

ABRIDGED  
INTEGRATED  
ANNUAL REPORT  
**2016**



# Ethical Banking

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### Vision

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

### Mission

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

### Values

#### Partnership

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

#### Driven

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

#### Neighbourly

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

#### Peace-of-mind

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

#### Social contribution

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

### Code of Business Conduct

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

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

### This year's Integrated Annual Report theme is Growth and Expansion

Using a water droplet to symbolise the work of the bank, the outward ripples resulting from our efforts reflect the growth and expansion of the bank and, importantly, our clients in the joint achievement of new heights of success as we grow and develop financially together.

# ABOUT THIS REPORT



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WELCOME TO THE 2016 INTEGRATED ANNUAL REPORT OF AL BARAKA BANK, WHICH REFLECTS THE BANK'S REVIEW PERIOD 01 JANUARY TO 31 DECEMBER 2016.

This abridged integrated annual report sets out to provide stakeholders with an understandable and succinct overview of the bank's past performance and future prospects, detailing the company profile, a 10-year review of pertinent financial information, its directorate and administration, joint statement by the Chairman and Chief Executive Officer and material issues it faces in terms of governance, sustainability, compliance and adherence to Shariah principles.

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

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

In preparing this report, we remain bound by the bank's pre-determined reporting requirements, as well as those prescribed by

the regulating bodies active in South Africa's financial environment. However, materiality is determined by our board of directors, in line with the requirements of our shareholders and other key stakeholder groups. We have been mindful of the guiding principles contained in the International Financial Reporting Standards, the Banks Act, Act No. 94 of 1990, the Companies Act, Act No. 71 of 2008, and the King Code of Governance for South Africa (King III and King IV).

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

#### **DECLARATION**

Al Baraka Bank's audit committee assumes responsibility for appraising and submitting our integrated annual report, complete with annual financial statements, to the board for review and approval.

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

**Adnan Ahmed Yousif**  
Chairman

24 March 2017

**Shabir Chohan**  
Chief executive

# TEN-YEAR REVIEW

	2016	2014	2013	2012	2011	2010	2009	2008	
<b>Statement of Financial Position (Rm)</b>									
Share capital	322	322	225	225	225	150	150	150	150
Shareholders' interest	627	601	560	381	362	347	233	228	217
Deposits from customers	4 634	4 426	4 230	3 941	3 322	2 881	2 571	2 130	1 624
Advances and other receivables	4 646	4 473	4 242	3 753	3 269	2 826	2 395	2 057	1 604
<b>Total assets</b>	<b>5 329</b>	<b>5 058</b>	<b>4 814</b>	<b>4 411</b>	<b>3 716</b>	<b>3 246</b>	<b>2 825</b>	<b>2 381</b>	<b>1 871</b>
<b>Statement of Comprehensive Income (Rm)</b>									
Profit before taxation	58	76	55	40	34	26	17	18	31
Total comprehensive income for the year	41	56	40	29	25	16	11	18	21
<b>Share Statistics (Cents)</b>									
Basic and diluted earnings per share	128	171	154	129	112	77	74	125	145
Headline earnings per share	133	171	154	129	114	76	69	121	144
Dividend per share	50	45	45	45	45	45	45	45	35
Net asset value per share	1 943	1 866	1 736	1 692	1 608	1 541	1 551	1 522	1 446
<b>Ratios (%)</b>									
Return on average shareholders' interest	6,7	9,5	8,5	7,8	7,1	4,6	4,8	8,2	10,4
Return on average total assets	0,8	1,1	0,9	0,7	0,7	0,5	0,4	0,9	1,2
Shareholders' interest to total assets	11,8	11,9	11,6	8,6	9,7	10,7	8,2	9,6	11,6

## SHAREHOLDERS' INTEREST

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

## RETURN ON AVERAGE SHAREHOLDERS' INTEREST

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

## RETURN ON AVERAGE TOTAL ASSETS

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

## BASIC AND DILUTED EARNINGS PER SHARE

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

# DIRECTORATE AND ADMINISTRATION



DURING THE 2016 FINANCIAL YEAR, AL BARAKA BANK'S BOARD OF DIRECTORS COMPRISED THE FOLLOWING MEMBERS:

## NON-EXECUTIVE

### AA Yousif (61) - Bahraini

- MBA
- Joined the board in 2005
- Non-executive chairman
- Currently president and chief executive of Al Baraka Banking Group

## INDEPENDENT NON-EXECUTIVE

### SA Randeree (54) - British

- BA (Hons) MBA
- Joined the board in 2003
- Vice chairman of the board and lead independent director
- Chairman of the directors' affairs committee and the board credit Committee (until 31/12/2016)
- Member of the remuneration committee

### F Kassim (58) - Sri Lankan

- EMP - Harvard Business School
- Joined the board in 2006
- Independent non-executive director
- Member of the directors' affairs committee

### A Lambat (58) - South African

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

### MG McLean (68) - Australian

- AEP - UNISA
- Joined the board in 2001
- Independent non-executive director
- Member of the board credit committee

### MS Paruk (62) - South African

- CA (SA)
- Joined the board in 2004
- Independent non-executive director
- Chairman of the audit committee (until 31/12/2016)
- Member of the risk and capital management committee and board credit committee (Chairman with effect 01/01/2017)

### YM Paruk (57) - South African

- Joined the board in 2003
- Independent non-executive director
- Chairman of the remuneration committee
- Member of the risk and capital management committee and the social and ethics committee

### NJ Kunene (60) - South African

- B. Com, MBA and Post-Graduate Diploma in Business Management
- Joined the board in 2015
- Independent non-executive director
- Member of the directors' affairs committee
- Chairman of the social and ethics committee

### Yunus Suleman (59) - South African

- CA (SA)
- Joined the board in 2016
- Independent non-executive director
- Member of the audit committee (Chairman with effect 01/01/2017) and the remuneration committee

## EXECUTIVE

### SAE Chohan (51) - South African

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

### MJD Courtiade (63) - French

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

### A Ameer (35) - South African

- CA (SA)
- Joined the board in 2014
- Financial director
- Member of the board credit committee

### M Kaka (37) - South African

- CA (SA)
- Joined the board in 2015

## ADMINISTRATION:

### Company secretary

CT Breeds BA LLB

### Shariah Supervisory Board

Dr. AS Abu Ghudda, chairman (Syrian)  
Mufti SA Jakhura  
MS Omar B.Com LLB

### Registered office

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

### Transfer secretaries

Computershare Investor Services (Pty) Ltd.  
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

### Auditors

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

## COMPANY DETAILS

Registered name: Albaraka Bank Limited  
Registration Number: 1989/003295/06  
FSP Number: 4652

NCR Registration Number: NCRCP14

Albaraka Bank Limited is an Authorised Financial Services and Credit Provider

Albaraka Bank Limited is an Authorised Dealer in foreign exchange

# CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

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AL BARAKA BANKING GROUP IS REPRESENTED IN 15 COUNTRIES AND OPERATES MORE THAN 700 BRANCHES GLOBALLY.

## AL BARAKA BANKING GROUP

Durban-based Al Baraka Bank, with a business presence across South Africa, is an integrated subsidiary of the Al Baraka Banking Group, based in Bahrain and acknowledged as one of the world's leaders in Islamic banking. In spite of world-wide economic difficulties, Al Baraka Banking Group continued on its international growth path, a fact which is reflected in its 2016 financial results, which showed growth in both profits and assets. The group generated net income in excess of US\$1 billion, while total assets exceeded US\$23 billion in 2016.

It is the view of Al Baraka Banking Group that banking is integral to society and has a decisive role to play in safeguarding any and all resources placed in the care of bankers. The group is unwavering in its reliance, globally, on Shariah principles, playing an increasingly consequential role in the successes of its clients through the continued advancement of the fabric of society, inclusive of individuals and business enterprises.

## FINANCIAL PERFORMANCE: SOUTH AFRICAN SUBSIDIARY

As a commercial and fully-fledged Islamic bank, Al Baraka Bank offers Shariah-compliant financial products to all.

The continued stagnation of the South African economy, an uneasy political environment and the associated volatility of foreign exchange rates conspired against the growth of our business in 2016. In the face of such negative sentiment, our primary focus revolved around sustainability and a significant enhancement of customer access to our product offering.

Our 2016 net income before tax totalled R58,0 million, an unfortunate decrease of 24,0% over the previous year's record R76,0 million. We attribute this decline to the prevailing economic climate, the unpredictability of the foreign exchange market and a move to grow the bank's capital base, by way of the launch of a Sukuk (investment certificates) occurring later than anticipated. It was originally intended that we would launch the Sukuk, in 2014, in line with a global trend. However, certain regulatory matters resulted in a delay at that time, with approval from the regulatory authorities being granted at the end of 2015.

Accordingly, we have applied extreme caution in the management of capital requirements, an approach which saw advances growth of 6,5%, or R247,0 million, while the equity finance book decreased by 15,0%, or R93,0 million. Total assets showed an increase of 5,4% to total R5,3 billion.

We opted to implement the Sukuk on a phased basis, raising R30,3 million during the 2016 financial year. Mobilising funds in this manner will be continued into the 2017 financial year and is seen by the bank as an effective way in which to efficiently manage our capital requirements. In spite of the exchange rate challenges faced, our bank's foreign exchange services continued being well-received by both clients and non-clients alike during the review period.

This continued escalation in demand for our full suite of foreign exchange services is most pleasing and resulted in substantial growth in foreign exchange earnings. Critically, foreign exchange transactions contributed significantly to our income in the review period and may, largely, be attributed to our 0% commission positioning, competitive rates and exceptional service.

Bringing our full international banking services on-stream prompted key new product development opportunities and the 2016 financial year saw the bank's roll-out to clients of two innovative services.

Our Shariah-compliant Forward Exchange Cover product 'went live' in 2016 creating a logical extension to our foreign trade facilities. This product makes it possible now for clients to hedge against foreign currency risk by having the ability to purchase forward cover from the bank. Repayment occurs on a spot, or deferred basis.

Our second foreign exchange-related new product, to be rolled-out in 2017, is the consequence of exceptionally rapid moves in South Africa to the use of mobile devices.

Digital banking has clearly emerged as the way of the future and we have recognised the business imperative behind providing clients with offerings which mobile devices are capable of delivering.

Anywhere, anytime interaction with Al Baraka Bank will become a reality with the public launch of our Foreign Exchange App, radically enhancing the bank's interface with customers looking to consume our foreign exchange services. The move marked the prelude to the development and initiation of additional Al Baraka banking Apps in the near-term.

Maintaining the digital theme and need for an ever more professional and efficient online presence, we worked to improve our internet-based banking facility, bringing about extensive upgrades to our website in a concerted endeavour to enrich the banking experience for our online customers.

Turning to our branch infrastructure and efforts to expand our customer base, the bank's first concept outlet and dedicated foreign exchange bureau, positioned in The Zone - in Rosebank, Gauteng - adjacent to a trendy business area and home to a large number of professionals, has proved popular since its inception in 2015.

Accordingly, a decision was made in 2016 to convert the facility into a fully-fledged branch, offering the bank's complete bouquet of products and services.

The outlet's full service offering is scheduled to be introduced in early 2017.

Our operational footprint was further extended in 2016 with the introduction of our Gauteng regional office.

Acknowledging the importance of this part of South Africa as a key economic hub and area of significant growth, we introduced the Gauteng Regional Office, strategically situated in Rosebank Mall, during the course of the review period to instant acclaim.

The period under review also saw our introduction of additional banking products to better service the needs of customers.

The new Al Baraka Corporate Saver Account is the only fully-fledged Shariah-compliant investment account offered by any commercial bank in South Africa, in terms of Section 78 (2)(a) and Section 78 (2A) of the Attorneys Act, No. 53 of 1979.

The product is aimed at attorneys representing clients who have purchased residential or commercial properties and are required to pay a deposit in respect of such purchase.

This account enables clients to receive Shariah-compliant returns on deposits paid into their attorney's Trust Account and may be requested by clients approaching attorneys to represent their property purchases, or by attorneys striving to best service their clients' spiritual and financial needs.



Supporting the Government's promotion of a culture of saving in South Africa, Al Baraka Bank's Shariah-compliant tax-free product was developed in 2016 and will be launched during the course of 2017, enabling account-holders to enjoy the benefit of paying no tax on earnings, regardless of the investment period. Investment is restricted to R33 000 a year to a maximum R500 000 lifetime limit.

The advancement of technology has necessitated and will continue to necessitate changes in the way we conduct business. In line with Al Baraka Banking Group thinking, we embrace new technologies and strive to make them work to our advantage, in the sure knowledge that this will afford us a significant competitive edge. Digitisation is the future and we are intent on re-engineering our internal systems and processes accordingly, so benefiting from the efficiencies digitisation affords us.

Importantly, and linked to our economic performance, is the fact that we, at Al Baraka Bank, are committed to conducting our business operations in a sustainable manner, whilst simultaneously and meaningfully meeting both environmental and social responsibilities. We set out to increasingly measure and communicate our triple bottom line achievements in the areas of economic performance, environmental management and social contribution.

Our social and ethics committee has developed measures designed to give effect to the protection of the environment within which we operate, reasoning that our environmental initiatives enable the innovation of processes and a reduction in waste, leading to valuable insights to potential future growth areas. Minimising environmental degradation in business and ensuring best practice in safeguarding the environment is a concept we tackle with determination.

Finally, Al Baraka Bank has a social conscience and takes seriously its responsibility for the active promotion of socio-economic empowerment. We are intent on delivering a social contribution in the belief that by banking with us, our customers make a positive contribution to a better society. Their growth and our growth will benefit the world around us. We, accordingly, have in place a comprehensive corporate social investment programme designed to impact positively on the disadvantaged in four areas of concern, namely education, humanitarianism, health and poverty alleviation.

During 2016 we donated R5,2 million to projects within these fields, together with a further R6,6 million to a charitable trust. We are intent on further strengthening our social responsibility commitment, so delivering more effectively on our triple bottom line.

#### **CUSTOMER SERVICE**

The delivery of client service excellence is of paramount importance to the bank. As part of our continued commitment to service enhancement, 2016 witnessed the completion of the first phase of an initiative designed to create an entirely paperless experience for customers engaging with our investment products.

This is regarded as a significant development in terms of contributing to environmental sensitivities, as well as promoting substantial cost and time efficiencies. The initiative also includes the ability now to open accounts remotely, eliminating the need by prospective new customers to visit a branch. The year also resulted in the initiation of a major project, being the replacement of our current banking system by 2020 - a decision which will have a significant impact on streamlining our customer service capabilities still further.

#### **DIVIDEND**

For the 11th consecutive year, Al Baraka Bank has declared a dividend for the benefit of shareholders. In this regard, we are delighted to report that the board has approved a dividend of 50c per share for the 2016 financial year.

#### **CORPORATE GOVERNANCE**

The need for good corporate governance in business and, especially, business undertaken in the financial sector cannot be underestimated. Best practice in this regard is constantly evolving, as evidenced by the introduction of the King IV Governance Report. In line with our commitment to good corporate governance practice, several of our board members availed themselves of the opportunity to attend the launch of the King IV Report on Corporate Governance in late 2016.

We believe the new code will further enhance our bank's existing governance frameworks and processes, in line with the ethics-based activities of our company. We have, since King IV's introduction, been working on an implementation plan to ensure the early adoption and the seamless integration of the new code.

#### **COMPLIANCE**

In line with changing legislation, we have placed great emphasis on strengthening our efforts to meet Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) requirements.

The bank has made a significant investment in software to drive new systems, has worked diligently to introduce new processes and has ensured effective staff training in the vitally necessary quest to better align itself with both AML/CTF legislation and the international best practice ideal.

We believe our new systems to be robust and efficient. We are steadfast, too, in our resolve to work, in conjunction with the country's regulatory bodies, to ensure total compliance with all new obligations in this regard.

#### **FAREWELL TO RETIRING DIRECTORS**

As part of the board process of succession planning, Mr YM Paruk and Mr MG McLean will be stepping down as directors, with effect from April 2017.

Mr Paruk joined the board in 2003 and has played a significant role during his tenure as a director in helping to establish a solid foundation for the Al Baraka Bank we know today.

His business acumen and experience have been invaluable to the development of the bank, particularly within the context of prevailing economic conditions.

Mr McLean joined the bank in 2001 as the deputy chief executive and served as an executive director until his retirement in February 2011. He was, thereafter, appointed to the board as a non-executive director, where his deep knowledge of the bank's client base, together with that of the bank's products, proved to be of great value.

We, on behalf of the board, acknowledge the positive contribution made to the development of the bank by both Mr Paruk and Mr McLean and, accordingly, wish them every success for the future. A process has commenced whereby suitable replacements for these stalwarts are being sourced.

#### **NEW APPOINTMENT IN 2016**

With the previous retirement of two other stalwart directors, namely Adv. Aboobaker Joosub Noor Mahomed S.C. and Dr Mahmoud Youssef Baker, we were pleased to appoint Mr Yunus Suleman, as a non-executive director, effective 01 March 2016.

Mr Suleman became a Chartered Accountant in 1986 and was chairman of one of South Africa's 'big 4' auditing firms and serves on the boards of several listed companies. We are pleased to welcome Mr Suleman to the board in the knowledge that he brings with him a wealth of financial sector experience and a keen understanding of the role the bank fills in both South Africa's financial and business environments.

## CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT (continued)

### **FUTURE PROSPECTS**

Looking to the future, the outlook for the economy remains challenging, with little prospect for improved growth levels. Such negative sentiment is likely to constrict the bank's growth trajectory and our focus therefore turns to a phase of consolidation in order to maintain the high levels of operation we have achieved.

We are intent on embracing technology so as to continuously boost efficiencies, transforming banking into an easy, seamless and totally rewarding customer experience; an experience which will, ultimately, lead to the long-term growth and expansion of both the bank and our clients as we jointly scale new heights of success and financial well-being.

### **APPRECIATION**

Finally, our continued business development during the course of the 2016 financial year is attributable to the ongoing commitment to and belief in Al Baraka Bank by our many stakeholder groups.

We are especially grateful to Al Baraka Banking Group for its unfaltering support of our business unit, which has contributed significantly towards the successes we have enjoyed in recent years.

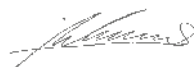
We also extend our thanks to the board, whose members have displayed exceptional leadership and whose informed decision-making has resulted in the growth and expansion of the bank and, in turn, all those for whom we provide financial services. Their individual business prowess and collective financial wisdom ensures that our bank remains at the cutting-edge of Islamic financial services provision in South Africa.

In addition, our executive team, senior management and members of staff are to be roundly congratulated for their efforts throughout the review period. Their professionalism and commitment to the delivery of service excellence in our client and related interactions is to be applauded. We thank you most sincerely for your commitment.

Last, but certainly not least, we take this opportunity to extend our most grateful thanks to those we exist to serve... our clients and our shareholders. Your continued support of Al Baraka Bank is greatly appreciated and we look forward to mutually beneficial interaction with you going forward.

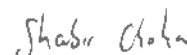
The growth and development of our clients remains of paramount importance to us. Rest assured, we remain committed to serving your best interests as we take Al Baraka Bank into an exciting business future.

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



.....  
**Adnan Ahmed Yousif**  
Chairman

24 March 2017



.....  
**Shabir Chohan**  
Chief executive



# CORPORATE GOVERNANCE



“THE PHILOSOPHIES OF THE KING REPORTS ULTIMATELY REVOLVE AROUND LEADERSHIP, SUSTAINABILITY AND CORPORATE CITIZENSHIP” - **MERVYN KING**

Al Baraka Bank fully embraces the principles incorporated in the King III Report on Corporate Governance and regards the development of an ethical culture, sound performance by the bank, effective control of the business by the board of directors and legitimacy in the eyes of all its stakeholders, as being fundamental to the manner in which it conducts its business.

## CORPORATE GOVERNANCE OVERVIEW

The board recognises that the application of good corporate governance is the foundation on which Al Baraka Bank builds value for its stakeholders. The development of sound governance frameworks has enabled the bank, during the course of 2016, to perform at its optimum, remain sustainable and deliver on both its corporate obligations and regulatory requirements.

The board strives to ensure, through its adoption of the principles of good corporate governance, the creation of an ethical foundation which promotes responsibility, accountability, fairness and transparency.

The introduction of the King IV Governance Report is indicative of the evolving nature of the business and governance environment within which the bank operates. The bank's approach to governance has, therefore, sought to harmonise the balance between conformance and performance, with the objective of conducting the business of the bank in such a manner that it remains focused on the business needs and requirements of its collective stakeholders.

Given the board's commitment to good corporate governance, five members of the board of directors attended the launch of the King IV Report on Corporate Governance in November 2016.

The new code will further strengthen the bank's governance frameworks and processes and will reinforce the sustainable model and ethics-based operations of the bank.

A King IV implementation plan is currently in the process of being finalised by the board, with a view to ensuring that seamless adoption and integration occurs during the course of 2017.

Whilst King IV will be effective in respect of the financial years commencing on or after 1 April 2017, organisations are encouraged to embark upon a process of early adoption, where possible. Al Baraka Bank's board is supportive of this approach.

## ROLE AND FUNCTION OF THE BOARD

The board is the guardian of corporate governance for the bank and is responsible for determining the organisation's long and short-term strategy and business operations. The board acknowledges that its key performance indicator lies in the positive performance of the bank, through the creation of sustainable value for all its stakeholders, whilst remaining true to the underlying core values of the bank.

The board's role and function is set out under a comprehensively written charter, which is subjected to regular review and complies with the provisions of the Companies Act, the Banks Act and the bank's Memorandum of Incorporation. The board met on four occasions in 2016 and once separately with the Reserve Bank, which meeting formed part of the bank's annual governance and prudential programme with the Reserve Bank.

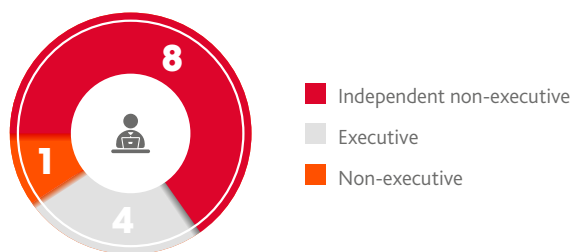
## BOARD STRUCTURE AND COMPOSITION

Al Baraka Bank has a unitary board structure, comprising 13 directors, eight of whom are classified as independent non-executive

directors, whilst one is classified as a non-executive director, with the remainder of the directors being executive directors.

The executive directors comprise the chief executive, the chief operating officer, the financial director and the executive director, who is responsible for the bank's foreign exchange and electronic banking portfolio.

## BOARD COMPOSITION



The board enjoys a broad range of skills, experience and industry knowledge, enabling robust decision-making and strategy-setting, as well as ensuring the appropriate balance of power and authority, so that no one individual has unfettered decision-making powers.

The roles of the chairman and chief executive are well-defined and separated. The chairman of the board, Mr AA Yousif, is the only director classified as being 'non-executive' by virtue of the fact that he holds the position of president and chief executive of Al Baraka Banking Group.

The board considers Mr Yousif to be the best person to fulfil the role of chairman of Al Baraka Bank, given his extensive knowledge of and experience in the banking industry as a whole. As the chairman is not classified as an independent non-executive director, the position of lead independent director was created and is currently held by Mr SA Randeree. In keeping with the recommendation of King III, the chairman is appointed on an annual basis, a principle which has also been extended to the vice chairman.

Mr Yousif and Mr Randeree have been confirmed as the chairman and the vice chairman/lead independent director respectively for the 2017 financial year.

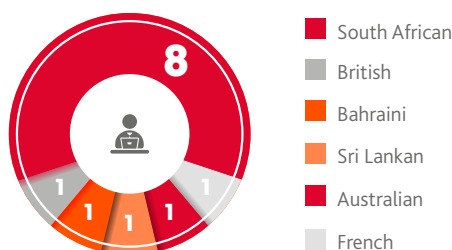
The board, through the directors' affairs committee, performs an annual review of the composition of the board and the respective board committees and assesses the skills set of the current directors serving on the board. This process focuses on development and ensures that the board has the requisite skills for transitioning into the years ahead.

Having conducted its review of the board and board committee composition, the board supported the recommendations made by the directors' affairs committee and appointed one new director in 2016, namely, Mr YGH Suleman, as an independent non-executive director.

Mr Suleman assumed the chairmanship of the audit committee in 2017, bringing a wealth of experience from the auditing profession and serves on the boards of a number of JSE-listed entities. He will undoubtedly play a key role in enhancing and building on the governance structures within Al Baraka Bank going forward.

## CORPORATE GOVERNANCE (continued)

### DIRECTOR NATIONALITY



In terms of the governance programme, the board supports the recommendation from the directors' affairs committee that there be rotation of chairmanships across the board committees from time-to-time.

This process has commenced with Mr MS Paruk stepping down as chairman of the Audit Committee and has been extended to the chairmanship of the board credit committee, which entailed the current chairman, Mr Randeree, standing down. Mr MS Paruk became the chairman of the board credit committee, with Mr Randeree continuing to serve as a member on this committee. All these changes were effective from 1 January 2017.

During the course of the year, Advocate AB Mahomed SC and Dr MY Baker retired from the board, after many years of diligent service.

### FUTURE PLANNING

The board fully embraces the King Code's recommendation of succession planning in respect of directors. This process is considered important in the life of the board and is used to introduce directors with new skills, expertise and ideas, all of which are required for the ongoing evolution and development of the board.

It is anticipated that 2017 will see the addition of new skills and talent, as the bank bids farewell to two long-serving directors of the board, being Mr YM Paruk and Mr MG McLean, both of whom will be stepping down from the board, in terms of the bank's succession planning objectives.

The appointment of directors is both a formal and transparent process and is conducted in terms of prevailing legislative and regulatory requirements, which specifically includes the Banks Act of 1990 and the Companies Act of 2008. The board also regularly monitors whether there is appropriate succession planning at executive and senior management level, which is a key factor in the continued growth and ongoing sustainability of the bank.

### ASSESSMENT OF INDEPENDENCE

The independence of directors is reviewed annually by the directors' affairs committee for approval by the board. In terms of the recommended practice of King III, the board is required to assess the independence of those independent directors who have served on the board for more than nine years. The independent status of such directors is subjected to rigorous debate, ensuring that there are no relationships or circumstances which could have a negative impact on their independence.

The directors' affairs committee considered the independence of those directors who have served for longer than nine years and after a challenging process of review, declared that, notwithstanding their

respective lengths of service on the board, these directors continue to meet the requirements of an independent director.

### STRATEGY FORMULATION

The board approves both long-term and short-term strategies for the bank, ensuring that these strategies are aligned with the bank's overall objectives. Being responsible for the effective control of the bank, the board closely monitors the practical implementation of the approved strategy.

The board is also responsible for determining the bank's corporate governance and risk management objectives, in terms of prevailing banking regulatory requirements. The board is satisfied that the objectives which it set for 2016 have been satisfactorily achieved.

### DIRECTOR DEVELOPMENT AND INDUCTION

Al Baraka Bank's board supports and encourages a programme of on-going director development, which is designed to foster improved governance practices, not only within the board, but also throughout the organisation.

Directors are kept informed in respect of developments pertaining to legislation and regulations which impact the bank's business framework. Where appropriate, directors are encouraged to attend external training courses, the costs of which are borne by the bank.

During the course of 2016, the board was refreshed in terms of the latest developments in the spheres of anti-money laundering and cyber-crime, which was extended to all members of staff and management.

Following his appointment to the board, Mr YGH Suleman attended a director induction programme where he was introduced to key members of management and informed of the business operations of the bank. In addition, he attended a Banking Board Leadership Programme.

Following Mr NJ Kunene's appointment as chairman of the social and ethics committee, he attended a workshop in respect of the effective functioning of this strategic committee.

Given the onerous demands placed on the directors, coupled with their increasing legal responsibilities, the identification and undertaking of relevant director training will assume an even greater focus during the course of 2017.

### PERFORMANCE EVALUATIONS

Over the years, the board, together with its committees, has annually conducted an evaluation of its performance through a series of evaluation questionnaires, which decision is in keeping with the practice recommended in King III.

The outcomes of these evaluations have found the board to be resilient and effective in addressing all the key strategic deliverables of the bank.

Given the recent King IV developments with regard to the frequency of performance evaluations and assessments and usage of external facilitators, Al Baraka Bank's board will be conducting a review of the King IV recommendations, to see how best they may be applied to the well-being of the bank.

### BOARD AND COMMITTEE ATTENDANCE

The table opposite records the attendance of the board and board committee members in respect of the board and board committee meetings which were held in 2016:



NAME OF DIRECTOR/ MEMBER	Board	Audit	Risk and capital management	Board credit	Directors' affairs	Remuneration	Social and ethics
AA YOUSIF	4/4 <sup>1</sup>	-	-	-	-	-	-
SA RANDEEE	4/4 <sup>2</sup>	-	-	4/4 <sup>1</sup>	2/2 <sup>1</sup>	2/2	-
F KASSIM	4/4	-	-	-	2/2	-	-
A LAMBAT	4/4	4/5	3/4 <sup>1</sup>	-	-	-	-
DR. MY BAKER <sup>6</sup>	1/4	2/5	-	-	1/2	-	1/2
ADV. AB MAHOMED SC <sup>6</sup>	1/4	1/5	1/4	-	-	1/2	-
NJ KUNENE	4/4	-	-	-	2/2	-	2/2 <sup>1</sup>
YGH SULEMAN	3/4 <sup>5</sup>	3/5	-	-	-	1/2	-
MG MCLEAN	4/4	-	-	4/4	-	-	-
MS PARUK	4/4	5/5 <sup>1</sup>	4/4	4/4	-	-	-
YM PARUK	4/4	-	3/4	-	-	2/2 <sup>1</sup>	2/2
SAE CHOCHAN	4/4	-	-	4/4	-	-	2/2
MJD COURTIADÉ	4/4	-	4/4	-	-	-	-
A AMEED	4/4	-	-	4/4	-	-	-
M KAKA	3/4	-	-	-	-	-	-
EM HASSAN	-	-	3/4 <sup>4</sup>	4/4 <sup>4</sup>	-	-	-
Y NAKHOODA	-	-	3/4 <sup>3</sup>	-	-	-	-

<sup>1</sup> = Chairman, <sup>2</sup> = Vice-chairman and lead independent director, <sup>3</sup> = Risk manager, <sup>4</sup> = General manager: credit

<sup>5</sup> = Appointed on 01 March 2016, <sup>6</sup> = Retired in April 2016

#### BOARD COMMITTEES

In recognition of its responsibility for the overall performance of the bank, the board has appointed six standing committees to assist it to meet its objectives. These committees include:

- The audit committee;
- The risk and capital management committee;
- The board credit committee;
- The directors' affairs committee;
- The remuneration committee; and
- The social and ethics committee.

The board also has a specified board property committee tasked with overseeing the future development of the bank's Kingsmead Office Park property. It is envisaged that upon completion of the property development, this committee will have concluded its mandate and will be disbanded.

Each standing board committee is regulated by a regularly reviewed written charter which records the rights, powers, duties and functions of the respective board committees.

The bank's governance framework also includes various management committees, whose objectives are to support the board and board committees in the execution of their mandates.

Al Baraka Bank's management committees include:

- The executive management committee;
- The executive credit committee;
- The management risk committee;
- The assets and liabilities committee;
- The FICA executive committee; and
- The IT steering committee.

#### COMPANY SECRETARY

The board is assisted by a competent and suitably qualified company secretary. The company secretary is not a director of the company and has an arm's-length relationship with the board. In addition to guiding the board on discharging its duties and responsibilities, the company secretary keeps the board abreast of relevant changes in legislation and governance best practice.

# SUSTAINABILITY REPORT

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“SUSTAINABLE DEVELOPMENT, UNDERSTOOD AS ‘DEVELOPMENT THAT MEETS THE NEEDS OF THE PRESENT WITHOUT COMPROMISING THE ABILITY OF FUTURE GENERATIONS TO MEET THEIR NEEDS’ IS A PRIMARY ETHICAL AND ECONOMIC IMPERATIVE” - *KING IV REPORT ON CORPORATE GOVERNANCE*

## PREFACE

Sustainability reporting is becoming an increasingly common 21<sup>st</sup> century business convention and is considered globally as best practice, combining economic performance with environmental stewardship and social responsibility.

Sustainability reporting is regarded as a means of adding value within a business. In this context it is possible to build trust through transparency of operation, while improving internal processes and systems to reduce costs and measure and control such issues as paper, water and electricity waste.

It is further possible to advance strategy, by improving decision-making processes, while also facilitating the compliance process and creating a competitive business advantage by being seen as being committed to the sustainability ideal.

## BANK'S APPROACH

Al Baraka Bank strives always to deliver to our stakeholders as complete a picture as possible of our efforts to create value for them.

Ethical banking forms the foundation of our commitment to sustainability and has a direct association with the formulation of innovative financial products and services that enable our clients to grow, in partnership with the bank, to achieve new heights of financial success, whilst simultaneously limiting environmental degradation and promoting within society a social conscience.

Accordingly, we are working towards effective sustainability reporting to better reflect our economic performance, environmental stewardship and social responsibility.

Such issues fall within the scope of our board-appointed social and ethics committee. In terms of the recently launched King IV Report on Corporate Governance, Al Baraka Bank is intent on reviewing the terms of reference of this committee to ensure that it remains perfectly aligned to the principles contained in the new code.

We acknowledge the imperative behind measuring and reporting within the triple context framework of the South African economy, society and environment within which the bank operates.

This reflects the bank's vision, which affirms our belief that society needs a fair and equitable financial system; one which rewards effort and contributes to the development of the community.

We seek to engender shareholder confidence, customer trust and staff loyalty through our commitment to the principles of disclosure, which include - by definition - effective sustainability reporting. In this way we aim, over time, to enhance the bank's reputation, realise staff expectations and grow the bank's capital base, whilst simultaneously making sufficient gains as regards responsible consumption practices, together with improved business efficiencies.

## COMPANY OVERVIEW

Al Baraka Bank is a commercial and fully-fledged Islamic bank. It offers Shariah-compliant products and services to its customer-base across South Africa.

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

This is a company actively adhering to international best practice; meeting and exceeding the highest professional business standards, applying sound corporate governance principles and sharing the benefits we derive with our valued customers, shareholders and members of staff.

This business approach complements our board-approved business strategy, which is to optimise profits, while continuously safeguarding the environment and giving effect to a comprehensive and meaningful corporate social investment programme.

## STRATEGIC BUSINESS OBJECTIVES, COMPETENCIES AND KEY PERFORMANCE INDICATORS

Our primary strategic business objectives include:

- Increasing returns to shareholders and depositors;
- Promoting the customer service excellence ideal;
- Developing innovative new financial services products; and
- Utilising enhanced technology for the furtherance of the business.

## IDENTIFYING RISK AND OPPORTUNITY

Our risk and capital management committee gives consideration to all risks which potentially may confront the bank, assessing, reviewing, rating and prioritising key risks which would impact on our operations.

This is augmented by the establishment and management of a risk control assessment register, ensuring the bank's continuous monitoring of identified key risk issues.

With recent legislative revisions, the bank has moved to strengthen its anti-money laundering and counter terrorist financing systems, which - we believe - to be both robust and efficient. Such proactive action from an economic perspective re-affirms the bank's commitment to complying with all statutory and regulatory requirements.

We acknowledge that South Africa is a water-scarce country and recognise the extreme risk associated with the prevailing long-term drought. Such concerns are profiled by our risk and capital management committee, in line with its identified risks. As a consequence, we regularly flag, for the benefit of staff, the critical need to conserve water in both the workplace and the wider environment.

## CORPORATE GOVERNANCE IN THE CONTEXT OF THE SUSTAINABILITY FRAMEWORK

We have adopted the principles within the King III and the recently launched King IV Report on Corporate Governance, taking the view that fostering an ethical culture, sound business performance, effective control measures and the legitimacy of the company in the eyes of all its stakeholder groups, as being essential to the manner in which we conduct the business of the bank.

Responsibility for the bank's good governance philosophy vests in our board-appointed directors' affairs committee. This body is charged with directing ongoing compliance with King III and, more recently, King IV and, in so doing, members of our board espouse the following behaviours, namely transparency, responsibility, accountability, fairness, integrity and competence.

In line with our commitment to good corporate governance practice and the early adoption and seamless integration of the new code, board members have familiarised themselves with King IV, applying its principles in the knowledge that this will further enhance our bank's existing governance frameworks and processes.



It should be stressed that as a commercial financial institution, Al Baraka Bank is South Africa's only fully-fledged Islamic bank.

As a consequence, we adhere most stringently to the principles of Shariah and draw attention to the fact that there are aspects of the banking business which are strictly prohibited.

These include:

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

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

Consequently, great emphasis is placed on ensuring ethical banking and that our every business undertaking is transparent and conducted in such a manner as to promote the highest business standards, inclusive of ethical investment, so developing the basis for continued sustainability.

We employ the inclusive stakeholder model of governance, which emphasises the rights of all stakeholder groups, as the means for ensuring ongoing ethical behaviour across the business.

**SUSTAINABLE DEVELOPMENT DELIVERY TO STAKEHOLDER GROUPS**

By addressing the triple context framework and through the introduction of an appropriate stakeholder policy, we have identified key stakeholder groups to whom the bank demonstrates its development delivery achievements.

As 'your partner bank' we strive to create and maintain long-term relationships with identified stakeholders.

The issues to be reported within the triple context framework include:

• **Economic issues:**

Al Baraka Bank follows Islamic business principles, as well as adhering to all laws and regulations applicable within South Africa's financial sector. We actively set out to provide the stakeholders we service with economic value, while managing our operations in line with a sound economic business model.

This approach ensures the quality of our financial portfolio and provides the basis for increased wealth creation and distribution amongst relevant stakeholders.

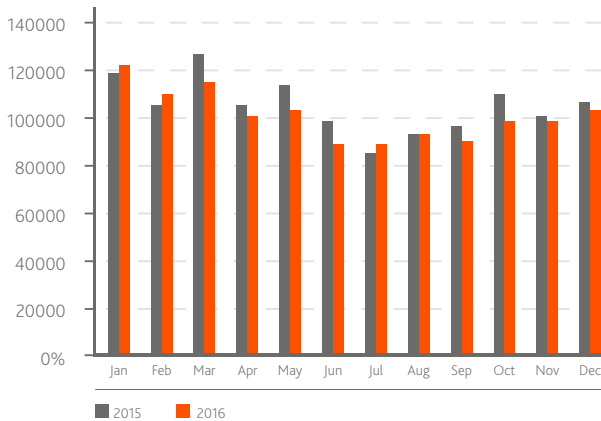
• **Environmental issues:**

Al Baraka Bank's social and ethics committee is tasked with driving measures designed to significantly reduce the company's impact on the broad environment.

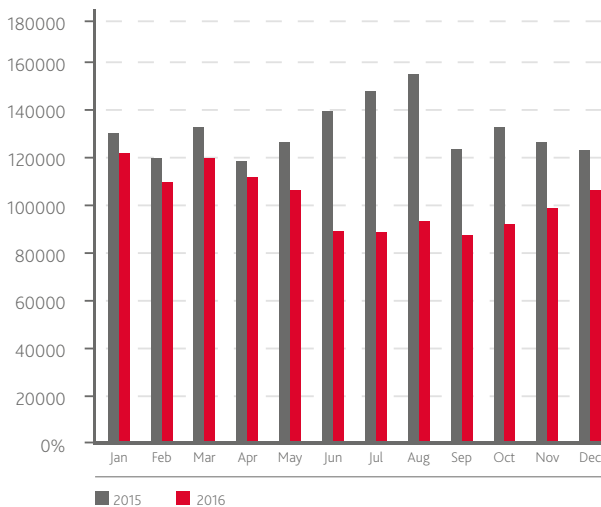
We are in the formative years of effectively addressing this component of our sustainability reporting, but regard it as an area of great concern, with future monitoring and measuring earmarked for increasing development.

We are committed to implementing reduction targets with regard to the bank's water, electricity and paper consumption levels. The following graphs depict monthly trends during the periods 2015 and 2016 and pave the way for additional annual comparative figures going forward.

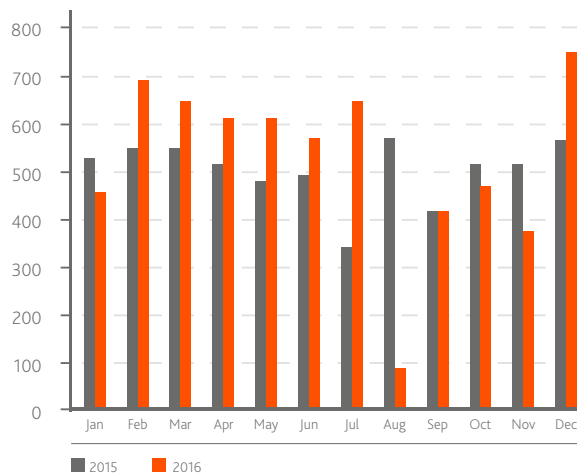
**ELECTRICITY CONSUMPTION IN KW**



**ELECTRICITY CONSUMPTION IN RAND VALUE**

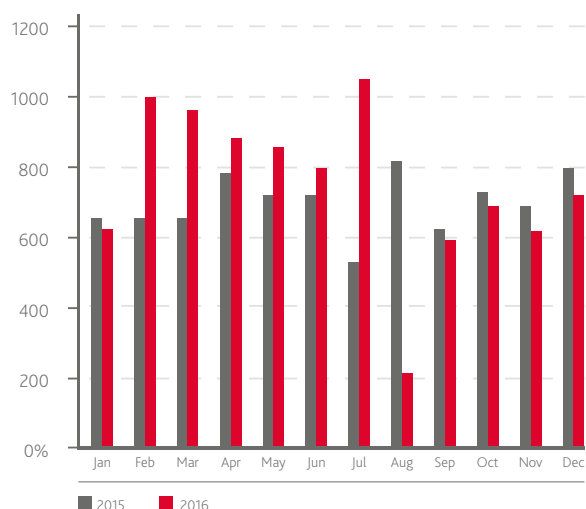


**KINGSMEAD WATER CONSUMPTION IN KL**



# SUSTAINABILITY REPORT (continued)

## KINGSMEAD WATER CONSUMPTION IN RAND VALUE



We are fully cognisant of the need for effective health and safety measures to safeguard stakeholder groups. Accordingly, a high premium is placed on health and safety within the workplace so as to ensure peak productivity and the well-being of all those interacting with the bank.

We have in place a health and safety management committee which meets regularly.

There also exists a comprehensive health and safety policy, ensuring that members of staff have a safe work environment in which to conduct business and which provides for appropriate training programmes.

In addition, fire-drill exercises are conducted at least annually to ensure stakeholder awareness of their required actions in the case of an actual emergency.

Al Baraka Bank is determined to action, monitor and measure all initiatives to reduce our eco-footprint across our national office network going forward.

### • Social issues

It is recognised that South Africa is beset by a myriad of socio-economic issues, so great that Government is unable to address them all effectively.

We acknowledge the role this country's business sector can and must play in responding to these social needs, injecting into society funding which will empower the disadvantaged, regardless of race, religion or gender.

In this regard, the bank has a long-standing corporate social investment programme in place, which is the responsibility of the social and ethics committee and which is administered on a day-to-day basis by management's social responsibility committee.

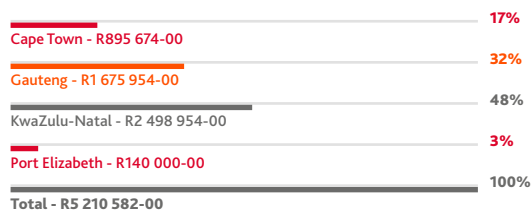
The Bahrain-based Al Baraka Banking Group, of which Al Baraka

Bank in South Africa is a subsidiary, has committed itself to working to support a United Nations Sustainable Development Goals initiative in the quest to end poverty, protect the planet and ensure prosperity for all.

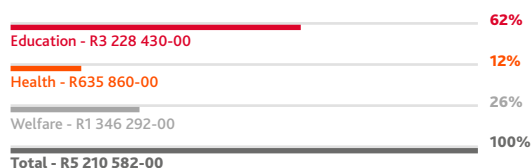
Our bank is also playing its part and is required to report its social achievements to Al Baraka Banking Group twice per annum. The bank's social responsibility efforts revolve around a four-point programme addressing pressing issues in the fields of education, welfare, health and poverty alleviation. The social and ethics committee strongly encourages staff members to voluntarily participate in a range of social responsibility projects.

Indeed, staff are assessed and measured on their contributions towards social upliftment as part of their ongoing performance appraisals. During 2016 we donated R5,2 million to projects within four fields, the breakdown of which is depicted below, together with a further R6,6 million to a charitable trust.

## GEOGRAPHICAL DISTRIBUTION - 2016



## SECTORAL DISTRIBUTION - 2016



## ENGAGEMENT WITH STAKEHOLDERS

Key stakeholder groups with whom the bank interacts, in line with our board-approved stakeholder engagement policy, include the following:

### CUSTOMERS

Al Baraka Bank regards customer service excellence as a way of life, applying a customer-centric approach to this stakeholder group in the knowledge that without customers, it would not enjoy a sustainable business. Direct customer engagement enables us to:

- Better understand and address the ever-evolving financial requirements of customers, ensuring that our service and product offering remains relevant and, so meets identified needs;
- Create an environment conducive to the provision of professional banking advice, as well as the offer of practical financial solutions which best serve customer expectations and aspirations, so adding value to the overall banking experience;
- Inculcate a service excellence culture amongst the members of the bank's staff, fostering an exceptional banking experience for customers both in-branch and online; and
- Review personal customer information on an ongoing basis, so ensuring the accuracy of customer details with particular reference to the requirements of the Protection of Personal Information Act and the Financial Intelligence Centre Act.



We examine our service philosophy by way of regular opinion surveys, feedback of which is analysed and, where necessary, appropriate corrective action is implemented. We make use of a well-established in-house call-centre to rapidly assist with the resolution of customer queries, concerns and complaints. In addition, incoming telephone calls to identified workstations - inclusive of those operated by front-line staff - are recorded for the purpose of service quality control. We also continue to utilise the services of an externally-operated anti-fraud hotline, which forms an integral part of our ethical banking behaviour. Anonymous call reports are submitted to the audit committee on a quarterly basis for review and appropriate action, where necessary. Customers are also able to fully engage with the bank through our website's internet banking facility and are exposed to online and digital communication platforms.

### STAFF

The bank regards its staff as its single most important asset. Direct staff engagement enables us to:

- Create and offer a modern business environment which is inspiring, safe, challenging and exciting - characteristics which contribute to the bank being an employer of choice within the financial sector;
- Understand, review and respond to the needs of our staff members and to effectively address feasible requirements and issues of concern; and
- Share the company's strategic direction, business objectives and future prospects with members of staff, while also providing regular company information updates.

### Recruitment and training

We apply a stringent recruitment process in order to attract high calibre members of staff, who will be an appropriate culture fit for the business. The bank regards training as a strategic imperative and, therefore, believes implicitly in training for excellence, placing a high premium on programmes designed to enhance staff performance and generate a high work ethic.

Sustainability is largely dependent on effective succession planning in the work environment and whilst it is challenging to retain high-flyers amongst our workforce, we strive to create enticing career paths for them as upwardly-mobile candidates for middle and senior management positions.

### Diversity management

Diversity in the workplace constitutes a key objective for management. We recognise the power a diversified workforce brings to the business and management seeks to use such diversity to create a business culture which accords all with the dignity, trust and mutual respect they deserve. Such a positive environment does much for the development of a sound public reputation, improved company profitability and enhanced employee satisfaction.

### Transformation and employment equity

The bank remains fully supportive of the Broad-Based Black Economic Empowerment (B-BBEE) ideal. In view of this, one of the bank's primary transformation objectives is to make available opportunities to appropriately qualified, though historically disadvantaged, individuals - inclusive of both women and the disabled. We annually report our B-BBEE performance in terms of the Financial Sector Code requirements and have secured a certified empowerment rating which is valid until November 2017.

### Employee wellness

Health promotion in the workplace may justifiably be regarded as an investment in the company's valued staff - given that healthy members of staff will perform optimally, if fit and well. The bank, led by members of senior management, actively encourage staff participation in self-regulated exercise programmes and to publish their achievements on a dedicated social media platform to demonstrate to other staff members the benefits of a healthy

life-style. In addition, a series of consultations, provided by external wellness organisations, are provided for nationally, enabling staff to raise health-related concerns and to seek advice on appropriate life-style changes and interventions.

### Staff communication

Timely, regular and relevant communication with members of staff is vital to ensure high levels of morale and to prevent the dissemination of and negative effect of potentially harmful disinformation. We have in place a series of internal communication tools through which we endeavour to keep our employees uniformly and regularly updated on matters affecting the business.

These include:

- **The chief executive's address:** discussion about quarterly board meeting outcomes;
- **The intranet site:** online posting of staff information;
- **Social media:** use of various platforms to post staff-relevant information;
- **The call centre:** an electronic hub to source employee-related information;
- **Employee self-service facility:** an electronic system to source personnel-related information, such as leave applications, pay-slip generation, tax details and the like;
- **Tip-offs Anonymous:** an external and anonymous fraud hotline for the reporting of perceived wrong-doing;
- **Opinion surveys:** a staff survey procedure to gain insights on a range of issues;
- **E-Newsletter:** an electronic staff newsletter for the information of staff; and
- **Staff presentations:** specialist presentations, appraising staff of specific bank developments.

### Ethics policy

Ethical behaviour in business is the cornerstone of any company. Al Baraka Bank embraces such thinking and has in place a comprehensive ethics policy, to which all members of staff are expected to adhere. Integral to our ethical banking approach is our employment of people with a high moral sense, who are resourceful and who display the necessary integrity and commitment to the furtherance of our bank's values.

### SHAREHOLDERS

The bank seeks to constructively engage with shareholders so as to keep them informed of key and relevant developments impacting on the bank. Through the adoption of this approach, shareholders have the capacity to make informed business decisions which may affect their investment as a shareholder of the bank.

Shareholders are encouraged to attend the annual general meeting of the bank and to use the opportunity to interact with fellow shareholders and the directors of the bank. The directors welcome questions from shareholders at these meetings, as this forms part of the bank's commitment to the process of open and transparent dialogue with shareholders.

Given the recent delays experienced with the postal services, shareholders are urged to provide alternative means of communication, such as an email address. In this way, shareholders will receive information in a timely manner, upon which they may then act appropriately. Shareholders constitute a very important component of the bank's stakeholder groups and it is for this reason that the bank is considering various ways in which it might add to its process of communication with its shareholders.

### COMMUNITY

The bank works diligently to develop, maintain and enhance long-term relationships with members of the communities we serve. Partnership is key to our business dealings with those we exist to serve and, accordingly, direct engagement with the community enables our bank to:

- Nurture meaningful partnerships which provide for integrated

# SUSTAINABILITY REPORT (continued)

- environmental and social activities; and
  - Promote widespread awareness of such initiatives.
- In essence, our business strategy is to:
- Give effect to high levels of personal interaction with community members;
  - Source appropriate opportunities to sponsor community-related events;
  - Ensure the meaningful and compassionate distribution of corporate social investment solutions in identified fields;
  - Provide assistance in promoting community events;
  - Prepare and disseminate a range of special-purpose publications, inclusive of our integrated annual report and abridged annual report, amongst others for the benefit of the communities we serve; and
  - Increasingly utilise a range of social media platforms and our website to better communicate with community members.

The effective utilisation of such approaches provides for efficient two-way communication between communities and the bank. We continuously look to the dissemination of relevant information and to analysing and responding to community inputs.

## REGULATORY AND INDUSTRY BODIES

The South African financial sector is overseen by a number of regulatory authorities and industry bodies, with whom the bank maintains sound working relationships, based on the principles of honesty and transparency.

Through its reporting to regulatory authorities, the bank is able to successfully demonstrate its commitment to regulatory compliance, which is a fundamental component in the business life of a bank. A consequence of such compliance is the ability of the bank to retain and renew its various operating licences, which are essential to its sustainability.

The bank also values its sound working relationships with numerous industry bodies across the financial sector. Some of the regulatory and industry bodies with whom the bank interacts include the following:

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

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

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

## MEDIA

We acknowledge that as a well-known business enterprise in South Africa, our brand lies in the public domain and will be of interest to the media and its audiences.

We believe in the need to proactively provide information about the bank, its offering and its activities by way of newsworthy bank-related media releases and statements so as to ensure that the broader public is kept well-informed. Direct engagement with the media allows the bank to:

- Proactively deliver to a range of media channels (conventional and social) information for effective communication with stakeholder groups;

- Portray our bank as a responsible corporate citizen in South Africa's financial sector, ensuring that it is regarded as a preferred service provider; and
- Respond responsibly and in a timely manner to media queries and requests for comment on relevant current financial and business-related matters.

This is achieved by way of developing and fostering sound relationships with key members of the business, financial and community media, inclusive of both print and electronic media-types.

## SUPPLIERS AND CONTRACTORS

The bank has developed a preferential procurement policy, in line with the Broad-Based Black Economic Empowerment Act. Direct engagement with suppliers and contractors allows the bank to:

- Procure goods and services in a professional and timely manner from service providers for the direct benefit of the bank in the execution of its business operations;
- Proactively assist, especially, smaller-scale service providers with their own business sustainability through the provision of advice and other support systems, together with the execution of early payment solutions for supplied goods and services as a contribution towards improving the cash flows of small and medium-sized service providers;
- Promote environmentally-responsible business practices throughout our own business supply chain; and
- Ensure that every effort is made to explore ways and means of sourcing and securing goods and services by means of local procurement.

This approach to suppliers and contractors better enables the bank to utilise the services of suitably capable and competent small and medium-sized business enterprises to meet our business needs.

## ISLAMIC SCHOLARS AND ORGANISATIONS

In view of the fact that Al Baraka Bank is a Shariah-compliant financial institution, we strive to foster close links with Islamic scholars and related organisations. Given our status as South Africa's only fully-fledged Islamic bank, our direct engagement with Islamic scholars and organisations provides for the effective and efficient face-to-face and electronic communication of the bank's role and activities to South Africa's Muslim community.

## CONCLUSION

We believe that increasingly effective sustainability reporting will, in the long-term, serve to differentiate us in the financial services operating environment, nurturing shareholder confidence, customer loyalty and staff retention.

Our board committees take most seriously their responsibilities in ensuring the sustainability of the bank and to achieving meaningful results as regards the triple bottom line. We, accordingly, believe that our sustainability report reflects that, as a responsible corporate citizen, we are taking into account not only our economic impact, but - increasingly - our environmental and social effect.

Whilst being cognisant of the fact that much yet remains to be done to demonstrate more effective achievements on, especially, the company's environmental front, we have created the basis for more effective sustainability reporting into the future.

In view of this, it should be noted that no assurance has been attained relating to Al Baraka Bank's sustainability measures for the 2016 financial year. We remain committed, however, to moving to a position which will enable our provision of such an assurance report.



# COMPLIANCE REPORT



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THE REGULATORY LANDSCAPE CONTINUES TO DEMAND FROM FINANCIAL INSTITUTIONS A STRONG COMPLIANCE AND CORPORATE GOVERNANCE CULTURE.

Maintaining robust compliance and corporate governance programmes, in line with the bank's ethical banking approach, ensures compliance with all prevailing regulatory and supervisory requirements. From a legislative perspective, the Financial Intelligence Centre Amendment Bill has been the subject of much debate. It is anticipated that this will fill a very important gap for South Africa, as regards compliance with Anti-Money Laundering and Counter Terrorist Financing requirements (AML/CTF).

Financial and other accountable institutions await the passing of this Bill. It is important to note that financial institutions will work together with regulatory bodies to align themselves with the new obligations. The Amendment Bill contains a number of important new key concepts, inclusive of Risk Based Approach (RBA), Ultimate Beneficial Owner (UBO), Prominent Influential Persons (PIPS) and the like. Such concepts will require a great deal of unpacking to ensure effective 'business as usual' for our frontline staff members.

This move necessitates reliance on technology, given that complex systems are needed in order to give effect to these new concepts in the fight against financial crime. In preparation for these changes, the bank embarked on a number of projects, including the implementation of new systems and the development of new processes. These have come at a significant cost to the bank, although it was recognised that they were necessary in order for the bank to align itself with both AML/CTF legislation and international best practice.

In so doing, emphasis was placed on implementing sustainable solutions for the future of the bank, rather than on implementing interim short-term solutions. Efficient process flows were initiated to rectify outdated processes and to make way for new, simpler ways of doing business. Our compliance division has worked hand-in-glove with business to perform risk assessments and build new risk frameworks. This implied an overhaul of the current rules-based approach to a much more vigorous risk-based approach, effectively enabling the bank to focus greater energy on high-risk matters.

The compliance division continued ensuring that relevant controls and safeguards remained in place, defending the bank against money laundering, fraud and a range of other risks. Engagement with business in order to continuously evaluate the bank's risks and identify ways of resolving issues formed part of our monitoring and evaluation process.

Financial institutions across the world - inclusive of Al Baraka Bank - have had to register in order to comply with the Foreign Account Tax Compliance Act (FATCA), a recent piece of US legislation. In this regard, a second report has been successfully submitted to the South African Revenue Service, whilst ongoing reporting and information gathering requirements are being addressed in order to ensure compliance with FATCA requirements.

Very close in nature to FATCA is the Organisation for Economic Co-operation and Development (OECD), which came into effect in early 2016, with the first reporting period commencing 1 March 2016 and the first report becoming due in 2017. From 1 March 2016 OECD requirements were catered for in an on-boarding process which will enable the bank to report meaningfully in 2017. The bank's regulatory universe, containing legislation impacting the business, plays a significant role within our compliance division. Control placement, together with frequent and open interaction with other divisions ensures that the bank complies with applicable legislation, regulations, supervisory requirements and international best practice. This level of communication also ensures that effective

monitoring occurs across all the bank's divisions and takes into account change management requirements in a constantly changing and dynamic environment. Monitoring the bank's compliance with various legislative requirements is a fundamental function of our compliance division. Monitoring in respect of the Financial and Intermediary Services (FAIS) Act and AML/CTF legislation remains a priority for us.

Given the onslaught of regulatory changes and new requirements, it is imperative to keep staff, management, the executive team and the board informed about introduced policies and processes to give effect to amendments. This is no easy task and our compliance division therefore plays a pivotal role in ensuring the delivery of appropriate levels of training to relevant members of staff, management and other internal stakeholders, in keeping with their portfolios and business functions.

Our members of staff are trained with regard to legislation which impacts the bank, as well as being introduced to our various applicable policies and procedures. We accordingly work closely with other bank functions, inclusive of human resources and operations, ensuring that effective training is provided to members of staff before they interact with clients.

In terms of such training, we are the first point of reference for staff enquiries and ensuing discussion. AML/CTF training is undertaken jointly by human resources and compliance, so ensuring that our members of staff are provided with the requisite practical understanding and knowledge of legislation, required by law, in order for them to carry out their responsibilities. Of equal concern is the aspect of non-compliance.

In this regard, the bank employs a zero tolerance policy on non-compliance with any legislation. We also work intimately with other assurance providers, inclusive of secretariat, risk and internal audit in order to ensure the bank's adequate adherence to corporate governance. One such partnership with our risk and internal audit function included the formulation of a bank-wide combined assurance model, in line with the requirements of King III. Additional work is to begin shortly as regards King IV. Representatives of our compliance division serve on a range of strategic forums and committees, whilst also providing guidance on regulatory matters to our board and management team.

Forums include representation on the bank's EXCO, the audit committee, risk committee, several project committees and the procedure review committee, as well as on a number of ad hoc committees formulated for specific purposes. The division remains the interface between various regulatory bodies and the bank, as and when required and, accordingly, maintains strong and sustainable relationships with key industry role-players.

We work with the Banking Association of South Africa (BASA), the South African Banking Risk Identification Centre (SABRIC) and other ad hoc committees, utilising said representation to make recommendations and provide feedback in terms of issues which form part of the relevant agendas. Being a fully-fledged commercial bank has had a corresponding effect in the many facets of banking, not least as regards compliance with a plethora of regulatory requirements. We, therefore, continue to strive to maintain a strong compliance culture within Al Baraka Bank; a culture which is driven from the very top of the organisation and which is entrenched as the foundation of the bank. We have every confidence that the bank will grow from strength to strength as it continues on its growth trajectory.

# SHARIAH REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

## *IN THE NAME OF ALLAH, THE ALL COMPASSIONATE, THE MOST MERCIFUL*

### **TO THE SHAREHOLDERS OF ALBARAKA BANK LIMITED**

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Al Baraka Bank during the year under review.

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

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

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

The scope of the audit included:

- Murabaha Financing;
- Musharaka Financing;
- Equity Murabaha Transactions;
- Wills;
- Tank Containers;
- Profit Distribution;
- Management Accounts;

- Disposal of Impermissible Income;
- Review and Approval of Zakah Calculation;
- Foreign Exchange Transactions; and
- Banking and Finance Fees.

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

In our opinion:

1. The contracts, transactions and dealings entered into by Al Baraka Bank during the year under review are generally in compliance with Shariah Rules and Principles;
2. The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Islamic Shariah Rules and Principles;
3. An amount of impermissible income has been designated to be paid to charity;
4. In relation to certain transactions which were erroneously transacted, we directed management to rectify the same; and
5. Zakah of the bank was calculated at 42 cents per share. Shareholders are advised to discharge this Zakah individually, as the bank is not mandated to discharge this on their behalf.

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



**Dr Abdus Sattar Abu Ghudda**  
Chairman



**Shaykh Mahomed Shoaib Omar**  
Member



**Mufti Shafique Jakhura**  
Member

27 January 2017

# ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

# DIRECTORS' RESPONSIBILITY STATEMENT AND COMPANY SECRETARY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016



The company's directors are responsible for the preparation and fair presentation of the group annual financial statements and company annual financial statements, comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, the statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The company's directors are also responsible for the preparation and fair presentation of the audit committee report, company secretary statement and directors' report.

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

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

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

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

## **Approval of group annual financial statements and company annual financial statements**

The group and company annual financial statements were approved by the board of directors on 24 March 2017 and signed on their behalf by:

.....  
**Adnan Ahmed Yousif**  
Chairman

.....  
**Shabir Chohan**  
Chief executive

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## **Company secretary statement**

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

.....  
**Colin Breeds**  
Company secretary  
Durban  
24 March 2017

STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP		COMPANY	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
<b>Assets</b>				
Property and equipment	114 388	108 999	70 817	69 562
Investment properties	10 502	10 373	-	-
Intangible assets	26 152	23 800	26 152	23 800
Investment in and amount due by subsidiary company	-	-	11 972	11 590
Deferred tax asset	2 117	-	26 634	21 621
Investment securities	24 925	24 645	24 925	24 645
Advances and other receivables	4 645 935	4 473 383	4 645 786	4 473 124
South African Revenue Service receivable	3 345	2 305	3 290	2 288
Regulatory balances	294 958	187 376	294 958	187 376
Cash and cash equivalents	206 550	226 962	206 550	226 962
<b>Total assets</b>	<b>5 328 872</b>	<b>5 057 843</b>	<b>5 311 084</b>	<b>5 040 968</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	322 403	322 403	322 403	322 403
Share premium	82 196	82 196	82 196	82 196
Other reserves	1 200	1 200	1 200	1 200
Retained income	220 735	195 659	203 372	179 553
<b>Shareholders' interests</b>	<b>626 534</b>	<b>601 458</b>	<b>609 171</b>	<b>585 352</b>
<b>Liabilities</b>				
Welfare and charitable funds	11 600	7 911	11 600	7 911
Deferred tax liability	-	477	-	-
Accounts payable	18 183	15 802	17 884	15 591
South African Revenue Service payable	705	81	579	-
Provision for leave pay	7 408	5 987	7 408	5 987
Deposits from customers	4 633 900	4 426 127	4 633 900	4 426 127
Sukuk	30 542	-	30 542	-
<b>Total liabilities</b>	<b>4 702 338</b>	<b>4 456 385</b>	<b>4 701 913</b>	<b>4 455 616</b>
<b>Total equity and liabilities</b>	<b>5 328 872</b>	<b>5 057 843</b>	<b>5 311 084</b>	<b>5 040 968</b>

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016



	GROUP		COMPANY	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Income earned from advances	387 165	354 891	387 165	354 891
Income earned from equity finance	38 719	36 781	38 719	36 781
<b>Gross income earned</b>	<b>425 884</b>	<b>391 672</b>	<b>425 884</b>	<b>391 672</b>
Income paid to depositors	(208 883)	(193 294)	(208 883)	(193 294)
Income paid to sukuk holders/trust	(625)	-	(726)	-
<b>Net income before impairment for credit losses</b>	<b>216 376</b>	<b>198 378</b>	<b>216 275</b>	<b>198 378</b>
Impairment for credit losses	(4 969)	(6 059)	(4 969)	(6 059)
<b>Net income after impairment for credit losses</b>	<b>211 407</b>	<b>192 319</b>	<b>211 306</b>	<b>192 319</b>
Net non-Islamic income	-	-	-	-
Fee and commission income	34 419	43 662	34 639	43 872
Other operating income	4 653	6 144	12 984	12 573
<b>Net income from operations</b>	<b>250 479</b>	<b>242 125</b>	<b>258 929</b>	<b>248 764</b>
Operating expenditure	(192 280)	(165 972)	(196 033)	(169 824)
Finance costs	-	-	(10 026)	(10 103)
<b>Profit before taxation</b>	<b>58 199</b>	<b>76 153</b>	<b>52 870</b>	<b>68 837</b>
Taxation	(17 003)	(21 112)	(12 931)	(17 428)
<b>Profit after tax for the year attributable to equity holders</b>	<b>41 196</b>	<b>55 041</b>	<b>39 939</b>	<b>51 409</b>
<b>Other comprehensive income</b>				
<b>Items subsequently reclassified to profit and loss</b>				
Fair value gain on available for sale asset net of tax	-	1 200	-	1 200
<b>Total comprehensive income for the year, net of tax, attributable to equity holders</b>	<b>41 196</b>	<b>56 241</b>	<b>39 939</b>	<b>52 609</b>
Weighted average number of shares in issue ('000)	32 240	32 240		
Earnings per share (cents)	127,8	170,7		

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Share premium	Other reserves	Retained income	Shareholders' interest
	R'000	R'000	R'000	R'000	R'000
<b>Group</b>					
<b>2016</b>					
Balance at beginning of year	322 403	82 196	1 200	195 659	601 458
Profit after tax	-	-	-	41 196	41 196
Dividends declared	-	-	-	(16 120)	(16 120)
<b>Balance at end of year</b>	<b>322 403</b>	<b>82 196</b>	<b>1 200</b>	<b>220 735</b>	<b>626 534</b>
<b>2015</b>					
Balance at beginning of year	322 403	82 196	-	155 126	559 725
Profit after tax	-	-	-	55 041	55 041
Dividends declared	-	-	-	(14 508)	(14 508)
Other comprehensive income	-	-	1 200	-	1 200
<b>Balance at end of year</b>	<b>322 403</b>	<b>82 196</b>	<b>1 200</b>	<b>195 659</b>	<b>601 458</b>
<b>Company</b>					
<b>2016</b>					
Balance at beginning of year	322 403	82 196	1 200	179 553	585 352
Profit after tax	-	-	-	39 939	39 939
Dividends declared	-	-	-	(16 120)	(16 120)
<b>Balance at end of year</b>	<b>322 403</b>	<b>82 196</b>	<b>1 200</b>	<b>203 372</b>	<b>609 171</b>
<b>2015</b>					
Balance at beginning of year	322 403	82 196	-	142 652	547 251
Profit after tax	-	-	-	51 409	51 409
Dividends declared	-	-	-	(14 508)	(14 508)
Other comprehensive income	-	-	1 200	-	1 200
<b>Balance at end of year</b>	<b>322 403</b>	<b>82 196</b>	<b>1 200</b>	<b>179 553</b>	<b>585 352</b>



# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016



	GROUP		COMPANY	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
<b>Cash flow from operating activities</b>				
Cash generated from operations	69 605	75 470	59 367	65 193
Changes in working capital	(26 620)	(35 214)	(26 813)	(35 333)
Taxation paid	(24 793)	(24 534)	(23 152)	(23 398)
Dividends paid	(16 028)	(14 890)	(16 028)	(14 890)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2 164</b>	<b>832</b>	<b>(6 626)</b>	<b>(8 428)</b>
<b>Cash flow from investing activities</b>				
Purchase of property and equipment	(16 846)	(11 480)	(16 803)	(11 480)
Purchase of investment property	(129)	(34)	-	-
Purchase of intangible assets	(8 044)	(9 311)	(8 044)	(9 311)
Purchase of investment securities	(100)	(2 118)	(100)	(2 118)
Proceeds from disposal of property and equipment	2 154	265	2 154	265
Dividend income	1 422	1 271	10 422	8 271
(Increase)/decrease in investment in and amount due by subsidiary	-	-	(382)	2 226
<b>Net cash utilised in investing activities</b>	<b>(21 543)</b>	<b>(21 407)</b>	<b>(12 753)</b>	<b>(12 147)</b>
<b>Cash flow from financing activities</b>				
Net (decrease)/increase for the year	(19 379)	(20 575)	(19 379)	(20 575)
Net foreign exchange difference on cash on hand	(1 033)	1 962	(1 033)	1 962
Cash and cash equivalents at beginning of year	226 962	245 575	226 962	245 575
<b>Cash and cash equivalents at end of year</b>	<b>206 550</b>	<b>226 962</b>	<b>206 550</b>	<b>226 962</b>

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

GROUP		COMPANY	
2016	2015	2016	2015
R'000	R'000	R'000	R'000

**1. ADVANCES AND OTHER RECEIVABLES**

**1.1 Sectoral analysis**

**Advances to customers**

Property (Musharaka and Murabaha)	3 130 381	2 823 076	3 130 381	2 823 076
Instalment sale	604 261	546 138	604 261	546 138
Trade	362 947	480 803	362 947	480 803
Other	3 126	3 343	3 126	3 343
<b>Gross advances to customers</b>	<b>4 100 715</b>	<b>3 853 360</b>	<b>4 100 715</b>	<b>3 853 360</b>
Provision for impairment of doubtful advances	(26 687)	(26 075)	(26 687)	(26 075)
<b>Net advances to customers after provisions</b>	<b>4 074 028</b>	<b>3 827 285</b>	<b>4 074 028</b>	<b>3 827 285</b>
<b>Advances to banks</b>				
Equity finance	531 805	627 116	531 805	627 116
<b>Net advances</b>	<b>4 605 833</b>	<b>4 454 401</b>	<b>4 605 833</b>	<b>4 454 401</b>
Other receivables	40 102	18 982	39 953	18 723
	<b>4 645 935</b>	<b>4 473 383</b>	<b>4 645 786</b>	<b>4 473 124</b>

Included under property are Musharaka advances amounting to R3,122 million (2015: R2,802 million).

**1.2 Maturity analysis**

**Advances to customers**

Within 1 month	194 932	252 492	194 932	252 492
From 1 month to 3 months	243 470	293 464	243 470	293 464
From 3 months to 1 year	503 660	480 391	503 660	480 391
From 1 year to 5 years	1 627 618	1 470 204	1 627 618	1 470 204
More than 5 years	1 531 035	1 356 809	1 531 035	1 356 809
	<b>4 100 715</b>	<b>3 853 360</b>	<b>4 100 715</b>	<b>3 853 360</b>

**Equity finance**

Within 1 month	202 748	204 050	202 748	204 050
From 1 month to 3 months	226 760	372 788	226 760	372 788
From 3 months to 1 year	102 297	50 278	102 297	50 278
	<b>531 805</b>	<b>627 116</b>	<b>531 805</b>	<b>627 116</b>

**1.2.1 Specific impairments**

	5 953	6 910	5 953	6 910
Balance at beginning of year	6 910	5 884	6 910	5 884
Charge to profit for the year	1 325	2 876	1 325	2 876
Bad debts written-off	(2 282)	(1 850)	(2 282)	(1 850)



	GROUP		COMPANY	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
<b>1.2.2 Portfolio impairment</b>				
Balance at beginning of year	19 165	15 860	19 165	15 860
Charge to profit for the year	3 842	3 305	3 842	3 305
Bad debts written-off	(2 273)	-	(2 273)	-
	<b>26 687</b>	<b>26 075</b>	<b>26 687</b>	<b>26 075</b>
<b>1.2.3 Impairment for credit losses</b>				
Specific impairments	1 325	2 876	1 325	2 876
Portfolio impairments	3 842	3 305	3 842	3 305
Bad debts recovered	(198)	(122)	(198)	(122)
	<b>4 969</b>	<b>6 059</b>	<b>4 969</b>	<b>6 059</b>

There was an increase of specific impairments of R1 325 002 for the year which was a result of impairments of R3 036 947 being raised and a further R1 711 945 being released.

During 2015, there was an increase in specific impairments of R2 876 854 for the year which was a result of impairments of R3 373 421 being raised and a further R496 567 being released.

## 2. WELFARE AND CHARITABLE FUNDS

Gross income from non-Islamic activities during the year	19 727	11 731	19 727	11 731
Normal tax thereon	(4 156)	(1 660)	(4 156)	(1 660)
Net income from non-Islamic activities during the year	15 571	10 071	15 571	10 071
Donations and advances	(11 882)	(8 724)	(11 882)	(8 724)
Transfers	-	2 830	-	2 830
Balance at beginning of year	7 911	3 734	7 911	3 734
Balance at end of year	<b>11 600</b>	<b>7 911</b>	<b>11 600</b>	<b>7 911</b>

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP		COMPANY	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
<b>3. DEPOSITS FROM CUSTOMERS</b>				
Maturity analysis				
Within 1 month	<b>1 924 080</b>	1 715 482	<b>1 924 080</b>	1 715 482
From 1 month to 3 months	<b>812 486</b>	864 212	<b>812 486</b>	864 212
From 3 months to 1 year	<b>1 849 864</b>	1 805 410	<b>1 849 864</b>	1 805 410
Greater than 1 year	<b>2 282</b>	2 801	<b>2 282</b>	2 801
More than 5 years	<b>45 188</b>	38 222	<b>45 188</b>	38 222
	<b>4 633 900</b>	4 426 127	<b>4 633 900</b>	4 426 127

The bank's deposit products include participation investment accounts, monthly investment plans, hajj saving schemes, regular income provider accounts, current accounts, guarantee deposit accounts, tax-free saving accounts, corporate saver accounts as well as a premium investment product.

Deposit disclosures have been adjusted from prior years. These continue to be in line with disclosure requirements.

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

#### 4. EARNINGS PER SHARE

Basic earnings per share are calculated on after tax income attributable to ordinary shareholders and a weighted average number of 32 240 260 (2015: 32 240 260) ordinary shares in issue during the year (cents)

**127,8**      170,7

Headline earnings per share are calculated on headline earnings and a weighted number of 32 240 260 (2015: 32 240 260) ordinary shares in issue during the year (cents)

**127,1**      170,9

Headline earnings per share are derived from:

Profit for the year **41 196**      55 041

Profit arising on disposal of property and equipment **(382)**      -

Write-off of property, equipment and intangible assets **168**      65

**40 982**      55 106





*Your Partner Bank*

alBaraka 



alBaraka 