Bi-annual Disclosures in terms of the Banks' Act — Regulation 43

JUNE 2026

ALBARAKA BANK LIMITED

(Registration No. 1989/003295/06)

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). 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 2026

Statement of comprehensive income	Six months ended 30 Jun 2026 R'000	Six months ended 30 Jun 2025 (*Restated) R'000	% change	Year ended 31 Dec 2025 R'000
Income earned from advances calculated using effective profit rates	434 205	412 966	5	835 606
Income earned from interbank placements - murabaha	6 509	14 840	(56)	26 039
Income earned from interbank placements - mudarabah	22 634	27 220	(17)	52 343
Income from Sovereign Sukuk	43 812	41 668	5	84 968
Gross income earned	**507 160**	**496 694**	**2**	**998 956**
Credit Loss Expense	(36 885)	(2 903)	(1171)	(14 892)
Gross Income after Credit loss expense	**470 275**	**493 791**	**(5)**	**984 064**
Income paid to depositors	(188 195)	(200 312)	(6)	(399 469)
Income paid to Tier 2 sukuk holders	(14 416)	(14 955)	(4)	(29 476)
Net income Earned	**267 664**	**278 524**	**(4)**	**555 119**
Fee and commission income	30 624	27 045	13	65 905
Other operating income	1 655	1 855	(11)	3 807
Net income from operations	**299 943**	**307 424**	**(2)**	**624 831**
Operating expenditure	(189 061)	(178 856)	6	(373 276)
Finance costs	(122)	(201)	(39)	(367)
Profit before taxation	**110 760**	**128 367**	**(14)**	**251 188**
Taxation	(26 646)	(32 073)	(17)	(62 159)
Profit after tax for the period attributable to equity holders	**84 114**	**96 294**	**(13)**	**189 029**
Other comprehensive income – Items subsequently classified to profit and loss				
Fair value gains net of tax	-	-	-	145
Total comprehensive income for the period	**84 114**	**96 294**	**(13)**	**189 174**
Attributable to ordinary shareholders	74 156	85 964	(14)	168 716
Attributable to Additional Tier 1 Sukuk instrument Holders	9 958	10 330	(4)	20 458
Weighted average number of shares in issue ('000)	32 240	32 240		32 240
Basic and diluted earnings per share (cents)	**230.0**	**266.6**	**(14)**	**522.9**

Statement of financial position	Six months ended – 30 June			Year ended
	2026 R'000	2025 R'000	% change	Dec 2025 R'000
Assets				
Deferred Tax Asset	48 410	37 052	31	44 676
Property and equipment	100 316	101 793	(1)	99 323
Right of use asset	1 504	2 994	(50)	2 300
Investment property	10 339	10 339	-	10 339
Intangible assets	41 495	49 984	(17)	48 652
Investment securities	17 857	17 680	1	17 858
Advances and other receivables*	8 587 466	7 338 865	17	8 067 341
Interbank and Sovereign Sukuk placements*	1 279 765	1 555 423	(18)	1 196 517
Regulatory balances	645 302	618 975	4	633 270
South African Revenue Service receivable	337	-	-	47
Cash and cash equivalents	204 634	100 008	105	239 804
Total assets	**10 937 425**	**9 833 113**	**11**	**10 360 127**
Equity and liabilities				
Equity				
Share capital	322 403	322 403	-	322 403
Share premium	82 196	82 196	-	82 196
Other reserves	2 674	2 529	6	2 674
Retained Income	888 839	780 436	14	814 683
Shareholders' interests	**1 296 112**	**1 187 564**	**9**	**1 221 956**
Additional Tier 1 Sukuk	124 000	124 000	-	124 000
Total equity	**1 420 112**	**1 311 564**	**8**	**1 345 956**
Liabilities				
Deferred Tax Liability	18 185	18 190	(0)	18 197
Welfare and charitable funds	64 270	64 575	(0)	63 046
Sukuk Holders	311 248	311 248	-	311 248
Provision for leave pay	11 891	10 109	18	10 956
Lease liabilities	1 921	3 499	(45)	2 794
Accounts payable	102 005	101 024	1	81 559
South African Revenue Service payable	-	2 220	-	2 206
Deposits from customers*	9 007 793	8 010 684	12	8 524 165
Total liabilities	**9 517 313**	**8 521 549**	**12**	**9 014 171**
Total equity and liabilities	**10 937 425**	**9 833 113**	**11**	**10 360 127**

*Comparative amounts have been restated to align with 31 December 2025 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 2026 R'000	June 2025 R'000
Tier 1		
Share capital	322 403	322 403
Share premium	82 196	82 196
Retained income	888 859	775 233
Less: Unappropriated Profits	(91 996)	(86 363)
Unrealised gains and losses on available for sale items net of tax	2 674	2 529
Total capital & reserves	**1 204 136**	**1 095 998**
Less: Prescribed deductions against capital and reserve funds	(39 601)	(45 394)
Total Tier 1 capital	**1 164 535**	**1 050 604**
Additional Tier 1 Sukuk	124 000	124 000
Total additional Tier 1	**1 288 535**	**1 174 604**
Tier 2		
Stage 1 and stage 2	22 932	35 302
Sukuk	111 680	173 220
Total eligible capital	**1 423 147**	**1 383 126**

Capital adequacy ratios (Tier 1 %)	14.85%	13.68%
Capital adequacy ratios (Total %)	16.40%	16.11%

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 the minimum capital requirements and risk-weighted assets of the bank in terms of the Banks Act, Basel III Reforms and Regulations were as follows:

	Capital requirements		Risk-weighted assets	
	2026 R'000	2025 R'000	2026 R'000	2025 R'000
Credit risk	993 910	668 176	7 099 357	7 424 177
Counterparty credit risk	-	400	-	4 448
Credit Valuation Adjustment risk	-	-	-	-
Operational risk	168 069	79 777	1 200 493	886 415
Equity risk	2 500	1 591	17 857	17 680
Market risk	2 563	2 035	18 305	22 609
Other risk	47 596	20 664	339 973	229 597
	1 214 638	**772 643**	**8 675 984**	**8 584 926**

Credit Risk, Operational Risk, Market Risk, Counterparty Credit Risk and Credit Valuation Adjustment (CVA) Risk are based on revised standardized approaches under the Basel III reforms.

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
- The Bank develops and maintains risk gradings to categorise credit exposures according to the level of credit risk and potential financial loss. These risk gradings are used to support the measurement of expected credit losses on a collective basis. Impairment provisions are determined using portfolio-level assessments, where exposures with similar risk characteristics are grouped together and evaluated collectively. The risk grading framework applied forms part of the Bank's overall approach to credit risk management and impairment measurement.

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 in the Loss category represent exposures that are credit impaired and subject to ongoing recovery actions, including the realisation of collateral and the institution of legal proceedings. Although recovery prospects are uncertain, recovery is still being pursued and some value is expected to be realised. Accordingly, such exposures remain recognised in the statement of financial position until there is no reasonable expectation of further recovery, at which point they are written off in accordance with the Bank's accounting policy and IFRS 9.
- 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	2026 R'000	2025 R'000
Advances to customers	8 641 857	7 399 378
Advances and balances with banks	1 002 096	1 241 692
Advances, Sovereign Sukuk and regulatory balances	1 124 220	1 024 949
Letters of credit and guarantees	508 323	347 539
Total exposure	**11 276 496**	**10 013 558**
Provision for credit loss expense on advances to customers	(109 776)	(63 790)
Provision for credit loss expense on interbank and sovereign exposures	(1 830)	(2 028)
Total Provision for credit loss expense	**(111 606)**	**(65 818)**
Net exposure	**11 164 890**	**9 947 740**

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

Geographical distribution of exposures	2026 R'000	2025 R'000
Customer exposure		
KwaZulu-Natal	4 602 925	3 781 884
Gauteng	2 705 385	2 439 857
Western Cape	1 841 870	1 525 176
Total customer exposure	**9 150 180**	**7 746 917**
Bank exposure		
KwaZulu-Natal	3 114	4 370
Gauteng	1 985 459	1 984 649
United States of America	136 698	277 622
Other	1 046	-
Total Bank exposure	**2 126 317**	**2 266 641**
Total exposure	**11 276 496**	**10 013 558**

Industry distribution of exposures	2026 R'000	2025 R'000
Banks and financial institutions	2 126 317	2 266 641
Individuals	1 401 393	1 345 699
Entities	7 748 786	6 401 218
Total exposure	**11 276 496**	**10 013 558**

Product distribution analysis	2026 R'000	2025 R'000
Property (Musharaka and Murabaha)	5 926 502	5 058 400
Interbank Placements	920 248	1 195 343
Instalment sales (Murabaha Motor vehicle and Equipment)	1 500 725	1 371 853
Ijarah (Motor vehicle and Equipment)	266 800	82 586
Murabaha Trade	939 528	879 874
Balances with local and central banks	412 294	276 765
Sovereign Sukuk	793 775	794 534
Letters of credit	1 668	3 159
Guarantees	506 655	344 379
Other	8 303	6 665
Total exposure	**11 276 496**	**10 013 558**

Residual contractual maturity of book		2026 R'000	2025 R'000
Within 1 month	- Interbank & Sovereign placements	433 061	335 744
	- other	468 725	392 980
From 1 to 3 months	- Interbank & Sovereign placements	374 659	416 453
	- other	544 157	494 835
From 3 months to 1 year	- Interbank & Sovereign placements	311 947	533 363
	- other	1 681 023	1 425 223
From 1 year to 5 years	- Interbank & Sovereign placements	103 070	103 165
	- other	3 430 273	2 888 092
More than 5 years	- Interbank & Sovereign placements	903 580	877 916
	- other	3 026 002	2 545 787
Total exposure		**11 276 496**	**10 013 558**

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, a credit loss allowance is still recognised due to the application of a 5% LGD floor.

The below table sets out information about credit exposure and collateral held. Collateral is allocated per asset class as follows:

	Credit Exposure 2026 R'000	Collateral cover 2026 R'000	Credit Exposure 2025 R'000	Collateral cover 2025 R'000
Standard Asset	7 452 380	5 843 295	6 318 492	4 986 562
Special Mention Asset	918 220	846 045	917 916	819 816
Substandard Asset	96 758	75 309	72 529	64 370
Doubtful Asset	96 735	48 445	51 610	41 422
Loss Asset	77 763	47 631	38 831	28 320
	8 641 857	**6 860 725**	**7 399 378**	**5 940 490**

IFRS 9 Classifications	Credit Exposure 2026 R'000	ECL 2026 R'000	Credit Exposure 2025 R'000	ECL 2025 R'000
Advances to customers				
Stage 1	7 901 331	12 097	6 531 288	22 462
Stage 2	469 270	9 005	705 119	10 811
Stage 3	271 256	88 674	162 971	30 517
	8 641 857	**109 776**	**7 399 378**	**63 790**
Interbank Placements				
Stage 1	920 248	1 830	1 195 343	2 028
	920 248	**1 830**	**1 195 343**	**2 028**

A distribution analysis of advances that are past due (i.e. in arrears for more than 0 days) but not impaired, for which no ECL has been raised (i.e. no Stage 3 ECL has been recognised), is disclosed below:

Past due but not impaired	2026 R'000	2025 R'000
- Individuals	52 367	56 339
- Entities	415 802	513 379
	468 169	**569 718**

6. Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations as they fall due, or will only be able to do so at an excessive cost. Liquidity risk arises from mismatches in the timing of cash flows relating to assets, liabilities and off-balance sheet commitments based on maturity profiles.

Assets and liabilities are therefore managed to ensure that the Bank has sufficient liquid resources at its disposal to meet approved and anticipated advances, repayments of maturing liabilities, withdrawals and any other commitments whether anticipated or extraordinary which become due in the ordinary course of its business.

The Bank's liquidity risk management framework is aligned with the requirements of Basel Committee on Banking Supervision and local regulatory guidance issued by the South African Reserve Bank. In terms of Regulation 43, the bank has made available, via its website, the disclosure on the liquidity coverage ratio and net stable funding ratio.

Liquidity risk is managed centrally by the Treasury Division, under policies approved by the Board of Directors. Oversight is exercised through the Asset and Liability Committee (ALCO), which monitors liquidity positions, funding concentrations, and compliance with internal and regulatory limits, on a regular basis, to ensure that appropriate liquidity levels are maintained to meet future commitments.

The Bank manages its liquidity risk through:

- Daily monitoring of liquidity inflows and outflows to ensure day-to-day anticipated and unforeseen payment obligations can be met;
- Maintaining sufficient high-quality liquid assets and minimum liquidity buffers (in the form of Sovereign Sukuk holdings and cash surpluses) comfortably in excess of regulatory requirements;
- Implementation and monitoring of deposit limits. The Bank mitigates funding concentration risk by maintaining a diversified funding base across current accounts and mudaraba deposits which are split between retail, corporate and interbank funding (where applicable). Concentration limits are established for large depositors and exposure to large deposits is strictly controlled;
- Monitoring the stability of demand deposits and Mudaraba investment accounts including re-investment rates;
- Implementation of portfolio limits for customer advances with active management of concentration risk between long- and short-term exposures.
- Contingency funding and recovery plans which set out the proposed measures to be taken if the Bank faces liquidity stress.
- Stress testing on the liquidity mis-match of the bank's assets and liabilities on a contractual basis, a business as usual basis and on a stress basis.

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.

Group — 2026	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
Assets						
Advances	9 867 232	735 843	883 621	1 619 067	3 441 586	3 187 114
Investment securities	17 857	-	-	-	-	17 857
Cash and cash equivalents	204 634	204 634	-	-	-	-
Regulatory balances	645 302	-	-	-	-	645 302
	10 735 025	**940 477**	**883 621**	**1 619 067**	**3 441 586**	**3 850 273**
Liabilities						
Deposits from customers	9 007 793	646 479	284 088	802 308	4 307 115	2 967 804
Sukuk	311 248	-	-	-	311 248	-
Accounts payable	102 006	89 712	896	7 013	2 644	1 741
Letters of credit and guarantees	508 323	508 323	-	-	-	-
	9 929 369	**1 244 514**	**284 983**	**809 320**	**4 621 007**	**2 969 545**
Net liquidity gap	**805 656**	**(304 036)**	**598 638**	**809 747**	**(1 179 421)**	**880 728**

Group — 2025	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
Assets						
Advances*	8 894 288	630 548	878 754	1 753 408	2 949 439	2 682 139
Investment securities	17 680	-	-	-	-	17 680
Cash and cash equivalents	100 008	100 008	-	-	-	-
Regulatory balances	618 975	-	-	-	-	618 975
	9 630 951	**730 556**	**878 754**	**1 753 408**	**2 949 439**	**3 318 794**
Liabilities						
Deposits from customers*	8 010 684	2 865 994	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 and guarantees	347 539	347 539	-	-	-	-
	8 770 495	**3 306 281**	**1 025 431**	**3 864 016**	**313 509**	**261 258**
Net liquidity gap	**860 426**	**(2 575 725)**	**(146 677)**	**(2 110 607)**	**2 635 930**	**3 057 535**

*Comparative amounts have been restated to align with 31 December 2025 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:

		2026 R'000	2025 R'000
Assets held under profit rate risk	- Advances to customers	8 641 857	7 399 378
	- Sovereign Sukuk	793 775	794 534
Assets held under exchange rate risk	- Foreign currency held	18 304	22 616
		9 453 936	**8 216 528**

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 2025 Annual report which can be accessed via https://www.albaraka.co.za/