INTEGRATED ANNUAL REPORT 2016

Your Partner Bank

alBaraka

Ethical Banking

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

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

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

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

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

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

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

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

Code of Business Conduct
Al Baraka Bank has in place a Code of Business Conduct which gives effect to the business culture of the financial institution and 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.

Strategic Objectives, Business and Financial Highlights

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

Business highlights -
- Issuance of the first private sector local currency Sukuk (investment certificates);
- Upgrading of the bank's corporate image with branch renovation programme;
- Establishment of a regional office in Gauteng;
- Introduction of a dedicated Foreign exchange bureau in Rosebank;
- Introduction of a paperless customer on-boarding system for individuals.

Financial highlights -
- Total assets exceeded R5,2 billion;
- Total deposits of R4,7 billion;
- Gross advances to customers increased to R4,1 billion; and
- Shareholders' equity of R627 million.

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.

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ABOUT
THIS REPORT

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

INTRODUCTION

This 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 human resources, information technology, 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

COMPANY PROFILE

AL BARAKA BANK IS A FULLY INTEGRATED SUBSIDIARY OF AL BARAKA BANKING GROUP, WHICH IS BASED IN BAHRAIN AND WHICH IS WIDELY ACCLAIMED AS BEING ONE OF THE WORLD'S LEADING ISLAMIC BANKING GROUPS.

AL BARAKA BANKING GROUP - BAHRAIN

Al Baraka Banking Group, which offers Shariah-compliant retail, corporate, treasury and investment banking, has a wide geographical presence, with subsidiary banking units and representative offices located in 15 countries, which, in turn, deliver their services through more than 700 branches.

Apart from South Africa, the group is also represented in Turkey, Jordan, Egypt, Algeria, Tunisia, Sudan, Bahrain, Pakistan, Lebanon, Syria, Iraq, Saudi Arabia, Indonesia and Libya and is globally-acclaimed as a leading force in Islamic banking.

It was established in order to best meet the need for world-wide Islamic banking services and is listed on the Bahrain and Dubai financial exchanges.

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

Positioned to take advantage of its current exceptional growth trajectory, reflected by way of its latest financial results, the group's 2016 net income exceeded US$1 billion, while total assets grew to US$23 billion.

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

AL BARAKA BANK - SOUTH AFRICA

Al Baraka Bank in South Africa was established in 1989 and provides communities across the country with an essential alternative to conventional banking models.

Shariah-compliant banking is becoming increasingly attractive to both Muslim and non-Muslim clients in South Africa.

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

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

With its head office located in Durban, Al Baraka Bank enjoys a national operating footprint which comprises seven retail branches, three corporate banking offices, a professional office and a dedicated Foreign Exchange Bureau, all geared to affording clients a wide range of financial products, as a fully-fledged Islamic and commercial banking enterprise.

As at 31 December 2016, Al Baraka Bank's primary shareholders included the Bahrain-based Al Baraka Banking Group B.S.C. (64,51%), DCD Holdings (SA) (Pty) Ltd. (6,01%), DCD London and Mutual plc (6,60%), Johannesburg-based Timewest Investments (Pty) Ltd. (7,67%) and Sedfin (Pty) Ltd. (3,33%).

The remaining shareholding consists of both foreign and local shareholders.

Al Baraka Bank's board of directors comprises both international and local business people, all of whom demonstrate outstanding individual business skills and exceptional collective expertise, knowledge and experience in Islamic banking.

Continuing its close adherence to Shariah in its day-to-day business activities and in ensuring that its products and services comply with Islamic business principles, the bank has in place an internal Shariah Department, together with an independent Shariah Supervisory Board.

Al Baraka Bank is also a member of the international Accounting and Auditing Organisation for Islamic Financial Institutions.

The bank's financial products are regularly reviewed and audited, ensuring the maintenance of complete Shariah compliance.

Utilising its international linkage to best effect, Al Baraka Bank has developed an enviable reputation as a highly professional, effective and efficient financial services provider and one which operates at the very cutting-edge of Islamic banking in South Africa.

The bank has long enjoyed a successful growth trajectory and is a significant contributor towards the resolution of some of South Africa's socio-economic challenges, through the execution of a comprehensive corporate social investment programme.

TEN-YEAR
REVIEW

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statement of Financial Position (Rm)										
Share capital	**322**	322	322	225	225	225	150	150	150	150
Shareholders' interest	**627**	601	560	381	362	347	233	228	217	202
Deposits from customers	**4 634**	4 426	4 230	3 941	3 322	2 881	2 571	2 130	1 624	1 449
Advances and other receivables	**4 646**	4 473	4 242	3 753	3 269	2 826	2 395	2 057	1 604	1 478
Total assets	**5 329**	5 058	4 814	4 411	3 716	3 246	2 825	2 381	1 871	1 686
Statement of Comprehensive Income (Rm)										
Profit before taxation	**58**	76	55	40	34	26	17	18	31	27
Total comprehensive income for the year	**41**	56	40	29	25	16	11	18	21	18
Share Statistics (Cents)										
Basic and diluted earnings per share	**128**	171	154	129	112	77	74	125	145	121
Headline earnings per share	**133**	171	154	129	114	76	69	121	144	121
Dividend per share	**50**	45	45	45	45	45	45	45	35	25
Net asset value per share	**1 943**	1 866	1 736	1 692	1 608	1 541	1 551	1 522	1 446	1 344
Ratios (%)										
Return on average shareholders' interest	**6,7**	9,5	8,5	7,8	7,1	4,6	4,8	8,2	10,4	9,4
Return on average total assets	**0,8**	1,1	0,9	0,7	0,7	0,5	0,4	0,9	1,2	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	12,0

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

YGH 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 Ameed (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

DIRECTORATE AND ADMINISTRATION (continued)

BUSINESS AND POSTAL ADDRESS
Head Office:
2 Kingsmead Boulevard, Kingsmead Office Park
Stalwart Simelane Street, Durban, 4001
PO Box 4395, Durban, 4000

REGIONAL OFFICE: GAUTENG
22 Cradock Avenue, Cradock Square, Office 01006,
First Floor, Regent Place, Rosebank, Johannesburg, 2196
PO Box 42897, Fordsburg, 2033

CORPORATE OFFICES:
General manager:
I Yuseph

Durban
Manager: M Ameen
2 Kingsmead Boulevard, Kingsmead Office Park
Stalwart Simelane Street, Durban, 4001
PO Box 4395, Durban, 4000

Gauteng
Regional Manager: Z Khan
22 Cradock Avenue, Cradock Square, Office 01006,
First Floor, Regent Place, Rosebank, Johannesburg, 2196
PO Box 42897, Fordsburg, 2033

Cape Town
Manager: I Modack
Cnr. 42 Klipfontein and Belgravia Roads, Athlone, 7764
PO Box 228, Athlone, 7760

PROFESSIONAL OFFICE: GAUTENG
Relationship Manager: M Dadabhay
22 Cradock Avenue, Cradock Square, Office 01006,
First Floor, Regent Place, Rosebank, Johannesburg, 2196
PO Box 42897, Fordsburg, 2033

FOREX BUREAU:
Rosebank
The Zone, Shop G20
177 Oxford Road, Rosebank, 2196

RETAIL BRANCHES:
General manager:
D Desai

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

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

Gauteng
Area manager:
N Cassim

Fordsburg (Johannesburg)
Sales Manager: A Doodha
32 Dolly Rathebe Road, Fordsburg, 2092
PO Box 42897, Fordsburg, 2033

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

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

Rosebank (Johannesburg)
Sales Manager: A Doodha
Shop G20, The Zone, 117 Oxford Road, Rosebank, 2196
PO Box 42897, Fordsburg, 2033

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

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

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

FOLLOWING ITS DETERIORATION OVER THE COURSE OF 2015, THE SOUTH AFRICAN ECONOMY SUFFERED FURTHER DECLINE IN 2016, RECORDING VIRTUALLY NO GROWTH.

ECONOMIC OVERVIEW

The worst drought in at least 30 years weighed on the agricultural sector, causing food prices to escalate substantially, thus eroding disposable income.

The boost to inflation of severe currency depreciation in 2015 exacerbated consumer difficulties, while domestic political turmoil caused further decline in business confidence, resulting in negative growth of capital investment by the private sector. Fears relating to the possibility of our credit rating being downgraded to sub-investment grade aggravated this lack of confidence.

In addition and in an effort to prevent a rating downgrade, the Government curtailed its own expenditure, with depressing knock-on effects on overall economic growth.

There are, however, encouraging signs for the economy in 2017 and 2018. The drought is dissipating in the wake of rainfall in the key crop-growing north-eastern regions which should, ultimately, see a reduction in food inflation. The end of the drought alone could lift economic growth by over 1%.

A revival in commodity prices during the second half of 2016 contributed towards an improvement in the trade balance and helped reduce the current account deficit.

The US election of Donald Trump as President has led to optimism that US economic growth will be boosted by fiscal stimulus and tax cuts, contributing to an increase in risk appetite for emerging market assets and heralding a strong rally in the Rand's exchange rate. The Rand recovered some 20% against the Dollar from its lows of January 2016.

Prospects for inflation to decline in 2017 from current elevated levels are, therefore, favourable. It is also likely that interest rates will not rise in 2017. This should assist in halting the haemorrhage of spending power within the country.

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. Al Baraka Banking Group is represented in 15 countries and operates more than 700 branches globally.

In spite of world-wide economic difficulties, Al Baraka Banking Group continued 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 unswerving 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 million, while the equity finance book decreased by 15%, or R93 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 new 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 so popular since its inception in 2015 that 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 under-estimated. 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.

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	**Shabir Chohan**
Chairman	Chief executive

24 March 2017

HUMAN RESOURCES **REPORT**

THE TURBULENT STATE OF THE SOUTH AFRICAN ECONOMY IN 2016 HAS, WITHOUT ANY DOUBT, HAD A SIGNIFICANT IMPACT ON THE FINANCE INDUSTRY SECTOR WITHIN WHICH AL BARAKA BANK OPERATES.

In spite of challenging market conditions, Al Baraka Bank continued to grow its footprint and presents great potential for continued development in 2017 and the future.

Our bank has attracted new talent and clients who have recognised that our organisation displays a stable environment; an environment which continues to grow and remain profitable in the face of tough economic times.

We have become increasingly competitive and ever more recognised as a commercial bank, following Islamic business principles and, as a consequence, we are attracting a diverse employee and client base - individuals who take a keen interest in our organisation as both an employer of choice and a partner bank.

It therefore becomes imperative that our human resources strategy is designed to encourage and support the continued transformation and growth of the business.

TALENT ACQUISITION

Whilst the unemployment rate in South Africa is at a staggering 27,1%, there remains a significant shortage of critical skills within the country's finance industry sector. The recruitment of appropriate talent to fill key positions within the bank has, therefore, posed a significant challenge.

We apply a stringent recruitment process to ensure that we attract high calibre staff; individuals who are an appropriate culture fit for our organisation.

TRAINING FOR EXCELLENCE

Customer service excellence is a critical mantra within Al Baraka Bank. Training and development initiatives have been centred on our 'Yes we can,' and 'Do it right the first time' principles in order to inculcate a high work ethic and service culture within the bank.

The Al Baraka Bank training function receives a high degree of focus and is regarded as a strategic imperative within the organisation.

PLANNING FOR SUCCESSION

Our bank is forging through a silent, though quite deliberate transformation process and, as such, has experienced growing pains.

Whilst it is a challenge to retain members of our young, dynamic and highly ambitious workforce, we have worked hard to create significant career growth opportunities for all, facilitated by internal transfers and promotions.

MANAGING FOR IMPROVED PERFORMANCE

It is our strategic intention to build and foster a high performance culture, through which every member of staff actively lives the bank's values, so ensuring greater productivity and continuously improved performance.

ORGANISATIONAL CHANGE

As Al Baraka Bank transforms, it has become necessary to revise our organisational structure in order to bring about improved efficiencies within our operations; efficiencies which will, ultimately, have a positive impact on the delivery of excellent customer service.

The bank's centralisation project for the retail division will further streamline processes, with the intention of creating a sales and customer-focused business environment.

CELEBRATING SUCCESSES

Our employee recognition and training graduation functions remain special events on our bank's human resources calendar. We ensure that we go the extra mile in celebrating and recognising our employees for their outstanding contributions and achievements.

Such employee recognition events contribute significantly towards the achievement of our staff retention strategy, while increasing our employees' affiliation to the Al Baraka family ethos.

TALENT MANAGEMENT

Staff satisfaction is extremely important to us and we strive constantly to improve the bank's organisational climate, ensuring that it remains conducive to high employee morale and career growth.

We continuously review and benchmark our remuneration and benefits structure in relation to peer markets, so ensuring that such structures are market-related and industry-competitive. We do, however, also recognise that remuneration and benefits are not the only drivers behind employee retention.

The sound application of the key human resources pillars, being rewards and recognition, performance, skills development and succession planning is of paramount importance to us, given that they are inextricably linked to efforts to maintain a healthy and sustainable staff complement.

WORKFORCE PROFILE AS AT 31 DECEMBER 2016

	AIC*		White		Total		Total
	Male	Female	Male	Female	Male	Female	
Top and senior management	3	0	1	0	4	0	4
Professionally qualified and experienced specialists in mid-management	28	12	3	2	31	14	45
Skilled technical and academically-qualified workers, junior management and supervisors	65	72	3	1	68	73	141
Semi-skilled and discretionary decision-making	28	80	1	0	29	80	109
Unskilled and defined decision-making	5	7	0	0	5	7	12
Total	129	171	8	3	137	174	311

*AIC = African, Indian and Coloured

INFORMATION TECHNOLOGY **REPORT**

IN PURSUING ORGANISATIONAL GROWTH AND SUSTAINABILITY IN A DRIVEN, COMPETITIVE AND REGULATED ENVIRONMENT, THE CATALYST FOR CHANGE HAS BEEN THE USE OF TECHNOLOGY-BASED SOLUTIONS.

This approach has enabled the pushing of the boundaries of traditional process and efficiency models.

Stakeholder intelligence has assumed a new dimension within a technologically-charged era, stimulating higher levels of quality, delivery and information security to meet expectations and, in so doing, creating opportunities for the transformation of organisational culture, governance and standards to be commensurate with these strategies.

Efforts have been made to support an optimistic growth trajectory, through the development of income-generating sectors within the business, an improvement in processing efficiencies, the use of alternative technologies and the promotion of an upward shift in the internal and external customer service experience. Information security risk has remained a global concern, with a keen focus on visibility, awareness and counter-initiatives.

With regard to business continuity, efforts for the high availability of critical business operations - in terms of which the bank has implemented technologies geared to replicate priority systems - have been targeted for off-site replication at a Gauteng-based Data Centre early in 2017.

Key technology projects embodying the bank's transformative approach include Customer Onboarding - which realises the concept of a paperless environment and utilisation of the electronic capture of data for selected customer applications - logic-based validations ensuring data accuracy, intelligent document scanning with data extraction, digitisation of customer signatures, by signing on glass, and instant visibility and integration on a centralised platform.

In the mobile applications space, an innovative 'FX Ordering App,' for pre-ordering foreign currency, has been developed, with refinements planned, ahead of its launch, as another exciting new service delivery channel. The secure platform presents a scalable environment to extend visibility of existing products and services, with mobile banking functionalities as a viable channel to be explored.

The continued development efforts in other areas has led to the successful automation of overdue letters and enhanced management reporting and invoicing systems for the tracking of fees, which is undergoing acceptance testing.

The establishment of a regional office in Gauteng, coupled with the refurbishment and expansion of a branch office in the same region, gave rise to new technologies being implemented, inclusive of Voice-Over-IP telephony, which has seen an improvement in communications quality and a reduction of call costs, biometric access controls, IP-based CCTV security systems, wireless connectivity, IP-Video Conferencing and high-speed fibre-optic data lines, all contributing to a high standard, integrated, efficient and secure enterprise-class architecture.

Continuing into an IT risk landscape which has been compounded by heightened levels of cyber-crime and cyber-security, strategic initiatives have been geared towards creating awareness, hardening security policies, enhancing security programmes, including monitoring capabilities, introducing high availability to support business continuity and reinforcing corporate governance principles within guidance frameworks. Security awareness programmes, through presentations and communications, have ensured organisation-wide understanding of risks, particularly those in respect of cyber security, empowering the organisation to be better prepared for dealing with such risks. In this regard, training, education and awareness are ongoing needs.

Multi-layered security safeguards adopted include demilitarised zones within a firewalled environment, using the latest technologies, distributed denial-of-service protection capable of mitigating global attacks of more than a million packets per second, mobile device management systems, end-point compliance systems, including anti-phishing, anti-malware and anti-spam filters, uptime monitoring of selected systems and the phased replacement of end-of-life technologies.

The sophistication of threats is evolving at a rapid pace globally, prompting swift action to be taken in respect of privacy laws, corporate governance and cyber security strategies to protect the interests of all stakeholders. In turn, business imperatives to reinforce awareness, develop measures and counter-measures and the regular enhancement of the bank's cyber-security programmes will remain an ongoing process.

Business continuity plans for the bank include the recovery of critical systems at an off-site location in the event of a major disaster, which could result in systems and services becoming inaccessible. A series of tests are conducted regularly to practice the organisation's capability to recover critical systems in the shortest possible time.

The introduction of advanced systems-replication technologies, as part of a high-availability project, takes the bank's recovery capabilities to an unprecedented level of service availability, thus minimising downtime and reputational risk.

The deployment of the high-availability solution to an off-site location in Gauteng is targeted for completion in early 2017 and takes into consideration high-bandwidth data line requirements, network security and routing, as well as staffing requirements, amongst other impact areas that have been incorporated into the project.

Information technology prowess and agility is a key differentiator and is recognised for the leverage it affords strategic business transformation, organisational growth and competitive advantage. Being mindful of budgetary considerations, a volatile economic climate, newer technologies and an evolving risk landscape, the bank continues enhancing its technology environment including implementing new banking systems in future years.

This is achieved through cost-effective, intelligent and robust technologies, coupled with processes of rationalisation, skills development and strategic partnerships.

Sustained efforts on risk, security and governance are essential to protect stakeholder interests for the organisation and its stakeholders to mutually thrive within a safe and trusted environment.

Cyber criminals are not governed by the same set of rules or ethics, but share similar visions of growth and prosperity and, in this regard, the preventative efforts of the combined SA banking industry is positively supported by the SABRIC forum, where Al Baraka Bank is represented.

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.

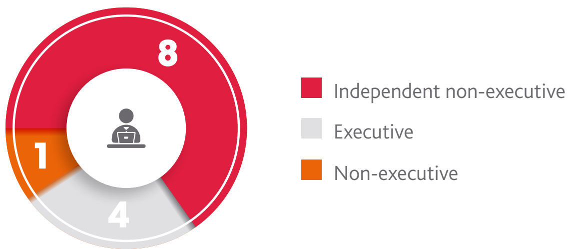
The board's role and function is set out under a comprehensively written charter, which is subjected to regular review and complies with the provisions of the Companies Act, the Banks Act and the bank's Memorandum of Incorporation. The board met on four occasions in 2016 and once separately with the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

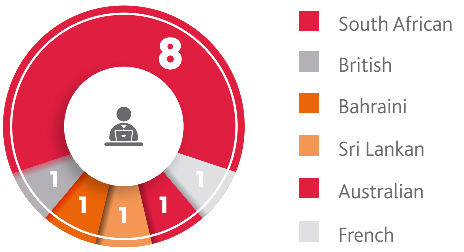
Mr Yousif and Mr Randeree have been confirmed as the chairman and the vice chairman/lead independent director respectively for the 2017 financial year.

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.

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 director's 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 board 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[1]	-	-	-	-	-	-
SA RANDEREE	4/4[2]	-	-	4/4[1]	2/2[1]	2/2	-
F KASSIM	4/4	-	-	-	2/2	-	-
A LAMBAT	4/4	4/5	3/4[1]	-	-	-	-
DR. MY BAKER[6]	1/4	2/5	-	-	1/2	-	1/2
ADV. AB MAHOMED SC[6]	1/4	1/5	1/4	-	-	1/2	-
NJ KUNENE	4/4	-	-	-	2/2	-	2/2[1]
YGH SULEMAN	3/4[5]	3/5	-	-	-	1/2	-
MG MCLEAN	4/4	-	-	4/4	-	-	-
MS PARUK	4/4	5/5[1]	4/4	4/4	-	-	-
YM PARUK	4/4	-	3/4	-	-	2/2[1]	2/2
SAE CHOHAN	4/4	-	-	4/4	-	-	2/2
MJD COURTIADE	4/4	-	4/4	-	-	-	-
A AMEED	4/4	-	-	4/4	-	-	-
M KAKA	3/4	-	-	-	-	-	-
EM HASSAN	-	-	3/4[4]	4/4[4]	-	-	-
Y NAKHOODA	-	-	3/4[3]	-	-	-	-

[1] = Chairman, [2] = Vice-chairman and lead independent director, [3] = Risk manager, [4] = General manager: credit
[5] = Appointed on 01 March 2016, [6] = Retired in April 2016

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.

The board committees give effect to their mandates in terms of their respective charters, which are reviewed on a regular basis.

The highlights for the year of these board committees were as follows:

AUDIT COMMITTEE

Banking legislation requires all banks to establish an audit committee which is mandated to oversee internal controls throughout the bank, internal and external audit functions, compliance and financial reporting and control.

During the course of 2016, the audit committee undertook, inter alia, the following key functions:

- Approved and recommended the annual financial statements for approval by the board of directors ;
- Reviewed the state of the bank's internal controls;
- Satisfied itself as to the expertise, resources and experience of management for the bank's finance function;
- Addressed the Reserve Bank's 'flavour of the year topics';
- Met independently with the external auditors, internal auditors and the Shariah Department; and
- Approved the internal audit plan for 2016.

The audit committee, which met on five occasions during 2016, confirms that it has fulfilled its responsibilities, as set-out in its charter for the year under review. All the members are independent non-executive directors and are financially literate. Mr YGH Suleman has been appointed chairman of the audit committee with effect from 01 January 2017.

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YGH Suleman
Chairman: audit committee

CORPORATE **GOVERNANCE** (continued)

RISK AND CAPITAL MANAGEMENT COMMITTEE

The risk and capital management committee provides assistance to the board and management in monitoring the risk, capital and liquidity functions of the bank.

During the course of 2016, the risk and capital management committee undertook, inter alia, the following key functions:

- Approved the formal risk management functional plan for the 2016 year;
- Identified and monitored all key risks and key performance indicators of the bank, thereby ensuring that its decision-making and reporting accuracy was maintained at the highest level;
- Approved a cyber-security framework for the bank;
- Reviewed and recommended the bank's ICAAP to the board for approval;
- Monitored all aspects of IT and operational risk, including that of foreign exchange risk; and
- Reviewed, on a quarterly basis, the banks investments.

The risk and capital management committee is chaired by an independent non-executive director and met on four occasions during the course of 2016. The risk and capital management committee confirms that it has fulfilled its responsibilities, as recorded in its charter for the year under review.

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A Lambat
Chairman: risk and capital management committee

CREDIT COMMITTEE

The credit committee is tasked with reviewing, measuring and managing Al Baraka Bank's credit risk strategy and to approve advances in terms of the board-approved delegation framework.

During the course of 2016, the credit committee undertook, inter alia, the following key functions:

- Approved advances in terms of the delegated powers of authority and credit mandates;
- Approved write-offs of debtor accounts within its delegated authority;
- Reviewed the bank's credit risk management policy for adequacy purposes and ensured that the policy is approved by the board;
- Monitored large and group-connected party lending exposures;
- Reviewed stress testing scenarios in respect of credit risks;
- Monitored the credit recovery processes together with the progress made on matters handed over for legal action; and
- Ensured that the bank complied with all regulatory returns in respect of credit risk functions

The credit committee is satisfied that it has fulfilled its responsibilities, as set-out in its charter for the year under review. The committee is chaired by an independent non-executive director and met on four occasions in 2016. Mr MS Paruk has been appointed chairman of the credit committee with effect from 01 January 2017.

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MS Paruk
Chairman: credit committee

DIRECTORS' AFFAIRS COMMITTEE

The directors' affairs committee assists the board in assessing and evaluating the corporate governance structures and accompanying practices of the bank.

During the course of 2016, the directors' affairs committee undertook, inter alia, the following key functions:

- Reviewed the structure, size and composition of the board, taking into account the corresponding requirements of the board committees;
- Identified, evaluated and recommended nominees to the board as part of the board's succession planning programme;
- Considered methodologies for the annual assessment of the performance of the board and board committees;
- Reviewed and approved the training and on-going development programmes for directors;
- Recommended for approval by the board of directors a revised fee structure in respect of the directors, such that the bank's remuneration practices for the directors remained relevant to the financial sector; and
- Monitored the bank's governance practices, including that of its Broad-Based Black Economic Empowerment programme.

Membership of the directors' affairs committee is, in terms of section 64B of the Bank's Act, limited to non-executive directors.

The chief executive attends meetings of the committee by invitation only.

The directors' affairs committee is satisfied that it has fulfilled its responsibilities as set-out in its charter for the year under review.

The committee is chaired by an independent non-executive director and met on two occasions during the course of 2016.

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SA Randeree
Chairman: directors' affairs committee

REMUNERATION COMMITTEE

The remuneration committee is tasked with advising the board on various matters pertaining primarily to human resources, staffing and remuneration. During the course of 2016, the remuneration committee undertook, inter alia, the following key functions:

- Approved the remuneration structures for staff members, which was facilitated through the use of surveys, independent remuneration consultants and relevant industry data;
- Made recommendations to the board on succession planning, both at senior management and executive management level;
- Continued to ensure that employees' incentive payments are directly linked to the performance levels of the individual, as well as the business;
- Continued to ensure that the appropriate quality of staff are attracted, retained, motivated and appropriately rewarded by the bank; and
- Reviewed various policies, including that of staff financing and staff retention.

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

The remuneration committee is chaired by an independent non-executive director and met on two occasions during the course of 2016. The remuneration committee is satisfied that it has fulfilled its responsibilities as set-out in its charter for the year under review.

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YM Paruk
Chairman: remuneration committee

SOCIAL AND ETHICS COMMITTEE

The social and ethics committee is responsible for ensuring that the bank operates in an ethical manner, with due regard to best practice and appropriate legislation, regulations and codes, as defined by the financial sector.

During the course of 2016, the social and ethics committee undertook, inter alia, the following key functions:

- Monitored the bank's role as a good corporate citizen, with emphasis on the bank's commitment to and contributions made in terms of its corporate social responsibility programme;
- Monitored the bank's commitment towards its B-BBEE objectives;
- Reported annually to the shareholders on the activities of the committee;
- Monitored the application of ethical conduct throughout the bank, including that of the bank's ethics policy;
- Reported to Al Baraka Banking Group twice yearly on the activities of the committee through its social responsibility report; and
- Monitored the bank's environmental business practices, including the bank's water, electricity and paper consumption.

The social and ethics committee met on two occasions in 2016.

Mr NJ Kunene was appointed chairman of the committee during the year, succeeding Dr. MY Baker, who retired. The committee confirms that it has fulfilled its responsibilities as set-out in its charter for the year under review.

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NJ Kunene
Chairman: social and ethics committee

GOVERNANCE PRACTICES

ETHICS

Sound, ethical conduct remains the foundation of the way Al Baraka Bank operates.

All employees and key stakeholders are committed to the long-term sustainability of the bank by ensuring that their conduct and activities are of the highest ethical standards, as set-out in the code of conduct.

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

TRANSFORMATION

Al Baraka Bank fully embraces the financial sector codes set out in terms of the Broad-Based Black Economic Empowerment (B-BBEE) Act. In terms of its current rating, the bank is classified as a level 4 contributor.

PRESCRIBED OFFICERS

As per the definition set out under the Companies Act for prescribed officers, the board has confirmed that the prescribed officers of the bank are the four executive directors, comprising the chief executive, the chief operating officer, the financial director and the executive director.

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

"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 21st 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.

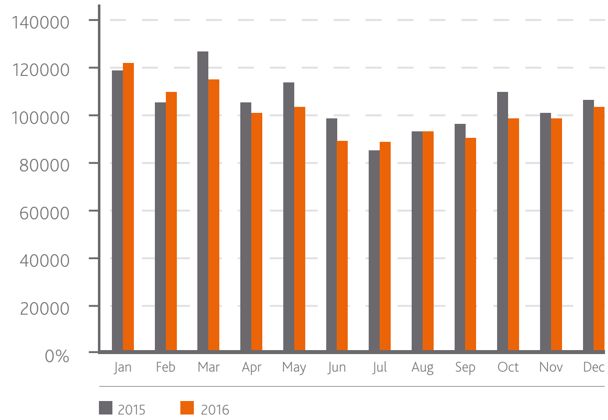
  We actively set out to provide the stakeholders we service with economic value, while managing our operations in line with a sound economic business model.

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

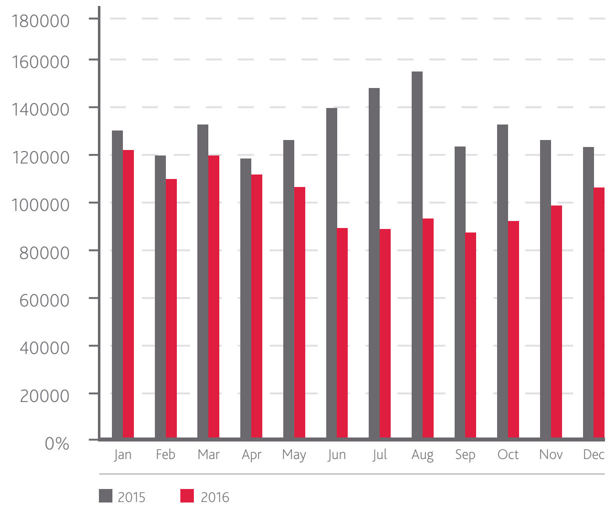
- **Environmental issues**
  Al Baraka Bank's social and ethics committee is tasked with driving measures designed to significantly reduce the company's impact on the broad environment.

  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.

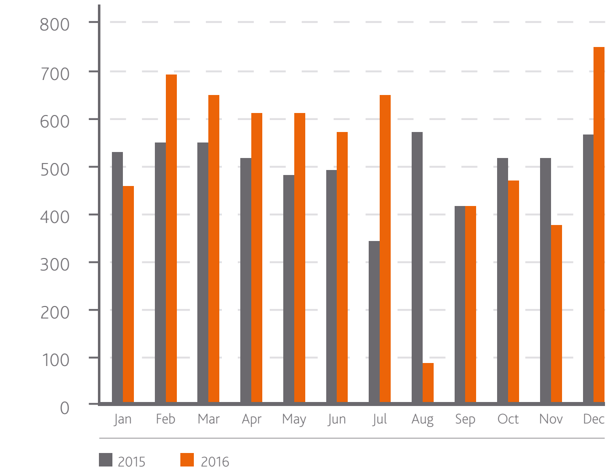
ELECTRICITY CONSUMPTION IN KW



ELECTRICITY CONSUMPTION IN RAND VALUE

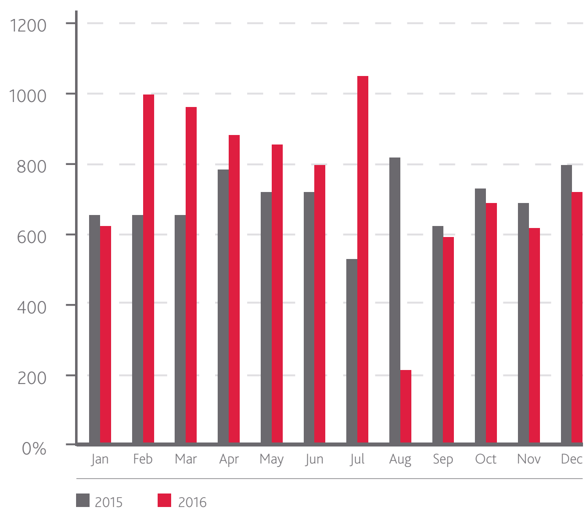


KINGSMEAD WATER CONSUMPTION IN KL



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. Staff are assessed and measured on their contributions towards social upliftment as part of 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

Cape Town - R895 674-00	17%
Gauteng - R1 675 954-00	32%
KwaZulu-Natal - R2 498 954-00	48%
Port Elizabeth - R140 000-00	3%
Total - R5 210 582-00	100%

SECTORAL DISTRIBUTION - 2016

Education - R3 228 430-00	62%
Health - R635 860-00	12%
Welfare - R1 346 292-00	26%
Total - R5 210 582-00	100%

ENGAGEMENT WITH STAKEHOLDERS

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

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 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 dealing with those we exist to serve and accordingly, direct engagement with the community enables our bank to:

- Nurture meaningful partnerships which provide for integrated 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 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 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

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 will also necessitate reliance on technology, given that complex systems will need to be implemented 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 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 fully informed about introduced policies and processes to give effect to any and all 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.

COMPLIANCE
REPORT (continued)

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.

Critically, we work with the Banking Association of South Africa (BASA), the South African Banking Risk Identification Centre (SABRIC) and other ad hoc committees, actively utilising said representation to make recommendations and provide feedback in terms of a range 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 it 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, inter-alia:

- 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	**Shaykh Mahomed Shoaib Omar**	**Mufti Shafique Jakhura**
Chairman	Member	Member

27 January 2017

SHARIAH SUPERVISORY BOARD

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

SHARIAH SUPERVISORY BOARD OF AL BARAKA BANK

The Shariah Supervisory Board is entrusted with directing, reviewing and supervising the activities of Al Baraka Bank, in order to ensure that the bank complies with Shariah.

The board sets out to ensure that all Shariah matters regarding Al Baraka Bank are dealt with in a professional manner and in strict accordance with the standards set-out by AAOIFI.

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

AL BARAKA BANK'S SHARIAH SUPERVISORY BOARD COMPRISES:

Dr Abdus Sattar Abu Ghudda (Syrian)

Dr Ghudda is the senior Shariah consultant for Al Baraka Banking Group. He is also a director of the Department of Financial Instruments at Al Baraka Investment and Development Company and is a member of the Shariah Supervisory Boards of several Islamic financial institutions. He is an active member of the OIC Islamic Fiqh Academy and AAOIFI.

He was responsible for the research and compilation of the Encyclopaedia of Fiqh of the Kuwait Ministry of Awqaf and Islamic Affairs and is a former member of the Ministry's Fatwa Board. He has taught fiqh and Islamic studies in Kuwait and Saudi Arabia.

Dr Ghudda obtained BA degrees in Islamic Shariah and in Law from Damascus University. He went on to earn his MA degree in Shariah and hadith and his PhD in Shariah and comparative fiqh from Al-Azhar University in Cairo.

Shaykh Mahomed Shoaib Omar

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

He was also a student of the Chief Qadi of India, Mujahidul Islam Qasemi, the founder of the Islamic Fiqh Academy of India and a distinguished authority in Muslim Family Law. During the past 32 years he has collaborated with Mufti Taqi Usmani in solving problems affecting Contemporary Applications in Islamic Law.

He has, for the past 14 years, also worked closely with well-known contemporary Shariah expert, Shaykh Abdus Sattar Abu Ghuddah, in relation to Islamic Finance. He has extensive experience in the application of Shariah to contemporary situations, inclusive of Islamic Finance. He was granted the right of appearance in the High and Constitutional Courts of South Africa in 1995.

He successfully argued the landmark case of Amod v Road Accidents Fund in the Constitutional Court and Supreme Court of Appeal, which case recognised a duty of support flowing from an Islamic marriage.

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

Mufti Shafique Ahmed Jakhura

Mufti Jakhura serves in the Fatwa Department preparing and issuing Islamic juristic rulings at the Darul Ihsan Research Centre in Durban. He has established and heads the Centre for Islamic Economics and Finance SA (CIEFSA) - a non-profit organisation dedicated to increasing awareness and providing education in the fields of Islamic economics and finance, structuring Shariah-compliant transactions and providing Shariah-compliant commercial solutions at various levels.

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

He is a Certified Shariah Accountant and Auditor from the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), Bahrain. He has an Advanced Diploma in Islamic Banking and Finance from the Centre for Islamic Economics, based in Karachi. He also serves the Islamic Finance and Takaful Industry in other parts of the world.

Shariah supervision of the Old Mutual Al Baraka Shariah funds

The partnered Old Mutual Albaraka Shariah funds are managed in strict accordance with Shariah.

The funds afford opportunities for Muslim investors seeking socially and morally responsible investments on the Johannesburg Securities Exchange and global markets, as well as Shariah-compliant cash investments. The appointment of an independent Shariah Supervisory Board indicates the absolute commitment to both Shariah and Islamic economic principles.

The Shariah Supervisory Board comprises Mufti Justice (retired) Muhammad Taqi Usmani (Chairman), Dr Muhammad Imran Ashraf Usmani, Shaykh Mahomed Shoaib Omar and Mufti Zubair Bayat, and meets at least once annually.

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

All investments made by the fund ensure ongoing compliance with Shariah board directives. The local sub-committee meets at least four times a year in order to ensure the execution of its mandate and to report to the Shariah Supervisory Board annually.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Your Partner Bank

alBaraka

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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 going concerns 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 as set out on pages 34 to 79 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

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

During the financial year ended 31 December 2016, the audit committee convened five times to discharge both its statutory and board responsibilities. During the 2016 year there was a change in chairmanship of the audit committee from MS Paruk to YGH Suleman. As an overview only, and not to be regarded as an exhaustive list, the committee carried out the following duties:

Annual financial statements

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

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

Since the group annual financial statements complied, in all material aspects, with the principles, policies and accounting practices and standards adopted in the preparation of the group annual financial statements and with the appropriate International Financial Reporting Standards and as no complaints relating to the accounting practices or the contents or auditing of the financial statements, or to any related matter, were received by the committee, the committee has approved and recommended the group annual financial statements for approval to the board. The board has subsequently approved the financial statements, which will be presented to shareholders at the annual general meeting to be held on 30 June 2017.

Internal audit function

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

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

External audit and related matters

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

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

Risk management, assurance and ethics

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

…………………………..
YGH Suleman
Chairman of the audit committee
24 March 2017

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

Opinion
We have audited the consolidated financial statements of Albaraka Bank Limited set out on pages 34 to 79 which comprise the statements of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated and separate financial position of Albaraka Bank Limited as at 31 December 2016, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of Albaraka Bank Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audits of Albaraka Bank Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
The directors are responsible for the other information. The other information which we obtained prior to the date of this report comprises the directors' report, company secretary statement and audit committee report, as required by the Companies Act of South Africa, and the directors' responsibility statement. The other information which is expected to be made available to us after the date of this report comprises the annual report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Albaraka Bank Limited for 9 years.

ERNST + YOUNG INC.

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

24 March 2017
Durban

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors have pleasure in presenting their report for the year ended 31 December 2016.

Nature of the business
Albaraka Bank Limited is a registered bank domiciled in South Africa and has as its principal objective the operation of its business according to Islamic banking precepts. The bank serves the public through branches in Athlone (Cape Town), Fordsburg (Johannesburg), Laudium (Pretoria), Lenasia (Johannesburg), Kingsmead (Durban), Overport (Durban), Port Elizabeth, and corporate offices in Cape Town, Durban and Johannesburg, as well as a forex bureau in Rosebank (Johannesburg) and a Gauteng regional office in Rosebank (Johannesburg).

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

Share capital
The authorised share capital of the company comprises 100,0 million (2015: 100,0 million) ordinary shares of R10 each, amounting to R1,0 billion (2015: R1,0 billion). The issued share capital of the company comprises 32,2 million (2015: 32,2 million) ordinary shares of R10 each, amounting to R322,4 million (2015: R322,4 million).

Financial results
The results of the group and the company for the year ended 31 December 2016 are set out on pages 34 to 79.

Dividends
On 15 March 2016 the directors declared a dividend of 50 cents (2015: 45 cents) per share amounting to R16,1 million (2015: R14,5 million) paid to shareholders registered as at close of business on 01 July 2016.

Group structure
Albaraka Properties Proprietary Limited is a wholly-owned subsidiary of Albaraka Bank Limited. In 2016, Albaraka Properties Proprietary Limited issued an additional 900 shares at R1 each. In addition, during 2016, Al Baraka Bank issued its first local Sukuk in the country via a structured entity, namely the Albaraka Sukuk Trust. The Albaraka Sukuk Trust is consolidated as part of the group reporting in terms of IFRS 10 principles due to the fact that the Sukuk Trust was created specifically to administer the issuance and management of the Albaraka Sukuk product. The Sukuk Trust therefore cannot operate in the absence of the bank and, as such, is required to be consolidated as part of the group reporting.

Capital management
The bank continues to work towards strong management of its capital reserves. This is evidenced by the consistency in the bank's capital adequacy ratio from 15,2% in 2015 to 15,3% in 2016. The SARB had, in the financial year under review, also approved the bank's issuance of a tier II capital instrument to the value of R200 million structured as a Sukuk. The first tranche of the Sukuk issuance took place in October 2016 with additional tranches expected to take place in due course.

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

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

Non-executive
AA Yousif - (Bahraini), Chairman

Independent non-executive
SA Randeree - (British), Vice chairman
F Kassim - (Sri Lankan)
A Lambat CA (SA)
Adv AB Mahomed SC - Retired effective 16 April 2016
MG McLean
MS Paruk CA (SA)
YM Paruk
M Youssef Baker - (Egyptian) - Retired effective 16 April 2016
NJ Kunene
YGH Suleman CA (SA) - Appointed effective from 01 March 2016

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

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

Business address	Postal Address	Registered address
2 Kingsmead Boulevard	PO Box 4395	2 Kingsmead Boulevard
Kingsmead Office Park	Durban	Kingsmead Office Park
Stalwart Simelane Street	4000	Stalwart Simelane Street
Durban, 4001		Durban, 4001

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016

		GROUP		COMPANY	
	Notes	2016	2015	2016	2015
		R'000	R'000	R'000	R'000
Assets					
Property and equipment	3	**114 388**	108 999	**70 817**	69 562
Investment properties	4	**10 502**	10 373	**-**	-
Intangible assets	5	**26 152**	23 800	**26 152**	23 800
Investment in and amount due by subsidiary company	6	**-**	-	**11 972**	11 590
Deferred tax asset	7	**2 117**	-	**26 634**	21 621
Investment securities	8	**24 925**	24 645	**24 925**	24 645
Advances and other receivables	9	**4 645 935**	4 473 383	**4 645 786**	4 473 124
South African Revenue Service receivable	10	**3 345**	2 305	**3 290**	2 288
Regulatory balances	11	**294 958**	187 376	**294 958**	187 376
Cash and cash equivalents	12	**206 550**	226 962	**206 550**	226 962
Total assets		**5 328 872**	5 057 843	**5 311 084**	5 040 968
Equity and liabilities					
Equity					
Share capital	13	**322 403**	322 403	**322 403**	322 403
Share premium	13	**82 196**	82 196	**82 196**	82 196
Other reserves		**1 200**	1 200	**1 200**	1 200
Retained income		**220 735**	195 659	**203 372**	179 553
Shareholders' interests		**626 534**	601 458	**609 171**	585 352
Liabilities					
Welfare and charitable funds	14	**11 600**	7 911	**11 600**	7 911
Deferred tax liability	7	**-**	477	**-**	-
Accounts payable	15	**18 183**	15 802	**17 884**	15 591
South African Revenue Service payable	16	**705**	81	**579**	-
Provision for leave pay	17	**7 408**	5 987	**7 408**	5 987
Deposits from customers	18	**4 633 900**	4 426 127	**4 633 900**	4 426 127
Sukuk	19	**30 542**	-	**30 542**	-
Total liabilities		**4 702 338**	4 456 385	**4 701 913**	4 455 616
Total equity and liabilities		**5 328 872**	5 057 843	**5 311 084**	5 040 968

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		GROUP		COMPANY	
	Notes	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
Gross income earned		**425 884**	391 672	**425 884**	391 672
Income paid to depositors	20	**(208 883)**	(193 294)	**(208 883)**	(193 294)
Income paid to sukuk holders/trust	19	**(625)**	-	**(726)**	-
Net income before impairment for credit losses		**216 376**	198 378	**216 275**	198 378
Impairment for credit losses	9.2.3	**(4 969)**	(6 059)	**(4 969)**	(6 059)
Net income after impairment for credit losses		**211 407**	192 319	**211 306**	192 319
Net non-Islamic income	21	**-**	-	**-**	-
Fee and commission income	22	**34 419**	43 662	**34 639**	43 872
Other operating income	23	**4 653**	6 144	**12 984**	12 573
Net income from operations		**250 479**	242 125	**258 929**	248 764
Operating expenditure	24	**(192 280)**	(165 972)	**(196 033)**	(169 824)
Finance costs		**-**	-	**(10 026)**	(10 103)
Profit before taxation		**58 199**	76 153	**52 870**	68 837
Taxation	25	**(17 003)**	(21 112)	**(12 931)**	(17 428)
Profit after tax for the year attributable to equity holders		**41 196**	55 041	**39 939**	51 409
Other comprehensive income					
Items subsequently reclassified to profit and loss					
Fair value gain on available for sale asset net of tax		**-**	1 200	**-**	1 200
Total comprehensive income for the year, net of tax, attributable to equity holders		**41 196**	56 241	**39 939**	52 609
Weighted average number of shares in issue ('000)		**32 240**	32 240		
Earnings per share (cents)	26	**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**
Group					
2016					
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)**
Balance at end of year	**322 403**	**82 196**	**1 200**	**220 735**	**626 534**
2015					
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
Balance at end of year	322 403	82 196	1 200	195 659	601 458
Company					
2016					
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)**
Balance at end of year	**322 403**	**82 196**	**1 200**	**203 372**	**609 171**
2015					
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
Balance at end of year	322 403	82 196	1 200	179 553	585 352

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

		GROUP		COMPANY	
	Notes	2016	2015	2016	2015
		R'000	R'000	R'000	R'000
Cash flow from operating activities					
Cash generated from operations	28.1	**69 605**	75 470	**59 367**	65 193
Changes in working capital	28.2	**(26 620)**	(35 214)	**(26 813)**	(35 333)
Taxation paid	28.3	**(24 793)**	(24 534)	**(23 152)**	(23 398)
Dividends paid	28.4	**(16 028)**	(14 890)	**(16 028)**	(14 890)
Net cash inflow/(outflow) from operating activities		**2 164**	832	**(6 626)**	(8 428)
Cash flow from investing activities					
Purchase of property and equipment	28.5	**(16 846)**	(11 480)	**(16 803)**	(11 480)
Purchase of investment property	28.6	**(129)**	(34)	**-**	-
Purchase of intangible assets	28.7	**(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	23	**1 422**	1 271	**10 422**	8 271
(Increase)/decrease in investment in and amount due by subsidiary		**-**	-	**(382)**	2 226
Net cash utilised in investing activities		**(21 543)**	(21 407)	**(12 753)**	(12 147)
Cash flow from financing activities		**-**	-	**-**	-
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
Cash and cash equivalents at end of year	12	**206 550**	226 962	**206 550**	226 962

1. Reporting entity

Albaraka Bank Limited is a company domiciled in South Africa. The company's registered address is 2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street, Durban, 4001. The consolidated financial statements of the company for the year ended 31 December 2016 comprise the company and its subsidiary (together referred to as the "group"). The accounting policies below are applicable to both the company and group financial statements, unless otherwise stated.

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

2. Basis of preparation

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

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

Use of significant estimates and judgements

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

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

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

In determining the extent to which the deferred tax assets may be recognised, management considers factors such as: the likely period of future operations, estimated profits which are adjusted for exceptional items and estimated taxable profits based on the applicable legislation, as well as future tax planning strategies.

In determining the useful lives of property and equipment, management has exercised judgement as further detailed in accounting policy note 4, property and equipment.

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

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

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

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

3. Basis of consolidation

Investment in subsidiary

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

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

The Albaraka Sukuk Trust was created specifically as a structured entity to administer the issuance and management of the Albaraka Sukuk product. The Sukuk Trust therefore cannot operate in the absence of the bank and, as such, is required to be consolidated as part of the group reporting. Assets, liabilities, income and expenses of the Trust for the year are included in the statement of financial position and statement of comprehensive income from the date the group gains control until the date the group ceases to control the Trust.

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

4. Property and equipment

Items of equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Capital expenditure which takes place in tranches is first capitalised to work in progress and subsequently moved to the relevant capital asset upon completion when the asset is available for use and subsequently depreciated. Equipment, motor vehicles, buildings, tank containers, computer hardware, and leasehold improvements are depreciated on a straight-line basis. Land is not depreciated. The re-assessed estimated useful lives are as follows:

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

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

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

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

Where residual value of buildings exceeds cost, no depreciation will be provided for.

5. Impairment of non-financial assets

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

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

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

6. Provisions

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

7. Contingencies and commitments

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

8. Financial instruments

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

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

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

Available-for-sale financial assets
Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. The group's investment in available-for-sale financial assets are stated at fair value based on the best available data for the valuation. Where the fair value cannot be reasonably determined, these are carried at cost. After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the other reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income.

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

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

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

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

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. See note 31.8: Fair value hierarchy for further disclosure regarding the three applicable levels.

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

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

9. Impairment of financial assets

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

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

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

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

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

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

10. Income tax expense

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

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

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

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

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

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

11. Revenue recognition

Income from Islamic activities

Income from Islamic activities comprises:

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

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

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

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

Group and company as a lessee
Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of return on the remaining balance of the liability. Finance costs are recognised in profit for the year in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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

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

14. Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if its probable future economic benefits will flow to the entity, and the cost can be measured reliably, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

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

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

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

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

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

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

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

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

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

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

16. Employee benefits

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

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

17. Earnings per share

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

18. Related parties

A related party is a person or entity that is related to the group.
A person or a close member of that person's family is related to the group if that person:

- Has control or joint control over the group;
- Has significant influence over the group; or
- Is a member of the key management personnel of the group or of a subsidiary of the group.

An entity is related to the group if any of the following conditions applies:

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

The following are deemed not to be related:

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

1. Capital adequacy

Introduction

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

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

Capital structure

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

	2016	2015
	R'000	R'000
Regulatory capital		
Tier 1		
Share capital	**322 403**	322 403
Share premium	**82 196**	82 196
Retained income	**203 372**	179 553
Less: Unappropriated profits	**(14 222)**	(17 035)
Unrealised gains and losses on available for sale items net of tax	**1 200**	1 200
Total capital and reserves	**594 949**	568 317
Less: prescribed deductions against capital and reserve funds	**(26 152)**	(23 800)
Total Tier 1 capital	**568 797**	544 517
Tier 2		
Portfolio impairment	**20 734**	19 165
Sukuk	**30 300**	-
Total eligible capital	**619 831**	563 682
Capital adequacy ratios (Tier 1 %)	**14,1%**	14,6%
Capital adequacy ratios (Total %)	**15,3%**	15,2%
Minimum regulatory requirement ratios (Total %)	**9,75%**	10,0%

The sukuk has been approved by the South African Reserve Bank as a qualifying tier II capital instrument.

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

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

The bank is committed to maintaining sound capital and strong liquidity ratios. The overall capital needs are continually reviewed to ensure that its capital base appropriately supports current and planned business and regulatory capital requirements. In assessing the adequacy of the bank's capital to support current and future activities, the group considers a number of factors, including:

- An assessment of growth prospects;
- Current and potential risk exposures across all the major risk types;
- Sensitivity analysis of growth assumptions;
- The ability of the bank to raise capital; and
- Peer group analysis.

At 31 December 2016, the minimum capital requirements and risk-weighted assets of the bank for credit risk, equity risk, market risk and other risks, as calculated under the standardised approach and for operational risk as calculated under the basic indicator approach in terms of the Banks Act and Regulations, were as follows:

	CAPITAL REQUIREMENTS		RISK-WEIGHTED ASSETS	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
Credit risk	**319 701**	313 542	**3 278 980**	3 135 420
Operational risk	**44 458**	39 887	**455 975**	398 874
Equity risk	**2 430**	2 465	**24 925**	24 645
Market risk	**2 191**	1 808	**22 476**	18 078
Other risk	**25 679**	14 000	**263 377**	140 000
	394 459	371 702	**4 045 733**	3 717 017

2. Risk management and assessment

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

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

The board and management committees are responsible for developing and monitoring risk management policies and programmes in their specified areas. These policies and programmes are established to identify and analyse risks faced by the bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The risk management policies and programmes are reviewed regularly to reflect changes in market conditions and products offered. In addition, the bank has adopted a strategy that seeks to entrench, at all levels within Albaraka Bank, a culture that is risk-management orientated.

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

2. Risk management and assessment (continued)

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

Major risks

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

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

2.1 Credit risk

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

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

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

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

Credit exposures are monitored primarily on performance. Defaulting accounts receive prompt attention. Initially they are dealt with by line management and, in instances where further degeneration occurs, they are handed over to the bank's collections and legal specialists. Depending on the type of credit exposure, account reviews, which include the re-performance of qualitative and quantitative assessments, are performed annually.

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

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

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

Portfolio measures of credit risk

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

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

- Exposures that are current and where full repayment of the principal and profit is expected are classified under the Standard category;
- Exposures where evidence exists that the debtor is experiencing some difficulties that may threaten the bank's position, but where ultimate loss is not expected - but could occur if adverse conditions continue - are classified under the Special Mention category;
- Exposures that show underlying, well-defined weaknesses that could lead to probable loss, if not corrected are classified under the Sub-standard category. The risk that such exposures may become impaired is probable and the bank relies to a large extent on available security;
- Exposures that are considered to be impaired, but are not yet considered total losses because of some pending factors that may strengthen the quality of such exposures are classified under the Doubtful category;
- Exposures that are considered to be uncollectable and where the realisation of collateral and institution of legal proceedings have been

unsuccessful are classified under the Loss category. These exposures are considered to be of such little value that they should no longer be included in the net assets of the bank;

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

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

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

Credit exposures

	GROUP AND COMPANY	
	2016	2015
	R'000	**R'000**
Advances to customers	**4 100 715**	3 853 360
Advances and balances with banks	**631 390**	698 519
Advances, treasury bills and regulatory balances	**384 650**	329 158
Letters of credit, guarantees and confirmations	**292 134**	219 410
Total exposure	**5 408 889**	5 100 447
Impairment of advances	**(26 687)**	(26 075)
Net exposure	**5 382 202**	5 074 372

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

Geographical distribution of exposures		
Customer exposure		
KwaZulu-Natal	**2 015 695**	2 012 057
Gauteng	**1 601 637**	1 395 016
Western Cape	**775 517**	665 697
Total customer exposure	**4 392 849**	4 072 770
Bank exposure		
KwaZulu-Natal	**21 652**	15 942
Gauteng	**988 799**	1 009 843
United States of America	**5 589**	1 892
Total bank exposure	**1 016 040**	1 027 677
Total exposure	**5 408 889**	5 100 447

		GROUP AND COMPANY	
		2016	2015
		R'000	**R'000**
Industry distribution of exposures			
Banks and financial institutions		**1 016 040**	1 027 677
Individuals		**1 511 900**	1 372 007
Business and trusts		**2 880 949**	2 700 763
Total exposure		**5 408 889**	5 100 447
Product distribution analysis			
Property (Musharaka and Murabaha)		**3 130 381**	2 823 076
Equity finance		**531 805**	627 116
Instalment sales		**604 261**	546 138
Trade		**362 947**	480 803
Balances with local and central banks		**484 235**	400 561
Letters of credit		**-**	5 719
Guarantees and confirmations		**292 134**	213 691
Other		**3 126**	3 343
Total exposure		**5 408 889**	5 100 447
Residual contractual maturity of book			
Within 1 month	- equity finance	**202 748**	204 050
	- other	**395 354**	486 854
From 1 to 3 months	- equity finance	**226 760**	372 788
	- other	**335 809**	383 679
From 3 months to 1 year	- equity finance	**102 297**	50 278
	- other	**803 146**	622 594
From 1 year to 5 years		**1 685 271**	1 501 492
More than 5 years		**1 657 504**	1 478 712
Total exposure		**5 408 889**	5 100 447

	GROUP AND COMPANY							
	Advances to customers		Advances and balances with banks		Other exposures		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000
Past due and individually impaired								
Gross amount	**45 175**	46 630	**-**	-	**-**	-	**45 175**	46 630
Specific impairment	**(5 953)**	(6 910)	**-**	-	**-**	-	**(5 953)**	(6 910)
Carrying amount	**39 222**	39 720	**-**	-	**-**	-	**39 222**	39 720
Past due but not impaired								
Standard category	**760 668**	695 048	**-**	-	**-**	-	**760 668**	695 048
Special mention category	**165 485**	131 950	**-**	-	**-**	-	**165 485**	131 950
Sub-standard category	**38 757**	29 397	**-**	-	**-**	-	**38 757**	29 397
Doubtful category	**24 261**	5 696	**-**	-	**-**	-	**24 261**	5 696
Loss category	**17 254**	5 641	**-**	-	**-**	-	**17 254**	5 641
Carrying amount	**1 006 425**	867 732	**-**	-	**-**	-	**1 006 425**	867 732
Neither past due nor impaired								
Carrying amount	**3 049 115**	2 938 998	**1 016 040**	1 027 677	**292 134**	219 410	**4 357 289**	4 186 085
Total carrying amount before portfolio impairment	**4 094 762**	3 846 450	**1 016 040**	1 027 677	**292 134**	219 410	**5 402 936**	5 093 537
Portfolio impairment - Standard category	**(20 734)**	(19 165)	**-**	-	**-**	-	**(20 734)**	(19 165)
Net carrying amount	**4 074 028**	3 827 285	**1 016 040**	1 027 677	**292 134**	219 410	**5 382 202**	5 074 372

The bank holds collateral against advances to customers in the form of mortgage interests over property or other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of the advance. Revolving facilities which have commercial property and/or residential property as collateral is assessed on a three-year interval based on independent valuations. In other instances, collateral is re-assessed after an advance is individually assessed as impaired. Collateral is generally not held over advances to banks.

Financial assets classified as neither past due nor impaired are well diversified with 73% invested in property transactions, 16% in instalment sale transactions (equipment and motor vehicle) and 11% in trade finance transactions. All of the above exposures are collateralised in the form of property, assets, personal sureties and company guarantees. The maximum exposure to credit risk is calculated as being the maximum amount payable by customers, banks and other financial institutions (refer to note 31.1).

Restructured advances are exposures which have been refinanced by the bank, due to the client experiencing financial distress on an existing exposure and where it has been ascertained that the client will be able to meet the amended modified repayment terms after the restructure. Restructured advances are classified as non-performing for the first six months after a restructure has occurred and are thereafter classified according to the bank's normal classification policies. The value of restructured advances at year-end is R62,3 million (2015: R36,3 million).

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

Collateral is allocated per asset class as per overleaf:

	GROUP AND COMPANY			
	Credit exposure	Collateral cover	Credit exposure	Collateral cover
	2016		2015	
	R'000	R'000	R'000	R'000
Standard asset	**3 485 628**	**2 776 986**	3 431 198	2 681 176
Special mention asset	**489 640**	**440 105**	334 799	284 126
Sub-standard asset	**50 929**	**45 524**	36 984	31 791
Doubtful asset	**27 510**	**16 506**	25 860	10 011
Loss asset	**47 008**	**30 914**	24 519	17 242
	4 100 715	**3 310 035**	3 853 360	3 024 346

	GROUP AND COMPANY	
	2016	2015
	R'000	**R'000**
A distribution analysis of past due advances, impaired and past due and not impaired, is disclosed below:		
Past due and individually impaired		
- Individuals	**16 336**	18 557
- Business and trusts	**28 839**	28 073
	45 175	46 630
Past due but not impaired		
- Individuals	**412 199**	397 406
- Business and trusts	**594 226**	470 326
	1 006 425	867 732

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

	GROUP AND COMPANY									
	Less than 30 days		30 to 60 days		60 to 180 days		Greater than 180 days		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000
Individuals	**369 558**	354 051	**30 661**	27 907	**9 630**	11 220	**2 350**	4 228	**412 199**	397 406
Business and trusts	**511 982**	399 466	**28 958**	28 553	**37 944**	40 545	**15 342**	1 762	**594 226**	470 326
	881 540	753 517	**59 619**	56 460	**47 574**	51 765	**17 692**	5 990	**1 006 425**	867 732

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

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

		GROUP AND COMPANY	
		2016	2015
		R'000	**R'000**
Assets held under interest rate risk	- Treasury bills	**194 343**	93 452
Assets held under exchange rate risk	- Foreign currency held	**22 476**	18 078
		216 819	111 530

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

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

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

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

Liquidity risk is managed mainly by ensuring that the funding of the bank is sourced from a wide range of retail deposits with an appropriate spread of short, medium and long-term maturities. Exposure to large deposits is strictly controlled. ALCO monitors and reviews the maturity profiles of the bank's assets and liabilities on a regular basis to ensure that appropriate liquidity levels are maintained to meet future commitments. The bank also has a policy of maintaining liquidity buffers (in the form of Treasury Bills and cash surpluses held on call) comfortably in excess of regulatory requirements.

In terms of Regulation 43, the bank has made available, via its website, the disclosure on the liquidity coverage ratio. This can be accessed via www.albaraka.co.za/Files/LCR.pdf. Refer to note 31.4 for details relating to liquidity risk management.

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

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

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

2. Risk management and assessment (continued)

2.6 Shariah risk (continued)

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

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

2.7 Operational risk

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

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

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

2.8 Reputational risk

Reputational risk, is a risk of loss resulting from damages to a firm's reputation, in lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value. The bank manages this risk by employing adequately trained staff to ensure any risk of exposure to reputational risk is managed proactively.

3. PROPERTY AND EQUIPMENT

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Cost				
Land and buildings	**76 237**	76 237	**63 444**	63 444
Vehicles	**6 088**	5 461	**6 088**	5 461
Equipment and computers	**42 228**	36 299	**42 115**	36 228
Leasehold improvements	**27 287**	19 404	**26 585**	18 708
Tank containers	**-**	7 145	**-**	7 145
Capital work in progress	**4 066**	3 437	**4 064**	3 435
	155 906	147 983	**142 296**	134 421
Accumulated depreciation and impairment	**(41 518)**	(38 984)	**(71 479)**	(64 859)
Land and buildings	**-**	-	**(30 313)**	(26 083)
Vehicles	**(3 600)**	(3 009)	**(3 600)**	(3 009)
Equipment and computers	**(25 493)**	(20 811)	**(25 444)**	(20 785)
Leasehold improvements	**(12 425)**	(9 656)	**(12 122)**	(9 474)
Tank containers	**-**	(5 508)	**-**	(5 508)
Carrying amount	**114 388**	108 999	**70 817**	69 562

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Land and buildings comprise the following commercial properties presented at their carrying amount as described below:				
1. Commercial property in Cape Town described as Erf no. 33983 Cape Town in extent 610 square metres independently valued at R11,0 million in 2015. The property was leased entirely to the bank. Commercial property comprises land and buildings at carrying amount.	**3 655**	3 655		
2. Commercial property in Durban described as Portion 6 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is leased to the bank. The lease contains an initial non-cancellable period of 10 years, starting from 2009. The property was independently valued at R105,0 million in 2015. Commercial property comprises land at a cost of R3,5million (2015: R3,5 million) and buildings thereon at a cost of R69,1 million (2015: R69,1 million).	**72 582**	72 582		
3. Land and buildings held under finance leases comprise Portion 6 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is measured at the present value of the minimum lease payments and is fully depreciated over the period of the lease. The minimum lease payments were discounted taking into consideration an unguaranteed residual of R72,0 million (2015: R72,0 million) and calculating a rate intrinsic in the lease of 14,3% (2015:14,3%).			**33 131**	37 361
	76 237	76 237	**33 131**	37 361

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	**R'000**	**R'000**	**R'000**
3. PROPERTY AND EQUIPMENT (continued)				
Carrying amount at beginning of year	**76 237**	76 237	**37 361**	41 591
Additions	**-**	-	**-**	-
Depreciation	**-**	-	**(4 230)**	(4 230)
Carrying amount at end of year	**76 237**	76 237	**33 131**	37 361

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

	Land and buildings	Vehicles	Equipment and computers	Leasehold improvements	Tank containers	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Movement in property and equipment: Carrying Amount							
Group							
2016							
Cost at beginning of year	76 237	5 461	36 299	19 404	7 145	3 437	147 983
Accumulated depreciation at beginning of year	-	(3 009)	(20 811)	(9 656)	(5 508)	-	(38 984)
Net carrying amount at beginning of year	76 237	2 452	15 488	9 748	1 637	3 437	108 999
Additions	-	876	6 086	3 324	-	6 560	16 846
Transfers	-	-	1 315	4 629	-	(5 931)	13
Disposals	-	-	(265)	(5)	(1 484)	-	(1 754)
Assets written-off	-	-	(168)	-	-	-	(168)
Depreciation for the year	-	(840)	(5 721)	(2 834)	(153)	-	(9 548)
Net carrying amount at end of year	76 237	2 488	16 735	14 862	-	4 066	114 388
Cost at end of year	76 237	6 088	42 228	27 287	-	4 066	155 906
Accumulated depreciation at end of year	-	(3 600)	(25 493)	(12 425)	-	-	(41 518)

	Land and buildings	Vehicles	Equipment and computers	Leasehold improvements	Tank containers	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group 2015							
Cost at beginning of year	76 237	4 822	31 303	17 897	7 145	242	137 646
Accumulated depreciation at beginning of year	-	(2 809)	(17 631)	(7 405)	(5 201)	-	(33 046)
Net carrying amount at beginning of year	76 237	2 013	13 672	10 492	1 944	242	104 600
Additions	-	1 279	4 547	315	-	5 339	11 480
Transfers	-	-	939	1 205	-	(2 144)	-
Disposals	-	(43)	(22)	-	-	-	(65)
Depreciation for the year	-	(797)	(3 648)	(2 264)	(307)	-	(7 016)
Net carrying amount at end of year	76 237	2 452	15 488	9 748	1 637	3 437	108 999
Cost at end of year	76 237	5 461	36 299	19 404	7 145	3 437	147 983
Accumulated depreciation at end of year	-	(3 009)	(20 811)	(9 656)	(5 508)	-	(38 984)
Company **2016**							
Cost at beginning of year	**63 444**	**5 461**	**36 228**	**18 708**	**7 145**	**3 435**	**134 421**
Accumulated depreciation at beginning of year	**(26 083)**	**(3 009)**	**(20 785)**	**(9 474)**	**(5 508)**	**-**	**(64 859)**
Net carrying amount at beginning of year	**37 361**	**2 452**	**15 443**	**9 234**	**1 637**	**3 435**	**69 562**
Additions	**-**	**876**	**6 043**	**3 324**	**-**	**6 560**	**16 803**
Transfers	**-**	**-**	**1 315**	**4 629**	**-**	**(5 931)**	**13**
Disposals	**-**	**-**	**(265)**	**(5)**	**(1 484)**	**-**	**(1 754)**
Assets written-off	**-**	**-**	**(168)**	**-**	**-**	**-**	**(168)**
Depreciation for the year	**(4 230)**	**(840)**	**(5 697)**	**(2 719)**	**(153)**	**-**	**(13 639)**
Net carrying amount at end of year	**33 131**	**2 488**	**16 671**	**14 463**	**-**	**4 064**	**70 817**
Cost at end of year	**63 444**	**6 088**	**42 115**	**26 585**	**-**	**4 064**	**142 296**
Accumulated depreciation at end of year	**(30 313)**	**(3 600)**	**(25 444)**	**(12 122)**	**-**	**-**	**(71 479)**

3. PROPERTY AND EQUIPMENT (continued)

Movement in property and equipment: Carrying Amount

	Land and buildings	Vehicles	Equipment and computers	Leasehold improvements	Tank containers	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Company 2015							
Cost at beginning of year	63 444	4 822	31 303	17 123	7 145	239	124 076
Accumulated depreciation at beginning of year	(21 853)	(2 809)	(17 631)	(7 321)	(5 201)	-	(54 815)
Net carrying amount at beginning of year	41 591	2 013	13 672	9 802	1 944	239	69 261
Additions	-	1 279	4 547	315	-	5 340	11 481
Transfers	-	-	880	1 264	-	(2 144)	-
Disposals	-	(43)	(22)	-	-	-	(65)
Depreciation for the year	(4 230)	(797)	(3 634)	(2 147)	(307)	-	(11 115)
Net carrying amount at end of year	37 361	2 452	15 443	9 234	1 637	3 435	69 562
Cost at end of year	63 444	5 461	36 228	18 708	7 145	3 435	134 421
Accumulated depreciation at end of year	(26 083)	(3 009)	(20 785)	(9 474)	(5 508)	-	(64 859)

All disposals and write-offs reflected in the note above are at net carrying amounts

	GROUP 2016 R'000	GROUP 2015 R'000
4. INVESTMENT PROPERTIES		
Balance at beginning of year	**10 373**	10 399
Additions	**129**	34
Depreciation	**-**	-
Write-off	**-**	(60)
Balance at end of year	**10 502**	10 373

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

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

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

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

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

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

As investment property is classified as a non-financial asset, management has considered its highest and best use and have accordingly concluded not to adjust its fair value from that of the independent valuation referred to above.

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	**R'000**	**R'000**	**R'000**
5. INTANGIBLE ASSETS				
Cost				
Computer software	**6 756**	4 874	**6 756**	4 874
Capitalised project costs	**38 384**	33 472	**38 384**	33 472
Capital work in progress	**6 799**	5 603	**6 799**	5 603
	51 939	43 949	**51 939**	43 949
Accumulated amortisation and impairment	**(25 787)**	(20 149)	**(25 787)**	(20 149)
Computer software	**(3 707)**	(2 449)	**(3 707)**	(2 449)
Capitalised project costs	**(22 080)**	(17 700)	**(22 080)**	(17 700)
	26 152	23 800	**26 152**	23 800

	Computer software	Capitalised project costs	Capital work in progress	Total
	R'000	R'000	R'000	R'000
5. INTANGIBLE ASSETS (continued)				
Movement in intangible assets: Carrying Amount				
Group and Company				
2016				
Cost at beginning of year	**4 874**	**33 472**	**5 603**	**43 949**
Accumulated amortisation at beginning of year	**(2 449)**	**(17 700)**	**-**	**(20 149)**
Net carrying amount at beginning of year	**2 425**	**15 772**	**5 603**	**23 800**
Additions	**1 923**	**546**	**5 575**	**8 044**
Transfers	**-**	**4 366**	**(4 379)**	**(13)**
Disposal	**(18)**	**-**	**-**	**(18)**
Amortisation for the year	**(1 281)**	**(4 380)**	**-**	**(5 661)**
Net carrying amount at end of year	**3 049**	**16 304**	**6 799**	**26 152**
Cost at end of year	**6 756**	**38 384**	**6 799**	**51 939**
Accumulated amortisation at end of year	**(3 707)**	**(22 080)**	**-**	**(25 787)**
All disposals reflected in the note above are at net carrying amounts				
2015				
Cost at beginning of year	3 053	29 805	1 780	34 638
Accumulated amortisation at beginning of year	(1 562)	(14 227)	-	(15 789)
Net carrying amount at beginning of year	1 491	15 578	1 780	18 849
Additions	1 156	2 518	5 637	9 311
Transfers	492	1 322	(1 814)	-
Disposal	-	-	-	-
Amortisation for the year	(714)	(3 646)	-	(4 360)
Net carrying amount at end of year	2 425	15 772	5 603	23 800
Cost at end of year	4 874	33 472	5 603	43 949
Accumulated amortisation at end of year	(2 449)	(17 700)	-	(20 149)

	COMPANY	
	2016	2015
	R'000	R'000

6. INVESTMENT IN AND AMOUNT DUE BY SUBSIDIARY COMPANY

Albaraka Properties Proprietary Limited is 100% (2015: 100%) owned by Albaraka Bank Limited.

The issued share capital of Albaraka Properties Proprietary Limited comprises 1 000 shares of R1 each (2015: 100 shares of R1 each). In 2016, there were an additional 900 shares issued at R1 each.

	2016 R'000	2015 R'000
Shares at cost	**1**	*
Due by subsidiary	**11 971**	11 590
- Amounts owing by subsidiary	**82 477**	83 067
- Finance lease liability (note 32.2)	**(70 506)**	(71 477)
	11 972	11 590

* Amount less than R1 000.

The amount due by the subsidiary is profit-free. For the purposes of classification of financial instruments this is considered to be advances and receivables. The difference between the amounts owing by the subsidiary and the finance lease liability above, is a result of the present value of the lease liability which will unwind over the period of the lease.

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

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	**R'000**	**R'000**	**R'000**
7. DEFERRED TAX ASSET/(LIABILITY)				
Balance at beginning of year	**(477)**	614	**21 621**	20 097
Tax income/(expense) recognised in profit or loss	**2 587**	(829)	**5 006**	1 791
Tax income/(expense) recognised in other comprehensive income	**-**	(277)	**-**	(277)
Deferred tax - prior year over-provision recognised in profit or loss	**7**	15	**7**	10
Balance at end of year	**2 117**	(477)	**26 634**	21 621
The deferred tax asset comprises the following:				
Temporary differences arising on finance lease	**-**	-	**10 465**	9 552
Deferred tax on accumulated tax credits in subsidiary	**-**	-	**-**	-
Temporary differences on financial assets	**(903)**	(853)	**(903)**	(853)
Impairment for doubtful advances	**1 250**	1 451	**1 250**	1 451
Leave pay provision	**2 074**	1 676	**2 074**	1 676
Portfolio impairment	**5 805**	5 366	**5 805**	5 366
Profit not paid to depositors	**12 654**	10 702	**12 654**	10 702
Other	**455**	(699)	**455**	407
Prepaid expenses	**(184)**	(248)	**(177)**	(210)
Intangible assets, property and equipment	**(18 757)**	(17 595)	**(4 712)**	(6 193)
Fair value on investments	**(277)**	(277)	**(277)**	(277)
	2 117	(477)	**26 634**	21 621

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

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

8. INVESTMENT SECURITIES

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Unit trust investments				
Fair value at beginning of year	**8 569**	7 975	**8 569**	7 975
Additions at cost	**100**	118	**100**	118
Fair value gains	**180**	476	**180**	476
Fair value at end of year	**8 849**	8 569	**8 849**	8 569
Unlisted investments				
Kiliminjaro Investment Proprietary Limited, at fair value	**4 076**	4 076	**4 076**	4 076
Earthstone Investments Proprietary Limited at fair value	**10 000**	10 000	**10 000**	10 000
Ahmed Al Kadi Private Hospital Limited at cost	**2 000**	2 000	**2 000**	2 000
	24 925	24 645	**24 925**	24 645

The bank's investment in unit trusts comprise 435 503 units (2015: 430 586 units) in the Old Mutual Albaraka Equity Fund. The carrying value of this investment is R8,8 million (2015: R8,6 million) and has been designated as a fair-value-through-profit-or-loss financial instrument on initial recognition. The investment is treated in this manner in order to eliminate any potential recognition inconsistencies that may arise on changes in the fair value of this instrument, had the instrument been classified on an alternate basis. The fair value of this investment is determined by quoted market prices and changes in fair value are recorded in profit or loss for the year.

Kiliminjaro Investments Proprietary Limited and Earthstone Investments Proprietary Limited are property-owning companies, whilst Ahmed Al Kadi Private Hospital Limited is a hospital development that will provide health-care to the general public. The bank owns 52 000 shares (2015: 52 000 shares) of Kiliminjaro Investments, it purchased 1 000 shares in Earthstone Investments during 2014 and it purchased 160 000 shares in Ahmed Al Kadi Private Hospital in 2015. These investments are classified as available-for-sale financial instruments. Kiliminjaro Investments Proprietary Limited and Earthstone Investments Proprietary Limited are measured at fair value. Ahmed Al Kadi Private Hospital is measured at cost as the cost approximates its fair value. The bank currently has no intention to dispose of these assets.

9. ADVANCES AND OTHER RECEIVABLES

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
9.1 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
Gross advances to customers	**4 100 715**	3 853 360	**4 100 715**	3 853 360
Provision for impairment of doubtful advances	**(26 687)**	(26 075)	**(26 687)**	(26 075)
Net advances to customers after provisions	**4 074 028**	3 827 285	**4 074 028**	3 827 285
Advances to banks				
Equity finance	**531 805**	627 116	**531 805**	627 116
Net advances	**4 605 833**	4 454 401	**4 605 833**	4 454 401
Other receivables	**40 102**	18 982	**39 953**	18 723
	4 645 935	4 473 383	**4 645 786**	4 473 124

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

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	**R'000**	**R'000**	**R'000**
9. ADVANCES AND OTHER RECEIVABLES (continued)				
9.2 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
	4 100 715	3 853 360	**4 100 715**	3 853 360
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
	531 805	627 116	**531 805**	627 116
9.2.1 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)
9.2.2 Portfolio impairment	**20 734**	19 165	**20 734**	19 165
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)**	-
	26 687	26 075	**26 687**	26 075
9.2.3 Impairment for credit losses				
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)
	4 969	6 059	**4 969**	6 059

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.

10. SOUTH AFRICAN REVENUE SERVICE RECEIVABLE

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Value Added Taxation	**-**	-	**-**	50
Income tax	**3 345**	2 305	**3 290**	2 238
	3 345	2 305	**3 290**	2 288

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	**R'000**	**R'000**	**R'000**
11. REGULATORY BALANCES				
Government and other stock	**194 343**	93 452	**194 343**	93 452
Balances with Central Bank	**100 615**	93 924	**100 615**	93 924
	294 958	187 376	**294 958**	187 376
These balances represent mandatory reserve deposits for liquidity requirements and are therefore not available for use in the bank's daily operations.				
12. CASH AND CASH EQUIVALENTS				
Cash on hand	**17 274**	13 777	**17 274**	13 777
Balances with Central Bank	**89 691**	141 782	**89 691**	141 782
Placements with other banks	**99 585**	71 403	**99 585**	71 403
	206 550	226 962	**206 550**	226 962
The following banking facilities are available to the group:				
Settlement facilities	**68 414**	77 675	**68 414**	77 675
	68 414	77 675	**68 414**	77 675
13. SHARE CAPITAL AND SHARE PREMIUM				
13.1 Authorised share capital				
100 000 000 (2015: 100 000 000) ordinary shares of R10 each	**1 000 000**	1 000 000	**1 000 000**	1 000 000
13.2 Issued and fully paid share capital				
32 240 260 (2015: 32 240 260) ordinary shares of R10 each	**322 403**	322 403	**322 403**	322 403
13.3 Share premium				
Balance at beginning of year	**82 196**	82 196	**82 196**	82 196
Balance at end of year	**82 196**	82 196	**82 196**	82 196
Reconciliation of Shares *				
- Opening number of shares issued	**32 240 260**	32 240 260	**32 240 260**	32 240 260
- Closing number of shares issued	**32 240 260**	32 240 260	**32 240 260**	32 240 260

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

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

14. WELFARE AND CHARITABLE FUNDS

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
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	**11 600**	7 911	**11 600**	7 911

15. ACCOUNTS PAYABLE

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Sundry creditors	**9 069**	8 623	**9 053**	8 605
Accruals	**9 114**	7 179	**8 831**	6 986
	18 183	15 802	**17 884**	15 591

Terms and conditions of the above financial liabilities:

Sundry creditors are non-interest bearing and are normally settled on 30-day terms.

Accruals are non-interest bearing and have an average term of six months.

16. SOUTH AFRICAN REVENUE SERVICE PAYABLE

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Value Added Taxation	**705**	81	**579**	-
	705	81	**579**	-

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

17. PROVISION FOR LEAVE PAY

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Balance at beginning of year	**5 987**	5 845	**5 987**	5 845
Accrued during the year	**8 680**	7 445	**8 680**	7 445
Utilised during the year	**(7 259)**	(7 303)	**(7 259)**	(7 303)
Balance at end of year	**7 408**	5 987	**7 408**	5 987

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

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

18. DEPOSITS FROM CUSTOMERS

Maturity analysis				
Within 1 month	**1 924 080**	1 715 482	**1 924 080**	1 715 482
From 1 month to 3 months	**812 486**	864 212	**812 486**	864 212
From 3 months to 1 year	**1 849 864**	1 805 410	**1 849 864**	1 805 410
Greater than 1 year	**2 282**	2 801	**2 282**	2 801
More than 5 years	**45 188**	38 222	**45 188**	38 222
	4 633 900	4 426 127	**4 633 900**	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 and 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.

19. SUKUK

Sukuk capital	**30 300**	-	**30 300**	-
Sukuk profit payable	**242**	-	**242**	-
	30 542	-	**30 542**	-

The sukuk investment product was launched in October 2016 with an initial investment of R30,3 million, being the first tranche in a R200 million issuance to take place in due course. The Sukuk investment product qualifies as a tier II capital instrument in terms of Basel III with a 10-year maturing period. The Albaraka Sukuk Trust was formed with the sole purpose of administering the issuance and management of the Sukuk investment product to the Sukuk certificate holders. Profits are paid monthly and the R242 000 profit payable balance represents the December profit accrual which was paid in January 2017.

20. INCOME PAID TO DEPOSITORS

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
21. NET NON-ISLAMIC INCOME				
Interest income	19 727	11 731	19 727	11 731
	19 727	11 731	19 727	11 731
Amount transferred to welfare and charitable funds	(19 727)	(11 731)	(19 727)	(11 731)
	-	-	-	-
22. FEE AND COMMISSION INCOME				
Service fees	17 729	21 434	17 729	21 434
Commission received on sale of unit trusts	6 010	6 164	6 010	6 164
Profit from foreign currency trading	10 680	16 064	10 680	16 064
Management fee from subsidiary	-	-	220	210
	34 419	43 662	34 639	43 872
23. OTHER OPERATING INCOME				
Property rental income	-	-	237	229
Net parking income from investment property	906	800	-	-
Tank container rental income	327	654	327	654
Dividend income	1 422	1 271	10 422	8 271
Fair value gain on financial instruments	180	476	180	476
Other	1 818	2 943	1 818	2 943
	4 653	6 144	12 984	12 573
24. OPERATING EXPENDITURE				
Operating expenditure includes:				
Auditor's remuneration				
Audit fees				
- current year	2 429	2 250	2 392	2 231
- prior year under-provision	7	97	7	97
Fees for other services				
- Tax consultancy	-	-	-	-
- Other	370	384	370	384
	2 806	2 731	2 769	2 712

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	**R'000**	**R'000**	**R'000**
24. OPERATING EXPENDITURE (continued)				
Consultancy fees	**5 008**	4 290	**4 977**	4 196
Depreciation of property and equipment	**9 548**	7 016	**13 639**	11 115
Amortisation of intangible assets	**5 661**	4 360	**5 661**	4 360
Assets written-off	**168**	65	**168**	65
Loss on investment property	**-**	60	**-**	-
Operating lease charges	**3 801**	2 912	**4 536**	3 584
Research costs	**959**	650	**959**	650
Staff costs	**94 771**	82 516	**94 771**	82 516
Directors' emoluments			**9 907**	8 154
- Executive services			**7 924**	6 582
- Non-executive directors' fees			**1 983**	1 572

	2016			2015		
	Salary	**Other benefits**	**Total**	Salary	Other benefits	Total
	R'000	**R'000**	**R'000**	R'000	R'000	R'000
24.1 Executive services						
Company only						
SAE Chohan - Chief executive	**2 211**	**608**	**2 819**	2 065	504	2 569
MJD Courtiade - Chief operating officer	**1 830**	**200**	**2 030**	1 714	175	1 889
A Ameed - Financial director	**1 354**	**183**	**1 537**	1 157	139	1 296
M Kaka - Executive director	**1 307**	**231**	**1 538**	791	37	828
	6 702	**1 222**	**7 924**	5 727	855	6 582

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

	COMPANY	
	2016	2015
	R'000	**R'000**
24.2 Non-executive directors' fees		
AA Yousif	**242**	166
Adv. AB Mahomed SC	**46**	168
F Kassim	**159**	120
A Lambat	**210**	175
MS Paruk	**289**	221
YM Paruk	**210**	155
SA Randeree	**232**	177
M Youssef Baker	**56**	163
MG McLean	**178**	138
NJ Kunene	**178**	89
YGH Suleman	**183**	-
	1 983	1 572

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	**R'000**	**R'000**	**R'000**
25. TAXATION				
South African tax				
Normal - current year	**22 708**	21 968	**21 055**	20 898
- prior year	**1 045**	(26)	**1 045**	(9)
Attributable to income from non-Islamic activities (refer to accounting policy 11 and note 14)				
- current year	**(3 363)**	(1 660)	**(3 363)**	(1 660)
- prior year	**(793)**	-	**(793)**	-
Deferred tax - current year	**(2 587)**	829	**(5 006)**	(1 791)
- prior year	**(7)**	1	**(7)**	(10)
Taxation attributable to Islamic activities	**17 003**	21 112	**12 931**	17 428

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	%	**%**	**%**	**%**
Effective tax rate	**29,2**	27,7	**24,5**	25,3
Adjustable items:				
Non-taxable income	**0,9**	1,1	**5,6**	3,6
Non-deductible expenditure	**(1,6)**	(0,8)	**(1,6)**	(0,9)
Current tax adjustment - prior year	**(0,5)**	-	**(0,5)**	-
Deferred tax adjustment - prior year	**-**	-	**-**	-
	28,0	28,0	**28,0**	28,0

26. 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

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	**R'000**	**R'000**	**R'000**
27. DIVIDENDS				
A dividend of 50 cents per share (2015: 45 cents) was paid on 22 July 2016 to shareholders registered on the shareholders register of the bank at close of business on 01 July 2016.	**16 120**	14 508	**16 120**	14 508
28. STATEMENT OF CASH FLOWS				
28.1 Cash generated from operations				
Profit before taxation	**58 199**	76 153	**52 870**	68 837
Adjustment for non-cash items and investment income:				
Depreciation of property and equipment	**9 548**	7 016	**13 639**	11 115
Depreciation of investment property	**-**	-	**-**	-
Dividend income	**(1 422)**	(1 271)	**(10 422)**	(8 271)
Unrealised forex (gains)/losses	**1 630**	(4 220)	**1 630**	(4 220)
Amortisation of intangible assets	**5 661**	4 360	**5 661**	4 360
Profit on disposal of property and equipment	**(382)**	(202)	**(382)**	(202)
Assets written-off	**168**	-	**168**	-
Investment property written-off	**-**	60	**-**	-
Straight-lining of operating leases	**129**	89	**129**	89
Provision for leave pay	**1 421**	142	**1 421**	142
Impairment for credit losses	**(5 167)**	(6 181)	**(5 167)**	(6 181)
Fair value gain on financial instruments	**(180)**	(476)	**(180)**	(476)
	69 605	75 470	**59 367**	65 193
28.2 Changes in working capital				
Increase/(decrease) in deposits from customers	**207 773**	196 442	**207 773**	196 442
Increase/(decrease) in Sukuk investment	**30 300**	-	**30 300**	-
Increase/(decrease) in accounts payable	**2 429**	3 843	**2 346**	3 686
Increase/(decrease) in welfare and charitable funds	**7 845**	5 837	**7 845**	5 837
(Increase)/decrease in advances and other receivables	**(167 385)**	(225 566)	**(167 495)**	(225 528)
(Increase)/decrease in regulatory balances	**(107 582)**	(15 770)	**(107 582)**	(15 770)
	(26 620)	(35 214)	**(26 813)**	(35 333)
28.3 Taxation paid				
Amount receivable at beginning of year	**2 305**	(271)	**2 238**	(271)
Amount charged to profit for the year	**(19 597)**	(20 298)	**(17 944)**	(19 229)
Amount charged to welfare and charitable funds	**(4 156)**	(1 660)	**(4 156)**	(1 660)
Amount receivable at end of year	**(3 345)**	(2 305)	**(3 290)**	(2 238)
	(24 793)	(24 534)	**(23 152)**	(23 398)

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
28. STATEMENT OF CASH FLOWS (continued)				
28.4 Dividends paid				
Amount outstanding at beginning of year	**(961)**	(1 343)	**(961)**	(1 343)
Dividends declared and paid	**(16 120)**	(14 508)	**(16 120)**	(14 508)
Amount outstanding at end of year	**1 053**	961	**1 053**	961
	(16 028)	(14 890)	**(16 028)**	(14 890)
28.5 Purchase of property and equipment				
Vehicles	**(876)**	(1 279)	**(876)**	(1 279)
Equipment and computers	**(6 086)**	(4 547)	**(6 043)**	(4 547)
Leasehold improvements	**(3 324)**	(315)	**(3 324)**	(315)
Work in progress	**(6 560)**	(5 339)	**(6 560)**	(5 339)
	(16 846)	(11 480)	**(16 803)**	(11 480)
28.6 Purchase of investment property				
Development of land	**(129)**	(34)	**-**	-
	(129)	(34)	**-**	-
28.7 Purchase of intangible assets				
Computer software	**(1 923)**	(1 156)	**(1 923)**	(1 156)
Capitalised project costs	**(546)**	(2 518)	**(546)**	(2 518)
Work in progress	**(5 575)**	(5 637)	**(5 575)**	(5 637)
	(8 044)	(9 311)	**(8 044)**	(9 311)
29. LETTERS OF CREDIT, GUARANTEES AND CONFIRMATIONS				
Guarantees and confirmations	**292 134**	213 691	**292 134**	213 691
Letters of credit	**-**	5 719	**-**	5 719
	292 134	219 410	**292 134**	219 410

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

	GROUP		COMPANY	
30. CAPITAL COMMITMENTS				
Authorised and contracted for				
- Property and equipment	**1 164**	73	**1 164**	38
	1 164	73	**1 164**	38

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

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	**R'000**	**R'000**	**R'000**
31. FINANCIAL INSTRUMENTS				
31.1 Credit risk - maximum exposure to credit risk				
Advances to customers (note 9.1)	**4 100 715**	3 853 360	**4 100 715**	3 853 360
Advances and balances with banks	**631 390**	698 519	**631 390**	698 519
Advances and balances with Central Bank	**384 650**	329 158	**384 650**	329 158
Letters of credit, guarantees and confirmations	**292 134**	219 410	**292 134**	219 410
	5 408 889	5 100 447	**5 408 889**	5 100 447
31.2 Currency risk				
The group's exposure to currency risk was as follows:				
Cash and cash equivalents				
- EUR	**1 943**	6 635	**1 943**	6 635
- GBP	**1 525**	861	**1 525**	861
- SAR	**155**	324	**155**	324
- USD	**18 189**	9 691	**18 189**	9 691
- Others	**664**	567	**664**	567
	22 476	18 078	**22 476**	18 078

Based on our year-end foreign currency holdings, a 1% fluctuation in the exchange rate will result in a R225 000 foreign exchange gain or loss. The bank does not speculate in currency fluctuations and therefore does not hold any stock for this purpose.

31.3 Derivative instruments

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

31. FINANCIAL INSTRUMENTS (continued)

31.4 Liquidity risk

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

	Carrying Amount	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 Years	More than 5 years
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2016						
Assets						
Advances and other receivables	**4 645 935**	**434 681**	**471 460**	**607 801**	**1 627 618**	**1 504 375**
Investment securities	**24 925**	**-**	**-**	**-**	**-**	**24 925**
Cash and cash equivalents and regulatory balances	**501 508**	**206 550**	**-**	**194 343**	**100 615**	**-**
	5 172 368	**641 231**	**471 460**	**802 144**	**1 728 233**	**1 529 300**
Liabilities						
Deposits from customers	**4 633 900**	**1 923 921**	**812 535**	**1 849 974**	**2 282**	**45 188**
Sukuk	**30 542**	**30 542**	**-**	**-**	**-**	**-**
Accounts payable	**18 183**	**16 980**	**219**	**984**	**-**	**-**
Letters of credit, guarantees and confirmations	**292 134**	**11 145**	**92 339**	**105 143**	**57 653**	**25 854**
	4 974 759	**1 982 588**	**905 093**	**1 956 101**	**59 935**	**71 042**
Net liquidity gap	**197 609**	**(1 341 357)**	**(433 633)**	**(1 153 957)**	**1 668 298**	**1 458 258**

The liquidity disclosure of the Sukuk is based on the terms and conditions which were approved by the SARB.

	Carrying Amount	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 Years	More than 5 years
Group						
2015						
Assets						
Advances and other receivables	4 473 383	471 720	667 764	532 935	1 470 203	1 330 761
Investment securities	24 645	-	-	-	-	24 645
Cash and cash equivalents and regulatory balances	414 338	226 962	-	93 452	-	93 924
	4 912 366	698 682	667 764	626 387	1 470 203	1 449 330
Liabilities						
Deposits from customers	4 426 127	1 715 483	864 212	1 805 409	2 801	38 222
Accounts payable	15 802	14 032	1 180	590	-	-
Letters of credit, guarantees and confirmations	219 410	21 176	90 215	48 751	31 288	27 980
	4 661 339	1 750 691	955 607	1 854 750	34 089	66 202
Net liquidity gap	251 027	(1 052 009)	(287 843)	(1 228 363)	1 436 114	1 383 128

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	**R'000**	**R'000**	**R'000**
31.5 Market risk				
The bank's exposure to market risk at year end:				
- Interest rate risk - Treasury bills	**194 343**	93 452	**194 343**	93 452
- Exchange rate risk - Foreign currency	**22 476**	18 078	**22 476**	18 078
	216 819	111 530	**216 819**	111 530

31.6 Intrinsic rate risk

Loans and borrowings subject to intrinsic rate risk

			COMPANY	
			2016	2015
	Intrinsic rate	**Maturity**	**R'000**	**R'000**
	14,3%	2024		
Current portion - less than 12 months			**11 128**	10 304
Non-current portion - greater than 12 months			**59 378**	61 173
Total obligations under finance leases (note 32.2)			**70 506**	71 477

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

31.7 Accounting classification

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

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

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

Financial instruments for which fair value approximates carrying value

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

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing market profit rates when they were first recognised with current market rates for similar financial instruments.

The estimated fair value of fixed profit bearing deposits is based on discounted cash flows using prevailing money-market profit rates for debts with similar credit risk and maturity. For those notes issued where quoted market prices are not available, a discounted cash flow model is used, based on a current profit rate yield curve, appropriate for the remaining term to maturity and credit spreads.

For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

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

31. FINANCIAL INSTRUMENTS (continued)
31.7 Accounting classification (continued)

	Advances and receivables	Available-for- sale	Held to maturity	Amortised Cost	Fair value through profit and loss	Carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2016						
Assets						
Advances	**4 608 553**	-	-	-	-	**4 608 553**
Investment securities	-	**16 076**	-	-	**8 849**	**24 925**
Cash and cash equivalents	**206 550**	-	-	-	-	**206 550**
Regulatory balances	**100 615**	-	**194 343**	-	-	**294 958**
	4 915 718	**16 076**	**194 343**	-	**8 849**	**5 134 986**
Liabilities						
Deposits from customers	-	-	-	**4 633 900**	-	**4 633 900**
Sukuk	-	-	-	**30 542**	-	**30 542**
Accounts payable	-	-	-	**18 183**	-	**18 183**
	-	-	-	**4 682 625**	-	**4 682 625**
Group						
2015						
Assets						
Advances	4 454 401	-	-	-	-	4 454 401
Investment securities	-	16 076	-	-	8 569	24 645
Cash and cash equivalents	226 962	-	-	-	-	226 962
Regulatory balances	93 924	-	93 452	-	-	187 376
	4 775 287	16 076	93 452	-	8 569	4 893 384
Liabilities						
Deposits from customers	-	-	-	4 426 127	-	4 426 127
Accounts payable	-	-	-	15 802	-	15 802
	-	-	-	4 441 929	-	4 441 929

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
Group				
2016				
Financial assets				
- Advances and receivables	**-**	**4 915 718**	**-**	**4 915 718**
- Available-for-sale	**-**	**16 076**	**-**	**16 076**
- Held to maturity	**-**	**194 343**	**-**	**194 343**
- Fair value through profit and loss	**8 849**	**-**	**-**	**8 849**
	8 849	**5 126 137**	**-**	**5 134 986**
Financial liabilities				
- Amortised cost	**-**	**4 682 625**	**-**	**4 682 625**
	-	**4 682 625**	**-**	**4 682 625**
2015				
Financial assets				
- Advances and receivables	-	4 775 287	-	4 775 287
- Available-for-sale	-	16 076	-	16 076
- Held to maturity	-	93 452	-	93 452
- Fair value through profit and loss	8 569	-	-	8 569
	8 569	4 884 815	-	4 893 384
Financial liabilities				
- Amortised cost	-	4 441 929	-	4 441 929
	-	4 441 929	-	4 441 929

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

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

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	**R'000**	**R'000**	**R'000**
32. LEASES				
Operating leases				
32.1. Leases as lessee				
Non-cancellable operating lease rentals payable are as follows:				
Less than one year	**3 687**	2 790	**3 687**	2 790
Between one and five years	**3 950**	3 908	**3 950**	3 908
	7 637	6 698	**7 637**	6 698

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

32. LEASES (continued)

	2016		2015	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Finance leases				
32.2 Leases as lessee - Company				
Less than one year	**11 875**	**11 128**	10 996	10 304
Between one and five years	**57 793**	**37 931**	53 512	35 122
More than five years	**53 031**	**21 447**	69 187	26 051
Total minimum lease payments	**122 699**	**70 506**	133 695	71 477
Less amounts representing finance charges	**(52 193)**	**-**	(62 218)	-
Present value of minimum lease payments - (note 6)	**70 506**	**70 506**	71 477	71 477

Albaraka Bank Limited has entered into a finance lease with its wholly-owned subsidiary, Albaraka Properties Proprietary Limited for the use of its property as the bank's corporate head office. This lease is for an initial period of 10 years with a five-year renewal option. Rentals are escalated annually at 8%. No purchase option exists. Renewals are at the option of the bank. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are stated above. The rate intrinsic in the lease is 14,3% (2015: 14,3%) after considering the unguaranteed residual value of R72,0 million (2015: R72,0 million) which will be realised at the end of the lease.

33. RETIREMENT BENEFITS

Albaraka Bank Limited contributes to the Albaraka Bank Provident Fund, a defined contribution plan. The fund is registered under and governed by the Pension Funds Act, 1956, as amended. Employee benefits are determined according to each member's equitable share of the total assets of the fund. The company's contribution for the year was R8,8 million (2015: R7,9 million). Executives portion of the benefit amounted to R670 200 for the year (2015: R572 778).

34. RELATED PARTY INFORMATION

The holding company of Albaraka Bank Limited at 31 December 2016 is Al Baraka Banking Group B.S.C. which is a company registered in the Kingdom of Bahrain and which holds 64,5% (2015: 64,5%) of the company's ordinary shares.

DCD Holdings (SA) Proprietary Limited and DCD London & Mutual Plc, a company incorporated in England and Wales, jointly hold 12,6% (2015: 12,6%) of the company's ordinary shares.

Timewest Investments Proprietary Limited, a company incorporated in South Africa, holds 7,7% (2015: 7,7%) of the company's ordinary shares.

The Iqraa Trust is a registered trust whose beneficiaries are charitable, welfare and educational institutions. The Trust is one of various beneficiaries of the bank's charitable activities. Two of the bank's directors are also Trustees of the Trust. The Iqraa Trust is not consolidated.

The Albaraka Sukuk Trust is a registered trust, formed with the intention of the administration of the Sukuk which was issued by Albaraka Bank Limited. The beneficiaries of the Trust are the Sukuk certificate holders. The Trust has five Trustees comprising an institutional Trustee, one of the banks directors, a chartered accountant, an individual from the business community, as well as an advocate. The only exposure between the Sukuk Trust and the bank currently relates to the Sukuk investment, as disclosed under note 19.

The subsidiary of the bank, Albaraka Properties (Proprietary) Limited, and the related inter-company balances are identified in note 6. The bank also made finance lease repayments amounting to R10 995 721 (2015: R10 181 223) for the year.

As the subsidiary does not maintain a physical bank account, all revenue and expenditure transactions are facilitated by Albaraka Bank Limited and are accounted for via the inter-company account. The management fee charged to the subsidiary is disclosed in note 22.

A dividend of R9 000 000 (2015: R7 000 000) was declared during the year.

The directors are considered the key management personnel and the remuneration paid to the directors is disclosed in note 24. Albaraka Bank Limited enters into financial transactions, including normal banking relationships, with companies in which the directors of the bank have a beneficial interest.

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

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

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

	COMPANY	
	2016	2015
	R'000	**R'000**
Property finance - Musharaka and Murabaha		
Balance outstanding at beginning of year	**16 303**	19 786
Advances granted during the year	**8 855**	2 710
Repayments during the year	**(6 127)**	(8 069)
Profit earned	**1 985**	1 876
	21 016	16 303
Profit mark-up range for the year	**5,0% - 11,0%**	5,0% - 9,5%

The profit mark-up of 5% is in respect of advances to executive directors at subsidised rates which, at year end amounted to R3 049 252 (2015: R1 545 712).

Instalment sale		
Balance outstanding at beginning of year	**3 008**	2 162
Advances granted during the year	**1 316**	2 237
Repayments during the year	**(1 881)**	(2 065)
Profit earned	**626**	674
	3 069	3 008
Profit mark-up range for the year	**6,0% - 12,94%**	6,0% - 9,5%
Trade finance		
Balance outstanding at beginning of year	**4 012**	4 341
Advances granted during the year	**8 832**	8 377
Repayments during the year	**(9 511)**	(9 462)
Profit earned	**861**	756
	4 194	4 012
Profit mark-up range for the year	**9,25% - 10,5%**	8,5% - 9,75%
Iqraa Trust		
Balance due to the Trust at beginning of year	**-**	-
Funds received on behalf of the Trust	**(1)**	(1)
Funds paid over to the Trust	**1**	1
Balance due to the Trust at end of year	**-**	-

During the year, the bank donated an amount of R6 221 674 (2015: R5 516 524) to the Trust. At 31 December 2016 funds deposited by the Trust with the bank amounted to R19 365 812 (2015: R26 448 977)

Total exposure to related parties	**58 579**	23 323

Staff advances are conducted at subsidised profit rates. The amount subject to the subsidised profit rate is dependent on the staff member's position within the entity.

The total staff advances outstanding at the end of the period amounted to	**52 983**	49 903

35. STANDARDS AND AMENDMENTS NOT YET EFFECTIVE

At the date of authorisation of the annual financial statements for the year ended 31 December 2016, the following accounting standards, interpretations and amendments were in issue but not yet effective. These standards will be adopted at their effective dates, with no early adoption intended.

Effective Date

IFRS 9: Financial Instruments
The IFRS 9 standard addresses the recognition, classification, measurement and de-recognition of financial assets and financial liabilities. The standard is based on an expected loss model which is more forward looking, replacing the IAS 39 incurred loss model which is backward looking.

The standard is expected to have an impact on both the measurement and presentation of financial assets and financial liabilities held by the bank. IFRS 9 is based on a three-stage model which requires assessment of the deterioration or improvement in a financial instrument from origination.

Expected credit losses are recognised in stage 1 where finance transactions are assessed over the first 12 months from date of origination and then through a continuous assessment to determine whether a transaction has increased significantly in credit risk, which will result in the transaction moving into stage 2 and 3, which recognises losses over a lifetime assessment.

Judgement will need to be applied to determine significant increase in credit risk which determines the movement between various stages. IFRS 9 requires enhancements to data and system requirements so as to feed into a robust model.

At present there is no reliable estimate available to determine the quantitative impact on the financial statements, as the model for expected losses is currently being developed. Based on industry information, the expectation is that there will be an increase in provisions. The bank is expected to go live from the 01 July 2017 on a parallel run with the existing impairment model in order to refine the model-build process.

An IFRS 9 committee has been formed internally, as well as across the Albaraka Banking Group, to ensure that deliverables in terms of IFRS 9 requirements are timeously met. The committee consists of executive directors, senior management and departmental representatives, ensuring a holistic approach to the implementation of the standard.

01 Jan 2018

The significant elements that need to be implemented in order to be IFRS 9-compliant involve:
The implementation of a corporate rating system and

The implementation of a retail rating system.

The build of the actual model takes into account the above ratings, which will be sensitive to the performance of transactions and changes in the macro-economic environment.

A leading accounting firm has been appointed to assist with the development of the model. The IFRS 9 Committee is currently engaging with the service provider to assess the data and system requirements for the proposed modelling approach. The model-build is expected to be completed by June 2017.

Post-delivery assistance and training is planned for July 2017 and a parallel run is to commence from this date. As per the standard's requirement, the effective date of implementation is 01 January 2018.

Albaraka Bank Limited will choose not to restate prior periods, rather it will recognise any difference between the previous reported carrying amounts and the new carrying amounts of financial assets and liabilities at the beginning of the annual reporting period which will include the date of initial application planned for 01 January 2018, in opening retained earnings.

IFRS 15: Revenue from contracts with customers

IFRS 15 replaces all existing revenue requirements in terms of IFRS and applies to revenue from contracts with customers. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. The underlining assumption is that revenue will need to be recognised when any performance obligations are met.

Al Baraka Bank generates the majority of its income from funding activities with only a portion generated from non-funding activities. The funding activities (income generated from advances and equity finance) are excluded under the scope of IFRS 15 as these are covered as part of IFRS 9. Only our non-funding activities (transactional income, unit trust income, forex income and debit card income) fall within the scope of IFRS 15. These non-funding activities do not, however, require contracts with customers and are not dependent on a future performance obligation.

These income streams are, rather, driven by activity levels of customers at a point in time and are recognised as such. This means that our initial assessment of IFRS 15 indicates that there will be little to no impact of this standard.

01 Jan 2018

IFRS 16: Leases

The IASB has issued IFRS 16: Leases that requires lessees to recognise most leases on their balance sheets. Lessees will have a single accounting model for all leases, with certain exemptions. Lessors accounting is substantially unchanged. The standard contains additional disclosure requirements for leasing arrangements entered into.

The implication of this standard has been discussed by the audit committee, with the expectation that it will impact the bank's asset base by capitalising the bank's branch premises, of which the majority are currently being leased on an operating lease basis.

The impact of this on the bank's regulatory requirements are still being assessed by the banking industry and the South African Reserve Bank.

01 Jan 2019

IAS 12: Recognition of deferred tax assets for unrealised losses

The amendment clarifies and provides guidance on how an entity should determine future taxable profits that may include the recovery of some assets for more than its carrying amount. The only potential impact on the bank is its investment in equities which is marginal.

01 Jan 2017

AAOIFI 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**
Assets				
Cash and cash equivalents	**501 508**	414 338	**501 508**	414 338
Sales receivables	**1 502 680**	1 669 648	**1 502 680**	1 669 648
Musharaka financing	**3 103 153**	2 784 753	**3 103 153**	2 784 753
Investment securities	**24 925**	24 645	**24 925**	24 645
Investment in subsidiary company	**-**	-	**11 972**	11 590
Total investments	**5 132 266**	4 893 384	**5 144 238**	4 904 974
Other assets	**45 564**	21 287	**69 877**	42 632
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
Total assets	**5 328 872**	5 057 843	**5 311 084**	5 040 968
Liabilities, unrestricted investment accounts and owners' equity				
Liabilities				
Customer current accounts and other	**522 277**	443 915	**522 277**	443 915
Payables	**26 296**	22 347	**25 871**	21 578
Other liabilities	**11 600**	7 911	**11 600**	7 911
Total liabilities	**560 173**	474 173	**559 748**	473 404
Equity of unrestricted investment account holders	**4 066 435**	3 943 990	**4 066 435**	3 943 990
Sukuk	**30 542**	-	**30 542**	-
Profits distributable to depositors	**45 188**	38 222	**45 188**	38 222
Total liabilities and unrestricted investment accounts	**4 702 338**	4 456 385	**4 701 913**	4 455 616
Owners' equity	**626 534**	601 458	**609 171**	585 352
Share capital	**322 403**	322 403	**322 403**	322 403
Share premium	**82 196**	82 196	**82 196**	82 196
Other reserve	**1 200**	1 200	**1 200**	1 200
Retained income	**220 735**	195 659	**203 372**	179 553
Total liabilities, unrestricted investment accounts and owners' equity	**5 328 872**	5 057 843	**5 311 084**	5 040 968

AAOIFI 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 from sales receivables	**132 401**	131 555	**132 401**	131 555
Income from Musharaka financing	**293 483**	260 117	**293 483**	260 117
Return on unrestricted investment accounts before the bank's share as mudarib	**425 884**	391 672	**425 884**	391 672
Less: bank's share as mudarib	**(216 275)**	(198 378)	**(216 275)**	(198 378)
Return on unrestricted accounts	**209 609**	193 294	**209 609**	193 294
Bank's share in income from investment (as a mudarib and as a fund-owner)	**216 275**	198 378	**216 275**	198 378
Bank's income from its own investments	**1 422**	1 271	**10 422**	8 271
Revenue from banking services	**17 729**	26 813	**17 729**	26 813
Other revenue	**19 921**	21 722	**19 472**	21 361
Total bank revenue	**255 347**	248 184	**263 898**	254 823
Administrative and general expenditure	**(181 939)**	(160 655)	**(191 728)**	(170 511)
Depreciation of property and equipment	**(9 548)**	(7 016)	**(13 639)**	(11 115)
Amortisation of intangible assets	**(5 661)**	(4 360)	**(5 661)**	(4 360)
Profit before taxation	**58 199**	76 153	**52 870**	68 837
Taxation	**(17 003)**	(21 112)	**(12 931)**	(17 428)
Profit for the period	**41 196**	55 041	**39 939**	51 409

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