ALBARAKA BANK LIMITED

(Registration No. 1989/003295/06)

Bi-annual disclosures in terms of Banks' Act Regulation 43

June 2025

Contents

1. Scope of application

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

The Bank has two wholly owned subsidiaries, one of which is a property holding company, the other formed in 2024 for the administration of the Banks Takaful (Islamic Insurance) service offering and one structured entity being a trust which administers the issuance and management of the Albaraka Sukuk product.

The subsidiaries and trust are consolidated for accounting purposes and Group Annual Financial Statements are prepared annually. The subsidiaries and trust are consolidated for regulatory purposes in accordance with Regulation 36(2) of the Banks Act and Regulations.

2. Basis of compilation

The following disclosures have been compiled in line with Regulation 43 of the Banks' Act No. 94 of 1990 (as amended) which incorporates Basel pillar III requirements. All disclosures are consistent with International Financial Reporting Standards (IFRS).

3. Financial Results

INTERIM REPORT TO THE SHAREHOLDERS OF ALBARAKA BANK LIMITED
Unaudited results for the period ended 30 June 2025

	Six months ended 30 Jun			Year ended 31 Dec
	2025	2024		2024
Statement of comprehensive income	R'000	R'000	%	R'000
Income earned from advances	412 966	426 031	(3)	853 928
Income earned from interbank placements - murabaha	14 840	6 037	146	13 357
Income earned from interbank placements - mudarabah	27 220	22 293	22	48 780
Income from Sovereign Sukuk	41 668	25 569	63	68 276
Gross income earned	**496 694**	**479 930**	3	**984 341**
Credit Loss Expense	(2 903)	(13 203)	78	(16 104)
Gross Income after Credit loss expense	**493 791**	**466 727**	6	**968 237**
Income paid to depositors	(200 312)	(191 780)	4	(399 407)
Income paid to Tier 2 sukuk holders	(14 955)	(15 266)	(2)	(30 449)
Net income Earned	**278 524**	**259 681**	7	**538 381**
Fee and commission income	27 045	23 286	16	50 014
Other operating income	1 855	1 393	33	3 392
Net income from operations	**307 424**	**284 360**	8	**591 787**
Operating expenditure	(178 856)	(156 609)	14	(331 738)
Finance costs	(201)	(299)	(33)	(543)
Profit before taxation	**128 367**	**127 452**	1	**259 506**
Taxation	(32 073)	(32 347)	(1)	(60 128)
Profit after tax for the year attributable to equity holders	**96 294**	**95 105**	1	**199 378**
Other comprehensive income items subsequently classified to profit and loss				
Fair value gains net of tax	-	-	0	89
Total comprehensive income for the year	**96 294**	**95 105**	1	**199 467**
Attributable to ordinary shareholders	85 964	84 559	2	178 359
Attributable to Additional Tier 1 Sukuk instrument Holders	10 330	10 546	(2)	21 108
Weighted average number of shares in issue ('000)	32 240	32 240	0	32 240
Basic and diluted earnings per share (cents)	266.6	262.3	2	552.9

Statement of financial position	Six months ended 30 Jun 2025 R'000	2024 (Restated)* R'000	%	Year ended 31 Dec 2024 R'000
Assets				
Deferred Tax Asset*	37 052	9 940	273	30 119
Property and equipment	101 793	91 676	11	102 688
Right of use asset	2 994	4 972	(40)	3 664
Investment property	10 339	10 339	0	10 339
Intangible assets	49 984	57 004	(12)	54 543
Investment securities	17 680	17 567	1	17 680
Advances and other receivables	7 345 243	7 511 256	(2)	7 264 691
Interbank and Sovereign Sukuk placements*	1 557 450	896 980	74	1 369 593
Regulatory balances*	618 975	626 232	(1)	618 507
South African Revenue Service receivable	-	413	(100)	-
Cash and cash equivalents	100 008	103 913	(4)	311 542
Total assets	**9 841 518**	**9 330 292**	5	**9 783 366**
Equity and liabilities				
Equity				
Share capital	322 403	322 403	(0)	322 403
Share premium	82 196	82 196	0	82 196
Other reserves	2 529	2 440	4	2 529
Retained Income	780 436	656 783	19	694 472
Shareholders' interests	**1 187 564**	**1 063 822**	12	**1 101 600**
Additional Tier 1 Sukuk	124 000	124 000	0	124 000
Total equity	**1 311 564**	**1 187 822**	10	**1 225 600**
Liabilities				
Deferred Tax Liability*	18 190	18 206	0	18 174
Welfare and charitable funds	64 575	59 212	9	59 389
Sukuk Holders	311 248	311 248	0	311 248
Provision for leave pay	10 109	7 164	41	7 330
Lease liabilities	3 499	5 334	(34)	4 103
Accounts payable	101 024	93 431	8	69 277
South African Revenue Service payable	2 220		100	1 311
Deposits from customers	8 019 089	7 647 875	5	8 086 934
Total liabilities	**8 529 954**	**8 142 470**	5	**8 557 766**
Total equity and liabilities	**9 841 518**	**9 330 292**	5	**9 783 366**

***Comparative amounts have been restated to align with 31 December 2024 disclosures in the Annual Financial Statements available on www.albaraka.co.za**.*

4. Regulatory Capital Adequacy

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 commitments and guarantee exposures as determined by the provisions of Basel III.

The capital structure of the Bank is as follows:

Regulatory capital	**June 2025 R'000**	**June 2024 R'000**
Tier 1		
Share capital	322 403	322 403
Share premium	82 196	82 196
Retained income	775 233	651 536
Less: Unappropriated Profits	(86 363)	(58 278)
Unrealised gains and losses on available for sale items net of tax	2 529	2 441
Total capital & reserves	1 095 998	1 000 298
Less: Prescribed deductions against capital and reserve funds	(45 394)	(49 710)
Total Tier 1 capital	1 050 604	950 588
Additional Tier 1 Sukuk	124 000	124 000
Total additional Tier 1	1 174 604	1 074 588
Tier 2		
Stage 1 and stage 2	35 302	29 961
Sukuk	173 220	234 760
Total eligible capital	1 383 126	1 339 309
Capital adequacy ratios (Tier 1 %)	13.68%	14.24%
Capital adequacy ratios (Total %)	16.11%	17.75%
Minimum regulatory requirement ratios (Total %)	9.00%	9.00%

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 several 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 30 June 2025 the minimum capital requirements and risk-weighted assets of the bank for credit risk, counterparty 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	
	2025	**2024**	**2025**	**2024**
	R'000	**R'000**	**R'000**	**R'000**
Credit risk	668,176	596 008	7,424,177	6 622 308
Counterparty credit risk	400	-	4,448	-
Operational risk	79,777	63 213	886,415	702 364
Equity risk	1,591	1 581	17,680	17 567
Market risk	2,035	1 306	22,609	14 515
Other risk	20,664	17 103	229,597	190 034
	772 643	**679 211**	**8 584 926**	**7 546 788**

5. 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 regulatory 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.

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 counterparty is mitigated by means of collateral security obtained from the debtor concerned.

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

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

Portfolio measures of credit risk

Credit exposures are assessed in accordance with International Financial Reporting Standard IFRS 9 Financial Instruments on a stage credit risk allocation basis, which are Stages 1, 2 and 3.

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

A default is considered to have occurred with regard to a particular obligor when either 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

	2025 R'000	2024 R'000
Advances to customers	7 399 378	7 499 578
Advances and balances with banks	1 241 692	758 914
Advances, Sovereign Sukuk and regulatory balances	1 024 949	857 760
Letters of credit, guarantees and confirmations	347 539	355 274
Total exposure	**10 013 558**	**9 471 526**
Provision for credit loss expense on advances to customers	(63 790)	(60 019)
Provision for credit loss expense on interbank and sovereign exposures	(2 028)	(1 805)
Total Provision for credit loss expense	**(65 818)**	**(61 824)**
Net exposure	**9 947 740**	**9 409 702**

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

	2025 R'000	2024 R'000
Geographical distribution of exposures		
<u>Customer exposure</u>		
KwaZulu-Natal	3 781 884	3 797 373
Gauteng	2 439 857	2 506 237
Western Cape	1 525 176	1 551 242
Total customer exposure	**7 746 917**	**7 854 852**
<u>Bank exposure</u>		
KwaZulu-Natal	4 370	4 205
Gauteng	1 984 649	1 601 756
United States of America	277 622	10 712
Total Bank exposure	2 266 641	1 616 674
Total exposure	**10 013 558**	**9 471 526**

Industry distribution of exposures

Banks and financial institutions	2 266 641	1 616 674
Individuals	1 345 699	1 365 330
Entities	6 401 218	6 489 522
Total exposure	**10 013 558**	**9 471 526**

Product distribution analysis

Property (Musharaka and Murabaha)	5 058 400	5 406 568
Interbank Placements	1 195 343	681 123
Instalment sales (Murabaha Motor vehicle and Equipment)	1 371 853	1 269 905
Ijarah	82 586	63 198
Murabaha Trade	879 874	755 412
Balances with local and central banks	276 765	287 267
Sovereign Sukuk	794 534	648 283
Letters of credit	3 159	1 668
Guarantees	344 379	353 606
Other	6 665	4 496
Total exposure	**10 013 558**	**9 471 526**

Residual contractual maturity of book

		2025 R'000	2024 (Restated)* R'000
Within 1 month	- Interbank & Sovereign placements*	335 744	226 559
	- other*	392 980	741 686
From 1 to 3 months	- Interbank & Sovereign placements	416 453	265 092
	- other*	494 835	422 494
From 3 months to 1 year	- Interbank & Sovereign placements	533 363	282 936
	- other*	1 425 223	1 071 479
From 1 year to 5 years	- Interbank & Sovereign placements	103 165	-
	- other*	2 888 092	2 903 938
More than 5 years	- Interbank & Sovereign placements*	877 916	842 088
	- other*	2 545 787	2 715 254
Total exposure		**10 013 558**	**9 471 526**

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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. For advances where there is sufficient collateral coverage over the exposure value, where a trigger in SICR or a default event has not occurred, no credit loss allowance is recognised.

Collateral is allocated per asset class as follows:

	Credit Exposure 2025 R'000	Collateral cover 2025 R'000
Standard Asset	6 318 492	4 986 562
Special Mention Asset	917 916	819 816
Substandard Asset	72 529	64 370
Doubtful Asset	51 610	41 422
Loss Asset	38 831	28 320
	7 399 378	**5 940 490**

IFRS 9 Classifications	**Credit Exposure**	**ECL**
Stage 1	6 531 288	24 491
Stage 2	705 119	10 811
Stage 3	162 971	30 517
	7 399 378	**65 818**

	Credit Exposure 2024 R'000	Collateral cover 2024 R'000
Standard Asset	6 492 514	6 126 400
Special Mention Asset	856 936	1 164 965
Substandard Asset	94 623	69 765
Doubtful Asset	19 919	4 305
Loss Asset	35 587	73 839
	7 499 578	**7 439 275**

IFRS 9 Classifications	Credit Exposure	ECL
Stage 1	6 670 412	17 852
Stage 2	679 038	12 109
Stage 3	150 129	31 863
	7 499 578	**61 824**

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

	2025	**2024**
	R'000	**R'000**
Past due and individually impaired		
- Individuals	22 670	22 799
- Entities	73 575	86 145
	96 245	**108 944**
Past due but not impaired		
- Individuals	56 339	236 779
- Entities	513 379	1 189 380
	569 718	**1 426 159**

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

	Less than 30 days		***30 to 60 days***		***60 to 180 days***		***Greater than 180 days***		***Total***	
	2025 R'000	*2024 R'000*	***2025 R'000***	2024 R'000	***2025 R'000***	2024 R'000	***2025 R'000***	2024 R'000	***2025 R'000***	2024 R'000
Individuals	**41 910**	204 154	**4 208**	15 302	**3 288**	7 213	**6 932**	10 110	**56 338**	236 779
Entities	**274 098**	955 375	**86 070**	38 692	**52 136**	50 884	**101 076**	144 429	**513 380**	1 189 380
	316 008	1 159 529	**90 278**	53 994	**55 424**	58 097	**108 008**	154 539	**569 718**	1 426 159

6. 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 R'000	*Within 1 month R'000*	*1 to 3 months R'000*	*3 months to 1 year R'000*	*1 to 5 Years R'000*	*More than 5 years R'000*
Group						
2025						
Assets						
Advances	8 902 693	638 952	878 754	1 753 409	2 949 439	2 682 139
Investment securities	17 680	-	-	-	-	17 680
Cash and cash equivalents and regulatory balances	718 983	100 009	-	-	-	618 974
	9 639 356	**738 961**	**878 754**	**1 753 409**	**2 949 439**	**3 318 793**
Group						
2025						
Liabilities						
Deposits from customers	8 019 089	2 874 399	1 021 376	3 859 795	2 261	261 258
Sukuk	311 248	-	-	-	311 248	-
Accounts payable	101 024	92 748	4 055	4 221	-	-
Letters of credit, guarantees and confirmations	347 539	347 539	-	-	-	-
	8 778 930	**3 314 686**	**1 025 431**	**3 864 016**	**313 509**	**261 258**
	860 426	**(2 575 725)**	**(146 677)**	**(2 110 607)**	**2 635 930**	**3 057 535**

	Carrying Amount R'000	Within 1 month R'000	1 to 3 months R'000	3 months to 1 year R'000	1 to 5 Years R'000	More than 5 years R'000
Group						
2024 (Restated)*						
Assets						
Advances*	8 408 236	531 760	712 086	1 391 165	2 903 939	2 869 286
Investment securities	17 567	-	-	-	-	17 567
Cash and cash equivalents and regulatory balances*	730 144	103 913	-	-	-	626 231
	9 155 947	**635 673**	**712 086**	**1 391 165**	**2 903 939**	**3 513 084**
2024						
Liabilities						
Deposits from customers	7 647 875	2 762 755	946 942	3 651 840	1 065	285 273
Sukuk	311 248	-	-	-	311 248	-
Accounts payable	93 431	84 546	4 163	4 722	-	-
Letters of credit, guarantees and confirmations	355 274	355 274	-	-	-	-
	8 407 828	**3 202 575**	**951 105**	**3 656 562**	**312 313**	**285 273**
Net liquidity gap	**748 119**	**(2 566 902)**	**(239 019)**	**(2 265 397)**	**2 591 626**	**3 227 811**

**Comparative amounts have been restated to align with 31 December 2024 disclosures in the Annual Financial Statements available on www.albaraka.co.za.*

7. Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market profit rates resulting in a fluctuation in the Al Baraka Profit Mark-up.

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 or leasing 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. Similarly, the Bank's depositors do not earn interest on deposits placed with the Bank but instead earn income on a pre-determined basis 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 such the bank is not at risk of earning less from advances than it would be required to pay to its depositors.

The Bank is however, exposed to the risk of changes in market rates relating primarily to advances with variable profit rates. This risk is managed by aiming to achieve a balanced portfolio of fixed and variable rate advances and deposits. A major portion of the advances book relates to property finance which is subject to re-pricing on an annual basis.

The sovereign sukuk earns profit at a fixed rate and hence is not subject profit rate risk as the return is unaffected by changes in the market profit rates.

8. Operational Risk

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

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

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

9. 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. Albaraka Bank's exposure to market risk is limited in that the Bank does not trade in marketable securities other than those that it is required to hold for liquid asset purposes, which are usually held to maturity and foreign currency, held in terms of its foreign exchange license. As a result, fluctuations in market prices of securities held for liquid asset purposes, do not affect the value of these holdings.

The Bank's exposure to market risk at 30 June is tabled below:

		Group and company	
		2025	2024
		R'000	R'000
Assets held under profit rate risk	- Sovereign Sukuk	794 534	648 283
Assets held under exchange rate risk	- Foreign currency held	22 616	14 516
		817 150	**662 799**

In accordance with Islamic banking principles the bank does not levy interest on finance provided hence is not exposed to interest rate risk but rather profit rate risk.

10. 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.

The bank owns 52 000 shares or 9.4% in Kiliminjaro Investments Proprietary Limited a property holding company as well as 1 000 shares or 14% in Earthstone Investments (Pty) Ltd also a property holding company and 160 000 shares or 1% in Ahmed Al Kadi Private Hospital Limited, a hospital that provides healthcare 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. These investments are classified as fair-value-through-other-comprehensive income.

11. Other Risk

Shariah risk

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

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

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

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

- The effective management and/or investment in a Shariah-compliant manner of excess liquidity; and
- The employment of a programme of continuous update by the Bank of new developments, changes and amendments with regards to AAOIFI Shariah standards.

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.

Compliance risk

Compliance risk covers regulatory and legal compliance risk. Compliance risk is the risk that the Bank incurs financial or reputational risk through penalties or fines as a result of not adhering to applicable laws, rules and regulations as well as good market practice (including ethical standards). The Bank’s compliance function proactively seeks to enhance compliance risk management and the supporting control framework. The Bank operates in a market where there is a significant level of regulatory changes, hence compliance risk is a key focus area of Senior Management. The compliance function monitors this risk through reference to metrics relevant to the Bank, review of incident reports and assessments, results of regulatory assessments, and review of results internal audit and external audit reports.

12. Qualitative disclosures and accounting policies

Regulation 43 of the Banks Act requires certain qualitative disclosures and statements on accounting policy to be made. These accounting policy disclosures were made in the Banks 31 December 2024 Annual report which can be accessed via https://www.albaraka.co.za/