishes targets and responsibilities in the areas of human resource development, procurement, enterprise development, access to financial services, empowerment financing, ownership and control, and corporate social investment.

Albaraka received an "A" rating from the Financial Sector Charter Council in respect of its most recent Black Economic Empowerment performance report and remains fully committed to and supportive of the principles recorded in the Financial Sector Charter.

Integrated Sustainability Reporting

King II recommends that companies should report, at least annually, on the nature and extent of it's social, transformation, ethical, safety, health and environmental management policies and practices, with the board of directors determining what is relevant for disclosure, having due regard to the particular circumstances of the company.

One of the primary mechanisms used to gauge Albaraka Bank's commitment to transformation is its compliance with the Financial Sector Charter. Whilst the objectives of the charter, which is a transformation charter as contemplated in the Broad-Based Black Economic Empowerment legislation, undoubtedly stretch far beyond mere measurements and scorecards, it is nevertheless important not to lose sight of Albaraka Bank's scoring in terms of the Charter, for which it obtained an "A" rating. A synopsis of the bank's individual Financial Sector Charter scoring is set out in the table below:

Charter category	Target points	Albaraka's score
Human resources	20	12
Procurement and enterprise development	15	11.51
Access to financial services	2	2
Empowerment financing	Exempt	Exempt
Ownership and control	22 + bonus	19 + 4
Corporate social investment	3	3
TOTAL	**62**	**51.51**

Stakeholder relationships

Albaraka Bank acknowledges the importance of all stakeholders with whom it engages, including, inter-alia, employees, clients, shareholders, regulators, suppliers and the respective communities within which it operates. The bank views its stakeholder relationships as windows of opportunity and seeks to build on these relationships, year on year.

Albaraka Bank is mindful of the need for timeous and transparent disclosure with all shareholders on matters of public interest, in so far as this may impact on the business of the bank.

From a Regulator's perspective there is a formal reporting process, whereas a variety of focused communications are used to interact with other stakeholders, ranging from press adverts, to the radio, the bank's website, interim reports, client newsletters and bulletins, as well as the more formal annual report.

Clients are also informed of Albaraka Bank's hotline in terms of which they may, in complete confidentiality and anonymity, report incidents of fraud and unethical behaviour, thereby giving effect to the bank's policy of zero-tolerance in this regard.

Shareholders are encouraged to attend the annual general meeting of the bank. A separate letter to this effect and signed by the chairman of the bank accompanies the annual report.

Employees

Albaraka Bank is totally committed to the development of its staff, who constitute the very foundation of the bank and who play a tremendously significant role in assisting the financial institution achieve its key objectives.

In order to fully empower members of staff within their respective areas of business, Albaraka Bank is dedicated to providing specialised training interventions for the benefit of its employees and the promotion of their skills development, as indicated by the information contained in the table below:

Skills development and training	
Skills Spend 2007	R472 549
Total training hours	4 129
Average training hours per staff member	22 hours

Health and safety

Significant work has been completed in the field of occupational health and safety during the past year. Health and safety representatives have been appointed for all the regions, staff have undergone first aid training, a health and safety committee has been formed, which has met during the year under review, a dedicated sick bay has been provided at head office and a detailed review has been conducted by an external expert who has conducted a presentation to management on all matters relating to health and safety. A fair amount of work is still to be undertaken, with safety-training high on the agenda for the new financial year. Whereas emphasis has thus far been placed on implementation in Durban, roll-out to the other regions will be undertaken during the first half of the new year.

During the period under review one employee sustained minor injury, whereas no major health hazards were reported.

Verification statement by internal audit

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

Compliance

The primary function of the bank's compliance function is to monitor regulatory and reputational risk.

Regulatory risk is described as the risk that the bank could be exposed to penalties and sanctions for non-compliance with the statutory, regulatory and supervisory requirements imposed by the South African Reserve Bank and other regulatory bodies by which the bank is regulated.

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

Compliance, therefore, assists management as regards compliance with not only the letter, but also the spirit of the law and all supervisory requirements.

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

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

Significant regulatory developments which impacted on the bank during the period under review included:

- **Money laundering control and combating of terrorism legislation**
  The bank spent considerable time, effort and resources devising, implementing and updating appropriate policies and procedures and amendments to the system processes, along with appropriate staff training so as to comply with applicable legislation.

  Although the final deadline date for client identification and verification expired on 30 September 2006, our focus on compliance issues has been maintained both by the branch staff and our dedicated head office-based Financial Intelligence Centre Act Project Team. The bank has continued utilising the Compliance Watch software in order to assist with name matching on the terrorist watch lists.
- **Financial Advisory and Intermediary Services Act (the FAIS Act).**
  The bank's application to increase its categories of services offered, in terms of its existing licence, to its clients was approved.

  A number of activities geared to ensuring compliance with the Act were implemented during the review period. 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;
  - A review of processes, communication, promotional and other material in order to ensure alignment with the requirements of the Act and codes of consumer protection;
  - The up-skilling of members of staff so as 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 throughout its branch network during the year under review. Clients were informed of their rights in terms of the code by way of posters in the various banking halls and through handbills which were distributed at each branch. The ongoing monitoring of code compliance continues through the utilisation of 'mystery shoppers'.

- **The National Credit Act**

  Extensive system changes, staff training, the adaptation of documentation and legal agreements were undertaken to meet the requirements of the National Credit Act.

  Possible regulatory risks were identified and are being monitored to ensure full compliance by the bank. A detailed review by external consultants is planned for 2008.

- **Home Loan and Mortgage Act**

  This legislation was introduced to level the playing fields in terms of obtaining property finance by historically disenfranchised members of our society. In this regard, extensive system changes have been necessitated by the Act. Full implementation is expected to occur in 2008.

Directors' Responsibility & 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 balance sheets at 31 December 2007, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, 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 mis-statement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

Approval of group annual financial statements and annual financial statements

The group annual financial statements and annual financial statements were approved by the board of directors on 14 March 2008 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
14 March 2008

Shari'ah Report

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

To the shareholders of Albaraka Bank Limited

We have reviewed the principles and the contracts relating to the transactions and applications introduced by 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 Shari'ah rules and principles and with the rulings 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 Islamic Shari'ah rules and principles. It is the Shari'ah Supervisory Board's responsibility to form an independent opinion, based on its review of the operations of Albaraka Bank, and to 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:

- Murabaha financing;
- Musharaka financing;
- Equity Murabaha transactions;
- Profit distribution; and
- Disposal of impermissible income.

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 Islamic Shari'ah rules and principles.

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 Shari'ah rules and principles 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;
   b) An amount of R561 007-75 representing impermissible income remains to be distributed; and
   c) Certain miscellaneous transactions requiring rectification were drawn to the attention of management.
2. The allocation of profit relating to investment accounts conform to Islamic Shari'ah rules and principles.

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

Dr Abdus Sattar Abu Ghudda
Chairman
Durban
16 February 2008

Mahomed Shoaib Omar
Member

Mufti Shafique Jakhura
Member

Shari'ah Supervisory Board

Shari'ah supervisory board of Albaraka Bank

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

The board is charged with ensuring that all Shari'ah matters relating to Albaraka Bank are dealt with professionally and in accordance with 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 this body to undertake regular audits of transactions and to form an independent opinion, based on its reviews of the bank's operations. 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 a 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 Madrassah 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, 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 appointment, by the fund, of an independent Shari'ah Supervisory Board is indicative of a deep-seated 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 appointed a local Shari'ah sub-committee, comprising Mahomed Shoaib Omar and Mufti Zubair Bayat, to examine the Shari'ah compliance status of prospective companies and the core activities and financials of every company in the fund universe in order to ensure that every company complies with Shari'ah principles 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 per annum to execute its mandate and to report to the Shari'ah Supervisory Board on an annual basis. The last international Shari'ah board meeting was held in June 2007.

Annual Financial Statements

for the year ended 31 December 2007

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Independent Auditor's Report

to the members of Albaraka Bank Limited

Report on the financial statements

We have audited the group annual financial statements and the annual financial statements of Albaraka Bank Limited, which comprise the balance sheets at 31 December 2007, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 37 to 75.

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 mis-statement, 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 mis-statement.

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 judgment, including the assessment of the risks of material mis-statement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Albaraka Bank Limited at 31 December 2007, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per J. Datadin
Chartered Accountant (SA)
Registered Auditor
Director
Durban
14 March 2008

20 Kingsmead Boulevard
Kingsmead Office Park
Durban, 4001

Directors' Report
for the year ended 31 December 2007

The directors have pleasure in presenting their report for the year ended 31 December 2007.

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) and Athlone (Cape Town). The Bank's parent 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
During the year the company's authorised share capital was increased from R150,0 million comprising 15 million ordinary shares of R10 each to R300,0 million comprising 30 million ordinary shares of R10 each. The issued share capital of the company amounts to R150,0 million comprising 15 million ordinary shares of R10 each.

Financial results
The results of the company and the group for the year ended 31 December 2007 are set out on pages 39 to 75.

Dividends
On 1 October 2007 the directors declared a dividend of 25 cents (2006 : 20 cents) per share amounting to R3,8 million payable to shareholders registered as at close of business on 12 October 2007.

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.

	2007	2006
	R	R
Shares	**100**	100
Amount owing	**18 566 678**	7 371 008
Impairment losses	**(370 684)**	(85 161)
	18 196 094	7 285 947

The bank's share in the loss incurred by its subsidiary amounted to R285 623 (2006 : R306 178).

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 2007

	Notes	Group		Company	
		2007	2006	**2007**	2006
		R'000	R'000	**R'000**	R'000
Assets					
Property and equipment	3	**33 561**	21 220	**16 657**	14 030
Investment in and amount due by subsidiary company	4			**18 196**	7 286
Deferred tax asset	5	**4 549**	2 491	**4 368**	2 491
Advances and other receivables	6	**1 477 939**	1 300 368	**1 477 936**	1 300 364
Investment securities	7	**7 601**	-	**7 601**	-
Cash and cash equivalents	8	**162 656**	146 364	**162 656**	146 364
Total assets		**1 686 306**	1 470 443	**1 687 414**	1 470 535
Equity and liabilities					
Share capital and share premium	9	**150 000**	150 234	**150 000**	150 234
Reserves	10	**51 572**	37 138	**51 572**	37 138
Shareholders' interest		**201 572**	187 372	**201 572**	187 372
Deposits from customers	11	**1 443 489**	1 253 661	**1 443 489**	1 253 661
Accounts payable	12	**25 807**	16 334	**26 915**	16 426
Welfare and charitable funds	13	**15 438**	13 076	**15 438**	13 076
Total equity and liabilities		**1 686 306**	1 470 443	**1 687 414**	1 470 535

Income Statements

for the year ended 31 December 2007

	Notes	Group		Company	
		2007	2006	**2007**	2006
		R'000	R'000	**R'000**	R'000
Income earned from advances		**127 494**	89 918	**127 494**	89 918
Income earned from equity finance		**23 483**	21 336	**23 483**	21 336
Income paid to depositors		**(80 042)**	(62 258)	**(80 042)**	(62 258)
Net income earned		**70 935**	48 996	**70 935**	48 996
(Impairment for credit losses)/reversal of impairment losses	6.3	**(1 408)**	2 032	**(1 408)**	2 032
Operating income		**69 527**	51 028	**69 527**	51 028
Non-Islamic income	14	**-**	-	**-**	-
Fee and commission income	15	**10 519**	8 214	**10 719**	8 614
Other operating income	16	**1 187**	1 653	**888**	1 353
Total income		**81 233**	60 895	**81 134**	60 995
Operating expenditure	17	**54 326**	45 560	**54 195**	45 439
Profit before taxation		**26 907**	15 335	**26 939**	15 556
Taxation	18	**8 723**	5 481	**8 755**	5 521
Profit for the period		**18 184**	9 854	**18 184**	10 035

Weighted average number of shares in issue ('000)		**15 000**	9 703
Basic and diluted earnings per share (cents)	19	**121,2**	101,6

Statements of Changes in Shareholders' Equity

for the year ended 31 December 2007

	Share capital and share premium R'000	Investment risk reserve R'000	Retained income/ (Accumulated losses) R'000	General credit risk reserve R'000	Regulatory credit risk reserve R'000	Shareholders' interest R'000
Group						
2007						
Balance at beginning of year	**150 234**	**2 605**	**(1 723)**	**600**	**35 656**	**187 372**
Total of income and expense for the period	**(234)**		**14 434**			**14 200**
Profit for the period			**18 184**			**18 184**
Fair value adjustment to investment securities net of deferred taxation			**(1)**			**(1)**
Expenses in respect of increase in authorised share capital	**(234)**					**(234)**
Dividends paid			**(3 749)**			**(3 749)**
Transfer from regulatory credit risk reserve			**25 000**		**(25 000)**	**-**
Balance at end of year	**150 000**	**2 605**	**37 711**	**600**	**10 656**	**201 572**
2006						
Balance at beginning of year	89 325	2 605	(9 796)	600	35 656	118 390
Total of income and expense for the period	60 909		8 073			68 982
Profit for the period			9 854			9 854
Proceeds from shares issued	61 000					61 000
Share issue expenses	(91)					(91)
Dividends paid			(1 781)			(1 781)
Balance at end of year	150 234	2 605	(1 723)	600	35 656	187 372

	Share capital and share premium R'000	Investment risk reserve R'000	Retained income/ (Accumulated losses) R'000	General credit risk reserve R'000	Regulatory credit risk reserve R'000	Shareholders' interest R'000
Company						
2007						
Balance at beginning of year	**150 234**	**2 605**	**(1 723)**	**600**	**35 656**	**187 372**
Total of income and expense for the period	**(234)**		**14 434**			**14 200**
Profit for the period			**18 184**			**18 184**
Fair value adjustment to investment securities net of deferred taxation			**(1)**			**(1)**
Expenses in respect of increase in authorised share capital	**(234)**					**(234)**
Dividends paid			**(3 749)**			**(3 749)**
Transfer from regulatory credit risk reserve			**25 000**		**(25 000)**	**-**
Balance at end of year	**150 000**	**2 605**	**37 711**	**600**	**10 656**	**201 572**
2006						
Balance at beginning of year	89 325	2 605	(9 977)	600	35 656	118 209
Total of income and expense for the period	60 909		8 254			69 163
Profit for the period			10 035			10 035
Proceeds from shares issued	61 000					61 000
Share issue expenses	(91)					(91)
Dividends paid			(1 781)			(1 781)
Balance at end of year	150 234	2 605	(1 723)	600	35 656	187 372

Cash Flow Statements

for the year ended 31 December 2007

	Notes	Group		Company	
		2007	2006	**2007**	2006
		R'000	R'000	**R'000**	R'000
Cash flow from operating activities					
Cash generated from operations	21.1	**31 815**	18 563	**32 098**	18 865
Changes in working capital	21.2	**26 858**	(37 921)	**26 860**	(38 049)
Taxation paid	21.3	**(13 562)**	(477)	**(12 400)**	(926)
Dividends paid	21.4	**(3 749)**	(1 781)	**(3 749)**	(1 781)
Net cash inflow/(outflow) from operating activities		**41 362**	(21 616)	**42 809**	(21 891)
Cash flow from investing activities					
Additions to property and equipment	21.5	**(16 758)**	(6 633)	**(7 009)**	(6 615)
Purchase of investment securities		**(7 603)**	-	**(7 603)**	-
Proceeds from disposal of property and equipment		**46**	578	**46**	578
(Increase)/decrease in investment in and amount due by subsidiary				**(11 196)**	257
Net cash utilised in investing activities		**(24 315)**	(6 055)	**(25 762)**	(5 780)
Cash flow from financing activities					
Proceeds from ordinary shares issued		**-**	61 000	**-**	61 000
Subordinated loan repaid		**-**	(35 000)	**-**	(35 000)
Expenses in respect of increase in authorised share capital		**(755)**	(91)	**(755)**	(91)
Net cash (used in)/from financing activities		**(755)**	25 909	**(755)**	25 909
Net increase/(decrease) for the year		**16 292**	(1 762)	**16 292**	(1 762)
Cash and cash equivalents at beginning of year		**146 364**	148 126	**146 364**	148 126
Cash and cash equivalents at end of year		**162 656**	146 364	**162 656**	146 364

Accounting Policies

for the year ended 31 December 2007

1 Reporting entity

Albaraka Bank Limited is a company domiciled in South Africa. The company's registered address is 134 Dr A B Xuma Street (formerly Commercial Road), Durban, 4001. The consolidated financial statements of the company as at and for the year ended 31 December 2007 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 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 though profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value; and
- Investment securities 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 financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3 Basis of consolidation

Investment in subsidiary

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3 Basis of consolidation (continued)

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 are depreciated over the term of the lease. The current estimated useful lives are as follows:

Buildings	50 years
Tank containers	20 years
Equipment	5 - 10 years
Vehicles	3 - 5 years
Computers	1 - 3 years
Computer software	3 - 5 years

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

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.

Surpluses (deficits) on the disposal of property and equipment are credited (charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

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.

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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are independent from other assets and groups. The recoverable amount is the higher of its net selling price and its value in use.

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.

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 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 assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar characteristics.

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 general 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.

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 charged to the income statement. In addition, a general credit risk reserve and investment risk reserve are maintained for significant unforeseen losses and, in particular, on advances not specifically identified as doubtful.

7 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.

8 Contingencies and commitments

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

9 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 recognised if 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.

Held to maturity investments

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

Available-for-sale financial assets

The group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in 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.

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.

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.

When the group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within advances.

Advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective rate method except when the group chooses to carry the advances at fair value through profit or loss.

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. Valuation techniques include net present value techniques, the discounted cash flow method, comparision 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. For finance leases the market rate is determined by reference to similar lease arrangements.

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 using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

10 Income tax expense (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

11 Revenue recognition

Income from Islamic activities

Income from Islamic activities comprises:

- profits attributable to the purchase and sale of moveable and immoveable property, commodities and equities, manufacturing materials and finished products. 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; and
- income for services rendered is recognised when earned.

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 transferred to the welfare and charitable fund.

Dividends

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

12 Leases

The leases entered into by the group are primarily 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 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;
- 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;
  - Dependents of the individual or the individual's domestic partner.

1 Capital adequacy

Introduction

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

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

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

Capital structure

The capital base of the bank provides the foundation for lending, off-balance sheet transactions and other activities. The capital adequacy of the bank is measured in terms of the Banks Act, in terms of which the bank must maintain a minimum level of capital based on its risk adjusted assets and off-balance sheet exposures.

At 31 December 2007 the capital structure of the bank was as follows:

Regulatory capital

	2007 R'000	2006 R'000
Tier 1		
Share capital	**150 000**	150 000
Share premium	**-**	234
Investment risk reserve	**2 605**	2 605
General credit risk reserve	**600**	600
Regulatory credit risk reserve	**10 656**	35 656
Retained income/(accumulated losses)	**37 711**	(1 723)
Total capital and reserves	**201 572**	187 372
Less: Regulatory risk reserve	**10 656**	35 656
Total Tier 1 capital	**190 916**	151 716
Tier 2		
Portfolio impairment (net of deferred tax)	**5 521**	4 580
Total eligible capital	**196 437**	156 296
Capital adequacy ratios (Tier 1 %)	**15,0%**	16,5%
Capital adequacy ratios (Total %)	**15,4%**	17,0%

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

- Enable growth in shareholder value; and
- Protect the capital base.

The bank's 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 2007, the bank's capital requirements and risk-weighted assets for credit risk as calculated in terms of the Banks Act and Regulations were as follows:

	2007	2006
	R'000	R'000
Capital requirements	**191 388**	138 006
Risk-weighted assets	**1 275 921**	920 042

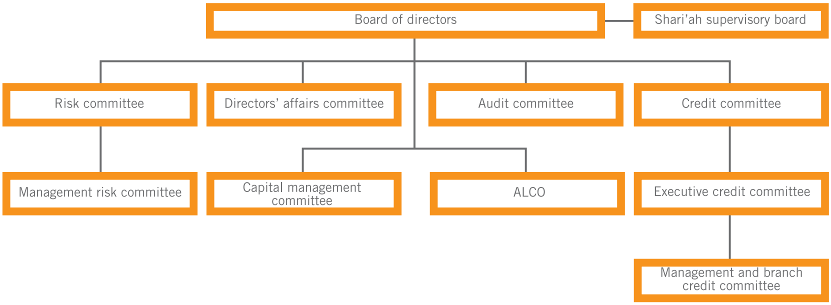
2 Risk management and assessment

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 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, the management risk committee and the capital management 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

2 Risk management and assessment (continued)

a culture that is risk-management orientated. The structure and organisation of the risk management function is provided in a 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. Internal audit 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 risk 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 attendant 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 conducted 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.

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 debtors and the results of assessments conducted, 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.

2 Risk management and assessment (continued)

2.1 Credit risk (continued)

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.

Exposures that are classified under the Sub-standard, Doubtful and Loss categories are regarded as non-performing.

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 made in terms of IAS 39. The bank's policy with regard to the impairment of advances is as disclosed under Accounting Policy 6.

Credit exposures

		Group and company	
		2007	2006
		R'000	R'000
Gross exposure		**1 487 744**	1 303 519
Impairment of advances		**(13 199)**	(11 279)
Net exposure		**1 474 545**	1 292 240

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

Analysis of concentrations of credit risk

Geographical distribution of exposures

		2007	2006
KwaZulu-Natal		**954 210**	924 366
Gauteng		**415 662**	293 610
Western Cape		**117 872**	85 543
Gross exposure		**1 487 744**	1 303 519

Industry distribution of exposures

		2007	2006
Banks and financial institutions		**166 275**	383 818
Individuals		**381 549**	319 598
Other services		**939 920**	600 103
Gross exposure		**1 487 744**	1 303 519

Product distribution analysis

		2007	2006
Property (Musharaka and Murabaha)		**834 286**	527 357
Equity finance		**166 275**	383 818
Instalment sales		**277 245**	240 762
Trade		**209 938**	151 558
Benevolent advances		**-**	24
Gross exposure		**1 487 744**	1 303 519

Residual contractual maturity of book

		2007	2006
Within 1 month	- equity finance	**51 594**	223 478
	- other	**104 224**	78 277
From 1 to 3 months	- equity finance	**114 681**	160 340
	- other	**146 159**	101 672
From 3 months to 1 year		**170 659**	198 832
From 1 year to 5 years		**585 190**	419 224
More than 5 years		**315 237**	121 696
Gross exposure		**1 487 744**	1 303 519

2 Risk management and assessment (continued)

2.1 Credit risk (continued)

	Group and company					
	Advances to customers		Advances to banks		Total advances	
	2007	2006	**2007**	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000	**R'000**	R'000
Past due and individually impaired						
Special mention category	**170 753**	151 682	**-**	-	**170 753**	151 682
Sub-standard category	**38 533**	9 533	**-**	-	**38 533**	9 533
Doubtful category	**8 296**	2 386	**-**	-	**8 296**	2 386
Loss category	**2 343**	2 659	**-**	-	**2 343**	2 659
Gross amount	**219 925**	166 260	**-**	-	**219 925**	166 260
Specific impairment	**(5 423)**	(4 829)	**-**	-	**(5 423)**	(4 829)
Carrying amount	**214 502**	161 431	**-**	-	**214 502**	161 431
Past due but not impaired						
Standard category	**270 985**	167 469	**-**	-	**270 985**	167 469
Carrying amount	**270 985**	167 469	**-**	-	**270 985**	167 469
Neither past due nor impaired						
Standard category	**830 559**	585 972	**166 275**	383 818	**996 834**	969 790
Carrying amount	**830 559**	585 972	**166 275**	383 818	**996 834**	969 790
Total carrying amount before portfolio impairment	**1 316 046**	914 872	**166 275**	383 818	**1 482 321**	1 298 690
Portfolio impairment - Standard category	**(7 776)**	(6 450)	**-**	-	**(7 776)**	(6 450)
Net carrying amount	**1 308 270**	908 422	**166 275**	383 818	**1 474 545**	1 292 240

The Bank holds collateral against advances to customers in the form of mortgage interests over property, 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 are assessed on a three-year interval based on independent valuations. In other instances collateral is re-assessed when an advance is individually assessed as impaired. Collateral is generally not held over advances to banks.

	2007	2006
	R'000	R'000
Group and company		
Estimated fair value of collateral and other security enhancements	**968 518**	576 833

2.2 Market risk

Market risk is the risk of loss arising from 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.

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.

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 by the bank. There is no mis-match in terms of the earning profile of depositors and that of the bank.

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.

2 Risk management and assessment (continued)

2.5 Shari'ah risk (continued)

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 and timeously in accordance with Shari'ah Supervisory Board policies and plans;
- Confirmation that all profit 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 Shari'ah 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.

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
3 Property and equipment				
Cost				
Land and buildings	**16 904**	7 155	**-**	-
Vehicles	**1 410**	1 154	**1 410**	1 154
Equipment and computers	**25 900**	20 539	**25 652**	20 291
Leasehold improvements	**5 546**	4 272	**5 330**	4 056
Tank containers	**7 145**	7 145	**7 145**	7 145
	56 905	40 265	**39 537**	32 646
Accumulated depreciation	**23 344**	19 045	**22 880**	18 616
Vehicles	**531**	445	**531**	445
Equipment and computers	**16 288**	13 065	**16 040**	12 852
Leasehold improvements	**3 472**	2 789	**3 256**	2 573
Tank containers	**3 053**	2 746	**3 053**	2 746
	33 561	21 220	**16 657**	14 030

Land and buildings comprise the following commercial property and vacant land as described below:

	Group 2007 R'000	Group 2006 R'000
1. Commercial property in Cape Town described as Erf no. 33983 Cape Town in extent 610 square metres independently valued at R7,3 million (2006 : R6,0 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 (2006 : R6,4 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 2007 amounted to	**9 749**	-
	16 904	7 155
Carrying value at beginning of year	**7 155**	7 137
Additions	**9 749**	18
	16 904	7 155

3 Property and equipment (continued)

Movement in property and equipment	Land and buildings R'000	Vehicles R'000	Equipment and computers R'000	Leasehold improvements R'000	Tank containers R'000	Total R'000
Group						
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**
2006						
Net carrying value at beginning of year	7 137	443	5 395	699	4 731	18 405
Additions	18	498	4 713	1 404	-	6 633
Disposals	-	(134)	(358)	(20)	-	(512)
Depreciation for the year	-	(98)	(2 276)	(600)	(332)	(3 306)
Net carrying value at end of year	7 155	709	7 474	1 483	4 399	21 220
Company						
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**
2006						
Net carrying value at beginning of year	-	443	5 356	699	4 731	11 229
Additions	-	498	4 713	1 404	-	6 615
Disposals	-	(134)	(358)	(20)	-	(512)
Depreciation for the year	-	(98)	(2 272)	(600)	(332)	(3 302)
Net carrying value at end of year	-	709	7 439	1 483	4 399	14 030

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000

4 Investment in and amount due by subsidiary company

Albaraka Properties (Proprietary) Limited is 100% (2006 : 100%) owned by Albaraka Bank Limited.

The issued share capital of Albaraka Properties (Proprietary) Limited comprises 100 shares of R1 each (2006 : 100 shares of R1 each).

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Shares at cost			*	*
Due by subsidiary			**18 567**	7 371
Impairment losses			**(371)**	(85)
			18 196	7 286

* Amount less than R1 000

The amount due by the subsidiary is profit-free and has no fixed date of repayment.

5 Deferred tax asset

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Balance at beginning of year	**2 491**	3 413	**2 491**	3 413
Transfers from/(to) income statement	**2 041**	(922)	**1 860**	(922)
Transfers from welfare and charitable fund	**17**	-	**17**	-
Balance at end of year	**4 549**	2 491	**4 368**	2 491

The deferred tax asset comprises the following:

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Impairment loss in subsidiary			**107**	25
Deferred tax on accumulated losses in subsidiary	**107**	25		
Impairment for doubtful advances	**1 180**	1 050	**1 180**	1 050
Other provisions	**3 073**	824	**2 892**	824
Prepaid expenses	**(57)**	(56)	**(57)**	(56)
Property and equipment	**(195)**	(245)	**(195)**	(245)
Unearned income	**441**	893	**441**	893
	4 549	2 491	**4 368**	2 491

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 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
6 Advances and other receivables				
6.1 Sectoral analysis				
Advances to customers				
Property (Musharaka and Murabaha)	**834 286**	527 357	**834 286**	527 357
Instalment sale	**277 245**	240 762	**277 245**	240 762
Trade	**209 938**	151 558	**209 938**	151 558
Qurdan Hasana (benevolent advances)	**-**	24	**-**	24
Gross advances to customers	**1 321 469**	919 701	**1 321 469**	919 701
Impairment for doubtful advances	**13 199**	11 279	**13 199**	11 279
	1 308 270	908 422	**1 308 270**	908 422
Advances to banks				
Equity finance	**166 275**	383 818	**166 275**	383 818
Net advances	**1 474 545**	1 292 240	**1 474 545**	1 292 240
Other receivables	**3 394**	8 128	**3 391**	8 124
	1 477 939	1 300 368	**1 477 936**	1 300 364

Included under property are Musharaka advances amounting to R678,7million (2006 : R382,3 million).

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
6.2 Maturity analysis				
Advances to customers				
Within 1 month	**104 224**	78 277	**104 224**	78 277
From 1 month to 3 months	**146 159**	101 672	**146 159**	101 672
From 3 months to 1 year	**170 659**	198 832	**170 659**	198 832
From 1 year to 5 years	**585 190**	419 224	**585 190**	419 224
More than 5 years	**315 237**	121 696	**315 237**	121 696
	1 321 469	919 701	**1 321 469**	919 701
Equity finance				
Within 1 month	**51 594**	223 478	**51 594**	223 478
From 1 month to 3 months	**114 681**	160 340	**114 681**	160 340
	166 275	383 818	**166 275**	383 818

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
6.3 Analysis of impairment for doubtful advances				
6.3.1 Specific impairments				
Balance at beginning of year	**4 829**	7 348	**4 829**	7 348
Charge/(release) to income statement	**82**	(3 482)	**82**	(3 482)
Bad debts recovered	**1 646**	2 059	**1 646**	2 059
Bad debts written off	**(1 134)**	(1 096)	**(1 134)**	(1 096)
	5 423	4 829	**5 423**	4 829
6.3.2 Portfolio impairment	**7 776**	6 450	**7 776**	6 450
Balance at beginning of year	**6 450**	5 000	**6 450**	5 000
Charge to income statement	**1 326**	1 450	**1 326**	1 450
	13 199	11 279	**13 199**	11 279
6.4 Analysis of impairments				
6.4.1 In terms of IAS 39				
Specific	**5 423**	4 829	**5 423**	4 829
Portfolio	**7 776**	6 450	**7 776**	6 450
	13 199	11 279	**13 199**	11 279

7 Investment securities

Unit trust investments				
387 405 units in Futuregrowth Albaraka Equity Fund				
At cost	**5 003**	-	**5 003**	-
Fair value adjustment	**(2)**	-	**(2)**	-
	5 001	-	**5 001**	-
Unlisted investments				
Kilimanjaro Investment Limited, at cost	**2 600**	-	**2 600**	-
The company is a property owning company of which the bank owns 9,9%.				
	7 601	-	**7 601**	-

8 Cash and cash equivalents

Cash on hand	**1 327**	912	**1 327**	912
Government and other stock	**59 889**	41 937	**59 889**	41 937
Funds at call	**3 050**	8 381	**3 050**	8 381
Balances with central bank	**29 839**	19 872	**29 839**	19 872
Placements with other banks	**68 551**	75 262	**68 551**	75 262
	162 656	146 364	**162 656**	146 364

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
9 Share capital and share premium				
9.1 Authorised share capital				
30 000 000 (2006 : 15 000 000) ordinary shares of R10 each	**300 000**	150 000	**300 000**	150 000
9.2 Issued share capital				
15 000 000 (2006 : 15 000 000) ordinary shares of R10 each	**150 000**	150 000	**150 000**	150 000
9.3 Share premium	**-**	234	**-**	234
Balance at beginning of year	**234**	325	**234**	325
Less: share issue expenses	**(234)**	(91)	**(234)**	(91)
	150 000	150 234	**150 000**	150 234
10 Reserves				
Investment risk reserve	**2 605**	2 605	**2 605**	2 605
Retained income/(accumulated losses)	**37 711**	(1 723)	**37 711**	(1 723)
General credit risk reserve	**600**	600	**600**	600
Regulatory credit risk reserve	**10 656**	35 656	**10 656**	35 656
	51 572	37 138	**51 572**	37 138
11 Deposits from customers				
Participation investment accounts	**846 352**	764 825	**846 352**	764 825
Savings accounts	**193 449**	212 720	**193 449**	212 720
Monthly investment plan	**49 684**	43 417	**49 684**	43 417
Haj investment scheme	**49 169**	47 185	**49 169**	47 185
Regular income provider	**304 835**	185 514	**304 835**	185 514
	1 443 489	1 253 661	**1 443 489**	1 253 661
Maturity analysis				
Within 1 month	**723 828**	568 610	**723 828**	568 610
From 1 month to 3 months	**271 722**	277 488	**271 722**	277 488
From 3 months to 1 year	**446 496**	406 761	**446 496**	406 761
From 1 year to 5 years	**1 443**	802	**1 443**	802
	1 443 489	1 253 661	**1 443 489**	1 253 661
12 Accounts payable				
Sundry creditors	**13 403**	3 935	**13 401**	3 934
Accruals	**5 757**	5 316	**5 757**	5 312
South African Revenue Services	**6 647**	7 083	**7 757**	7 180
	25 807	16 334	**26 915**	16 426

		Group		Company	
		2007	2006	**2007**	2006
		R'000	R'000	**R'000**	R'000
13	**Welfare and charitable funds**				
	Gross income from non-Islamic activities during the year	**10 561**	8 723	**10 561**	8 723
	Income paid on subordinated loan	**-**	(2 565)	**-**	(2 565)
	Net income from non-Islamic activities before taxation	**10 561**	6 158	**10 561**	6 158
	Normal taxation thereon	**(2 346)**	(1 482)	**(2 346)**	(1 482)
	Net income from non-Islamic activities during the year	**8 215**	4 676	**8 215**	4 676
	Donations and advances	**(5 853)**	(76)	**(5 853)**	(76)
	Balance at beginning of year	**13 076**	8 476	**13 076**	8 476
	Balance at end of year	**15 438**	13 076	**15 438**	13 076
14	**Non-Islamic income**				
	Net interest income	**10 059**	8 228	**10 059**	8 228
	Other non-Shari'ah compliant income	**561**	533	**561**	533
	Fair value adjustment on Treasury Bills	**(59)**	(38)	**(59)**	(38)
		10 561	8 723	**10 561**	8 723
	Income paid on subordinated loan	**-**	(2 565)	**-**	(2 565)
	Amount transferred to welfare and charitable funds	**(10 561)**	(6 158)	**(10 561)**	(6 158)
		-	-	**-**	-
15	**Fee and commission income**				
	Service fees	**5 291**	4 060	**5 291**	4 060
	Commission receivable on sale of unit trusts	**5 107**	3 969	**5 107**	3 969
	Management fee from subsidiary			**200**	400
	Other management fees	**60**	138	**60**	138
	Takafol commission income	**61**	47	**61**	47
		10 519	8 214	**10 719**	8 614
16	**Other operating income**				
	Property rental income	**299**	300	**-**	-
	Tank container rental income	**652**	858	**652**	858
	Surplus on disposal of property and equipment	**20**	67	**20**	67
	Other	**216**	428	**216**	428
		1 187	1 653	**888**	1 353

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
17 Operating expenditure				
Operating expenditure is stated after charging the following items:				
Auditor's remuneration				
Audit fees - current year	**1 158**	1 092	**1 158**	1 092
Fees for other services				
Tax consultancy	**144**	120	**144**	120
Expenses	**62**	-	**62**	-
	1 364	1 212	**1 364**	1 212
Depreciation of property and equipment	**4 391**	3 306	**4 356**	3 302
Consultancy fees	**805**	1 397	**805**	1 397
Operating lease charges - land and buildings	**2 242**	1 936	**2 386**	2 071
Expenses in respect of increase in authorised share capital	**521**	-	**521**	-
Impairment for losses in subsidiary			**286**	85
Staff costs	**30 324**	24 625	**30 324**	24 625
Directors' emoluments	**4 169**	3 212	**4 169**	3 212
Executive services	**3 587**	2 698	**3 587**	2 698
Non-executive directors' fees	**582**	514	**582**	514

17.1 Executive services

		Salary R'000	Bonuses R'000	Other Benefits R'000	Total R'000
2007					
SAE Chohan	- Chief executive	**1 117**	**230**	**121**	**1 468**
MG McLean	- Deputy chief executive	**853**	**140**	**193**	**1 186**
MJD Courtiade	- Financial director	**725**	**130**	**78**	**933**
		2 695	**500**	**392**	**3 587**
2006					
SAE Chohan	- Chief executive	1 009	-	102	1 111
MG McLean	- Deputy chief executive	699	67	107	873
MJD Courtiade	- Financial director	639	-	75	714
		2 347	67	284	2 698

The executive directors do not have any service contracts.

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
17.2 Non-executive directors' fees				
AA Yousif	**67**	62	**67**	62
Adv. AB Mahomed SC	**90**	84	**90**	84
F Kassim	**43**	23	**43**	23
A Lambat	**64**	30	**64**	30
MS Paruk	**88**	90	**88**	90
YM Paruk	**62**	68	**62**	68
SA Randeree	**58**	64	**58**	64
OA Suleiman	**57**	43	**57**	43
M Youssef Baker	**53**	50	**53**	50
	582	514	**582**	514

18 Taxation

South African tax				
Normal - current year	**12 752**	5 578	**12 603**	5 618
- prior years	**-**	257	**-**	257
Attributable to income from non-Islamic activities				
(refer accounting policy 10 and note 13)	**(2 346)**	(1 482)	**(2 346)**	(1 482)
Deferred tax - current year	**(1 073)**	932	**(980)**	932
- prior years	**(985)**	(10)	**(897)**	(10)
Secondary tax on companies	**375**	206	**375**	206
Taxation attributable to Islamic activities	**8 723**	5 481	**8 755**	5 521

Reconciliation of taxation charge	**%**	%	**%**	%
Effective tax rate	**32,4**	35,7	**32,5**	35,5
Secondary tax on companies	**(1,4)**	(1,3)	**(1,4)**	(1,3)
Adjustable items:				
Non-taxable income and non-deductible expenditure				
Current year	**(2,0)**	(3,5)	**(2,1)**	(3,7)
Prior years	**-**	(1,6)	**-**	(1,6)
Deferred tax adjustment - prior years	**-**	0,1	**-**	0,1
Deferred tax not raised on loss incurred by subsidiary company	**-**	(0,4)	**-**	-
	29,0	29,0	**29,0**	29,0

		Group		Company	
		2007	2006	**2007**	2006
		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 (2006 : 9 703 151) ordinary shares in issue during the year (cents)	**121,2**	101,6		
	Headline earnings per share are calculated on headline earnings and a weighted average number of 15 000 000 (2006 : 9 703 151) ordinary shares in issue during the year (cents)	**121,2**	100,9		
	Headline earnings are derived from:				
	Profit for the period	**18 184**	9 854		
	Surplus arising on disposal of property and equipment	**(20)**	(67)		
		18 164	9 787		
20	**Dividends**				
	A dividend of 25 cents per share (2006 : 20 cents) was paid on 31 October 2007 to the shareholders registered on the shareholders register of the bank at the close of business on 12 October 2007.	**3 749**	1 781	**3 749**	1 781
21	**Notes to Cash Flow Statements**				
	21.1 Cash generated from operations				
	Profit before taxation	**26 907**	15 335	**26 939**	15 556
	Expenses in respect of increase in authorised shared capital	**521**	-	**521**	-
	Adjustment for non-cash items:				
	Depreciation of property and equipment	**4 391**	3 306	**4 356**	3 302
	Surplus arising on disposal of property and equipment	**(20)**	(67)	**(20)**	(67)
	Straight-lining of operating lease	**16**	(11)	**16**	(11)
	Impairment for losses in subsidiary			**286**	85
		31 815	18 563	**32 098**	18 865

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
21.2 Changes in working capital				
Increase in deposits from customers	**189 828**	249 693	**189 828**	249 693
Increase/(decrease) in accounts payable	**9 892**	(2 125)	**9 896**	(2 097)
Increase in welfare and charitable funds	**4 708**	6 083	**4 708**	6 083
(Increase) in advances receivable	**(177 570)**	(291 572)	**(177 572)**	(291 728)
	26 858	(37 921)	**26 860**	(38 049)
21.3 Taxation paid				
Amount outstanding at beginning of year	**(7 083)**	(1 519)	**(7 180)**	(2 025)
Amount charged to the income statement	**(10 780)**	(4 559)	**(10 631)**	(4 599)
Amount charged to welfare and charitable funds	**(2 346)**	(1 482)	**(2 346)**	(1 482)
Amount outstanding at end of year	**6 647**	7 083	**7 757**	7 180
	(13 562)	(477)	**(12 400)**	(926)
21.4 Dividends paid				
Amount outstanding at beginning of year	**-**	-	**-**	-
Dividends declared and paid	**(3 749)**	(1 781)	**(3 749)**	(1 781)
Amount outstanding at end of year	**-**	-	**-**	-
	(3 749)	(1 781)	**(3 749)**	(1 781)
21.5 Additions to property and equipment				
Land and buildings	**(9 749)**	(18)	**-**	-
Vehicles	**(328)**	(498)	**(328)**	(498)
Equipment and computers	**(5 407)**	(4 713)	**(5 407)**	(4 713)
Leasehold improvements	**(1 274)**	(1 404)	**(1 274)**	(1 404)
	(16 758)	(6 633)	**(7 009)**	(6 615)
22 Letters of credit, guarantees and confirmations				
Letters of credit	**7 426**	4 925	**7 426**	4 925
Guarantees and confirmations	**38 989**	45 699	**38 989**	45 699
	46 415	50 624	**46 415**	50 624

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 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
23 Capital commitments				
Authorised but not yet contracted for	**18 610**	47	**18 610**	47
Authorised and contracted for	**49 650**	-	**-**	-

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

		Group		Company	
		2007	2006	**2007**	2006
		R'000	R'000	**R'000**	R'000
24	**Financial instruments**				
	24.1 Credit risk management - significant exposures				
	Advances	**1 487 744**	1 303 519	**1 487 744**	1 303 519
	Letters of credit, guarantees and confirmations	**46 415**	50 624	**46 415**	50 624
		1 534 159	1 354 143	**1 534 159**	1 354 143

24.2 Currency risk management

The group does not have any 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						
2007						
Assets						
Advances and other receivables	**1 477 939**	**155 820**	**263 537**	**158 155**	**585 190**	**315 237**
Investment securities	**7 601**	**-**	**-**	**-**	**7 601**	**-**
Cash and cash equivalents	**162 656**	**162 656**	**-**	**-**	**-**	**-**
	1 648 196	**318 476**	**263 537**	**158 155**	**592 791**	**315 237**
Liabilities						
Deposits from customers	**1 443 489**	**723 829**	**271 722**	**446 496**	**1 442**	**-**
Accounts payable	**25 807**	**3 502**	**12 735**	**9 570**	**-**	**-**
Welfare and charitable funds	**15 438**	**-**	**500**	**6 000**	**8 938**	**-**
	1 484 734	**727 331**	**284 957**	**462 066**	**10 380**	**-**
Net liquidity gap	**163 462**	**(408 855)**	**(21 420)**	**(303 911)**	**582 411**	**315 237**
2006						
Assets						
Advances and other receivables	1 300 368	301 916	267 160	187 742	421 850	121 700
Cash and cash equivalents	146 364	146 364	-	-	-	-
	1 446 732	448 280	267 160	187 742	421 850	121 700
Liabilities						
Deposits from customers	1 253 661	568 610	277 488	406 761	802	-
Accounts payable	16 334	2 998	3 467	9 869	-	-
Welfare and charitable funds	13 076	-	-	7 576	5 500	-
	1 283 071	571 608	280 955	424 206	6 302	-
Net liquidity gap	163 661	(123 328)	(13 795)	(236 464)	415 548	121 700

24.5 Accounting classification and fair values

	Advances and other receivables R'000	Available for sale R'000	Other amortised cost R'000	Carrying amount R'000	Fair value R'000
Group					
2007					
Assets					
Advances and other receivables	**1 477 939**	**-**	**-**	**1 477 939**	**1 477 939**
Investment securities	**-**	**7 601**	**-**	**7 601**	**7 601**
Cash and cash equivalents	**102 767**	**59 889**	**-**	**162 656**	**162 656**
	1 580 706	**67 490**	**-**	**1 648 196**	**1 648 196**
Liabilities					
Deposits from customers	**-**	**-**	**1 443 489**	**1 443 489**	**1 443 489**
Accounts payable	**-**	**-**	**25 807**	**25 807**	**25 807**
Welfare and charitable funds	**-**	**-**	**15 438**	**15 438**	**15 438**
	-	**-**	**1 484 734**	**1 484 734**	**1 484 734**
2006					
Assets					
Advances and other receivables	1 300 368	-	-	1 300 368	1 300 368
Cash and cash equivalents	104 427	41 937	-	146 364	146 364
	1 404 795	41 937	-	1 446 732	1 446 732
Liabilities					
Deposits from customers	-	-	1 253 661	1 253 661	1 253 661
Accounts payable	-	-	16 334	16 334	16 334
Welfare and charitable funds	-	-	13 076	13 076	13 076
	-	-	1 283 071	1 283 071	1 283 071

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
25 Operating leases				
25.1 Leases as lessee				
Non-cancellable operating lease rentals payable as follows:				
Less than 1 year	**2 451**	2 083	**2 451**	2 083
Between 1 and 5 years	**2 091**	4 110	**2 091**	4 110
More than 5 years	**-**	15	**-**	15
	4 542	6 208	**4 542**	6 208
Operating leases relate to building premises leased in South Africa.				
25.2 Leases as lessor				
Future rentals due	**652**	858	**652**	858
Future rentals due relate to the leasing of tank containers.				

26 Retirement benefit plan

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 R2,4 million (2006 : R2,0 million).

27 Related party information

The holding company of Albaraka Bank Limited at 31 December 2007 is Albaraka Banking Group B.S.C. which is a company registered in the Kingdom of Bahrain and which holds 51,7% (2006 : 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, hold 15,0% (2006 : 15,0%) of the company's ordinary shares.

The subsidiary of the company is identified as per note 4. The rental paid to the subsidiary for the year amounted to R143 741 (2006 : R135 030).

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' interest in companies containing the nature of such interests, as well as the nature and extent of the beneficial shares held in the companies is submitted to the board of directors annually for reviewing and updating. Direct interests are disclosed in the table on the following page:

Director	Company/Borrowers	Financing approved R'000	Balance Outstanding 2007 R'000	2006 R'000
SAE Chohan	Chohan's Spice (Pty) Ltd	**2 126**	**1 315**	581
	SAE Chohan	**239**	**12**	77
	Hawa Bibi Chohan	**750**	**657**	735
		3 115	**1 984**	1 393
Secured by covering mortgage bonds over property, deeds of surety and a motor vehicle.				
MG McLean	The Waloth Family Trust	**810**	**468**	744
Secured by a covering mortgage bond over property and deeds of surety.				
MS Paruk	Desai Jadwat Incorporated	**165**	**-**	2
	Ranmor Investments (Pty) Ltd	**4 050**	**2 647**	-
		4 215	**2 647**	2
Secured by a covering mortgage bond over property, deeds of surety, guarantees and equipment.				
YM Paruk	Shadows Partnership	**2 127**	**1 544**	-
	The Parksons Family Trust	**5 308**	**3 520**	1 321
		7 435	**5 064**	1 321
Secured by a covering mortgage bond over property and deeds of surety.				
MJD Courtiade		**250**	**226**	-
Secured by the asset financed.				

Staff advances

Staff advances are conducted at subsidised profit rates. The amount subject to the subsidised profit rate is dependent on the staff member's position within the entity. The total staff advances outstanding at the end of the period amounted to	**15 200**	12 137

28 Standards and interpretations not yet effective

At the date of authorisation of the annual financial statements for the year ended 31 December 2007, the following applicable accounting standards were in issue but not yet effective:

IAS 1 (AC 101)

IAS 1 (AC 101) will be adopted by the bank for the first time for its financial reporting period ending 31 December 2009.

The group will present all non-owner changes in equity in a single statement of comprehensive income (which will include the current income statement) and owner changes in equity in the statement of changes in equity. Reclassification adjustments and income tax relating to each component of other comprehensive income will be disclosed on the face of the statement of comprehensive income. Currently these components are available-for-sale fair value gains/losses reserve and the foreign currency translation reserve.

IAS 27 (AC 132) amendments

IAS 27 (AC 132) will be adopted by the bank for the first time for its financial reporting period ending 31 December 2010.

In accordance with IAS 27 (AC 132) amendments, acquisitions of additional non-controlling equity interests in subsidiaries have to be accounted for as equity transactions. Disposals of equity interests while retaining control are also accounted for as equity transactions. When control of an investee is lost, the resulting gain or loss relating to the transaction will be recognised in profit and loss.

It has always been the group's accounting policy to treat all acquisitions of additional interests in subsidiaries, as well as disposals of interests in subsidiaries as equity transactions. The group will, however, change its accounting policy relating to the loss of control when an equity interest is retained. In future, when control is lost, through sale or otherwise, the resulting gain or loss recognised in profit and loss will include any remeasurement to fair value of the retained equity interest.

The amendments to IAS 27 (AC 132) also require that losses (including negative "other comprehensive income" as detailed in the revised IAS 1 (AC 101)) have to be allocated to the non-controlling interest even if doing so causes the non-controlling interest to be in a deficit position. The group will in future change its accounting polices on the allocation of losses to non-controlling interests. In the past losses were allocated only until the non-controlling interests had a zero balance.

IFRS 3 (AC 140)

The revised IFRS 3 (AC 140) will be adopted by the bank for the first time for its financial reporting period ending 31 December 2010.

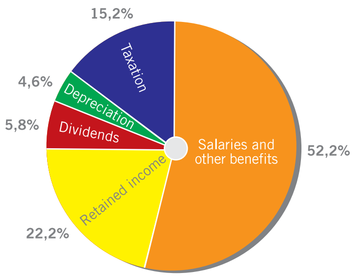
IFRS 3 (AC 140) applies to all new business combinations that occur after 1 January 2010. For these future business combinations, the group will change its accounting policies to be in line with the revised IFRS 3 (AC 140). In future all transaction costs will be expensed and contingent purchase consideration will be recognised at fair value at acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will be recognised in profit and loss.

Value Added Statement

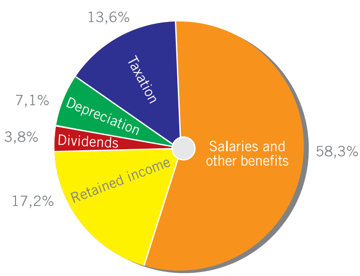
for the year ended 31 December 2007

	2007 R'000	%	2006 R'000	%
Value added				
Operating income	**69 527**		51 028	
Fee and commission income	**10 519**		8 214	
Other operating income	**1 187**		1 653	
Operating expenditure	**(16 282)**		(14 031)	
	64 951	**100,0**	46 864	100,0
Value allocated to				
Employees				
Salaries and other benefits	**33 911**	**52,2**	27 323	58,3
Government	**9 858**	**15,2**	6 381	13,6
Normal tax	**8 723**	**13,4**	5 481	11,7
Value added tax	**1 135**	**1,8**	900	1,9
Providers of capital				
Dividends to shareholders	**3 749**	**5,8**	1 781	3,8
Retention for expansion and growth	**17 433**	**26,8**	11 379	24,3
Depreciation	**2 999**	**4,6**	3 306	7,1
Retained income	**14 434**	**22,2**	8 073	17,2
	64 951	**100,0**	46 864	100,0

2007



2006



Notice to Shareholders

Eighteenth annual general meeting

Notice is hereby given that the eighteenth annual general meeting of members of Albaraka Bank Limited will be held on Thursday, 19 June 2008 at the offices of Albaraka Bank, First floor, 134 Dr A B Xuma Street (formerly Commercial Road), Durban at 09h00 to conduct the following business:

1. Ordinary resolutions

1.1 To receive and adopt the group and company annual financial statements as at 31 December 2007.

1.2 To elect directors in the place of the following persons, who in terms of Article 74 of the company's Articles of Association are retiring by rotation and, being eligible, offer themselves for re-election:

OA Suleiman
Age: 67
Appointed: 12/03/1997
Occupation: Deputy chief executive of Albaraka Banking Group
Committee member: audit committee, board credit committee and remuneration committee.

M Youssef Baker
Age: 53
Appointed: 22/01/1992
Occupation: chairman – Iqraa trust
Committee member: audit committee

Adv. AB Mahomed SC
Age: 62
Appointed: 09/09/1989
Occupation: formerly senior counsel, now director of companies
Committee member: risk committee, directors' affairs committee, audit committee, board credit committee (chairman)

1.3 (a) To approve the auditors' remuneration for the year ended 31 December 2007.
(b) To authorise the board of directors to determine the auditors' remuneration for the financial year ending 31 December 2008.
(c) To authorise the board of directors to appoint auditors for the financial year ending 31 December 2008.

1.4 To confirm the dividend of 25 cents per share declared by the board of directors on 1 October 2007 and paid on 31 October 2007 to shareholders registered in the books of the company at close of business on 12 October 2007.

1.5 To approve the proposed dividend of 35 cents per share declared by the board of directors on 14 March 2008, and to be paid on 27 June 2008 to shareholders registered in the books of the company at close of business on 13 June 2008.

1.6 To renew, in terms of Section 221 of the Companies Act, 1973, the directors' authority to allot the unissued shares, if any, of the company at their discretion until the next annual general meeting.

1.7 In terms of Article 49 of the company's Articles of Association to approve the directors' remuneration.

1.8 To elect the Shari'ah supervisory board of the bank, with the following members being eligible for election:
- Dr Abdus Sattar Abu Ghudda;
- Mr Mahomed Shoaib Omar; and
- Mufti Shafique Ahmed Jakhura.

2. Other business

To consider such other business as may be transacted at the annual general meeting.
A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, to speak, and on a poll, vote in his/her stead. A proxy need not be a member of the company. Proxy forms must reach the registered office of the company by not later than 48 hours before the time fixed for the meeting.

A proxy form is on a separate page included in the annual report.

By order of the board

C.T. BREEDS
Company Secretary
Durban, 14 March 2008

AAOIFI Balance Sheets

as at 31 December 2007

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
Assets				
Cash and cash equivalents	**162 656**	146 364	**162 656**	146 364
Sales receivables	**854 822**	962 887	**854 822**	962 887
Musharaka financing	**619 723**	329 353	**619 723**	329 353
Investment securities	**7 601**	-	**7 601**	-
Investment in subsidiary company	**-**	-	**18 196**	7 286
Total investments	**1 644 802**	1 438 604	**1 662 998**	1 445 890
Other assets	**7 943**	10 619	**7 759**	10 615
Investment properties	**16 904**	7 155	**-**	-
Plant and equipment	**16 657**	14 065	**16 657**	14 030
Total assets	**1 686 306**	1 470 443	**1 687 414**	1 470 535
Liabilities, unrestricted investment accounts and owners' equity				
Liabilities				
Savings accounts	**9 640**	35 489	**9 640**	35 489
Payables	**25 807**	16 334	**26 915**	16 426
Other liabilities	**15 438**	13 076	**15 438**	13 076
Total liabilities	**50 885**	64 899	**51 993**	64 991
Equity of unrestricted investment account holders	**1 433 849**	1 218 172	**1 433 849**	1 218 172
Total liabilities and unrestricted investment accounts	**1 484 734**	1 283 071	**1 485 842**	1 283 163
Owners' equity	**201 572**	187 372	**201 572**	187 372
Share capital	**150 000**	150 234	**150 000**	150 234
Reserves	**13 861**	38 861	**13 861**	38 861
Retained income/(accumulated losses)	**37 711**	(1 723)	**37 711**	(1 723)
Total liabilities, unrestricted investment accounts and owners' equity	**1 686 306**	1 470 443	**1 687 414**	1 470 535

AAOIFI Income Statements

for the year ended 31 December 2007

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
Income from sales receivable	**92 418**	77 334	**92 418**	77 334
Income from Musharaka financing	**58 559**	34 379	**58 559**	34 379
Return on unrestricted investment accounts before the bank's share as a mudarib	**150 977**	111 713	**150 977**	111 713
Less: bank's share as a mudarib	**(70 935)**	(49 455)	**(70 935)**	(49 455)
Return on unrestricted accounts before taxation	**80 042**	62 258	**80 042**	**62 258**
Bank's share in income from investment (as a mudarib and as a fund owner)	**70 935**	49 455	**70 935**	49 455
Bank's income from its own investments	**3**	-	**3**	-
Revenue from banking services	**5 262**	3 970	**5 262**	3 970
Other revenue	**6 441**	5 605	**6 342**	5 705
Total bank revenue	**82 641**	59 030	**82 542**	59 130
Administrative and general expenditure	**(51 343)**	(40 389)	**(51 247)**	(40 272)
Depreciation of plant and equipment	**(4 391)**	(3 306)	**(4 356)**	(3 302)
Profit before taxation	**26 907**	15 335	**26 939**	15 556
Taxation	**(8 723)**	(5 481)	**(8 755)**	(5 521)
Profit for the period	**18 184**	9 854	**18 184**	10 035

Albaraka Banking Group

Bahrain
Albaraka Banking Group
Al-Baraka Tower,
Diplomatic Area Building,
238-1704 Road,
Block No. 317, Manama, Bahrain
PO Box 1882, Manama, Bahrain
President & Chief Executive Officer:
Mr Adnan Ahmed Yousif
Tel: (973) 17-54 1122
Fax: (973) 17-53 6533
Web: www.barakaonline.com

AlBaraka Islamic Bank
Al-Baraka Tower,
Diplomatic Area Building,
238-1704 Road,
Block No. 317, Manama, Bahrain
PO Box 1882, Manama, Bahrain
General Manager:
Mr Mohamed Al Mutaweh
Tel: (973) 17-53 5300
Fax: (973) 17-53 0695
Web: www.barakaonline.com

Algeria
Banque Al Baraka D'Algerie
Hai Bouteldja Houidef,
Villa No. 1 Rocade Sud,
Ben Aknoun, Algiers, Algeria
Managing Director & General Manager:
Mr Mohamed Seddik Hafid
Tel: (213-21) 91-6450/55
Fax: (213-21) 91-6457/58
Web: www.albaraka-bank.com

Indonesia
Albaraka Banking Group
Representative Office
Ravindo Building 7th Floor,
Jalam Kebon Sirih No. 75,
Jakarta Pusat, 10340, Indonesia
Chief Representative:
Mr Moses Mokhtar
Tel: (62 21) 392 7633
Fax: (62 21) 392 7637

Lebanon
Al Baraka Bank – Lebanon
Rashid Karameh Street,
Verdun 2000 Centre, Beirut, Lebanon
General Manager:
Mr Mutasim Mahmassani
Tel: (9611) 80 8008
Fax: (9611) 80 6499
Web: www.al-baraka.com

Pakistan
Al Baraka Islamic Bank, Pakistan
PICIC House,
14, Shahrah e Awan e Tajarat,
PO Box 1686, Lahore,
54000, Pakistan
Regional & Country Manager:
Mr Shafqaat Ahmed
Tel: (92-42) 630 9961
Fax: (92-42) 630 9965

South Africa
Albaraka Bank Limited
134 Dr AB Xuma Street, Durban,
4001, South Africa,
PO Box 4395, Durban, 4000,
South Africa
Chief Executive:
Mr Shabir Chohan
Tel: (27) 31 366 2800
Fax: (27) 31 305 2045
Web: www.albaraka.co.za

Sudan
AlBaraka Bank Sudan
AlBaraka Tower,
PO Box 3583, Khartoum, Sudan
General Manager:
Mr Abdulla Khairy Hamid
Tel: (249-1) 83-78 0688
Fax: (249-1) 83-78 8585
Web: www.albarakasudan.com

Syria
Albaraka Bank Syria
PO Box 33436, Damascus, Syria
General Manager:
Mr Mamoun Darkazally
Tel: (96 311) 331 3341
Fax: (96 311) 331 1961

Tunisia
Bank Et-Tamweel Al-Tunisi Al-Saudi
88 Avenue Hedi Chaker 1002,
Tunis, Tunisia
Vice Chairman & General Manager:
Mr Essa Al-Haidosi
Tel: (216-71) 79 0000
Fax: (216-71) 78 0235

Turkey
Albaraka Turk Participation Bank
Buyukdere Cad No. 78,
80290 Mecidiyekoy, Istanbul, Turkey
General Manager:
Mr Adnan Buykdeniz
Tel: (09-212) 274 9900
Fax: (09-212) 272 4470
Web: www.albarakaturk.com.tr

Egypt
Egyptian Saudi Finance Bank
60 Mohie El Deen Abou El Ezz Street,
Managing Director:
Mr Ashraf El Ghamrawy
Tel: (202) 74 812 22/74 817 77
Fax: (202) 76 114 37/76 114 36
Web: www.egypt.albaraka.com
Web: www.esf-bank.com

Jordan
Jordan Islamic Bank
PO Box 926225, Amman, Jordan
Vice Chairman & General Manager:
Mr Musa A Shihadeh
Tel: (9626) 567 7377
Fax: (9626) 566 6326

Notes

Notes

ALBARAKA BANK

AN AUTHORISED FINANCIAL SERVICES PROVIDER

Banking only one way,
the Islamic way