alBaraka

your partner bank

ANNUAL REPORT 2022

AL BARAKA BANK

Al Baraka Bank remains deeply committed to serving the financial needs of communities across South Africa, through an ethical customer-centric approach, tailored for the digital age. We remain aligned to the mission, vision and values of the Al Baraka Group, as set out below.

Mission
To fulfill the financial needs of communities across the globe by conducting business through an ethical customer-centric approach tailored for the digital age, based on our core beliefs and aimed at sharing the mutual rewards with our partners in business success: our customers, our employees, our shareholders and our communities at large.

Vision
To be a global leader in innovative participation finance, offering an agile ethical financial system built for the digital age.

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

Agility:
We are fleet-footed to adapt to the digital age to meet the fast-changing customer behaviour and needs in a dynamic and challenging environment.

Innovation:
We recognise that an 'Innovation First' culture is necessary to be able to serve our customers on a 'here and now' basis in a fast-changing world.

Trust:
Our customers can experience peace-of-mind and rest assured that their financial interests are being managed by us to the highest ethical standards of participation finance.

Development:
By banking with us, our customers make a positive contribution to a better society – their growth and ours will sustain the greater good of society.

Code of Business Conduct
We employ a Code of Business Conduct which gives effect to the Bank's business culture and, more particularly, the actions of its staff members.

The principles contained within 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 pro-active and dedicated way;
- Always displaying the highest levels of customer confidentiality;
- 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.

Our Primary Strategic Objectives
We work diligently to:
- Increase returns to shareholders;
- Promote customer service excellence;
- Develop innovative products; and
- Utilise enhanced technology.

CONTENTS

ABOUT THIS REPORT

Al Baraka Bank welcomes you, our valued stakeholder, to this, our 2022 integrated annual report; a document which provides insights to our 01 January to 31 December 2022 financial year and offers an oversight of our past performance, achievements and future prospects.

Our integrated annual report details key performance indicators, our business profile and a concise 10-year financial review, together with information pertaining to leadership, business footprint and a 2022 in Review statement.

Additionally, we present details of material matters with which the Bank deals, inclusive of human resources, information technology, corporate governance, sustainability, digitalisation, compliance and Shariah principles.

Al Baraka Bank is a commercial banking institution and is South Africa's only fully-fledged Islamic Bank. In view of this, we regard as our primary concern the need to be a leader in innovative participation finance, offering an agile ethical financial system built for the digital age.

We believe that our shared beliefs create strong bonds that form the basis of long-term relationships with customers and staff. We are necessarily quick in adapting to the digital age so as to successfully meet fast-changing client needs in a dynamic and challenging environment.

We recognise that innovation is an imperative if we are to better serve clients and set out to ensure that they may rest assured that their financial interests are being managed by us to the highest ethical standards of participation finance. We are confident that by banking with us, clients make a positive contribution to a better society – their growth and ours will sustain the greater good of society.

"WE ARE CONFIDENT THAT BANKING WITH US WILL NOT ONLY HELP OUR CLIENTS GROW, BUT IT WILL ALSO MAKE A POSITIVE IMPACT ON SOCIETY."

In the preparation of our integrated annual report, we remain ever mindful of Al Baraka Bank's pre-determined reporting requirements, as well as those prescribed by South Africa's financial regulatory bodies. In addition, we would stress that materiality is ascertained by our board of directors, in line with the wishes of our shareholders and various other strategic stakeholder groups.

We remain cognisant of our Bank's overriding guiding principles, as described in the IFRS, 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. As such, we apply an integrated thinking philosophy to our overall business and this philosophy is reflected in our adopted strategic direction, in the pursuit of business delivery against our Vision.

BANK DECLARATION

Al Baraka Bank's audit committee is responsible for appraising and submitting our integrated annual report and annual financial statements to the board of directors for its 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 Al Baraka Bank.

Yunus Suleman

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Yunus Suleman
30 March 2023

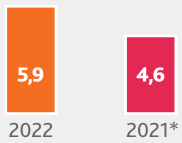
Shabir Chohan

....

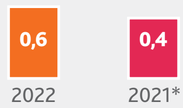
Shabir Chohan

KEY PERFORMANCE INDICATORS

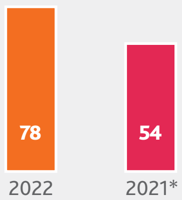
ROE
IN PERCENTAGE



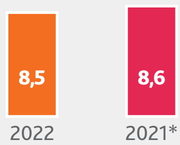
ROA
IN PERCENTAGE



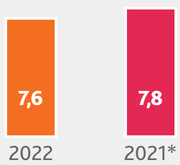
NET PROFIT BEFORE TAXATION
IN MILLIONS



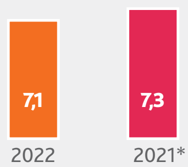
ASSETS
IN BILLIONS



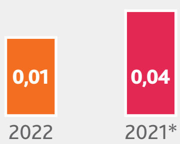
ADVANCES
IN BILLIONS



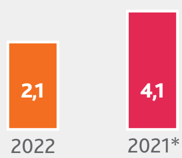
DEPOSITS
IN BILLIONS



BAD DEBT
IN PERCENTAGE



NON-PERFORMING
IN PERCENTAGE



*2021 figures have been restated

BUSINESS PROFILE

AL BARAKA GROUP - BAHRAIN
Al Baraka Bank in South Africa is a fully integrated subsidiary of Al Baraka Group B.S.C. ("ABG"/the "Group"), a Bahrain-based financial institution and global leader in Islamic finance. The Group, which is listed on the Bahrain Bourse and, as a leading international Islamic financial group, provides its unique services in countries in which it has a presence.

Formerly Al Baraka Banking Group, the entity received approval to change its licence, becoming an investment business firm – Category (1), effective from 22 March 2022 and was renamed Al Baraka Group. In line with the change, the Group also redeveloped its Vision and Mission statements, as reflected in this document. The licence change and Group name change in no way affects the business operations of its global subsidiaries, including Al Baraka Bank in South Africa.

The Group is a leading international Islamic financial group with a presence in 15 countries as at 31 December 2022. It provides, through its banking subsidiaries and associates, services in retail, corporate, treasury and investment banking, strictly in accordance with Shariah principles, in more than 650 branches.

AL BARAKA BANK - SOUTH AFRICA
Established in 1989, Al Baraka Bank is a commercial bank providing a suite of Shariah-compliant products to communities across the country, as a practical and sustainable alternative to conventional banking.

Our products and services increasingly appeal to both Muslim clients and clients of other faiths and backgrounds. In employing a fair and just system of financial management, Al Baraka Bank's guiding principles are drawn from Shariah, thus upholding the ideal of profit and loss-sharing, while prohibiting the payment or receiving of interest in any transaction.

Although embracing the era of digitalisation in a technologically-driven world, the Bank strives to ensure close personal contact with its clients and sets out to actively live the moral value of 'partnership,' while continuously endeavouring to create, develop and sustain long-term relationships with the people we serve.

This enables the Bank to cultivate close and meaningful dealings and exchanges to the benefit of both clients and the business.

With our head office located in Durban, our financial institution enjoys a national business footprint and is ideally positioned to offer clients a comprehensive bouquet of financial products and services.

As at 31 December 2022, Al Baraka Bank's primary shareholders included the Bahrain-based Al Baraka Group B.S.C. (64,51%), Dominion (SA) (Pty) Ltd. (6,01%), DCD London and Mutual plc (6,60%), Johannesburg-based Timewest Investments (Pty) Ltd. (7,67%), Sedfin (Pty) Ltd. (3,33%) and Esanjo Capital Ltd (2,0%). Foreign and local shareholders represent the balance.

Al Baraka Bank's board of directors comprises international and local business people, all with the requisite business skills, coupled with exceptional collective knowledge of and expertise and experience in Islamic banking.

The Bank also has in place both an internal Shariah Department and an independent Shariah Supervisory Board. These bodies play a vital role in ensuring the bank's full compliance with Shariah in its every-day business activities. In addition, Al Baraka Bank is a member of the authoritative and respected international Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

"ALTHOUGH EMBRACING THE ERA OF DIGITALISATION, THE BANK STRIVES TO ENSURE CLOSE PERSONAL CONTACT WITH CLIENTS"

The Bank's financial products are accordingly reviewed and audited on a regular basis, giving effect to the ongoing maintenance of and adherence to Shariah.

Al Baraka Group, through its shareholding in the South African subsidiary, has ensured that the local business unit has grown to become an integral part of the international Group. In line with this, the Bank has developed and honed an enviable standing in South Africa's financial sector as a financial services provider of high repute; one which demonstrates the professionalism, effectiveness and efficiency necessary to function at the leading-edge of Islamic banking in this country.

In a post-COVID-19 environment, the Bank has enjoyed satisfactory business growth and plays a crucial role in contributing towards addressing and overcoming some of this country's most pressing socio-economic challenges; the result of its ongoing dedication to a series of identified Corporate Social Investment initiatives; initiatives which are afforded still greater emphasis through alignment with the United Nations 2030 Agenda for Sustainable Development.

The most responsible approach to making a telling and sustainable social impact was seen to lie in linking our efforts with Al Baraka Group's existing alignment with the laudable United Nations Development Programme initiative.

In so doing, the Bank has identified seven of the 17 Sustainable Development Goals through which to make a real impact in South Africa.

TEN-YEAR REVIEW

	2022	2021 (Restated)	2020 (Restated)	2019	2018	2017	2016	2015	2014	2013
Statement of Financial Position (Rm)										
Share capital	322	322	322	322	322	322	322	322	322	225
Shareholders' interest*	891	849	811	771	713	662	627	601	560	381
Total Equity*	1 015	849	811	771	713	662	627	601	560	381
Deposits from customers*	7 061	7 339	7 439	6 180	5 844	5 078	4 634	4 426	4 230	3 941
Advances and other receivables*	7 659	7 851	7 913	6 522	5 976	5 111	4 646	4 473	4 242	3 753
Total Assets*	8 496	8 595	8 685	7 363	6 834	5 880	5 329	5 058	4 814	4 411
Statement of Comprehensive Income (Rm)										
Profit before taxation**	78	54	51	102	87	74	58	76	55	40
Total comprehensive income for the year attributable to ordinary shareholders**	51	38	36	75	65	51	41	56	40	29
Share Statistics (Cents)										
Basic and diluted earnings per share**	158	118	112	231	203	158	128	171	154	129
Headline earnings per share**	158	118	112	229	202	162	127	171	154	129
Dividend per share	30	-	-	55	55	50	50	45	45	45
Net asset value per share*	2 763	2 634	2 515	2 390	2 201	2 052	1 943	1 866	1 736	1 692
Ratios (%)										
Return on average shareholders' interest*	5,9	4,6	4,6	10,1	9,5	7,9	6,7	9,6	8,5	7,8
Return on average total assets*	0,6	0,4	0,4	1,1	1,0	0,9	0,8	1,1	0,9	0,7
Shareholders' interest to total assets*	10,5	9,9	9,3	10,5	10,4	11,3	11,8	11,9	11,6	8,6

SHAREHOLDERS' INTEREST
Ordinary share capital, share premium, non-distributable reserves and distributable reserves.

RETURN ON AVERAGE SHAREHOLDERS' INTEREST
Total comprehensive income for the year attributable to ordinary shareholders 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.

TOTAL EQUITY
Shareholders' interest and Additional Tier 1 Sukuk Instruments.

RETURN ON AVERAGE TOTAL ASSETS
Total comprehensive income for the year attributable to ordinary shareholders 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 attributable to ordinary shareholders 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.

*2021 and 2020 figures have been restated
**2021 figures have been restated

OUR LEADERSHIP

As at 31 December 2022, Al Baraka Bank's unitary board structure comprised:

- Five independent non-executive directors;
- Three non-executive directors; and
- Two executive directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

YGH Suleman (65) – South African

CA (SA), Chartered Director (SA)

Joined the board in 2016

Board committee memberships

☐ REMCO ■ DAC

MJD Courtiade (69) – French

CA (SA)

Joined the board in 2004 (independent from 01 April 2021)

Board committee memberships

☐ R, CM & CC ■ BCC ☐ REMCO

Adv. JMA Cane SC (56) – South African

BA, LLB, LLM

Joined the board in 2018

Board committee memberships

☐ DAC ☐ AC ■ REMCO

ZH Fakey (48) – South African

CA (SA), CISA

Joined the board in 2019

Board committee memberships

■ AC ■ R, CM & CC ☐ SEC

SM Nyasulu (40) – South African

LLB

Joined the board in 2020

Board committee memberships

■ SEC ☐ R, CM & CC ☐ AC

NON-INDEPENDENT, NON-EXECUTIVE DIRECTORS

Mr H Ben Haj Amor (47) – Tunisian
Group Chief Executive - Al Baraka Group

Bachelor in Accounting & Finance

Joined the board in 2022

Board committee memberships

☐ DAC ☐ REMCO

Dr MM Khemira (59) – Canadian

PhD (Engineering)

Joined the board in 2022

Board committee memberships

☐ BCC ☐ R, CM & CC

FA Randeree (48) – British

BA (Hons), MBA

Joined the board in 2021

Board committee memberships

☐ BCC ☐ DAC

EXECUTIVE DIRECTORS

SAE Chohan (57) – South African
Chief executive

CA (SA)

Joined the board in 2004

Board committee memberships

☐ BCC ☐ SEC

A Ameed (41) – South African
Financial director

CA (SA)

Joined the board in 2014

Board committee memberships

☐ R, CM & CC

BOARD COMMITTEE LEGEND:

☐ AC - Audit Committee
☐ R, CM & CC - Risk, capital management & compliance committee
☐ BCC - Board credit committee
☐ DAC - Directors' affairs committee
☐ REMCO - Remuneration committee
☐ SEC - Social and ethics committee
■ Committee chairman

ADMINISTRATION:

COMPANY SECRETARY
CT Breeds BA LLB

SHARIAH SUPERVISORY BOARD
Shaykh MS Omar B.Com Law, LLB (Chairman)
Shaykh YH Khalawi
Mufti Z Bayat
Mufti SA Jakhura

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

your partner bank

BUSINESS FOOTPRINT

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 Craddock Avenue, Cradock Square, Office 01006
First Floor, Regent Place, Rosebank, Johannesburg, 2196
PO Box 42897, Fordsburg, 2033

REGIONAL OFFICE: WESTERN CAPE
Cnr. 42 Klipfontein and Belgravia Roads
Athlone, 7764
PO Box 228, Athlone, 7760

CHIEF OPERATING OFFICER
M Kaka

SME & CORPORATE OFFICE
General manager: SME and corporate
I Yuseph

RETAIL BRANCHES
General manager: retail and wealth
N Seedat

BANKING

KWAZULU-NATAL

Regional branch administration manager:
S Dockrat

KINGSMEAD (DURBAN)
2 Kingsmead Boulevard, Kingsmead Office Park
Stalwart Simelane Street, Durban, 4001
PO Box 4395, Durban, 4000

OVERPORT (DURBAN)
Shop 11, Gem Towers, 98 Overport Drive
Durban, 4001
PO Box 4395, Durban, 4000

GAUTENG

Regional branch administration manager:
A Suliman

FORDSBURG (JOHANNESBURG)
32 Dolly Rathebe Road, Fordsburg, 2092
PO Box 42897, Fordsburg, 2033

LENASIA (JOHANNESBURG)
Shop 20, Signet Terrace, 82 Gemsbok Street
Extension 1, Lenasia, 1827
PO Box 2020, Lenasia, 1820

LAUDIUM (PRETORIA)
Laudium Plaza, Cnr. 6th Avenue and Tangerine Street
Laudium, 0037
PO Box 13706, Laudium, 0037

ATHLONE (CAPE TOWN)

Regional Branch Administration manager:
S Majiet
Cnr. 42 Klipfontein and Belgravia Roads
Athlone, 7764
PO Box 228, Athlone, 7760

RETAIL SALES

KWAZULU-NATAL

Regional sales manager:
Z Daniel

KINGSMEAD (DURBAN)
2 Kingsmead Boulevard, Kingsmead Office Park
Stalwart Simelane Street, Durban, 4001
PO Box 4395, Durban, 4000

OVERPORT (DURBAN)
Shop 11, Gem Towers, 98 Overport Drive
Durban, 4001
PO Box 4395, Durban, 4000

GAUTENG

Regional sales manager:
WG Rasool

FORDSBURG (JOHANNESBURG)
32 Dolly Rathebe Road, Fordsburg, 2092
PO Box 42897, Fordsburg, 2033

LENASIA (JOHANNESBURG)
Shop 20, Signet Terrace, 82 Gemsbok Street
Extension 1, Lenasia, 1827
PO Box 2020, Lenasia, 1820

LAUDIUM (PRETORIA)
Laudium Plaza, Cnr. 6th Avenue and Tangerine Street
Laudium, 0037
PO Box 13706, Laudium, 0037

ATHLONE (CAPE TOWN)

Regional sales manager:
A Abrahams
Cnr. 42 Klipfontein and Belgravia Roads
Athlone, 7764
PO Box 228, Athlone, 7760

SME

KWAZULU-NATAL

Regional SME manager:
R Karodia
2 Kingsmead Boulevard, Kingsmead Office Park
Stalwart Simelane Street, Durban, 4001
PO Box 4395, Durban, 4000

GAUTENG

Regional SME manager:
Vacant
22 Craddock Avenue, Cradock Square, Office 01006
First Floor, Regent Place, Rosebank, Johannesburg, 2196
PO Box 42897, Fordsburg, 2033

CAPE TOWN

Regional SME manager:
I Modack
Cnr. 42 Klipfontein and Belgravia Roads, Athlone, 7764
PO Box 228, Athlone, 7760

CORPORATE

KWAZULU-NATAL

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

GAUTENG

Corporate manager:
SAA Mia
22 Craddock Avenue, Cradock Square, Office 01006
First Floor, Regent Place, Rosebank, Johannesburg, 2196
PO Box 42897, Fordsburg, 2033

CAPE TOWN

Corporate manager:
I Modack
Cnr. 42 Klipfontein and Belgravia Roads, Athlone, 7764
PO Box 228, Athlone, 7760

CUSTOMER SERVICES:

Call: 0860 225 786
Email: customerservices@albaraka.co.za
SMS: 43893
WhatsApp: +27 84 786 6563
(general banking information only)
Web: www.albaraka.co.za

Please scan the QR code to visit our customer services page

2022 IN REVIEW

ECONOMIC REVIEW

Following a vigorous post-pandemic recovery in 2021, with growth approaching 5%, the South African economy's growth rate slowed markedly in 2022 to less than 2%. In line with the rest of the world, inflation rose strongly, to almost 8%, well above the upper end of the 3% to 6% inflation target. Disposable income was eroded and the South African Reserve Bank was obliged to increase the key repo rate by 3,5% over a period of 13 months, commencing in November 2021.

The prime overdraft rate ended the year 2022 0,5% above the prevailing levels at the time of the outbreak of the Coronavirus pandemic, compelling domestic consumers and businesses to take on credit at the fastest rate in eight years. Inflation also soared globally, with the invasion of Ukraine by Russia in February exacerbating the trend, especially in respect of fuel and food prices, compelling the world's leading central banks to tighten monetary policy more aggressively than at any stage since 1980.

Global economic growth slowed perceptibly in response, driving the prices of some of South Africa's key mineral exports downwards. In addition, domestic export growth suffered as the Chinese economy experienced its lowest growth in 40 years, weighed down by lockdowns imposed by the Chinese authorities to quell the spread of COVID-19.

Furthermore, domestic growth was also impacted negatively by floods in KwaZulu-Natal in April, which disrupted agriculture, manufacturing and harbour activity in particular.

Worse, the spate of electricity load-shedding escalated dramatically through the year, taking its toll on economic growth. Unfortunately, many of these factors will likely remain in place in 2023.

AL BARAKA GROUP

Al Baraka Bank is a subsidiary of the Al Baraka Group, located in Bahrain. The Group recently received approval to change its licence, becoming an investment business firm – Category (1), effective from 22 March 2022 and re-developed its Vision and Mission statements, as reflected in this document.

The Group is supervised and regulated by the Central Bank of Bahrain ("CBB") under its Rule Book Volume 4 - Investment Business and Volume 6 - Capital Markets.

The Group provides through its subsidiaries Shariah-compliant retail, corporate, treasury and investment banking services. In the wake of post-COVID-19 conditions, Al Baraka Group posted extremely positive results in the 2022 financial year, with total net income of US$239 million, and net income attributable to shareholders of the parent company of US$143 million, reflecting an increase of 52% for the same period in 2021.

Mr Mazin Manna stepped down from the position as ABG's Group Chief Executive on 30 June 2022, and has been replaced by Mr Houssem Ben Haj Amor, who has more than 20 years financial experience and expertise, attained through extensive work in the Middle East, Europe and North Africa.

At the end of 2022, Al Baraka Group agreed to sell its stake in BTI to Bank of Africa, subject to local regulatory requirements.

The Group has also completed the sale of its stake in Itqan Capital to a private investor in Saudi Arabia, with the approvals for this transaction already received from both the Saudi Capital Market Authority and the General Authority for Competition, as well as the CBB.

2022 FINANCIAL PERFORMANCE – SOUTH AFRICAN SUBSIDIARY

The slowed economic growth rate, to less than 2% in 2022, coupled with severe flooding in parts of KwaZulu-Natal in April of that year, impacted on Al Baraka Bank, given its extensive dealings with, especially, industrial and commercial clients.

"KEY ACHIEVEMENTS IN THE 2022 FINANCIAL YEAR CENTRED AROUND DIGITALISATION AND KEEPING ON-TRACK WITH OUR DIGITALISATION JOURNEY GIVEN THE DEMANDS OF AN INCREASINGLY TECHNOLOGY-DRIVEN WORLD"

However, and in spite of such setbacks, our Bank achieved profit before tax of R77 million, signifying a 35% increase over before tax profits the previous year.

Additionally, growth in third party advances reflected a sizeable improvement, up to R7,2 billion from R5,8 billion in the 2021 financial year.

Although the Bank's balance sheet did not grow appreciably during the review period, the company had taken the strategic decision to focus on advances growth.

With a recovering business environment, we secured the anticipated growth, with encouraging new signs of uptake by enterprises during the course of the financial year. Our Bank's improved financial results in the 2022 financial year is also partly attributed to the positive response to its 2021 restructuring exercise and creation of three distinct divisions, namely corporate, SME and retail.

Their introduction has led to clear business segmentation within the market and a clear-cut improvement in customer service, interaction endeavours and the ability to exceed client expectations.

Following regulatory authority approval in 2021 for the issuance of an Addtional Tier 1 Sukuk (investment certificates), we launched our latest Sukuk during the 2022 financial year.

Encouragingly, the Sukuk offering garnered immediate traction, with investors quick to take advantage of this Shariah-compliant investment option, as an attractive Shariah-compliant alternative to conventional bonds.

It was 24% over-subscribed, raising a most impressive R124 million in just one month, exceeding expectations and clearly indicating that the South African market has quickly embraced the benefits of this relatively new form of investment in South Africa.

Our continued utilisation of the Sukuk concept has enabled Al Baraka Bank to look beyond share capital - its traditional source of capital - and brings a third element to its capital mix, mirroring larger, more established banks.

In addition, we have engaged with National Government regarding a prospective Local Sovereign Sukuk, although this is yet to be finalised by National Treasury.

Such an issuance will most decidedly assist our bank in the further and effective management of liquidity and profitability in the future.

DIVIDEND

In the light of the global health crisis and its hard-felt economic ramifications, Al Baraka Bank made the decision not to declare a dividend in each of the past two financial years, 2020 and 2021. However, and as a consequence of recovering economic conditions post-COVID-19, the Bank opted to declare a dividend of 30c per share in October 2022.

SIGNIFICANT ACHIEVEMENTS IN 2022

The 2022 financial year signalled an end to the health pandemic and the initiation of economic, business and personal recovery from its devastating effects.

In line with Al Baraka Group objectives, key achievements in the 2022 financial year centred around digitalisation and keeping on-track with our digitalisation journey, given the demands of an increasingly technology-driven world.

The two foremost achievements of the period included both our mobile banking and corporate Apps and the development of an online portal for residential property and vehicle purchase applications.

Our mobile banking App, the development of which required significant human and financial resources, went live in 2022 and immediately drew meaningful uptake by clients, indicative that this was a most timely additional product offering intervention.

Concurrently, we finalised the development of a corporate banking App, which was set for introduction to clients in February 2023, a facility we envisage will also win excellent client support.

The residential and vehicle portal went live in 2022 and was regarded as a vital and decisive achievement for the bank, enabling clients to apply directly online and monitor the progress of their applications for both residential properties and vehicle finance electronically, anywhere, anytime.

The review period also led to the identification of several additional digitalisation-related projects for future development and introduction by the Bank.

HUMAN RESOURCES

The world of work has changed forever as a direct result of recent world events.

The dawn of a hybrid work model is upon us and our Bank has embraced this as the 'new normal' and the way forward.

This mix of in-office and remote working has given rise to workplace flexibility, a reduction in costs and improved levels of productivity, whilst also assisting significantly in our ability to further improve business efficiencies for the benefit of both the business and the clients we serve.

In applying the undoubted advantages of the hybrid model, we, however, remain cognisant of the need to retain the human touch.

We recognise that for the well-being of staff we cannot afford to lose the necessity for personal interaction and, accordingly, implement regular sessions of face-to-face team relations and exchanges.

We also regard the continuance of staff training as an imperative, especially training relating to digitalisation as it is becoming increasingly apparent that without digital knowledge and a degree of expertise in the field, members of staff will find it difficult to operate effectively.

CORPORATE SOCIAL INVESTMENT

In view of the economic devastation brought by the health pandemic of the past three years, the social unrest experienced in Durban and Gauteng in 2021 and the severe KwaZulu-Natal floods of April 2022, historically disadvantaged communities across the country have been hugely exposed, exacerbating the prevailing poverty cycle.

Corporate Social Investment initiatives have never been more important in contributing to the well-being of the communities with whom we interact and serve. We, as a business, recognise this fact and have in place a programme designed to contribute towards addressing this country's social ills.

During the 2022 financial year, we executed a number of social investment interventions for the benefit of those in need. We distributed shoes to needy school children and blankets to deprived community members, and provided cosmetic and hygiene consumables to the elderly in care facilities in recognition of Mandela Day.

In addition, we marked Arbor Day by collaborating with schools to plant trees, celebrated International Al Baraka Day by delivering meals and toy and treat hampers to hospitalised children suffering severe ill-health and sponsored food and blankets for flood victims.

We also supported a maths tuition programme for disadvantaged learners attending under-resourced schools.

In giving effect to our Corporate Social Investment programme, the Bank provided donations totalling R2 679 240 million to the causes we supported, with an additional R3 000 000 million being donated to a charitable trust.

Crucially and in the wake of an agreement between the Al Baraka Group and the United Nations Development Programme (UNDP) and the signing of a Memorandum of Understanding, our Bank's social responsibility goals and funding criteria have been aligned with the UNDP's Sustainable Development Goals.

In 2022, we became involved in the UNDPs Low-Cost Internet Connectivity Project, resulting in a joint project – in conjunction with the UNDP, the Council for Scientific and Industrial Research (CSIR) and a technology company – at a rurally-based high school, where a new, high-tech computer laboratory was established.

Al Baraka Bank recognises the need to actively prepare our rural youth for life in an increasingly technologically-aware society and is intent on making a contribution towards positive change in this regard.

LOOKING TO THE FUTURE

The year ahead is expected to be a tough period. The country's low level of economic growth is anticipated to continue, massively exacerbated by its inability to ensure a stable energy supply.

Last year saw the country's worst period of rolling power blackouts since 2007, when load-shedding became an unfortunate reality and with no sustainable solution in the offing, the South African energy crisis is set to result in further debilitating national blackouts of electricity supply in 2023.

This will have a hugely crippling effect on energy-dependent – and, indeed all – business enterprises, including many of the Bank's own clients. This will impact on their ability to operate effectively and, therefore, will have a knock-on effect our Bank's business activities.

In spite of these economic concerns, the Bank anticipates achieving double-digit growth in the 2023 financial year, the result of realigning its business and focusing on return to shareholders and depositors into the future.

In view of the age of digitalisation, it has become evident that the historical model for the servicing of banking clients is no longer appropriate. We, accordingly, intend evaluating how best to service clients in line with the continued national and international trend of virtual interactions. We will closely monitor client interactions and conditions with a view to servicing their every banking requirement on a least-cost basis.

2022
IN REVIEW (CONTINUED)

APPRECIATION
We are pleased to announce the appointment of two new directors from the Al Baraka Group to our board, namely Mr Houssem Ben Haj Amor and Dr Mohamed Mustapha Khemira, both of whom took office on 24 October 2022.

Mr Amor is currently the Chief Executive Officer of the Al Baraka Group and has racked-up well in excess of 20 years financial experience and expertise, working in a number of roles in the Middle East, Europe and North Africa.

Dr Khemira is the Group's Senior Vice President: Strategic Planning and is adept at developing new strategies, designing business processes and systems, as well as establishing reporting structures to support good governance.

We welcome them onto our Bank's board and believe that they are ideally placed to bring new impetus to our discussions and decision-making into the future.

We bade farewell to non-independent, non-executive director, Mr Mazin Manna, who stepped down in 2022. We must additionally thank our Bank's chief operating officer, Mr Mohammed Kaka, who also stepped down from the board during the 2022 review period after serving on the board since 2017. Mr Kaka continues in his role as chief operating officer.

In keeping with Directive 4/2018, issued by the Prudential Authority, which relates to matters of sound corporate governance, we are cognisant of the need to ensure that the balance of independent and non-executive directors serving our board is, at all times, consistent with that Directive.

Lastly, we greatly appreciate the ongoing support and guidance afforded our banking unit by the Al Baraka Group. Its international standing and reputation have greatly assisted in taking our Bank to a new business level in South Africa.

To the members of our board, we express our most sincere thanks for the leadership they display, the business prowess and experience they bring to our robust deliberations and decision-making and the diverse levels of expertise they afford our strategic thinking.

We, as always, are exceptionally grateful to all our members of staff for their business endeavours during the 2022 financial year. Your perseverance towards ensuring our Bank's recovery in the wake of severe economic disruptions, inclusive of, et al, the pandemic, social unrest, flooding and an unstable energy supply is greatly appreciated.

Finally, to our shareholders and bank clients, we thank you whole-heartedly for your continued and hugely loyal support of and belief in our Bank and the Shariah-compliant product offering we provide. Rest assured, we remain forever 'your partner bank' and we look forward to being of ever greater service to you in the years ahead.

To all our stakeholders, Al Baraka Bank is geared for business in the digital age and is wholly-committed to partnering for digital growth and a sustainable future.

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

Yunus Suleman
30 March 2023

Shabir Chohan

your partner bank

HUMAN RESOURCES REPORT

The human resource strategies of Al Baraka Bank are constantly evolving to support the organisation, as we continue our transformation trajectory. The alignment of these strategies to the overall business objectives is imperative to promote optimal engagement and the retention of our human capital, which is essential to propel the organisation forward.

HIGH-PERFORMANCE CULTURE

The Bank has adopted a renewed focus on the creation of a high-performance culture to support the organisational restructure, designed to improve efficiency and increase profitability.

A new interactive performance management process has been implemented, which includes several features to promote employee participation and engagement.

Our members of staff are encouraged to perform to their optimal potential through the demonstration of effective leadership and on-going development. The effectiveness of the performance management process is linked directly to employee recognition, remuneration and reward strategies.

TALENT RETENTION

We acknowledge that the motivation, development and retention of intellectual capital within our organisation is critical to ensure that the Bank is adequately skilled to achieve our business objectives.

We have embraced this challenge and strive to meet the competitive demands of the market in terms of our remuneration benchmarking. In addition, we believe strongly in the promotion of career development opportunities, thus facilitating internal growth for our employees.

TRAINING FOR SUCCESSION

We take pride in the development of home-grown talent. We are passionate about the training and development of our employees to ensure that they are equipped with the knowledge, skills and competencies for promotion to the next level of work.

The Bank is an accredited SAICA training provider and currently hosts two SAICA graduates, one of whom will qualify as a Chartered Accountant in the first quarter of 2023.

The Bank has also been successful in implementing an accelerated development programme which is designed to earmark members of staff with the potential to be fast-tracked for career growth and personal development.

ENHANCEMENT OF THE ORGANISATIONAL CLIMATE AND CULTURE

The Bank has adapted to a hybrid work environment, which has resulted in a greater focus on fostering employee social interaction and collaboration.

In line with this, a variety of interesting activities have been implemented to encourage fun and social engagement in the workplace. The Bank is committed to improving the organisational climate in which we work and to strengthen employee relations and affiliation to the organisation.

HUMAN RESOURCES TECHNOLOGY

The Bank is exploring the implementation of a human resource application information system which endeavours to radically enhance our communication and engagement with our members of staff.

This includes the integration of our performance management, training and development, attendance management, automation of human resource processes and a host of other enhanced human resource functions.

CHANGE MANAGEMENT

The Bank has been navigating through several changes on the path of transformation. It is imperative that our members of staff are on-board and are a part of the journey.

Our change management processes are designed to re-integrate our staff to the Bank's value system and to bring about a more cohesive and collaborative workforce.

WORKFORCE PROFILE AS AT 31 DECEMBER 2022

	AIC*		White		Total		Total
	Male	Female	Male	Female	Male	Female	
Top and senior management	4	0	0	0	4	0	4
Professionally qualified and experienced specialists in mid-management	27	13	4	2	31	15	46
Skilled technical and academically-qualified workers, junior management and supervisors	69	96	1	1	70	97	167
Semi-skilled and discretionary decision-making	19	60	1	0	20	60	80
Unskilled and defined decision-making	0	0	0	0	0	0	0
Total	**119**	**169**	**6**	**3**	**125**	**172**	**297**

AIC* = AFRICAN, INDIAN AND COLOURED

INFORMATION TECHNOLOGY REPORT

The 2022 financial year presented significant technology demands and opportunities in terms of supporting, integrating and maintaining hybrid technologies in order to sustain continuity and productivity for both remote and on-site business operations.

Additionally, focus was placed on pursuing cloud-based and digitalisation-themed projects to achieve business objectives.

Furthermore, there was a heightened emphasis on remaining vigilant against evolving cyber security risks and the need for regularly testing operational resilience through business continuity plans.

CORE BANKING SYSTEMS

Focus was also placed on the integration of the Core Banking System using API-based functionality in support of digitalisation projects. Additional systems were implemented to complement the existing Electronic Document Management System for one of the digitalisation projects.

Oracle-cloud, for the hosting of UAT-based requirements, was explored and will be considered for potential use in the new financial year, together with plans for upgrading the version of the system.

THE HYBRID OFFICE

Al Baraka Bank's hybrid working environment has operated effectively with staff empowered to meet business needs while remaining productive through the use of mobile technologies combined with cloud-based solutions.

To support this, staff have been encouraged to exploit the capabilities of the Microsoft 365 suite of applications and attend awareness sessions to optimise their use. An advanced cloud-based VOIP Telephone Management System was implemented that has enhanced our Bank's communication systems for a hybrid workforce with mobility, integrated voice recording, detailed real-time reporting, including analysis of call trends, customisable call flows and lower overall cost of ownership.

The solution mitigates disruptions experienced with previous service providers and has further enabled the centralisation of all calls on a national basis through a single golden number that is routed to Customer Services. Further enhancements are planned to optimise call handling, reporting and monitoring.

CLOUD-ADOPTION

The Bank currently uses some cloud-based solutions, such as those highlighted above, with plans to replace and upgrade certain end-of-life technologies with either cloud-based alternatives or on-premises infrastructure, as necessary.

A risk-based approach is taken at an organisational level to increase the adoption of cloud-based technologies, while ensuring security and governance measures are in place.

CYBERSECURITY

The surge in cloud and digitalisation initiatives has amplified cybersecurity risks, as this presents a wider attack surface with new opportunities for criminals to conceal their identities and target corporate systems, employees and clients.

To combat these threats and foster a security culture, regular cybersecurity awareness training is conducted through various learning programmes and communications. Furthermore, the Bank employs independent security monitoring services that provide 24/7 surveillance of critical security endpoints, in addition to threat advisory services, cyber liability insurance and ongoing efforts to strengthen the bank's defences.

Al Baraka Bank is a member of the South African Banking Risk Information Centre (SABRIC) and is represented at several forums that collaborate in industry-wide initiatives, including key risk identification, analysis of cyber security events, incident responses, framework development and drafting of position papers. SABRIC engages with local and global threat intelligence agencies, cyber security hubs and organisations.

"A RISK-BASED APPROACH IS TAKEN AT AN ORGANISATIONAL LEVEL TO INCREASE THE ADOPTION OF CLOUD-BASED TECHNOLOGIES, WHILE ENSURING SECURITY AND GOVERNANCE MEASURES ARE IN PLACE."

BUSINESS CONTINUITY

To ensure continuity of critical operations in the event of a business disruption, disaster recovery and continuity plans have been put in place. These plans involve utilising High Availability Systems which are replicated to an off-site Data Centre based in Gauteng, as well as access to cold-recovery Data Centres in key locations across the country.

To test the effectiveness of these plans, disaster recovery testing was conducted, resulting in the successful failover of critical systems, further strengthening the organisation's operational resilience. To enhance these plans, additional systems are being evaluated for inclusion as part of the High Availability environment.

LOOKING AHEAD

Al Baraka Bank plans to increase the use of cloud technologies by moving IT infrastructure and workloads, where feasible to do so, in order to gain scalability, cost-efficiency and flexibility, while supporting business and digitalisation objectives.

The use of AI-based technologies, including those embedded within cybersecurity solutions are envisaged to proactively identify and manage potential cyber risks through global threat intelligence and machine learning capabilities.

Employee education and awareness will continue to be emphasised, thus ensuring staff understand the latest threats and best practices for security, with continuous improvements in resilience capabilities to ensure preparedness against emerging threats.

Customer-centricity, technology risk, cybersecurity and corporate governance remain the cornerstone of business and IT culture, with ongoing enhancements and the adoption of a risk-based approach guided by regulatory directives.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FRAMEWORK
Our board is committed to sound governance practices with the objective of creating value for Al Baraka Bank's stakeholders.

The maintenance of an effective and appropriate corporate governance framework has enabled the Bank to achieve sustainable performance with the ability to deliver on both its corporate obligations and regulatory requirements.

The board continues to monitor the Bank's compliance with the principles of the King IV Report on Corporate Governance, with its primary objective being to lead ethically and effectively and to guide the business in a sustainable and collaborative manner.

To this end, the board has positively embraced the changing nature of the business environment within which the Bank operates and has sought to harmonise the approach between conformance and performance, with the objective of conducting the business of the Bank in a responsible, effective and efficient manner. The board's commitment to ethical leadership is characterised by integrity, responsibility, fairness, transparency, accountability and competence.

OUR BOARD OF DIRECTORS
The board of directors serves as the pivotal point of corporate governance for the Bank and is responsible for steering and setting the strategic direction of the organisation thereby ensuring that its long and short-term strategy is aligned with the vision, mission and core values of the Bank. Through this corporate governance model, the Board has established a business-appropriate risk profile through which profitability may be optimised.

The board functions within the ambit of a comprehensively written charter, which is subject to regular review, and complies with the provisions of the Companies Act, the Bank's Act, the Bank's Memorandum of Incorporation and the King IV Report on Corporate Governance. The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the period under review.

During the 2022 financial year, the board held four meetings and one meeting with the Prudential Authority of the South African Reserve Bank, which forms part of the Bank's annual prudential programme.

BOARD COMPOSITION AND STRUCTURE
The board comprised 10 directors as at 31 December 2022. In terms of Directive 4/2018 issued by the Prudential Authority, five of the directors are classified as independent, non-executive directors and three as non-independent, non-executive directors, with the remainder of the directors being executive directors. The executive directors include the chief executive and the financial director. The independence summary is set out below:

5 Independent
3 Non-Executive
2 Executive

"THE BOARD HAS POSITIVELY EMBRACED THE CHANGING NATURE OF THE BUSINESS ENVIRONMENT WITHIN WHICH THE BANK OPERATES AND HAS SOUGHT TO HARMONISE THE APPROACH BETWEEN CONFORMANCE AND PERFORMANCE."

The board of directors, in consultation with the directors' affairs committee, has sought to give effect to the Prudential Authority's requirements by ensuring that the board comprises a majority of independent, non-executive directors.

The Prudential Authority has recently approved the following appointments to the board of directors:
- Mr Houssem Ben Haj Amor, who is the chief executive officer of the Al Baraka Group; and
- Dr Mohamed Mustapha Khemira, who is the senior vice president: strategy planning of the Al Baraka Group.

The Prudential Authority has also noted the following resignations from the board of directors:
- Mr Mazin Manna, who was previously the chief executive officer of the Al Baraka Group; and
- Mr Mohammed Kaka, who served as the chief operating officer and an executive director. Mr Kaka will continue in his role as chief operating officer of Al Baraka Bank and will attend future board meetings in this capacity.

Mr Yunus Suleman served as the interim chairman of the board from 14 January 2022 to 30 October 2022.

The Prudential Authority approved the boards application for Mr Suleman's term of office to be extended by a further period from 01 February 2023 to 31 July 2023, pending the finalisation of the appointment of the chairman of the board, by the Prudential Authority.

Advocate Jenny Cane SC serves as the Bank's lead independent director, whose role is defined within the board charter.

DIRECTOR SKILLS AND QUALIFICATIONS
In terms of skills and expertise, members of the board must have the highest levels of integrity, a sound understanding of corporate governance and technical banking skills, as well as financial and non-financial knowledge.

Vast experience in banking, accounting, commercial, legal, risk, capital management and technology is essential for the board to be able to set and steer a strategic direction for the Bank.

The board has the appropriate balance of power and authority, such that no individual member has unfettered decision-making powers.

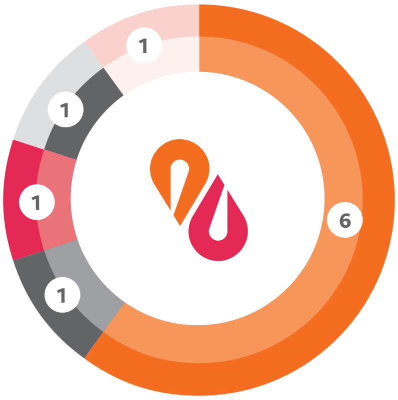
The roles and responsibilities of the chairman and chief executive are well-defined and separate. The directors' affairs committee, in accordance with its terms of reference, conducts an annual review of the composition of the board and the respective board committees.

This process focuses on ensuring that the board possesses the requisite skills for transitioning into the future, cognisant of the ever-changing and developing banking environment within the realm of digitalisation. The review also provides the Bank with an appropriate opportunity to conduct the process of succession planning.

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIRECTOR SKILLS AND QUALIFICATIONS

EXPERTISE



6 CA's
1 Senior Counsel
1 Attorney
1 PHD mechanical engineering
1 MBA

DIRECTOR AGE ANALYSIS

5 Between 40 and 49 years
3 Between 50 and 59 years
2 Over 60 years

FUTURE PLANNING

The board acknowledges the importance of succession planning with an appropriate succession plan in place and is shaped by considerations of gender and race, as well as Group policy requirements.

The appointment of directors is both a formal and transparent process, conducted in terms of prevailing legislative and regulatory requirements, which specifically includes the Banks Act and the Companies Act.

INDEPENDENCE ASSESSMENT

The independence of directors is reviewed annually by the directors' affairs committee in terms of the requirements of Directive 4/2018 for approval by the board.

The outcome of the assessment is reflected in the independence summary of this report. The implementation of the ongoing process of review serves as a strategic tool to ensure that the board comprises an appropriate balance of independent and non-independent directors.

DELEGATION OF AUTHORITY

The Bank's delegation of authority policy is reviewed every two years.

During 2021, the board, in consultation with the risk, capital management and compliance committee reviewed and approved the Bank's delegation of authority policy. The next review is scheduled take place in 2023.

In terms of King IV principles, the board ensures that the appointment of and delegation to management contributes to role clarity and the effective exercise of authority and responsibilities.

The policy serves as a critical component of the governance structure of the Bank, as it enables the board to delegate appropriate responsibilities to the chief executive, with whom the collective responsibilities of management reside.

The chief executive, in turn, delegates appropriate powers to management, thereby enabling the Bank to execute its day-to-day business activities.

DIRECTOR DEVELOPMENT

Given the continuous changes within the banking environment, the board has confirmed the importance of on-going director development and education, ensuring that directors are kept abreast of latest developments pertaining to legislation, regulation, risk and changes in the external environment which impact the Bank's business framework.

The concept of on-going director development remains a key objective of the board.

Director training is formally considered by the Bank's training committee and monitored by the directors' affairs committee.

During the 2022 financial year, the board was formally briefed on the latest developments in terms of the Financial Sector Conduct Authority, as well as undergoing an annual training awareness session pertaining to FICA.

Following their appointment to the board of directors, Mr Ben Haj Amor and Dr Khemira were provided a comprehensive director induction pack, which included an extensive overview of the business operations of the Bank and the portfolios of all management areas.

Given the demands placed on the directors, coupled with their increasing legal responsibilities, the identification and undertaking of relevant director training will continue to assume a keen focus during the ensuing year.

DIRECTOR PERFORMANCE EVALUATIONS

The board's performance is assessed in terms of a formal evaluation process.

In line with King IV recommendations and in-keeping with best governance practice, the 2022 performance evaluations were facilitated by an external service provider.

It was pleasing to note that the evaluation results confirmed that the board was deemed to be highly effective, displayed the highest standards of ethical behaviour and integrity and, most importantly, possessed a sound understanding of the banking environment.

The board is satisfied that the evaluation process adopted supports the continued improvement of its performance and efficacy.

BOARD AND BOARD COMMITTEE ATTENDANCE

The following table records the attendance of the board and board committee members in respect of the meetings held in 2022:

Name of Director/Member	Board	Audit	Risk, capital management & compliance	Board credit	Directors' affairs	REMCO	Social and ethics
YGH Suleman	4/4[1]	-	-	-	7/7[2]	4/4	-
Adv JMA Cane SC	4/4[3]	5/6	-	-	7/7	4/4[2]	-
H Ben Haj Amor	1/4[4]	-	-	-	-	-	-
Dr MM Khemira	1/4[5]	-	-	-	-	-	-
MJD Courtiade	4/4	-	5/5	4/4[2]	-	4/4	-
ZH Fakey	4/4	6/6[2]	5/5[2]	-	-	-	2/2
SM Nyasulu	3/4	6/6	5/5	-	-	-	2/2[2]
FA Randeree	4/4	-	-	4/4	6/7	-	-
SAE Chohan	4/4	-	-	4/4	-	-	2/2
A Ameed	4/4	-	5/5	-	-	-	-
M Kaka	3/4[6]	-	-	3/4[6]	-	-	-
MK Manna	3/4[7]	-	-	-	1/7[7&9]	-	-
EM Hassan	-	-	3/5[8]	2/4[8]	-	-	-

1. = Interim chairman of the board (from 14/01/2022 until 30/10/2022)
2. = Chairperson of board committee
3. = Lead independent director
4. = Appointed 21/11/2022
5. = Appointed 21/11/2022
6. = Resigned 18/11/2022
7. = Resigned 18/11/2022
8. = Resigned from R, CM & CC and BCC on 22/06/2022
9. = Appointed 22/06/2022

CORPORATE GOVERNANCE REPORT (CONTINUED)

BOARD COMMITTEES

The board committees support the board in the execution of its duties and responsibilities. Each committee is steered by formally written charters, which set out the terms of reference and functions of each respective committee.

There are six standing committees, inclusive of the:

- Audit committee;
- Risk, capital management and compliance committee;
- Board credit committee;
- Directors' affairs committee;
- Remuneration committee; and
- Social and ethics committee.

Also included in the Bank's governance framework are various management committees, whose objectives are to support the board and board committees in the execution of their mandates. These include the:

- Executive management committee;
- Executive credit committee;
- Management risk committee;
- Assets and liabilities committee;
- IT steering committee;
- Crisis management committee; and
- Anti-financial crimes committee.

AUDIT COMMITTEE

The purpose of the audit committee is primarily to provide independent oversight of the financial and regulatory reporting processes, the combined assurance process and its effectiveness, the system of internal controls and compliance with laws and regulations. In addition, it is a requirement of the Banks Act that all banks should establish an audit committee.

A summary of some of the key terms of reference of the audit committee includes, inter alia:

- Reviewing the Group's interim and annual financial statements and recommending approval to the board;
- Setting mandatory terms on the length of time that an audit partner may serve, being a maximum period of five consecutive financial years, as prescribed in terms of Section 92 of the Companies Act, 71 of 2008, as amended;
- Overseeing compliance with anti-money laundering control rules and regulations impacting the Bank;
- Ensuring that the committee has a comprehensive understanding of International Financial Reporting Standards (IFRS), Global Reporting Initiative Standards and any other reporting framework relevant to Al Baraka Bank;
- Reviewing and approving the internal audit programme for the ensuing year, which is based upon an assessment of the Bank's top risks identified during the internal audit risk assessment process; and
- In consultation with the board of directors, be responsible for the appointment, performance assessment and/or dismissal of the head of the internal audit function.

The audit committee held six meetings during the 2022 financial year and confirms that it has fulfilled its responsibilities, as set-out in its charter for the year under review.

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Z Fakey
Chairman: audit committee

RISK, CAPITAL MANAGEMENT AND COMPLIANCE COMMITTEE

The purpose of the risk, capital management and compliance committee is to assist the board and management in monitoring the risk, capital, liquidity and compliance functions of the Bank.

A summary of some of the key terms of reference of the risk, capital management and compliance committee includes, inter alia:

- Assisting the board in its evaluation of the adequacy and efficiency of the risk policies, procedures, practices and controls applied within the Bank in the day-to-day management of its business;
- Assisting the board in identifying and regularly monitoring all key risks and key performance indicators to ensure that its decision-making capability and accuracy of its reporting is maintained at a high level;
- Approving the formal risk management functional plan for the ensuing year which covers all areas of risk management within the Bank using a risk-based methodology;
- Ensuring that the Bank establishes and maintains an internal capital adequacy assessment policy, whereby policies and procedures exist to ensure the Bank identifies, measures and reports all material risks related to capital management;
- Overseeing compliance with material laws and regulations impacting the Bank; and
- Reviewing, monitoring and providing guidance on matters related to the Bank's IT and information management strategies, governance, operations, policies and control.

The risk, capital management and compliance committee met on five occasions during the 2022 financial year and confirms that it has fulfilled its responsibilities, as set-out in its charter for the year under review.

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Z Fakey
Chairman: risk, capital management and compliance committee

BOARD CREDIT COMMITTEE

The purpose of the board credit committee is to review, manage and measure Al Baraka Bank's credit risk strategy and to approve advances in terms of the board-approved delegation framework.

A summary of some of the key terms of reference of the board credit committee includes, inter alia:

- Approving advances in terms of the delegated powers of authority and credit mandates, which includes the monitoring of large exposures and Group-connected party lending exposures;
- Overseeing the administration and effectiveness of and compliance with Al Baraka Bank's credit policies through the review of such policies, reports and other information as it deems appropriate;
- Ensuring that the Bank's credit risk management process is aligned with the Al Baraka Group's credit risk strategy;
- Monitoring the overall credit review process considering the quantitative and qualitative assessment of the credit worthiness of debtors;
- Monitoring the credit recovery processes, together with the progress made on matters handed over for legal action. This includes the approval of write-offs of debtor accounts within its delegated framework;
- Ensuring that the Bank complies with all regulatory returns in respect of credit risk functions; and
- Overseeing the impact of changes in the repo rate on the credit portfolio, which resulted in the addition of key agenda items for the 2022 financial year addressing statistics and progress reports on payment deferments, as well as extensive stress testing on the advances portfolio of the Bank.

The board credit committee met on four occasions during the 2022 financial year and confirms that it has fulfilled its responsibilities, as set-out in its charter for the year under review.

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MJD Courtiade
Chairman: board credit committee

DIRECTORS' AFFAIRS COMMITTEE

The purpose of the directors' affairs committee is to assist the board in assessing and evaluating the corporate governance structures which have been established by the board and to deal with all governance-related matters of the Bank.

A summary of some of the key terms of reference of the directors' affairs committee includes, inter alia:

- Reviewing, on a regular basis, the composition, skills, experience and other qualities required for the effective functioning of the board;
- Monitoring and maintaining the board-approved directors succession plan and matters relating to the nomination of new directors in accordance with the board-approved policy and in line with Directive 4/2018;
- Monitoring the adequacy and effectiveness of the Bank's corporate governance structures, in line with prevailing legislation and regulations within the banking sector;
- Assisting the board in ensuring that the performance evaluation of the board and board sub-committees, the chairman and individual members support continued improvement in its performance and effectiveness;
- Assisting the board in ensuring that the Bank is always in compliance with all applicable laws, regulations and codes of conduct and practices and addresses any other governance issues that are not dealt with by other board sub-committees; and
- Reviewing on a periodic basis the format and content of the board and other sub-committee mandates.

The committee met seven times during the 2022 financial year and is satisfied that it has fulfilled its responsibilities as set-out in its charter for the year under review. 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.

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YGH Suleman
Chairman: directors' affairs committee

REMUNERATION COMMITTEE

The purpose of the remuneration committee is to advise the board on various matters pertaining to human resources, staffing and remuneration.

A summary of some of the key terms of reference of the remuneration committee includes, inter alia:

- Making recommendations to the board on the Bank's remuneration policy that articulates and gives effect to fair, responsible and transparent remuneration across the organisation;
- Making recommendations to the board on succession planning, both at senior management and executive management level, general staff policy, benefits, bonuses and incentive schemes;
- Ensuring that a comprehensive employment equity policy exists that addresses a range of key issues, such as discrimination, disputes, affirmative action and disciplinary action;
- Ensuring that the appropriate quality of staff is attracted, retained, motivated and appropriately rewarded by the Bank;
- Reviewing various policies impacting on human resources, including that of staff financing; and
- Ensuring that the right calibre of executive senior management is attracted, retained, motivated and rewarded.

The committee met four times during the 2022 financial year and is satisfied that it has fulfilled its responsibilities as set-out in its charter for the year under review. The chief executive attends meetings of the committee by invitation, in accordance with the recommendations of the King IV Report on Corporate Governance.

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Adv. JMA Cane SC
Chairman: remuneration committee

SOCIAL AND ETHICS COMMITTEE

The purpose of the social and ethics committee is to monitor the bank's activities with regard to organisational ethics, sustainability and stakeholder management, having regard to relevant legislation and industry best practices.

A summary of some of the key terms of reference of the social and ethics committee includes, inter alia:

- Monitoring the application of ethical conduct throughout the Bank in a manner that supports the establishment of an ethical culture;
- Monitoring the Bank's commitment and contributions made in terms of its corporate social responsibility programme;
- Monitoring the impact of the Bank's activities in relation to the well-being of the environment, health and public safety, thereby ensuring that the Bank is and is seen to be a good corporate citizen by conducting itself in an environmentally-friendly and sustainable manner;
- Overseeing the Bank's commitment towards its Black Economic Empowerment objectives;
- Approving the Bank's stakeholder engagement policy and monitoring the Bank's approach towards effective stakeholder management; and
- Ensuring that the Bank conducts its operations in an environmentally-friendly manner, with reference to its consumption of resources, such as water, electricity and paper.

The committee met on two occasions during the 2022 financial year and is satisfied that it has fulfilled its responsibilities as set-out in its charter for the year under review.

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S Nyasulu
Chairman: social and ethics committee

GOVERNANCE INDICATORS

ETHICAL CULTURE

Ethical conduct remains the non-negotiable basis upon which Al Baraka Bank conducts its business operations. All members of staff and key stakeholders with whom the bank interacts are committed to the highest ethical standards, as set-out in the Bank's code of business conduct.

The Board has established a culture of strict governance and compliance with all applicable laws and regulations. The tone at the top has consistently been focused on the implementation of prudent risk management and a zero-tolerance approach to anything that will bring the Bank into disrepute. To give effect to this process, the board regularly monitors, through management, the approval and implementation of its policies.

TRANSFORMATION

Al Baraka Bank fully embraces transformation, as per the Broad-Based Black Economic Empowerment codes. In terms of its revised terms of the amended codes, the Bank is classified as a level 7 contributor. A plan of action has been prepared, in consultation with an external service provider, to improve the current rating. This key function is being actively driven by the social and ethics committee.

PRESCRIBED OFFICERS

The prescribed officers of the Bank comprise the chief executive, chief operating officer and the financial director.

COMPANY SECRETARY

The company secretary is appointed by the board of directors. The company secretary is not a director of the Bank and provides support and guidance to the board in matters relating to governance, ethical conduct and the rights and duties of directors.The company secretary is responsible for giving effect to the process of board evaluations, whilst also overseeing the induction and on-going training and development of directors. The board is satisfied that the company secretary has maintained an independent and arm's length relationship with the board.

DIGITALISATION REPORT

The 2022 financial year proved productive for Al Baraka Bank, given that we successfully delivered against the Group's digital themes of connectivity, automation and decisioning.

Many significant new technologies were released into the public domain, including a new website, the much-anticipated mobile banking App, a web portal allowing clients to apply for finance, tokenised payments and a digital signing solution.

WEBSITE

The year commenced with Al Baraka Bank launching its new website, aligned to new Al Baraka Group guidelines and being just the second of 15 subsidiaries to achieve the Group's revised digital identity at that time.

The website is a comprehensive product suite which provides prospective clients with relevant information at their fingertips.

The website facilitates access to download the Bank's mobile banking App, application for finance and access to the online statements portal.

The website is well-equipped to play a pivotal role in the Bank's digital marketing mix as our financial institution moves towards driving digital sales.

To date, the site serves an average of 26 000 users per month.

MOBILE BANKING APP

The Bank also released the first version of its mobile banking App, which has since gained in excess of 4 000 users.

This first version enabled our transactional banking clients to quickly and easily digitally onboard using a selfie, and to conduct banking transactions.

The App further caters for users to securely link business accounts to their profiles.

Subsequent releases of the App added the functionality of viewing investment and finance statements, providing customers a 360° view of their Bank dealings within a single login and digital platform.

The release also provided access to tax certificates, as well as the ability for parents to link their children's accounts to their profiles.

The Bank also focused on releasing a new corporate banking feature, including the ability for corporate users to view and approve batches from their mobile devices, and the provision of a new corporate banking web portal, both set for early 2023.

Future releases of the App will aim to enable new-to-bank clients to digitally onboard and open transactional banking and investment accounts.

APPLY FOR FINANCE PORTAL

Towards the middle of the year under review, the Bank launched a web portal allowing clients to apply for retail residential property and motor vehicle deals at their convenience.

The portal includes a calculator that enables prospective clients to estimate the total cost of finance before applying through a secure platform.

The portal also supports file uploads, eliminating the need for cumbersome email exchanges.

Once an application is received, the portal streamlines the progress of the application through smart back-office workflows, resulting in faster turn-around times and increased efficiency.

To date, 262 deals, worth R220 million, have been facilitated through the portal.

Looking ahead, the focus will shift to integrating the workflows with an automated decision-making engine to automatically provide approvals and integrate with the core system, eliminating the need for manual back-office processes.

TOKENISED PAYMENTS

Al Baraka Bank embarked on its tokenised journey in the middle of the 2022 financial year, with a view to enabling clients the use of smart wearables to process transactions at merchants' point-of-sale (POS) devices.

The feature is regarded as an absolute game-changer since clients no longer need to carry their bank card to perform POS transactions.

The bank partnered with Samsung Pay to launch its offering early in December 2022, enabling clients to use their Samsung smart phone and/or smart watch to process transactions with merchants.

Clients using the feature have responded extremely positively with regard to having the ability to perform transactions by simply tapping their smart phone or smart watch.

It is very pleasing to note that 593 transactions, to the value of R160 000, were performed within the first 20 days of the feature's launch, reflecting client confidence levels in the Bank's transactional banking product.

The Bank will be offering clients the ability to make POS payments on Swatch Pay, Garmin Pay and Fitbit Pay in February 2023.

Apple Pay and Google Pay will follow thereafter during the course of 2023.

DIGITAL SIGNING SOLUTION

Al Baraka Bank was also pleased to announce the integration of SigniFlow software across its operations during the 2022 financial year.

This advanced solution is designed to automate and digitise electronic document delivery, thereby streamlining staff and customer signing processes and bolstering the Bank's digitisation efforts.

With SigniFlow, members of staff and customers are easily able to execute eSignatures with speed and agility, whilst enjoying the benefits of trackable workflows, automated reminders, automated filing and detailed audit logs, further enhancing the overall client user experience.

SUSTAINABILITY REPORT

PREFACE
Al Baraka Bank has sought to continue building resilience and sustainable value for its key stakeholders amid an inconsistent and complex environment, considering the subsequent impact of the COVID-19 pandemic and its long-term effect on the economy.

Sustainability reporting in the context of the South African banking industry entails managing financial, social, environmental and ethics risks in an accountable manner, thus creating economic value, contributing to a strong community development ethos and a healthy environmental landscape. Such improvement in performance enables a positive impact on the future of society and the economy.

AL BARAKA BANK'S SUSTAINABILITY FRAMEWORK
The Bank's sustainability framework is based on sound and ethical economic practices and principles, the employment of a stakeholder-inclusive philosophy and an unswerving commitment to environmental considerations.

We believe that an engaged staff complement and creation of sound relationships with our diverse stakeholder groups are integral to long-term business growth and value creation. The purpose of this, our sustainability report, is to articulate and facilitate an appreciation of our triple context management objectives, comprising financial performance, our social impact, our environmental management practices and our ethical culture.

STRATEGIC BUSINESS OBJECTIVES
Al Baraka Bank's key business objectives comprise:
- Increasing returns to shareholders;
- Promoting customer service excellence;
- Developing innovative products; and
- Utilising enhanced technology.

RISK AND OPPORTUNITY
The board of directors supports the view expressed in King IV which recognises that there are potential opportunities inherent in various risks facing the organisation. For this reason, the Bank's risk management framework, which identifies and evaluates risks which may impact the Bank, is monitored by the risk, capital management and compliance committee, in consultation with the board of directors on a quarterly basis.

The board, which approves the Bank's risk appetite, seeks to govern risk in a manner that supports the financial institution in setting and implementing strategic objectives.

In addition, the Bank has fully embraced technology, using the platform to promote greater efficiencies through digitalisation and the application of robotics development, whilst also drawing on technological advances for an effective defence against a multitude of technological threats, such as money laundering and cybercrime. This, coupled with our membership of the South African Banking Risk Information Centre (SABRIC) – an industry-wide organisation committed to identifying banking scams and fraudulent activities – has ensured that our Bank remains strategically placed to effectively implement decisive counter-measures in ongoing endeavours to mitigate the devastating dangers of cyber risk.

CORPPORATE GOVERNANCE AND SUSTAINABILITY
As the only fully-fledged Islamic bank active in South Africa, we comply fully with the standards set out by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Through this commitment, Al Baraka Bank is prohibited from undertaking a number of banking practices which are considered non-Shariah-compliant. In line with the governance philosophy encompassed by King IV, our directors' affairs committee is responsible for overseeing and monitoring company-wide adherence to best governance practice. In view of this, we recognise that our business impacts on the surrounding environment and have, therefore, created an intrinsic sense of accountability towards our key stakeholders and the broader society.

"AL BARAKA BANK HAS SOUGHT TO CONTINUE BUILDING RESILIENCE AND SUSTAINABLE VALUE FOR ITS KEY STAKEHOLDERS AMID AN INCONSISTENT AND COMPLEX ENVIRONMENT."

This translates into our staff onboarding a deep concern for the collective success of business and society, the impact of which will be realised in the years ahead.

SUSTAINABLE DEVELOPMENT DELIVERY

SOCIAL ISSUES
Al Baraka Bank places great emphasis on social development and community upliftment, clearly reflected in our keenness to be amongst the key-role players active in the corporate social responsibility sector.

The Bank's structured approach with a well-planned calendar that includes a range of annual initiatives, as well as support for well-deserving communities throughout the year ensures that our targets are met. Three categories in which the Bank provides support include education, health and welfare.

With education being a key aspect of importance, the Bank recognises the need to actively prepare our rural youth for life in an increasingly technologically-aware society and is intent on making a contribution towards positive change in this regard.

In an effort to help bridge the digital divide in Africa, the United Nations Development Programme (UNDP) has been delivering low-cost internet to rural communities across South Africa, in collaboration with the CSIR's 'Rural Television White Space (TVWS) Network Operator Support Programme.' Gamalakhe was a recent beneficiary of public Wi-Fi hotspots using the TVWS technology to connect the community.

Leveraging this initiative and complementing the work, Al Baraka Bank supported the establishment of a computer lab to benefit Olwandle High School by providing R398 902 for ICT hardware, inclusive of desktop computers, laptops, a printer and a projector, as well as software requirements.

Al Baraka Bank's involvement was the consequence of an agreement between the Al Baraka Group and the UNDP in 2018 and the signing of a Memorandum of Understanding, thus ensuring that the Bank's social responsibility goals and funding criteria are aligned with the UNDP's Sustainable Development Goals.

The Bank looks forward to playing a critical and continued role, with the UNDP and its partners, in the quest to improve the standard of education in rural areas by increasingly opening the door to technology in under-resourced schools.

An Al Baraka Group landmark anniversary was observed in each country around the world in which it has a presence, including South Africa, in November of 2022.

The day, expressed as 'International Al Baraka Day,' provided an opportunity for the Group and its international subsidiaries to provide a community service for the benefit of those less fortunate members of society. International Al Baraka Day provided the ideal platform for our Bank to encourage a culture of volunteering by our staff teams, with the intention of serving the local community in general and, particularly, those less fortunate.

SUSTAINABILITY REPORT (CONTINUED)

The identified service projects undertaken by the Bank were designed to address community needs under the UNSDG Good Health and Well-Being (SDG 3) programme.

Our Bank joined with the Childhood Cancer Foundation South Africa to distribute gift hampers and treats to 180 children suffering serious ill-health challenges in Durban's Albert Luthuli Hospital, Cape Town's Tygerberg Hospital and Gauteng's Steve Biko Peads Oncology Clinic.

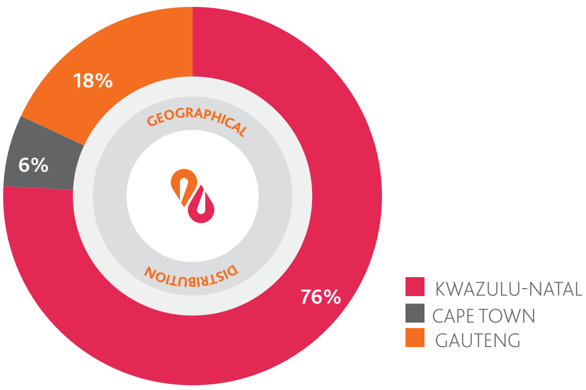
The devastation caused by severe flooding in KwaZulu-Natal during the review period prompted the Bank's quick and generous sponsorship of food aid and blankets to flood victims.

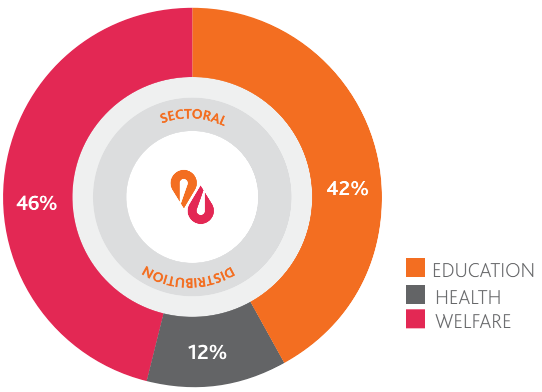
With the declining economy, arising from the effects of COVID-19, the Bank also identified the need to assist small businesses and took the opportunity to become involved with Rebuilding For Hope and Prosperity (REHOP), assisting with the upliftment of informal traders.

In addition, the Bank continued playing an administrative role in the Giving For Hope Foundation (GFHF). The GFHF was created to offer interest-free loans to businesses affected by the health pandemic.

During 2022 we donated R2 679 240 to projects in our three identified categories, education, health and welfare, the breakdown of which is depicted in the diagram below, together with the geographical spread of these donations.

A further R3 000 000 was donated to a charitable trust.





ECONOMIC ISSUES

Al Baraka Bank, being a fully-fledged commercial financial institution adhering to strict Islamic principles, continues to maintain a growth trajectory in the South African financial sector. We strive to be a responsible leader to our clients, providing appropriate products and services and endeavouring to ensure that they obtain maximum investment profits and are able to meet their financial obligations to the Bank, in accordance with the National Credit Act and legislation governing the financial sector.

The 2022 financial year saw an improvement in the results of all financial institutions. This was due, to a large extent, to an end to the COVID-19 pandemic, which led to the complete relaxation of restrictions. Businesses in the country have, generally, experienced a return to normal levels of operation as a result.

The country experienced civil unrest during 2021 and the Bank provided payment relief to clients affected by the violence and destruction of property. During the 2022 financial year, the majority of affected businesses had shown signs of recovery, leading to the culmination of payment relief and the normalisation of payments.

Many businesses in the economy experienced serious operational challenges during 2022 due to continuous power cuts and consequent disruptions in trading. The review period also witnessed three interest rate increases by the monetary committee, impacting on the disposable income of clients.

The Bank continues to maintain a low bad debt ratio within the industry, in spite of the tough economic climate. Through the increased traction of Islamic banking nationally and internationally, Al Baraka Bank is further able to leverage its footprint, as well as its continued economic sustainability within the financial sector.

ENERGY MANAGEMENT

Al Baraka Bank has joined several traditional banks in South Africa in aligning its corporate strategy and social investment responsibilities with the 2030 Agenda for Sustainable Development.

The environment and sustainability are components to which Al Baraka Bank pays close attention, based on our belief in the need for environmental protection and the development and use of sustainable energy.

Our bank, as an Islamic financial institution, not only seeks to achieve a return to satisfy clients, it also gives close consideration to the needs and desires of staff and other stakeholder groups in society, whilst also maintaining a social responsibility ethos, providing a number of service interventions to help meet the hopes and ambitions of the society.

Sustainability is becoming an integral part of big business models, and includes making a positive contribution towards meeting the climate challenge and bridging the global energy gap and need for clean, cost-effective and reliable electricity supply.

In September 2015, the General Assembly adopted the 2030 Agenda for Sustainable Development, which includes 17 Sustainable Development Goals (SDGs). Building on the principle of "leaving no one behind", the new Agenda emphasises a holistic approach to achieving sustainable development for all.

In 2019, the Al Baraka Group became the first bank in the West Asia region to officially sign the new Principles for Responsible Banking, developed through an innovative global partnership between banks and the United Nations Environment Programme Finance Initiative (UNEP FI). By committing to these principles, Al Baraka Bank is also the first in the Islamic banking sector to do so. The Principles for Responsible Banking were developed by a core group of 30 founding banks through an innovative global partnership between banks and the UNEP Finance Initiative.

Our Bank is affiliated to the United Nations Development Programme (UNDP), which reinforces the global commitment to responsible business. We have adopted seven of the 17 sustainable development goals (SDGs), covering: No poverty, good health and well-being, quality education, gender equality, affordable and clean energy, decent work and economic growth and industry – innovation and infrastructure.

Our adoption of these goals is aimed at contributing towards making a tangible impact on the behaviour and transactions of individuals and society.

The Bank also holds monthly occupational health and safety (OHS) meetings to ensure compliance and adherence to all Government regulations.

In view of the fact that Government has lifted all remaining COVID-19 protocols and restrictions, we have removed from all branches PPE and signage in line with Government regulations.

The OHS Act prescribes a minimum of one planned fire drill to be conducted per annum. Al Baraka Bank has complied with this requirement, completing fire drills at its branches nationally.

Solar Power:
The sun generates more energy in one hour than is used by global society in a year.

A variety of technologies convert sunlight to usable energy, the most common for homes and businesses being solar photovoltaics for electricity, passive solar design for space heating and cooling and solar water heating.

Businesses and industry are increasingly looking to solar technologies to diversify their energy sources, improve efficiency and reduce costs. This has become increasingly prevalent in the face of South Africa's energy crisis and plethora of rolling black-outs plaguing individuals and businesses alike.

Rooftop solar PV has become a cost-effective, carbon-free and sustainable form of electricity generation for businesses and households.

The vast majority of South Africa's electricity comes from coal power stations, which release large amounts of carbon dioxide and other Greenhouse Gases (GHGs), responsible for heating the earth's climate and resulting in various negative impacts.

Solar PV systems generate electricity without emitting any carbon dioxide or other GHGs, reducing the total amount of GHGs being emitted, preventing further heating of the climate, and resulting in increased sustainability. It also reduces air pollution associated with energy use which improves human health and wellbeing.

The Bank has investigated solar power as an alternative and supplementary power source for our Kingsmead Office Park and Athlone Bank facilities. Solar harvesting proposals have been procured by the Bank.

Our IT department has partnered with a service provider on the digital platform and, together with the facilities department, is working towards solar harvesting as an end goal.

To this end a proposal has been submitted based on our current energy usage. The proposal looks to a solar farm solution to enable and meet the energy requirements of the building by utilising a current vacant carpark property adjacent to our Kingsmead Office Park building.

Voltage Optimisation:
An energy reduction project was initiated in 2020 to monitor and reduce power consumption at the Bank's Kingsmead Office Park facility and an investigation of the park's power supply grid was undertaken in terms of suitability for voltage optimisation on the incoming municipal supply at client end.

As the solar initiative is being undertaken simultaneously and with an added further requirement that the electrical reticulation to be re-evaluated for integration for solar devices, battery packs and suppression devices, as well as surge protection, the project is to be integrated into final design.

Water Back-up:
Proposals regarding water retention have been received regarding additional capacity for internal consumption. Costs are being evaluated and a further structural engineering report has been requested for the placement of tanks and the associated concrete foundation.

Grey water harvesting is also being investigated from the roof garden to the basement catchment tanks.

Energy Performance Certification:
Government issued a regulation Gazetted in December 2020 for all non-residential buildings to submit and display an Energy Performance Certificate.

The requirement is aimed at making buildings in South Africa more energy-efficient. The intended regulation is aimed at reducing strain on the national electrical grid and to help the country meet its emissions commitments going forward.

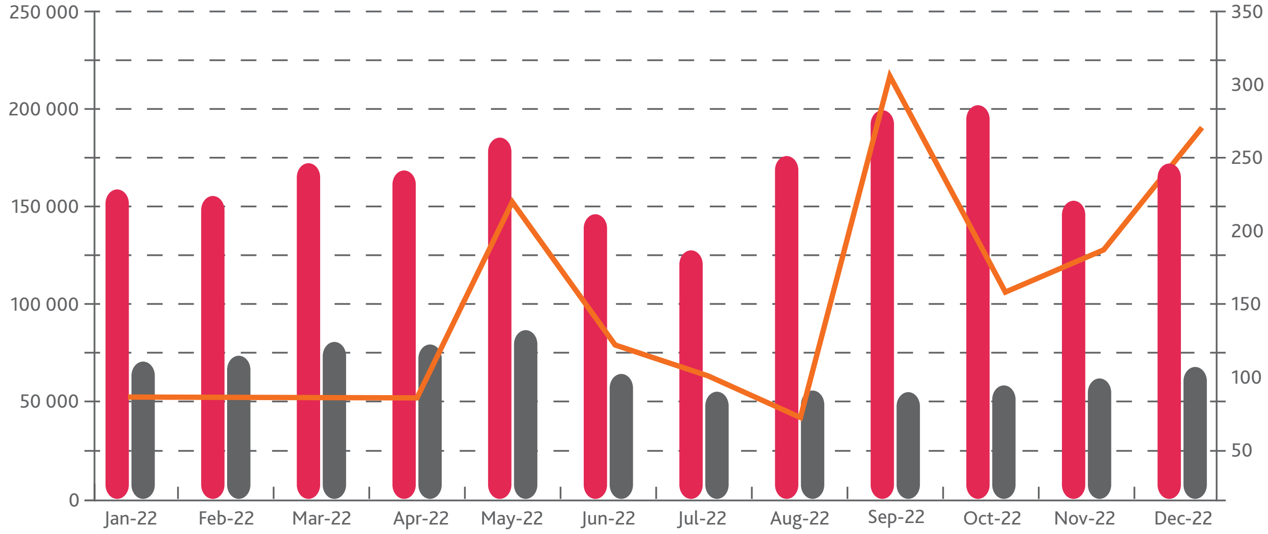
The certification, administered by the South African National Energy Development Institute (SANEDI) on behalf of the Department of Mineral and Energy Resources, grades buildings based on how much energy they use per square metre.

The certification gives buildings an energy efficiency grading between A and G, with A being the most efficient and G being the least efficient.

The certification is primarily aimed at making building owners aware and more conscious of their energy footprint and where they might be more efficient. EPC requirements are enforced by law and make this a mandatory requirement for qualifying building owners.

The Energy Performance Certificate is only valid for a period of five years, after which the building must be re-assessed. Government has issued a secondary regulation allowing companies until 2025 to become EPC-certified.

KINGSMEAD INCLUDING RAND VALUE, KW & KL CONSUMPTION



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	70 454	73 444	80 530	79 215	86 575	64 110	54 985	55 593	54 776	58 229	61 807	67 693
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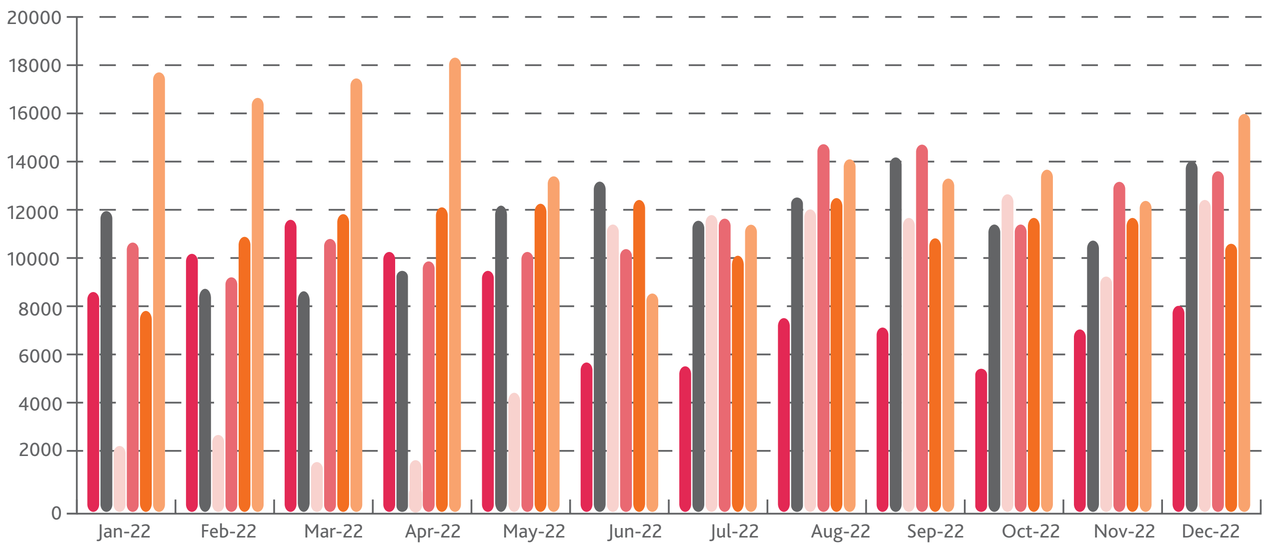
E & W Rand Value Incl Vat Kingsmead Kw-Kingsmead Kingsmead Kl-Kingsmead Kingsmead

E & W RAND VALUE FOR BRANCHES



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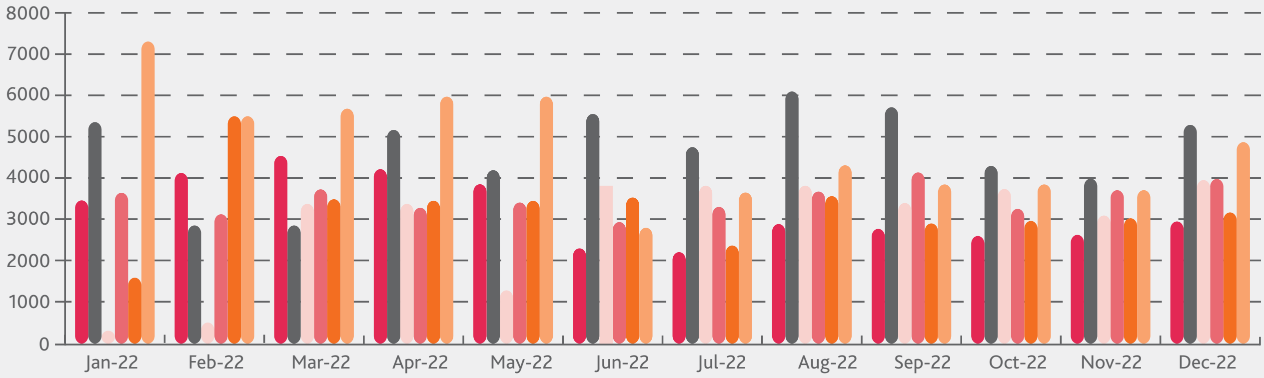
	10 882	9 478	11 029	9 893	10 382	10 618	11 603	14 620	14 840	11 220	13 336	13 763
	7 792	10 866	11 822	12 082	12 183	12 224	10 194	12 514	11 059	11 537	11 747	12 295
	17 637	16 793	17 472	18 276	13 531	8 878	11 463	14 153	13 278	13 757	12 497	16 082

Overport Athlone Fordsburg Gauteng Regional Office* Laudium Lenasia

*No water consumption charge

KW CONSUMPTION PER BRANCH



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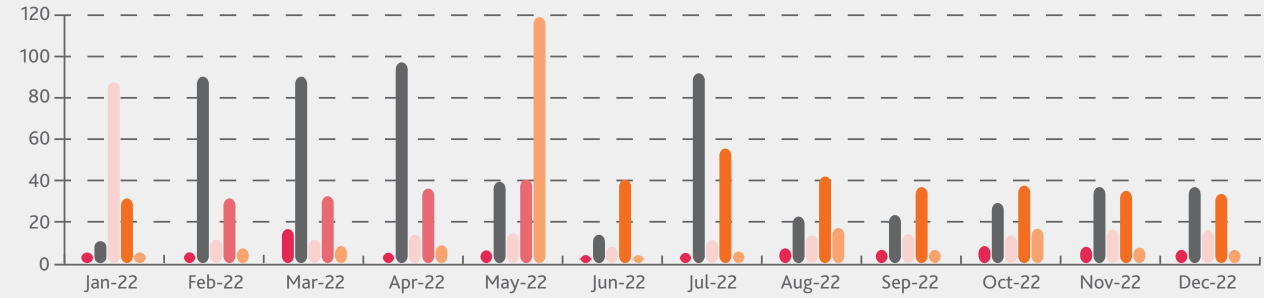
	1 566	3 029	3 468	3 432	3 430	3 510	2 346	3 543	2 881	2 942	3 007	3 148
	7 290	5 479	5 663	5 954	5 954	2 777	3 631	4 291	3 827	3 827	3 688	4 851

Overport Athlone Fordsburg Gauteng Regional Office Laudium Lenasia

KL CONSUMPTION PER BRANCH



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	5	7	8	8	7	4	6	15	6	16	7	6

Overport Athlone Fordsburg Laudium Lenasia

STAKEHOLDER ENGAGEMENT

Al Baraka Bank is committed to fostering long lasting, sustainable relationships with key stakeholder groups and has continued to regularly engage with them as part of its long-term journey.

- **CLIENTS**

Clients have been engaged across various platforms, ranging from one-on-one interactions to the use of virtual platforms.

In addition, improving customer service has been a key priority in the development of the comprehensive mobile banking application so that the needs and expectations of clients are met.

The importance of clients to the Bank and the need to deliver exceptional client service is a point of emphasis in the Bank's dealings with clients.

- **STAFF**

The devoted staff compliment of Al Baraka Bank is regarded as a critical resource, important to the success of the Bank. There has been continued engagement with staff throughout the year under review, inclusive of the implementation of numerous dedicated staff sessions dealing with, inter-alia, issues of wellness and health, given the implementation of remote working and the need for regular feedback from board and board committee meetings.

- **SHAREHOLDERS**

Shareholder communication has been conducted through the means of email and the postal service, in terms of which shareholders have received copies of relevant information pertaining to the Bank and which has an impact on them as shareholders. After two years of remote Annual General Meetings, the Bank held its 2021 Annual General Meeting on a face-to-face and a virtual basis. In addition, a 30c per share dividend was

SUSTAINABILITY REPORT (CONTINUED)

approved for shareholders in October 2022.

- **COMMUNITY**

Al Baraka Bank has in place a dedicated programme of social outreach, which spans the disciplines of health, welfare and education. Staff are required to participate in some form of social outreach throughout the year, which is so important within the South African context.

This outreach forms part of each staff member's assessment process. In addition, the Bank has partnered with the United Nations in driving its Development Programme initiatives.

- **REGULATORY AND OTHER INDUSTRY BODIES**

The banking industry is one of the regulated sectors of the economy. Al Baraka Bank has consistently engaged with its set of regulatory and key industry bodies, including the Prudential Authority of the South African Reserve Bank, the Financial Intelligence Centre, the Financial Sector Conduct Authority, the National Credit Regulator, the CIPC and the Information Regulator.

The Bank acknowledges that the Regulatory Bodies represent vital role-players within the financial sector and such interactions have been characterised by transparency, mutual respect and the utmost good faith in all our dealings.

The board, as well as the chief executive, meet with the Prudential Authority on an annual basis, serving to reinforce the professional working relationship between Al Baraka Bank and the Prudential Authority.

- **MEDIA**

The Bank continues to ensure that it is reflected positively in the media landscape through the implementation of a broad media relations roll-out plan and maintenance of an updated media contacts database. Management is acutely aware of the key role that the media plays in the promotion of business.

- **SUPPLIERS AND CONTRACTORS**

The Bank has, throughout the year, promoted local procurement of goods and services wherever possible. It is our policy to settle supplier's invoices in a timely manner, such that suppliers, especially those within the SMME sector, are not adversely impacted through cash flow constraints. We view this as being core to our ethical approach to doing business with suppliers and contractors.

- **INDUSTRY BODIES**

Management has worked closely with several industry bodies throughout the course of the year and with the Banking Association South Africa (BASA), the South African Banking Risk Information Centre (SABRIC) and the Payments Association of South Africa (PASA).

Separate meetings have been held with BASA, with the objective of strengthening the working relationship between our respective organisations. Based on the sound working relationships that currently exist with key industry bodies, we believe that our engagement has met its objectives.

- **ISLAMIC SCHOLARS AND ORGANISATIONS**

Being the only fully-fledged Islamic, commercial bank in South Africa, Al Baraka Bank continues to maintain sound relationships with recognised Islamic scholars and organisations.

The Bank's Shariah Supervisory Board comprises respected and highly qualified Islamic scholars who enjoy significant influence across the South African Muslim community and globally.

CONCLUSION

Al Baraka Bank acknowledges sustainability reporting as being a greatly significant element of our strategic thinking, regarding it as a material depiction of our overall business footprint.

Our goal is to merge the management of our United Nations Development Plan-aligned social impact, economic performance and commitment to environmental preservation for the improvement of people and planet.

As with any journey, we recognise that there is much ground to be covered towards the improved articulation of sustainability reporting, thus enabling us to reach superior levels of governance practice, business transparency, responsibility and accountability.

COMPLIANCE REPORT

COVID-19 PANDEMIC

The COVID-19 pandemic has affected individuals and entities all over the world.

The year 2022 brought with it a 'new normal' for many institutions, inclusive of a hybrid working approach.

Compliance functions have put a huge amount of effort into not only ensuring compliance with regulatory requirements, but also in protecting people from contracting the virus and curbing its spread.

Al Baraka Bank invested a significant amount of time and resources to ensure that the necessary precautions were implemented and protective measures put in place in order to enhance the safety of our members of staff, our clients and our service providers.

The Bank has been at the forefront in encouraging staff to vaccinate and arranged for a number of sessions to enable staff to obtain medical advice on the effect of the vaccines.

IMPORTANT REGULATORY REQUIREMENTS

There was an increased focus on anti-money laundering (AML) measures during the 2022 financial year arising, especially, out of a Financial Action Task Force Mutual Evaluation, which was conducted in South Africa.

A number of legislative changes were brought about, giving effect to the strengthening of the anti-money laundering regime in this country.

These changes included electronic fund transfer requirements and enhancements to the business risk assessment obligations for institutions.

Further AML enhancements included changes to beneficial owners of companies, politically exposed persons and the enhancement of laws relating to the protection against terrorism.

TRAINING AND DEVELOPMENT

The Bank maintains a strong stance on training and strives to ensure that staff undergo relevant and appropriate training before they consult with stakeholders.

Our compliance department plays a pivotal role in ensuring compliance with training objectives for relevant members of staff and management and in-keeping with their portfolios and business function.

In fulfilling this role, compliance independently facilitates training programmes and engages with human resources on an ongoing basis to ensure that staff receive the requisite training.

INTER-DEPARTMENTAL RELATIONSHIPS

The compliance division also worked in conjunction with other assurance providers to ensure the adequate observance of corporate governance by the Bank.

This gave effect to a combined assurance model, which is in line with the requirements of King IV.

Representatives of the compliance department also serve on a range of strategic forums and committees while providing guidance to the board and our management team in terms of matters of regulatory and reputational risk.

The Bank continued its adoption of a zero-tolerance policy regarding non-compliance with any legislation. Compliance also played a pivotal role in identifying regulatory non-compliance and reporting same to relevant management and the board.

INDUSTRY REPRESENTATION

The compliance division continued its active engagement with the various committees of the Banking Association South Africa (BASA), the South African Banking Risk Identification Centre (SABRIC) and other ad hoc committees, thus affording the Bank the opportunity to make an impact on regulatory reform affecting the industry and country.

SHARIAH COMPLIANCE

Al Baraka Bank adheres stringently to Shariah, as our ethos is premised on ethical banking. This affords our clients the peace-of-mind that all their affairs are managed by the Bank to the highest possible ethical standards.

The Bank is driven by these values and has ensured that it grows stronger and provides increased value to its clients.

COMPLIANCE CULTURE

The Bank maintains a culture of strict compliance to all laws and regulations, whilst ensuring that the needs and desires of its clients is at the heart of the Bank's objectives. Customer satisfaction has always been – and remains – a priority for the Bank.

During the 2022 financial year the compliance division continued efforts to maintain a strong compliance culture within the organisation, driven from board level and entrenched in the foundation upon which the bank is built.

SHARIAH REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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 products 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 the applicable Shariah Rules and Principles in terms of the Shariah Standards issued 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 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 Internal Shariah Audit Function, 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:
1. Murabaha Financing;
2. Musharaka Financing;
3. Ijarah Financing;
4. Equity Murabaha Transactions;
5. ABL Sukuk;
6. Islamic Wills and Administration of Estates;
7. Profit Distribution;
8. Management Accounts;
9. Disposal of Impermissible Income;
10. Calculation of Zakah;
11. Foreign Exchange Transactions; and
12. 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 Shariah Rules and Principles. In addition, an Independent Shariah Compliance audit was conducted by the Shariah Audit Department of the Al Baraka Group (ABG), which assessed the effectiveness of the Bank's Shariah Governance Framework and related controls.

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 the applicable 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 the applicable Shariah Rules and Principles;
3. An amount of incidental impermissible income has been designated to be paid to charity (refer to the Welfare and Charitable Funds note in the notes to the annual financial statements);
4. Zakah of the Bank was calculated at 58,5 cents per share. Shareholders are advised to discharge this Zakah individually, as the Bank is not mandated to discharge the Zakah on their behalf; and
5. The Bank has an effective Shariah governance framework that comprises Shariah Advisory, Internal Shariah Audit, ABG Independent Shariah Audit and the Shariah Supervisory Board, which ensures that the Bank complies with Shariah.

WE BEG THE ALMIGHTY TO GRANT US ALL SUCCESS IN THIS WORLD AND THE HEREAFTER.

Shaykh Mahomed Shoaib Omar
Chairman

Shaykh Yousef Hassan Khalawi
Member

Mufti Zubair Bayat
Member

Mufti Shafique Ahmed Jakhura
Member

01 February 2023

SHARIAH SUPERVISORY BOARD

The Shariah Supervisory Board is an independent body comprising specialist jurists in Islamic Commercial Jurisprudence, which is entrusted with directing, reviewing and supervising the activities of Al Baraka Bank in order to ensure that the Bank complies with Shariah Law. The board is mandated to ensure that all Shariah matters regarding the Bank are dealt with in a professional manner and in strict accordance with the Shariah Standards set out by Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

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

MEMBERS OF THE SHARIAH SUPERVISORY BOARD
SHAYKH MAHOMED SHOAIB OMAR (CHAIRMAN)
Shaykh Mahomed Shoaib Omar serves as chairman of the Shariah Supervisory Board of the Bank. He completed his B. Com Law degree and LLB at the University of KwaZulu-Natal and studied Arabic and Islamic Law under the renowned contemporary jurist, Mufti Taqi Usmani, at Darul Uloom Karachi.

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. He has extensive experience in the application of Shariah Law to contemporary situations, including Islamic finance, and has worked closely with the late Shariah expert, Shaykh Abdus Sattar Abu Ghuddah.

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 its contemporary applications, including Islamic finance, in English and Arabic. He is regarded as an expert in comparative jurisprudence (fiqh al muqaarin).

SHAYKH YOUSEF HASAN KHALAWI
Shaykh Yousef Khalawi is a prominent Saudi Arabian Shariah scholar with extensive experience and knowledge of Shariah Law, Islamic finance and business development. He obtained a Bachelor of Shariah Law, with honours, at Imam Muhammad bin Saud Islamic University and completed advanced courses in comparative law, international commercial law, arbitration and dispute resolution, and received practical legal training at various international legal and consulting firms in Frankfurt, Geneva and London.

He has served on the board of directors of various corporates around the world, including serving as chairman of audit and governance committees. He currently serves at various Islamic finance and multi-lateral organisations, including Al Baraka Group's Unified Shariah Supervisory Board, the Islamic Chamber of Commerce, Industry and Agriculture of the Organisation of Islamic Co-operation, the International Advisory Board of the World Islamic Economic Forum, the OIC Arbitration Centre in Istanbul, AAOIFI and the Waqf Board of the Islamic Fiqh Academy, amongst others.

He has extensive experience and knowledge of regulatory frameworks and has contributed to the establishment of good corporate governance at various companies and non-profit organisations, with a special focus on Shariah governance. Shaykh Yousef Khalawi has been on the faculty staff at various universities in the Kingdom of Saudi Arabia.

He has, during his teaching career, taught various major classical literary works. His literary works in Islamic sciences, Islamic civilisation and critical thinking have been published in various academic journals. Shaykh Yousef Khalawi has been a panelist at many conferences around the world and has delivered lectures on various topics in his field of expertise.

MUFTI ZUBAIR BAYAT
Mufti Zubair Bayat is the founder and current Ameer of Darul Ihsan Humanitarian Centre and serves on the board of various Islamic Schools, as well as Islamic financial institutions and as an advisor to various organisations.

"IT IS THE RESPONSIBILITY OF THE SHARIAH SUPERVISORY BOARD TO CONDUCT REGULAR AUDITS OF THE BANK'S BUSINESS OPERATIONS."

He completed his Aalim Fadhil and Ifta courses at the famous Darul Uloom Deoband and, thereafter, obtained a Master of Arts degree (cum laude) in Islamic Studies from the University of Johannesburg. He also obtained a Certificate in Muslim Personal Law from the University of Islamabad.

He lectured at Darul Uloom, Azaadville and then moved to KwaDukuza (Stanger), where he established the Zakariyya Muslim School and served as the first Principal and Ameer. He also served as Chairman of the Association of Muslim Schools in KwaZulu-Natal.

He has travelled extensively, delivering talks and participating in workshops, covering a variety of subjects, written many articles and translated and authored many books.

MUFTI SHAFIQUE AHMED JAKHURA
Mufti Shafique Ahmed Jakhura serves in the Fatwa Department at the Darul Ihsan Humanitarian Centre. He has established and heads the Centre for Islamic Economics and Finance SA (CIEFSA).

Having completed the Aalimiyah Course at Madrasah Taleemuddeen in Durban, he went on to complete a specialisation course in Islamic Jurisprudence (Fiqh and Fatwa) at Jamia Darul Uloom Karachi, under the guidance of Mufti Taqi Usmani.

He is a Certified Shariah Advisor and Auditor (CSAA-AAOIFI) and has an Advanced Diploma in Islamic Banking and Finance from the Karachi-based Centre for Islamic Economics. He serves on several Shariah Supervisory Boards and has participated and contributed at various global forums on Islamic Finance.

SHARIAH SUPERVISION OF THE OLD MUTUAL AL BARAKA UNIT TRUST FUNDS
The partnered Old Mutual Albaraka Shariah funds are managed in strict accordance with Shariah. The funds afford opportunities for investors to participate in socially responsible investments on the Johannesburg Securities Exchange and global markets, as well as Shariah-compliant non-equity investments.

The following funds and portfolios are currently being managed by the Old Mutual Investment Group in partnership with Al Baraka Bank:

- Old Mutual Albaraka Equity Fund;
- Old Mutual Albaraka Balanced Fund;
- Old Mutual Albaraka Income Fund;
- Old Mutual Global Islamic Equity Fund;
- Old Mutual Global Islamic Equity Feeder Fund; and
- Old Mutual Customised Solutions.

MEMBERS OF THE SHARIAH SUPERVISORY BOARD
Shaykh Mahomed Shoaib Omar (Chairman);
Mufti Zubair Bayat; and
Mufti Shafique Ahmed Jakhura.

The Shariah Supervisory Board meets four times a year. The Shariah Supervisory Board ensures that all investments made by the Bank and the funds comply with its directives, which are issued in line with the applicable Shariah principles, as set out by AAOIFI.

The appointment of an independent Shariah Supervisory Board to supervise the Bank and the Shariah funds is indicative of Al Baraka Bank's absolute commitment to operate in conformity to Islamic economic principles, as derived from Shariah Law.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NATURE OF BUSINESS
Financial Service

AUDITORS
Ernst & Young Inc.

REGISTERED OFFICE
2 Kingsmead Boulevard
Kingsmead Office Park
Stalwart Simelane Street
Durban, 4001
PO Box 4395
Durban, 4000

PARENT AND ULTIMATE HOLDING COMPANY

Al Baraka Group B.S.C.

REGISTRATION NUMBER

1989/003295/06

COUNTRY OF INCORPORATION
Republic of South Africa

The financial statements of Albaraka Bank Limited have been audited in compliance with S30 of the Companies Act of South Africa.

Rishaad Bismilla CA (SA), General Manager: Finance, Mohammed Jadwat CA (SA) and Zaakirah Nabee CA (SA) of Albaraka Bank Limited were responsible for the preparation of the financial statements.

CONTENTS

DIRECTORS' RESPONSIBILITY STATEMENT

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 statements of financial position as at 31 December 2022 and the statements of profit or loss and other comprehensive income, the statements of changes in shareholders' equity and statements of cash flows for the year then ended, and 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 and company's ability to continue as going concerns 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 31 to 95 were approved by the board of directors on 30 March 2023 and signed on their behalf by:

Yunus Goolam Hoosen Suleman
Interim chairman

Shabir Ahmed Essop 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
30 March 2023

AUDIT COMMITTEE REPORT

During the financial year ended 31 December 2022, the audit committee convened five times to discharge both its statutory and board responsibilities.

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

The group annual financial statements complied, in all material aspects, with the principles, policies and accounting practices and standards adopted in preparation of the group annual financial statements and with the appropriate International Financial Reporting Standards. Furthermore, 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.

Accordingly, 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 21 June 2023.

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:
- Approved the internal audit mandate as set out in the board approved internal audit charter and ensured that internal audit is an effective risk-based function that adheres to the IIA Standards and Code of Ethics;
- Ensured that the internal audit plan was risk-based and addressed specific and critical risks of the company;
- Approved the internal audit plan;
- Regularly met separately with the internal audit manager;
- Considered the quality assurance review of the Bank's internal audit function conducted by the Al Baraka Group; and were satisfied that no material items were identified; and
- 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:
- Reviewed and considered the accreditation pack presented for the audit firm and lead audit partner;
- Approved Ernst & Young's terms of engagement;
- reviewed the quality and effectiveness of the external audit process;
- Reviewed the external auditor's report to the committee and management's responses thereto;
- Reviewed significant judgements and/or unadjusted differences resulting from the audit, as well as any reporting decisions made;
- 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;
- Regularly met separately in confidence with Ernst & Young;
- At the invitation of the Prudential Authority, attended the trilateral meeting together with the external auditors;
- Through enquiry, ascertained that Ernst & Young has not identified any irregularity that required reporting thereof to IRBA;
- Evaluated and were satisfied with the independence of Ernst & Young; and
- Assessed and noted the tenure of the current auditors as 14 years.

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.

Finance function
The committee has satisfied itself that the financial director and the finance department have the appropriate expertise and experience required for the finance function.

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Zahid Fakey
Chairman of the audit committee
30 March 2023

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

TO THE SHAREHOLDERS OF ALBARAKA BANK LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Albaraka Bank Limited and its subsidiaries ('the group') and company set out on pages 36 to 95, which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in shareholders' equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and 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 and separate financial statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa.

The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 comprises the information included in the 67-page document titled Albaraka Bank Limited Annual Financial Statements for the year ended 31 December 2022, which includes the Directors' Report, Company Secretary Statement and Audit Committee Report as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 and separate 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 and separate 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 and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company'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 and company or to cease operations, or have no realistic alternative but to do so.

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate 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 and separate 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 and company'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 and company'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 consolidated and separate 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 and/or the company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 and Young Inc. has been the auditor of Albaraka Bank Limited for 14 years.

Ernst & Young Inc

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Ernst & Young Inc.
Director: Farouk Ebrahim
Registered Auditor
Chartered Accountant (SA)

30 March 2023
Durban

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

THE DIRECTORS HAVE PLEASURE IN PRESENTING THEIR REPORT FOR THE YEAR ENDED 31 DECEMBER 2022.

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), and Overport (Durban), with corporate offices in Western Cape, Gauteng, and KwaZulu-Natal.

The bank's parent and ultimate holding company is Al Baraka 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 million (2021: 100 million) ordinary shares of R10 each, amounting to R1 billion (2021: R1 billion). The issued share capital of the company comprises 32,2 million (2021: 32,2 million) ordinary shares of R10 each, amounting to R322,4 million (2021: R322,4 million).

Financial results
The results of the group and the company for the year ended 31 December 2022 are set out on pages 36 to 95.

Dividends
On 26 September 2022 the directors declared a dividend of 30 cents (2021: Nil) per share amounting to R9,7 million (2021: Nil) paid to shareholders registered as at close of business on 07 October 2022.

Group structure
Albaraka Properties Proprietary Limited is a wholly-owned subsidiary of Albaraka Bank Limited.

Albaraka Sukuk Trust is also consolidated as part of the group reporting in terms of IFRS 10 principles due to the fact that the Albaraka Sukuk Trust was created specifically to administer the issuance and management of the Albaraka sukuk product. The Albaraka 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. In 2022, the Bank issued an Additional Tier 1 Sukuk instrument of R124 million via the Albaraka Sukuk Trust. In addition to previously issued Tier 2 Sukuk instruments of R307,7 million as at 31 December 2022 (2021: R307,7 million), the bank has a total Sukuk issuance of R431,7 million as at 31 December 2022 (2021: R307,7 million).

Impact of civil unrest on Group results
The civil unrest which took place in South Africa's KwaZulu-Natal and Gauteng provinces from 9 to 18 July 2021 placed cashflow constraints on some clients of the Bank.

Clients were either directly affected by way of damage, destruction and vandalism of business assets; or indirectly affected through supply chain disruptions, loss of business and loss of customers.

To assist affected clients, the Bank considered client requests for deferment in repayments due for up to three months on a case-by-case basis.

It was however noted that the number of clients impacted by civil unrest was significantly less than those affected by COVID-19.

A large portion of these deferred payments were settled as at 31 December 2022.

Impact of COVID-19 on Group results
The 2022 financial year saw a recovery of the economy, resulting in an improvement in the Bank's overall performance, on the back of the significant impact that COVID-19 had on the banking industry in 2020 and 2021.

The recovery saw an increase in the demand for advances as well as transactional banking services, while liquidity in the form of customer term-deposits reduced, indicating increased investment into the economy.

As a result, the bank's deposit-taking activities declined by R278,1 million or 3,8% for the 2022 financial year with advances to customers increasing by 24% or R1,4 billion.

The reduction in the deposit book, coupled with the growth in the advances business, resulted in reduced excess funds being available.

This contributed to the lower investment in Shariah-compliant equity finance and Mudaraba placements, resulting in advances to banks reducing by R1,6 billion or 76,8% for the year.

The increase in advances to customers resulted in additional credit provisions of R2,3 million or 6,6% being raised for the 2022 period. Income earned from advances to customers increased by 21,4% or R84,1 million.

This was due to the increase in advances as well as the increase in profit rates during the 2022 financial year.

Income earned from advances to banks decreased by 39,3% or R35,5 million due to the reduction in funds placed with other banks year-on-year.

Taking the above into consideration and after profit sharing with depositors and Sukuk holders the Bank's net income from financing activities increased by R29,7 million or 12,0% for 2022.

Income from non-funding activities being foreign exchange, unit trust sales, electronic banking fees and other fee income, increased year-on-year by R9,8 million or 21,8% due largely to the removal of travel restrictions, increased economic activity and growth in advances to customers.

Total operating expenditure increased by R22,6 million or 9,4% for 2022 driven largely due to increases in employment costs, increases in transactional banking costs related to the growth of this product and increases in technology-related costs.

The group achieved a net profit after tax of R51,1 million representing an improvement of R13,0 million or 34% compared against 2021. This resulted in basic and diluted earnings per share also increasing by 34% from 118,15 cents to 158,35 cents for the period.

Included in the financial statements is a correction of error relating to the accounting treatment of credit-impaired advances and the related recognition of income in terms of IFRS 9: Financial Instruments.

Accordingly the comparative two financial years information has been restated to this effect.

In response to pressures on banks' capital supply brought about by the COVID-19 pandemic, the Prudential Authority implemented specific measures during 2020 to provide temporary capital relief to enable banks to counter economic risks to the financial system as a whole.

Most notably, the Pillar 2A capital requirement was reduced to 0% and banks were requested to conserve capital by considering the adequacy of their current and projected capital and profitability levels, internal capital targets and risk appetite, as well as current and potential future risks of the global pandemic when making distributions of dividends on ordinary shares and payments of cash bonuses to executive officers and material risk takers in 2020/2021.

Furthermore, Banks Act Directive 5 of 2021, the capital framework for South African banks based on Basel III, was issued to reinstate the full Pillar 2A requirement and also requires the D-SIB capital buffer to be fully met with CET1 capital from 1 January 2022.

The historical growth in advances led to an increase in the Bank's risk weighted assets in excess of the growth in total qualifying capital and reserves.

This resulted in the capital adequacy ratio becoming negatively impacted in prior years.

During the 2022 financial year, the Bank issued an Additional Tier 1 Sukuk instrument to the value of R124 million, which resulted in the capital adequacy ratio improving for 2022.

Events after the reporting period

There are no material adjusting events after the financial period that requires reporting.

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

Non-independent non-executive

M Manna	(Jordanian)	Resigned on 21 October 2022
FA Randeree	(British)	
H Ben Haj Amor	(Tunisian)	Appointed on 24 October 2022
Dr MM Khemira	(Canadian)	Appointed on 24 October 2022

Independent non-executive

YGH Suleman CA (SA)		
MJD Courtiade CA (SA)	(French)	
Adv JMA Cane SC		
ZH Fakey CA (SA)		
SM Nyasulu		
Executive		
SAE Chohan CA (SA)		Chief executive
M Kaka CA (SA)		Chief operating officer - Resigned as director on 21 October2022
A Ameed CA (SA)		Financial director

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

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		GROUP			COMPANY		
		2022	2021	As at January 2021	2022	2021	As at January 2021
			(Restated)*	(Restated)*		(Restated)*	(Restated)*
	Notes	R'000	R'000	R'000	R'000	R'000	R'000
Assets							
Property and equipment	3	**89 285**	95 826	105 286	**12 637**	17 604	25 051
Right of use asset	4	**3 563**	6 887	8 631	**11 318**	18 871	24 845
Investment properties	5	**10 339**	10 339	10 339	-	-	-
Intangible assets	6	**73 390**	76 983	67 264	**73 390**	76 983	67 264
Investment in and amount due by subsidiary company	7	-	-	-	**41 376**	36 681	31 117
Deferred tax asset	8	-	-	-	**22 381**	16 674	20 308
Investment securities	9	**17 437**	29 828	25 918	**17 437**	29 828	25 918
Advances and other receivables	10	**7 659 468**	7 850 917	7 913 499	**7 659 298**	7 850 752	7 913 280
South African Revenue Service	11	-	1 259	-	-	1 485	14
Regulatory balances	12	**517 716**	414 649	355 715	**517 716**	414 649	355 715
Cash and cash equivalents	13	**124 382**	107 987	198 828	**122 751**	107 982	193 823
Total assets		**8 495 580**	**8 594 675**	**8 685 480**	**8 478 304**	**8 571 509**	**8 657 335**
Equity and liabilities							
Equity							
Share capital	14	**322 403**	322 403	322 403	**322 403**	322 403	322 403
Share premium	14	**82 196**	82 196	82 196	**82 196**	82 196	82 196
Other reserves		**2 313**	2 037	1 751	**2 313**	2 037	1 751
Retained income		**483 820**	442 441	404 350	**470 688**	430 243	391 673
Shareholders' interests		**890 732**	849 077	810 700	**877 600**	836 879	798 023
Additional Tier 1 Sukuk Instrument Holders	20.2	**124 000**	-	-	**124 000**	-	-
Total equity		**1 014 732**	**849 077**	**810 700**	**1 001 600**	**836 879**	**798 023**
Liabilities							
Deferred tax liability	8	**1 731**	10 583	8 444	-	-	-
Welfare and charitable funds	15	**43 382**	26 030	22 239	**43 382**	**26 030**	22 239
Sukuk holders/Albaraka Sukuk Trust	20.1	**310 605**	309 367	309 367	**307 700**	**307 700**	307 700
Provision for leave pay	18	**6 290**	6 668	8 936	**6 290**	**6 668**	8 936
Lease liabilities	4	**4 052**	7 878	10 079	**4 052**	**7 878**	10 079
Accounts payable	16	**51 173**	41 745	72 005	**51 868**	**42 894**	68 152
South African Revenue Service	17	**2 599**	4 232	4 401	**2 396**	**4 365**	2 897
Deposits from customers	19	**7 061 016**	7 339 095	7 439 309	**7 061 016**	**7 339 095**	7 439 309
Total liabilities		**7 480 848**	7 745 598	7 874 780	**7 476 704**	**7 734 630**	7 859 312
Total equity and liabilities		**8 495 580**	**8 594 675**	**8 685 480**	**8 478 304**	**8 571 509**	**8 657 335**

*Comparative amounts have been restated. Refer to Note 37 for detailed disclosure on the restatement.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	GROUP 2022	GROUP 2021 (Restated)*	COMPANY 2022	COMPANY 2021 (Restated)*
		R'000	R'000	R'000	R'000
Income earned from advances		**475 967**	391 911	**475 967**	391 911
Income earned from equity finance		**30 701**	59 693	**30 701**	59 693
Income earned from Mudaraba deposits		**24 076**	30 576	**24 076**	30 576
Gross income earned		**530 744**	482 180	**530 744**	482 180
Credit loss (expense)/release	10	**(2 298)**	1 719	**(2 298)**	1 719
Gross income after credit loss expense**		**528 446**	483 899	**528 446**	483 899
Income paid to depositors	21	**(222 749)**	(215 828)	**(222 749)**	(215 828)
Income paid to Tier 2 Sukuk holders/Albaraka Sukuk Trust	22	**(21 312)**	(20 000)	**21 312**	(20 000)
Net income earned		**284 385**	248 071	**284 385**	248 071
Net non-Islamic income	23	**-**	-	**-**	-
Fee and commission income	24	**54 916**	45 088	**55 184**	45 356
Other operating income	25	**2 588**	2 079	**7 588**	9 006
Net income from operations		**341 889**	295 238	**347 157**	302 433
Operating expenditure	26	**(263 353)**	(240 723)	**(265 478)**	(243 183)
Finance costs	4	**(458)**	(836)	**(5 718)**	(7 628)
Profit before taxation		**78 078**	53 679	**75 961**	51 622
Taxation	27	**(20 372)**	(15 588)	**(19 189)**	(13 052)
Profit after tax for the year attributable to equity holders		**57 706**	38 091	**56 772**	38 570
Other comprehensive income					
Items not subsequently reclassified to profit and loss					
Other comprehensive income net of tax	28	**276**	286	**276**	286
Total comprehensive income for the year		**57 982**	38 377	**57 048**	38 856
Attributable to ordinary shareholders		**51 327**	38 377	**50 393**	38 856
Attributable to Additional Tier 1 Sukuk Instrument Holders		**6 655**	-	**6 655**	-
Weighted average number of shares in issue ('000)		**32 240**	32 240		
Basic and diluted earnings per share (cents)	29	**158,35**	118,15		

*Comparative amounts have been restated. Refer to Note 37 for detailed disclosure on the restatement.

**The group reviewed its statement of comprehensive income presentation and as a result the credit loss expense/(release) line item was moved and presented below gross income earned to be more comparable to the income stream it relates to. This change provides more relevant disclosures on the group's financial performance. To ensure comparability, the prior year presentation has been restated.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital	Share premium	Other reserves	Retained income (Restated)*	Shareholders' interest (Restated)*	AT 1 Sukuk Instrument Holders	Total Equity
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group								
2022								
Balance at beginning of year (restated)		**322 403**	**82 196**	**2 037**	**442 441**	**849 077**	**-**	**849 077**
Additional Tier 1 instrument issued	20.2	-	-	-	-	-	**124 000**	**124 000**
Profit after tax attributable to equity holders		-	-	-	**51 051**	**51 051**	**6 655**	**57 706**
Other comprehensive income	28	-	-	**276**	-	**276**	-	**276**
Total comprehensive income		-	-	-	-	**51 327**	**6 655**	**57 982**
Dividends declared	30	-	-	-	(9 672)	(9 672)	-	(9 672)
Profit paid to Additional Tier 1 Sukuk instrument Holders	22	-	-	-	-	-	(6 655)	(6 655)
Balance at end of year		**322 403**	**82 196**	**2 313**	**483 820**	**890 732**	**124 000**	**1 014 732**
2021								
Balance at beginning of year		322 403	82 196	1 751	400 344	806 694	-	806 694
Adjustment for correction of prior period error (Refer to Note 37)		-	-	-	4 006	4 006	-	4 006
Balance at beginning of year (restated)		322 403	82 196	1 751	404 350	810 700	-	810 700
Profit after tax		-	-	-	38 091	38 091	-	38 091
Other comprehensive income	28	-	-	286	-	286	-	286
Total comprehensive income		-	-	286	38 091	38 377	-	38 377
Balance at end of year (restated)		322 403	82 196	2 037	442 441	849 077	-	849 077

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital	Share premium	Other reserves	Retained income (Restated)*	Shareholders' interest (Restated)*	AT 1 Sukuk Instrument Holders	Total Equity
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Company								
2022								
Balance at beginning of year (restated)		**322 403**	**82 196**	**2 037**	**430 243**	**836 879**	**-**	**836 879**
Additional Tier 1 instrument issued	20.2	-	-	-	-	-	**124 000**	**124 000**
Profit after tax attributable to equity holders		-	-	-	**50 117**	**50 117**	**6 655**	**56 772**
Other comprehensive income	28	-	-	**276**	-	**276**	-	**276**
Total comprehensive income		-	-	-	-	**50 393**	**6 655**	**57 048**
Dividends declared	30	-	-	-	**(9 672)**	**(9 672)**	-	**(9 672)**
Profit paid to Additional Tier 1 Sukuk instrument Holders	22	-	-	-	-	-	**(6 655)**	**(6 655)**
Balance at end of year		**322 403**	**82 196**	**2 313**	**470 688**	**877 600**	**124 000**	**1 001 600**
2021								
Balance at beginning of year		322 403	82 196	1 751	387 667	794 017	-	794 017
Adjustment for correction of prior period error (Refer Note 37)		-	-	-	4 006	4 006	-	4 006
Balance at beginning of year (restated)		322 403	82 196	1 751	391 673	798 023	-	798 023
Profit after tax		-	-	-	38 570	38 570	-	38 570
Other comprehensive income	28	-	-	286	-	286	-	286
Total comprehensive income		-	-	286	38 570	38 856	-	38 856
Balance at end of year (restated)		322 403	82 196	2 037	430 243	836 879	-	836 879

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

		GROUP		COMPANY	
		2022	2021	**2022**	2021
			(Restated)*		(Restated)*
	Notes	**R'000**	**R'000**	**R'000**	**R'000**
Cash flow from operating activities					
Cash generated from operations	31.1	**103 552**	109 099	**111 177**	116 074
Changes in working capital	31.2	**(161 062)**	(158 443)	**(161 528)**	(153 498)
Taxation paid	31.3	**(33 268)**	(15 112)	**(29 035)**	(9 652)
Dividends paid	31.4	**(9 519)**	(1)	**(9 519)**	(1)
Net cash flow from operating activities		**(100 297)**	(64 457)	**(88 905)**	(47 077)
Cash flow from investing activities					
Purchase of property and equipment	31.6	**(2 592)**	(2 902)	**(2 322)**	(2 890)
Purchase of intangible assets	31.7	**(8 596)**	(19 439)	**(8 596)**	(19 439)
Purchase of investment securities	9	**(121)**	(115)	**(121)**	(115)
Proceeds from sale of investment securities	9	**11 942**	-	**11 942**	-
Dividend income	25	**1 530**	1 438	**1 530**	1 438
Increase in investment in and amount due by subsidiary	7	**-**	-	**(12 306)**	(12 392)
Net cash utilised in investing activities		**2 164**	(21 018)	**(9 873)**	(33 398)
Cash flow from financing activities					
Settlement of lease liabilities - capital	4	**(4 514)**	(5 125)	**(4 514)**	(5 125)
Settlement of lease liabilities - charges	4	**(458)**	(836)	**(458)**	(836)
Additional Tier 1 Sukuk Instruments Issuance	20.2	**124 000**	-	**124 000**	-
Profit paid to Additional Tier 1 Sukuk holders	31.5	**(5 673)**	-	**(6 655)**	-
Net cash flow from financing activities		**113 355**	(5 961)	**112 373**	(5 961)
Net increase/(decrease) for the year		**15 222**	(91 436)	**13 595**	(86 436)
Net foreign exchange difference on cash on hand		**1 173**	595	**1 173**	595
Cash and cash equivalents at beginning of year		**107 987**	198 828	**107 982**	193 823
Cash and cash equivalents at end of year	13	**124 382**	107 987	**122 751**	107 982

* Comparative amounts have been restated. Refer to Note 37 for detailed disclosure on the restatement.

Additional information on operational cash flows from profit received/paid

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Profit received	**524 749**	531 986	**524 749**	531 986
Profit paid	**238 481**	248 710	**238 737**	248 710

ACCOUNTING POLICIES

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 (Stanger Street), Durban, 4001. The consolidated financial statements of the group for the year ended 31 December 2022 comprise the company, its subsidiary and the Albaraka Sukuk Trust (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 (IASB).

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. Numbers are in Rand thousands.

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 in the intercompany lease, 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 (refer note 4).
- In determining the lease liability under IFRS 16 the bank applies an incremental borrowing rate, which is linked to the prime rate applicable at inception, as management has assessed that this would be the best estimate as a borrowing rate based on enquiries made from other banks related to medium to long-term borrowing rates that could be afforded to the bank. (Refer note 4).
- In determining of the lease term for lease contracts with renewal and termination options the Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has lease contracts that include extension and termination options. Judgement is applied to evaluate whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The Bank considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term for any significant event or change in circumstance that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate. (Refer note 4).
- 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. (Refer note 8).
- Changes in tax rates are viewed as substantially enacted from the time they are announced in terms of the Finance Minister's budget speech. This however does not apply when the change in tax rate is inextricably linked to other changes in the tax laws. As the change in the tax rate is not inextricably linked to other changes in the tax laws deferred tax balances are reflected at 27% at 31 December 2022, being the rate that was substantively enacted at year-end.
- In determining the useful lives of property and equipment, management have exercised judgement as further detailed in accounting policy note 6, property and equipment.

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's expected credit losses (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Critical judgements in determining ECL are those that are embedded in the calibration of the ECL models and include the definition of default and the levels at which the significant increase in credit risk (SICR) thresholds were established. The Bank embarked on a further recalibration of the model in the 2021 year to take into account the most recent activity in the advances portfolio, which considers arrears and payment performance. The Bank introduced additional rules in the impairment model for deals that cure out of stages 2 and stage 3 and periods of probation have been applied to the curing methodology.

New and amended standards and interpretations effective 01 January 2022 (unless stated otherwise)

The following amendments and interpretations apply for the first time in 2022, but do not have an impact on the Bank's consolidated financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16.
- Onerous Contracts: Costs of Fulfilling a Contract – Amendments to IAS 37.
- Annual improvements to International Financial Reporting Standards – IFRS 9 Financial instruments: Fees in the '10 per cent' test for de-recognition of financial liabilities.
- Reference to the Conceptual Framework – Amendments to IFRS 3.
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.

Standards and amendments not yet effective

At the date of authorisation of the annual financial statements for the year ended 31 December 2022, the bank has considered the list of accounting standards, interpretations and amendments that were in issue but not yet effective. These standards will be adopted at their effective dates, with no early adoption intended.

New standards and amendments which are expected to have an impact on the Bank only are included below. An assessment of the impact on the business is still being conducted.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (effective 01 January 2024)

Amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement, advising that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.
- That a right to defer must exist at the end of the reporting period.

That classification is unaffected by the likelihood that an entity will exercise its deferral right.

Definition of Accounting Estimates - Amendments to IAS 8 (effective 01 January 2023)

The amendments provide preparers of financial statements with greater clarity on the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Clarification is also provided on how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard explains that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective 01 January 2023)

The amendments to IAS 1 and IFRS Practice Statement 2: Making Materiality Judgements provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to assist entities to provide accounting policy disclosures that are more useful by replacing the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies.

Guidance is also provided on how entities apply the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature thereof.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (effective 01 January 2023)

The amendment relates to deferred tax on transactions and events (such as leases and decommissioning obligations), that result in the initial recognition of both an asset and a liability. Under the amendment, the initial recognition exception no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 (effective 01 January 2024)

The amendment specifies the requirements that a seller (lessee) must apply in measuring the lease liability arising in a sale and leaseback transaction. This is to ensure the seller (lessee) does not recognise any amount of the gain or loss that relates to the right of use it retains.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2022 including controlled structured entities.

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 profit or loss and other comprehensive income from the date the group gains control until the date the group ceases to control the subsidiary. The Parent and its subsidiary's assets, liabilities, equity, income, expenses and cash flows are presented as those of a single economic entity.

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

Albaraka Sukuk Trust was created specifically as a structured entity to administer the issuance and management of the Albaraka Sukuk product. Albaraka 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 profit or loss and other 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. SIGNIFICANT ACCOUNTING POLICIES

Recognition of profit:

The effective profit rate method

Profit is recorded using the effective profit rate (EPR) method for all financial instruments measured at amortised cost. The EPR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

Profit and similar income

The Bank calculates profit by applying the EPR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates profit by applying the effective profit rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating profit on a gross basis and any adjustment previously not recognized in income is taken to bad debts recovered.

IFRS 9 Financial instruments:

Classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, , to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. These are then classified as follows:
- Debt instruments at amortised cost.
- Debt instruments at fair value through other comprehensive income.
- Equity instruments at fair value through other comprehensive income, no subsequent recycling to profit and loss.
- Financial assets fair value through profit and loss.

Impairment calculation

IFRS 9 accounts for advances loss impairments with a forward-looking expected credit losses (ECL) approach. Equity instruments are not subject to impairment under IFRS 9. IFRS 9 requires the Bank to record an allowance for ECL for all advances, together with advance commitments and financial guarantee contracts. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case the loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). IFRS 9 is an expected credit loss model which broadens the information that an entity is required to consider when determining its expectations of impairment. Expectations of future events are taken into account and this has resulted in the earlier recognition of larger impairments.

There are two main approaches to applying the ECL model. The general approach involves a three-stage approach and introduced some new concepts such as 'significant increase in credit risk', '12-month expected credit losses' and 'lifetime expected credit losses'.

The standard requires the application of the simplified approach to trade receivable and contract assets that do not contain a significant financing component. The Bank's primary activity is that of lending and thus majority of its business contains a significant financing component and has thus applied the general approach.

Impairment of financial assets:

The calculation of expected credit losses

The Bank calculates expected credit losses based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EPR. A cash short fall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
- **Probability of default (PD)**
  The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time

over the assessed period if the facility has not been previously derecognised and is still in the portfolio.

- **Exposure at default (EAD)**
  The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued profit from missed payments.

- **Loss given default (LGD)**
  The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the exposure at default.

When estimating the expected credit losses, the Bank considers three scenarios: a base case, an optimistic case and a downturn case. Each of these is associated with different PD, EAD and LGD. When relevant, the assessment of multiple scenarios also incorporates how defaulted advances are expected to be recovered, including the probability that the advances will cure and the value of collateral or the amount that might be received for selling the asset.

The mechanics of the ECL method are summarised below:

Stage 1:
The 12-month ECL is calculated as the portion of Lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EPR. This calculation is made for each of the scenarios, as explained above.

Stage 2:
When an advance has shown a significant increase in credit risk since origination, the Bank records an allowance for the Lifetime ECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PD and LGD are estimated over the lifetime of the instrument. The expected cash short falls are discounted by an approximation to the original EPR.

Stage 3:
For advances considered credit -impaired, the bank recognises the lifetime expected credit losses for these advances.

Expected Credit Losses (ECLs) for interbank placements and sovereign exposure is derived by using the following methodology:

Exposure at default (EAD) is the total amount owing to the Bank as at the ECL calculation date, including any accrued profits.

Loss given default (LGD) is based on the requirement of the Basel foundational approach of 45%.

Probability of Default (PD) are derived by obtaining the Standard & Poor's (S&P) credit rating as at the date of the ECL calculation and mapping that to the 1-year (12 month) PD as provided by S&P.

Commitments and letters of credit:

Financial guarantee contracts

When estimating lifetime ECL for undrawn loan commitments, the bank estimates the expected portion of the commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the facility is drawn down, based on a probability-weight in of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EPR on the advance.

For trade facilities that include both an advance and an undrawn commitment, ECL are calculated and presented together with the advance. For advance commitments and letters of credit, the ECL is recognised within provisions.

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted profit rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECL related to financial guarantee contracts are recognised within ECL provisions.

Trade facilities

The Bank's product offering includes a variety of corporate trade facilities, in which the bank has the right to cancel and/ or reduce the facilities without notice. The Bank calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECL for these products, is 2 years. The ongoing assessment of whether a significant increase in credit risk has occurred for trade facilities is similar to other products. This is based on shifts in the customer's external credit grade and arrears days.

The profit rate used to discount the ECL is based on the average profit rate that is expected to be charged over the expected period of exposure to the facilities. The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made on an individual basis.

In its ECL models, the Bank relies on a range of forward-looking information as economic inputs, such as:
- GDP growth.
- Debt to disposable income.

- Housing Price Index.
- Unemployment.

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, guarantees, real estate, receivables, etc. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECL. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

Collateral repossessed

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no prospects of recovery, or financial assets that have some prospects of recovery are written off but are still subject to enforcement activity. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Significant Increase in Credit Risk

The accounting treatment of accounts that have transitioned from 0 to 30 days in arrears, to greater than 30 days in arrears are deemed to have a significant increase in credit risk, except where there are technical arrears, that is arrears that arise due to technical issues with the bank's system rather than the client not paying on due date.

Ranges of credit scores, termed credit score bands, have been established to further assess credit risk. A deterioration in the credit score band (i.e. moving to a lower credit score band) of one or more bands triggers a significant increase in credit risk. This results in the transition from Stage 1 to Stage 2 of the IFRS 9 impairment model. The practical expedient of low credit risk assessment available under IFRS has not been used.

Definition of default

Default occurs when a material obligation of an obligor is overdue for more than 90 days.

Segmentation

The following elements have been considered in segmenting the portfolio so as to identify common credit risk characteristics:
- Product type.
- External bureau scores.

Segmentation between the products of the Bank formed a critical part of segmentation in order to ensure the use of homogenous groups in credit risk experience.

Forward looking/Macro-economic information

Three macro-economic scenarios (base, optimistic and downturn) have been defined based on the expectation of future macroeconomic conditions. A probability percentage is assigned to each scenario based on management's expectations. The forecasts are used to adjust the PD and LGD used in the model to ensure these components are reflective of expected future macroeconomic conditions.

Probability of cure

An allowance for the probability of cure out of the stage 2 or 3 is required in the LGD model as such an allowance is not included in the probability of default used in the calculation of the expected credit loss.

The different outcomes experienced by an account in the defaulted state can be summarised as follows:
- Accounts can cure and settle the full outstanding balance.
- Accounts can cure and subsequently re-default.
- Accounts can be written-off with recoveries from both collateral on security pledged on the loan, as well as recoveries on the unsecured exposure on the facility.

Curing out of default

- The Bank re-calibrated the model and accounts that were in default can only move out of Stage 3, 12 months after settling enough arears to be less than 90 days in arrears, previously there was no cure rule out of Stage 3. These accounts will stay in Stage 2 for at least another 6 months.
- Additionally, a 12-month Stage 3 cure rule is applied to distressed restructures after which they are kept in stage 2 for a further 6 months. Non-distressed restructures are moved to Stage 3 for 6 months and thereafter to Stage 2 for a further 6 months.

Probability of relapse

For accounts in Stage 2 or Stage 3, an allowance is made for the re-default of a cured account and the lossesexpected to be incurred under such an occurrence. The difference between the exposure at default and expected recoveries (i.e. the loss in the event of write-off) is applied to the proportion of accounts expected to re-default after experiencing a cure event.

The different outcomes experienced by an account in the defaulted state can be summarised as follows:
- Accounts can cure and settle the full outstanding balance.
- Accounts can cure and subsequently re-default.
- Accounts can be written-off with recoveries from both collateral on security pledged on the loan, as well as recoveries on the unsecured exposure on the facility.

Credit impaired assets

Deal/Facilities with objective evidence of impairment at the reporting date represent specific credit impaired assets. These include 90 days and above in arrears or those where legal proceedings have been instituted as well as any account that based on information that comes to the attention of the Bank and which indicates that the account needs to be credit impaired, together with those under debt review, restructure accounts within the last 6 months and payment arrangements.

These Include:
a) Significant financial difficulty of the issuer or the borrower.
b) A breach of contract, such as a default or past due event.
c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
e) The disappearance of an active market for that financial asset because of financial difficulties.

Restructured assets

An approved restructured transaction allows for an extended term only. This would be in the situation where there is a modification due to the client being in distress. In this situation there may not be compensation for lost profit during the extended term (i.e. the total profit per the original contract will remain the same), however this would not be considered as a substantial modification but rather will be considered when determining the expected credit loss.

If there is a modification of the profit that is not as a result of a credit event (i.e. not as a result of the client being in financial distress), this could be as a result of a renegotiation between the Bank and the client. Then the Bank would need to consider if the terms of the renegotiation would change the classification of the asset, and if it would, this would be considered substantial (for e.g. including any embedded derivatives or exposure to equity or changing the currency or counterparty). Otherwise all other modifications would not be seen as substantial modifications giving rise to de-recognition.

5. PROPERTY AND EQUIPMENT

Items of equipment are stated at cost excluding the costs of day–to–day servicing less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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, computer hardware, computer software, and leasehold improvements are depreciated on a straight-line basis over the estimated useful lives of the asset. Land is not depreciated. The estimated useful lives are as follows:

Buildings - owned	50 years
Equipment	4 - 10 years
Vehicles	5 - 8 years
Computer hardware	3 - 10 years
Leasehold improvements	2 - 10 years

The assets' depreciation methods, residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. Management have 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. Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and is treated as changes in accounting estimates.

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 profit or loss and other comprehensive income in the year that the asset is derecognised. Where residual value of buildings exceeds cost, no depreciation will be provided.

6. 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 thetime value of money and the risks specific to the asset. An impairment loss is recognised in profit for the year in the Statement of profit or loss and other 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.

7. PROVISIONS

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

8. CONTINGENCIES AND COMMITMENTS

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

9. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, 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.

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 profit or loss and other 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 profit or loss and other 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.

Investment securities

Investment securities, which are not listed on an active market, are measured at fair value and are classified as fair value through other comprehensive income based on the business model, payments of principal and profit assessments. Those securities that are listed are measured at fair value through profit or loss. 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 are 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 34.6: 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. The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision.

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.
- 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.
- 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 reassessed 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 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. Income earned from advances being profits attributable to the purchase and leasing of moveable property in terms of Ijarah 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 straightline 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. Rental income is recognised in profit or loss on a straight-line basis over the lease term for properties.

The effective profit rate is applied to amortised cost and profit is recognised on this basis.

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 profit or loss and other comprehensive income.

Dividend income

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

12. LEASES

The group is party to lease contracts solely for retail branch, corporate office and ATM sites. Leases are recognised, measured and presented in line with IFRS 16.

Group and company as a lessee

The group implements a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The group elected to apply the exemption for short-term leases in relation to its Athlone, Cape Town Corporate and Ahmed Al-Kadi Private Hospital ATM leases due to the leases being 12-month leases.

Based on the accounting policy applied the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The Bank is not reasonably certain that any of the leases will be extended due to various reasons. Operationally, the Bank may not continue to lease the current premises and may look for new premises to lease or to purchase. Due to advanced technology and digitalisation, many banks are now moving to a virtual branch network. With the new core banking system, the Bank may consider this as a future option. Therefore, only the initial contractual period has been included in the calculation for the right of use asset and lease liability. The same economic life is applied to determine the depreciation rate of the right of use assets.

Right of use assets and lease liabilities

Right-of-use assets are initially measured at cost. The cost of the right-of-use asset shall comprise the initial measurement of the lease liability adjusted by the amount of any lease payments made relating to that lease at or before the commencement date less any lease incentives, any initial direct costs incurred as well as an estimate of dismantling costs to be incurred. After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the contracted lease period as follows:

Buildings – Leased 15 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The Bank used a weighted average incremental borrowing rate of 9,25%, which is the prime rate applicable at implementation of 10,25% less 1%, as management feels that would be the best estimate as a borrowing rate.

After the commencement date the group measures the lease liability by:
- Increasing the carrying amount to reflect interest on the lease liability.
- Reducing the carrying amount to reflect lease payments made.
- Re-measuring the carrying amount to reflect any reassessment or lease modifications.

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 of our holdings in treasury bills as well as regulatory balances held with the central bank. The Bank measures this category at amortised cost as both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPP) on the principal amount outstanding.

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 its 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.

The Bank assessed the usage of investment property with no immediate intention to change.

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 profit or loss and other comprehensive income in the expense category consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. 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.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- 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	2 - 10 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 profit or loss and other 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.
- 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.

- 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.
- 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 ventures 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).
- 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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 https://www.albaraka.co.za/pages/basel-disclosures

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

	2022	2021
	R'000	R'000
Tier 1		
Share capital	322 403	322 403
Share premium	82 196	82 196
Retained income	470 688	426 267
Less: unappropriated profits	(11 529)	(4 495)
Unrealised gains and losses on fair value through other comprehensive income items net of tax	2 313	2 037
Total capital and reserves	866 071	828 408
Less: prescribed deductions against capital and reserve funds	(58 302)	(63 229)
Total Common Equity Tier 1 capital	807 769	765 179
Additional Tier 1 Sukuk	124 000	-
Total Tier 1 capital	931 769	765 179
Tier 2		
Stage 1 and stage 2	20 848	16 753
Sukuk*	292 540	301 640
Total eligible capital	1 245 157	1 083 572
Capital adequacy ratios (Tier 1 %)	13,19%	11,88%
Capital adequacy ratios (Total %)	17,63%	16,80%
Base minimum regulatory requirement ratios (Total %)	9,00%	8,00%

Two sukuk instruments have been approved by the South African Reserve Bank as Additional Tier 1 and qualifying Tier 2 capital instruments.

*The first four tranches of the Tier 2 Sukuk issued between 2016 and 2017 totalling R45.5 million exceeded 5 years as at 31 December 2022. In line with Regulation 38(12) R15.16 million (2021: R6.06 million) is accordingly excluded from the qualifying amount of Tier 2 capital.

The minimum regulatory ratio returned to 9% for the year as relaxation measures applied by the South African Reserve Bank as a result of COVID-19 had expired.

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.
- Protect the capital base.

The Bank's risk, capital management and compliance 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.
- Peer group analysis.

At 31 December 2022, 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:

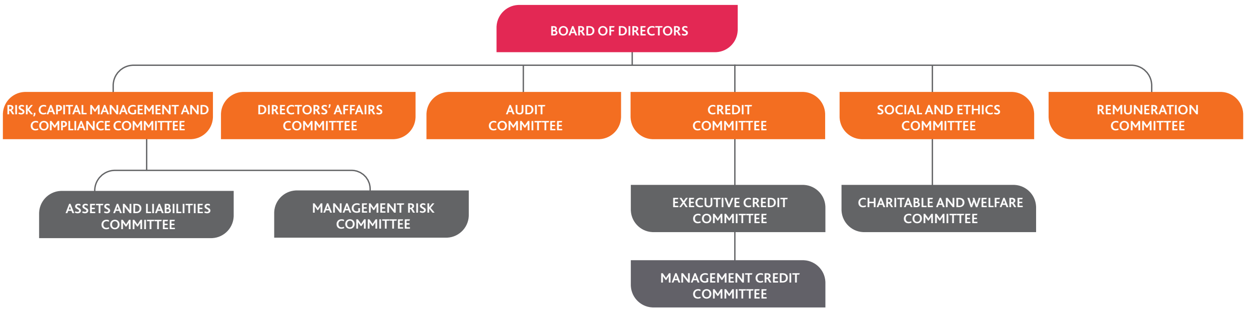
	CAPITAL REQUIREMENTS		RISK-WEIGHTED ASSETS	
	2022	2021	**2022**	2021
	R'000	**R'000**	**R'000**	**R'000**
Credit risk	**558 678**	448 674	**6 207 534**	5 608 418
Operational risk	**55 707**	50 643	**618 968**	633 034
Equity risk	**1 569**	2 386	**17 437**	29 828
Market risk	**1 440**	1 504	**15 995**	18 800
Other risk	**18 299**	14 896	**203 321**	148 900
	635 693	518 103	**7 063 255**	6 438 980

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 six board committees, namely, the risk, capital management and compliance committee, the audit committee, the credit committee, the directors' affairs committee, the social and ethics committee and remuneration 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, 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 Al Baraka Bank a culture that is risk-management orientated.

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



The audit committee and risk, capital management and compliance 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;
- Reputational risk; and
- Compliance risk.

2.1 Credit risk

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

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.

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 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 aforementioned committees and to the management credit committee on a regular basis.

Portfolio measures of credit risk

Credit exposures are assessed in accordance with IFRS 9 on a stage credit risk allocation basis, which are Stages 1, 2 and 3 (Refer to Note 10 – Product exposure by stage).

- 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. COVID-19 related credit exposures.

COVID-19-related credit exposures

All clients previously granted Covid-19 payment deferments have fully settled their arrears in terms of their payment arrangement or alternatively, have entered into a restructure of exposure arrangements to settle outstanding arrears.

Flooding-related credit exposures

There was minimal impact on client's exposure due to the KwaZulu-Natal flooding. However, those clients that were impacted were provided extended terms of repayment. As at year end, these clients fully settled their arrears.

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.

GROUP AND COMPANY

	2022	2021 (Restated)*
	R'000	R'000
Credit exposures		
Advances to customers*	**7 159 811**	5 785 124
Advances and balances with banks	**525 079**	2 105 223
Advances, treasury bills and regulatory balances	**586 283**	472 258
Letters of credit, guarantees and confirmations	**323 317**	608 181
Total exposure	**8 594 490**	8 970 786
Provision for credit loss expense on advances to customers	**(35 732)**	(32 324)
Provision for credit loss expense on inter-bank and sovereign exposures	**(864)**	(1 993)
Total provision for credit loss expense	**(36 596)**	(34 317)
Net exposure*	**8 557 894**	8 936 470

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

	2022	2021
Geographical distribution of exposures		
Customer exposure		
KwaZulu-Natal*	**3 811 162**	3 426 908
Gauteng*	**2 412 875**	1 873 345
Western Cape*	**1 259 091**	1 093 052
Total customer exposure*	**7 483 128**	6 393 305
Bank exposure		
KwaZulu-Natal	**15 301**	13 146
Gauteng	**1 086 834**	2 557 366
United States of America	**9 227**	6 969
Total bank exposure	**1 111 362**	2 577 481
Total exposure	**8 594 490**	8 970 786
Industry distribution of exposures		
Banks and financial institutions	**1 111 362**	2 577 481
Individuals*	**1 508 251**	1 404 949
Business and trusts*	**5 974 877**	4 988 356
Total exposure*	**8 594 490**	8 970 786

*2021 figures have been restated. Refer to Note 37 for detailed disclosure on the restatement.

GROUP AND COMPANY

		2022 R'000	2021 (Restated)* R'000
Product distribution analysis			
Property (Musharaka and Murabaha)*		**5 418 666**	4 506 874
Equity finance and Mudaraba deposits		**480 237**	2 069 311
Instalment sales*		**1 054 977**	693 577
Ijarah		**74 658**	54 414
Trade		**608 332**	527 319
Balances with local and central banks		**631 124**	508 170
Letters of credit		**1 668**	1 631
Guarantees and confirmations		**321 649**	606 550
Other*		**3 179**	2 940
Total exposure		**8 594 490**	8 970 786
Residual contractual maturity of book			
Within 1 month*	- equity finance and Mudaraba deposits	**60 309**	687 665
	- other	**462 427**	370 393
From 1 to 3 months	- equity finance and Mudaraba deposits	**-**	982 548
	- other	**727 692**	760 766
From 3 months to 1 year	- equity finance and Mudaraba deposits	**419 928**	-
	- other	**1 180 582**	1 122 077
From 1 year to 5 years	- equity finance and Mudaraba deposits	**-**	399 098
	- other	**2 795 376**	2 311 054
More than 5 years	- other	**2 948 176**	2 337 185
Total exposure		**8 594 490**	8 970 786

*2021 figures have been restated. Refer Note 37 for detailed disclosure on the restatement.

Collateral is held specifically in respect of advances, and these predominantly comprise 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, no credit loss allowance is recognised.

GROUP AND COMPANY

Collateral is allocated per asset class as follows:	Credit exposure	Collateral cover	Credit exposure	Collateral cover
	2022		2021	
			(Restated)*	
	R'000	R'000	R'000	R'000
Standard asset*	**5 950 849**	**4 989 413**	4 939 661	4 128 239
Special mention asset*	**1 057 039**	**901 217**	610 126	571 585
Sub-standard asset*	**93 748**	**75 369**	113 016	106 200
Doubtful asset*	**35 282**	**29 491**	54 463	48 633
Loss asset*	**22 893**	**18 787**	67 858	55 608
	7 159 811	**6 014 277**	5 785 124	4 910 265

*2021 figures have been restated. Refer Note 37 for further disclosure. The disclosure provided is in line with the information as submitted to the Regulator. Credit-impaired assets are represented by sub-standard, doubtful and loss asset categories. The corresponding collateral cover held against these assets is displayed above.

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

GROUP AND COMPANY

	2022	2021
		(Restated)*
	R'000	R'000
Past due and individually impaired		
- Individuals*	**7 867**	15 414
- Business and trusts*	**42 008**	65 269
	49 875	80 683
Past due but not impaired		
- Individuals*	**186 836**	218 260
- Business and trusts*	**693 785**	533 682
	880 621	751 942

*2021 figures have been restated. Refer Note 37 for further disclosure.

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 in line with the Bank's IFRS 9 policy. Restructured advances are classified as non-performing for the first twelve months (is distressed)/six months (if non-distressed) 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 R49,4 million (2021: R430,8 million).

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	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Individuals	**148 507**	175 624	**18 913**	16 004	**10 117**	13 449	**9 299**	13 182	**186 836**	218 259
Business and trusts	**555 451**	421 023	**62 607**	39 060	**50 655**	56 024	**25 072**	17 576	**693 785**	533 683
	703 958	596 647	**81 520**	55 064	**60 772**	69 473	**34 371**	30 758	**880 621**	751 942

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

		2022	2021
		R'000	**R'000**
Assets held under interest rate risk	- Treasury bills	**342 639**	273 459
Assets held under exchange rate risk	- Foreign currency held	**15 995**	18 801
		358 634	292 260

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 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 15.

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 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.

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 when they become due.

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 https://www.albaraka.co.za/pages/basel-disclosures

Refer to note 34.3 for details relating to liquidity risk management.

2.5 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 Albaraka 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 predetermined 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 repricing on an annual basis.

The following table demonstrates the sensitivity of the Bank's profit before tax and return on equity to possiblechanges in market rates. All other variables remaining constant, the impact is as follows:

	GROUP AND COMPANY			
	2022	**2022**	**2021**	**2021**
	R'000	**R'000**	**R'000**	**R'000**
	1% increase	**1% decrease**	1% increase	1% decrease
Impact on profit before tax	**3 333**	**(3 333)**	3 220	(3 220)

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.

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.

2.7 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.

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.

2.9 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. Remediation of controls is conducted in a timely manner.

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	R'000	R'000	**R'000**	R'000
3. PROPERTY AND EQUIPMENT				
Cost				
Land and buildings	**76 507**	76 237	**-**	-
Vehicles	**7 251**	7 251	**7 251**	7 251
Fittings, equipment and computers	**72 550**	71 309	**63 384**	62 143
Leasehold improvements	**19 396**	19 399	**18 688**	18 691
Capital work in progress	**12**	77	**-**	65
	175 716	174 273	**89 323**	88 150
Accumulated depreciation and impairment	**(86 431)**	(78 447)	**(76 686)**	(70 546)
Land and buildings	**-**	-	**-**	-
Vehicles	**(6 670)**	(6 132)	**(6 670)**	(6 132)
Fittings, equipment and computers	**(61 248)**	(54 951)	**(52 513)**	(47 942)
Leasehold improvements	**(18 513)**	(17 364)	**(17 503)**	(16 472)
Carrying amount	**89 285**	95 826	**12 637**	17 604
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 R17,0 million in 2021. 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 ten years, starting from 2009, extendable by 5 years thereafter. The property was independently valued at R140,2 million in 2021. Commercial property comprises land at a cost of R3,5 million (2021: R3,5 million) and buildings thereon at a cost of R69,4 million (2021: R69,1 million).	**72 552**	72 582		
3. Commercial property comprising land in Cape Town described as Erf no. 178609 Cape Town	**270**	-		
	76 507	76 237	**-**	-
Carrying amount at beginning of year	**76 237**	76 237	**-**	-
Additions	**270**	-	**-**	-
Depreciation	**-**	-	**-**	-
Carrying amount at end of year	**76 507**	76 237	**-**	-

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

The Bank does not have any encumbered assets.

	Land and buildings	Vehicles	Fittings, equipment and computers	Leasehold improvements	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Movement in property and equipment: Carrying amount						
Group						
2022						
Cost at beginning of year	76 237	7 251	71 309	19 399	77	174 273
Accumulated depreciation at beginning of year	-	(6 132)	(54 951)	(17 364)	-	(78 447)
Net carrying amount at beginning of year	76 237	1 119	16 358	2 035	77	95 826
Additions	270	-	2 063	-	261	2 594
Transfers	-	-	285	-	(285)	-
Assets written-off	-	-	(5)	(3)	-	(8)
Assets disposed	-	-	(15)	-	(41)	(56)
Depreciation for the year	-	(538)	(7 384)	(1 149)	-	(9 071)
Net carrying amount at end of year	76 507	581	11 302	833	12	89 285
Cost at end of year	76 507	7 251	72 550	19 396	12	175 716
Accumulated depreciation at end of year	-	(6 670)	(61 248)	(18 513)	-	(86 431)
2021						
Cost at beginning of year	76 237	7 251	79 336	21 163	40	184 027
Accumulated depreciation at beginning of year	-	(5 396)	(56 474)	(16 871)	-	(78 741)
Net carrying amount at beginning of year	76 237	1 855	22 862	4 292	40	105 286
Additions	-	-	2 698	166	37	2 901
Assets written-off	-	-	(368)	(108)	-	(476)
Depreciation for the year	-	(736)	(8 834)	(2 315)	-	(11 885)
Net carrying amount at end of year	76 237	1 119	16 358	2 035	77	95 826
Cost at end of year	76 237	7 251	71 309	19 399	77	174 273
Accumulated depreciation at end of year	-	(6 132)	(54 951)	(17 364)	-	(78 447)

	Land and buildings	Vehicles	Fittings, equipment and computers	Leasehold improvements	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Movement in property and equipment: Carrying amount						
Company						
2022						
Cost at beginning of year	-	**7 251**	**62 143**	**18 691**	**65**	**88 150**
Accumulated depreciation at beginning of year	-	**(6 132)**	**(47 942)**	**(16 472)**	-	**(70 546)**
Net carrying amount at beginning of year	-	**1 119**	**14 201**	**2 219**	**65**	**17 604**
Additions	-	-	**2 063**	-	**260**	**2 323**
Assets written-off	-	-	**(5)**	**(3)**	-	**(8)**
Assets disposed	-	-	**(15)**	-	**(40)**	**(55)**
Transfers	-	-	**285**	-	**(285)**	-
Depreciation for the year	-	**(538)**	**(5 658)**	**(1 031)**	-	**(7 227)**
Net carrying amount at end of year	-	**581**	**10 871**	**185**	-	**12 637**
Cost at end of year	-	**7 251**	**63 384**	**18 688**	-	**89 323**
Accumulated depreciation at end of year	-	**(6 670)**	**(52 513)**	**(17 503)**	-	**(76 686)**
2021						
Cost at beginning of year	-	7 251	70 111	20 455	41	97 858
Accumulated depreciation at beginning of year	-	(5 396)	(51 314)	(16 097)	-	(72 807)
Net carrying amount at beginning of year	-	**1 855**	**18 797**	**4 358**	**41**	**25 051**
Additions	-	-	2 699	166	24	2 889
Assets written-off	-	-	(307)	(108)	-	(415)
Depreciation for the year	-	(736)	(6 988)	(2 197)	-	(9 921)
Net carrying amount at end of year	-	1 119	14 201	2 219	65	17 604
Cost at end of year	-	7 251	62 143	18 691	65	88 150
Accumulated depreciation at end of year	-	(6 132)	(47 942)	(16 472)	-	(70 546)

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

4. LEASES

The group is party to lease contracts solely for retail branch, corporate office and ATM sites.

Albaraka Bank Limited has entered into a 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 ten 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 leases together with the present value of the net minimum lease payments are stated below. The rate intrinsic in the lease is 14.3% after considering the unguaranteed residual value of R72 million which will be realised at the end of the lease.

Albaraka Bank Limited has entered into two short term leases with Albaraka Properties Proprietary Limited for the use of its property as the bank's Cape Town corporate office and Athlone retail branch. The Bank has also during 2022 entered into a short-term lease for its ATM site situated at Ahmed Al-Kadi Private Hospital.

RIGHT OF USE ASSETS

GROUP

	Office building	ATM sites	Total
	R'000	R'000	R'000
2022			
Cost at beginning of year	**21 668**	**325**	**21 993**
Accumulated depreciation at beginning of year	**(14 797)**	**(309)**	**(15 106)**
Net carrying amount at beginning of year	**6 871**	**16**	**6 887**
Additions	**2 951**	**-**	**2 951**
Terminations	**(1 770)**	**-**	**(1 770)**
Depreciation for the year	**(4 489)**	**(16)**	**(4 505)**
Net carrying amount at end of year	**3 563**	**-**	**3 563**
Cost at end of year	**22 849**	**325**	**23 174**
Accumulated depreciation at end of year	**(19 286)**	**(325)**	**(19 611)**
2021			
Cost at beginning of year	18 432	325	18 757
Accumulated depreciation at beginning of year	(9 884)	(242)	(10 126)
Net carrying amount at beginning of year	8 548	83	8 631
Additions	4 690	-	4 690
Terminations	(1 454)	-	(1 454)
Depreciation for the year	(4 913)	(67)	(4 980)
Net carrying amount at end of year	6 871	16	6 887
Cost at end of year	21 668	325	21 993
Accumulated depreciation at end of year	(14 797)	(309)	(15 106)

	Office building	ATM sites	Total
	R'000	R'000	R'000
2022			
Cost at beginning of year	**85 112**	**325**	**85 437**
Accumulated depreciation at beginning of year	**(66 257)**	**(309)**	**(66 566)**
Net carrying amount at beginning of year	**18 855**	**16**	**18 871**
Additions	**2 951**	**-**	**2 951**
Terminations	**(1 770)**	**-**	**(1 770)**
Depreciation for the year	**(8 718)**	**(16)**	**(8 734)**
Net carrying amount at end of year	**11 318**	**-**	**11 318**
Cost at end of year	**86 293**	**325**	**86 618**
Accumulated depreciation at end of year	**(74 975)**	**(325)**	**(75 300)**
2021			
Cost at beginning of year	81 876	325	82 201
Accumulated depreciation at beginning of year	(57 114)	(242)	(57 356)
Net carrying amount at beginning of year	24 762	83	24 845
Additions	4 690	-	4 690
Terminations	(1 454)	-	(1 454)
Depreciation for the year	(9 143)	(67)	(9 210)
Net carrying amount at end of year	18 855	16	18 871
Cost at end of year	85 112	325	85 437
Accumulated depreciation at end of year	(66 257)	(309)	(66 566)

	Group and Company	Company Per Note 7 *	Company Total
	2022	2022	2022
	R'000	R'000	R'000
Lease liabilities			
Long-term portion of lease liabilities	**677**	**15 879**	**16 556**
Office building	677	15 879	16 556
ATM sites	-	-	-
Short-term portion of lease liabilities	**3 375**	**15 556**	**18 931**
Office building	3 375	15 556	18 931
ATM sites	-	-	-
Carrying amount of lease liabilities	**4 052**	**31 435**	**35 487**
As at 1 January 2022	**7 878**	**43 624**	**51 502**
Additions	2 951	-	2 951
Terminations	(2 265)	-	(2 265)
Deemed interest	458	5 260	5 718
Payments	(4 970)	(17 449)	(22 419)
As at 31 December 2022	**4 052**	**31 435**	**35 487**
	2021	2021	2021
	R'000	R'000	R'000
Long-term portion of lease liabilities	3 989	31 435	35 424
Office building	3 989	31 435	35 424
ATM sites	-	-	-
Short-term portion of lease liabilities	3 889	12 189	16 078
Office building	3 867	12 189	16 056
ATM sites	22	-	22
Carrying amount of lease liabilities	7 878	43 624	51 502
As at 1 January 2021	10 079	52 988	63 067
Additions	4 690	-	4 690
Terminations	(1 766)	-	(1 766)
Deemed interest	836	6 792	7 628
Payments	(5 961)	(16 156)	(22 117)
As at 31 December 2022	7 878	43 624	51 502

*The lease liability as per the lease recognised at the company level between the Bank and Albaraka Properties Proprietary Limited is offset in note 7 against the inter-company loan account between the Bank and the property company. Accordingly the total lease liability at the company level is R35,5 million (2021: R51,2 million) split between the investment in and amount due by subsidiary company: R31,4 million (2021: R43,6 million) and lease liability: R4,1 million (2021: R7,9 million) on the statement of financial position.

	GROUP		
	Office building	ATM sites	Total
	R'000	R'000	R'000
Maturity analysis - contractual undiscounted cash flow of lease liability			
2022			
Less than one year	**3 517**	**-**	**3 517**
One to five years	**693**	**-**	**693**
	4 210	**-**	**4 210**

	COMPANY		
	Office building	ATM sites	Total
	R'000	R'000	R'000
Less than one year	**22 362**	**-**	**22 362**
One to five years	**17 430**	**-**	**17 430**
	39 792	**-**	**39 792**

	GROUP		
	Office building	ATM sites	Total
	R'000	R'000	R'000
2021			
Less than one year	4 340	22	4 362
One to five years	4 161	-	4 161
	8 501	22	8 523

	COMPANY		
	Office building	ATM sites	Total
	R'000	R'000	R'000
Less than one year	21 789	22	21 811
One to five years	39 743	-	39 743
	61 532	22	61 554

	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
The following are the amounts recognised in profit or loss:				
Depreciation expense of right-of-use assets	**4 505**	4 980	**8 734**	9 210
Deemed interest expense on lease liabilities	**458**	836	**5 718**	7 628
Early settlement of lease gain	**(494)**	(311)	**(494)**	(311)
Early settlement of lease charge	**-**	549	**-**	549
*Expense relating to short-term leases	**26**	-	**1 453**	1 427
Total amount recognised in profit or loss	**4 495**	6 054	**15 411**	18 503

The Bank and Group had total cash outflows for leases of R5 million and R5 million respectively. There are no future cash outflows relating to leases that have not yet commenced.

*These leases are for periods less than one year and have been treated as short-term leases as per the standard. They represent two inter-company leases for the Cape Town corporate office and Athlone retail branch as well as one lease for the ATM site situated at Ahmed Al-Kadi Private Hospital. As the inter-company leases eliminate on consolidation they are only applicable at the company level.

5. INVESTMENT PROPERTIES

	GROUP 2022 R'000	GROUP 2021 R'000
Balance at beginning of year	**10 339**	10 339
Movements for the year	**-**	-
Balance at end of year	**10 339**	10 339

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 ofKwaZulu-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 accumulated depreciation and impairment. The cost of the properties was considered to be equal to their fair value at the time of acquisition. The investment property was independently valued at R10,4 million as at 01 March 2021 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 value based on the independent valuation referred to above.

Total direct expenditure for the 2022 financial year relating to investment properties amounted to R1,03 million (2021: R653 500).

6. INTANGIBLE ASSETS

	2022 R'000	2021 R'000
Cost		
Computer software	**7 532**	8 471
Capitalised project costs	**98 795**	73 638
Capital work in progress	**3 403**	19 966
	109 730	102 075
Accumulated amortisation and impairment	**(36 340)**	(15 371)
Computer software	**(4 517)**	(4 189)
Capitalised project costs	**(31 823)**	(20 903)
	73 390	76 983

	Computer software R'000	Capitalised Project costs* R'000	Capital work in progress R'000	Total R'000
Movement in intangible assets: Carrying amount				
Group and Company				
2022				
Cost at beginning of year	8 471	73 638	19 966	102 075
Accumulated amortisation at beginning of year	(4 189)	(20 903)	-	(25 092)
Net carrying amount at beginning of year	4 282	52 735	19 966	76 983
Additions	-	3 387	5 208	8 595
Transfers	-	21 771	(21 771)	-
Disposal	-	-	-	-
Assets written-off	-	-	-	-
Amortisation for the year	(1 267)	(10 921)	-	(12 188)
Net carrying amount at end of year	3 015	66 972	3 403	73 390
Cost at end of year	7 532	98 795	3 403	109 730
Accumulated amortisation at end of year	(4 517)	(31 823)	-	(36 340)

*Significant items contained within capitalised project costs include the core banking system, mobile banking application and apply for finance portal.

	Computer software	Capitalised project costs	Capital work in progress	Total
	R'000	R'000	R'000	R'000
Movement in intangible assets: carrying amount (continued)				
Group and Company				
2021				
Cost at beginning of year	8 232	72 400	2 003	82 635
Accumulated amortisation at beginning of year	(2 630)	(12 741)	-	(15 371)
Net carrying amount at beginning of year	5 602	59 659	2 003	67 264
Additions	239	1 238	17 963	19 440
Transfers	-	-	-	-
Disposal	-	-	-	-
Assets written-off	-	-	-	-
Amortisation for the year	(1 559)	(8 162)	-	(9 721)
Net carrying amount at end of year	4 282	52 735	19 966	76 983
Cost at end of year	8 471	73 638	19 966	102 075
Accumulated amortisation at end of year	(4 189)	(20 903)	-	(25 092)

7. INVESTMENT IN AND AMOUNT DUE BY SUBSIDIARY COMPANY

Albaraka Properties Proprietary Limited is 100% (2021: 100%) owned by Albaraka Bank Limited.

The issued share capital of Albaraka Properties Proprietary Limited comprises 1 000 shares of R1 each (2021: 1 000 shares of R1 each).

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	R'000	**R'000**	**R'000**	**R'000**
Shares at cost	**-**	-	**1**	1
Due by subsidiary	**-**	-	**41 375**	36 680
• Amounts owing by subsidiary	**-**	-	**72 810**	80 304
• Lease liability (note 4)	**-**	-	**(31 435)**	(43 624)
	-	-	**41 376**	36 681

The amount due by the subsidiary is profit-free and repayable on demand. 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 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 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. Finance costs relate to the intercompany lease for R5,26 million (2021: R6,79 million).

8. DEFERRED TAX (LIABILITY)/ASSET

	GROUP		COMPANY	
	2022	2021 (Restated)*	**2022**	2021 (Restated)*
	R'000	**R'000**	**R'000**	**R'000**
Balance at beginning of year	**(10 583)**	(8 444)	**16 674**	20 307
Tax recognised in profit or loss	**8 888**	(3 120)	**6 551**	(4 614)
Tax recognised in other comprehensive income	**(31)**	(50)	**(31)**	(50)
Prior year over-provision recognised in profit or loss	**16**	1 031	**16**	1 031
Change in tax rate adjustment recognised in profit or loss	**(23)**	-	**(830)**	-
Change in tax rate adjustment recognised in other comprehensive income	**1**	-	**1**	-
Balance at end of year	**(1 731)**	(10 583)	**22 381**	16 674
The deferred tax (liability)/asset comprises temporary differences arising on the following:				
Lease liability	**-**	-	**6 394**	8 859
Financial assets	**-**	(1 843)	**-**	(1 843)
Credit loss expense on advances	**(1 045)**	(656)	**(1 045)**	(656)
Leave pay provision	**1 698**	1 867	**1 698**	1 867
Portfolio impairment	**5 629**	4 691	**5 629**	4 691
Profit not paid to depositors	**10 110**	7 987	**10 110**	7 987
Other	**4 691**	3 662	**4 679**	3 298
Ijarah receivables	**11 089**	7 982	**11 089**	7 982
Prepaid expenses	**(665)**	(575)	**(652)**	(562)
Intangible assets, property and equipment	**(32 731)**	(33 206)	**(15 014)**	(14 457)
Fair value on investments	**(507)**	(492)	**(507)**	(492)
	(1 731)	(10 583)	**22 381**	16 674

*2021 figures have been restated. Refer to Note 37 for detailed disclosure on the restatement.

The Minister of Finance in his budget speech, on 23 February 2022, announced that the corporate income tax rate would reduce from 28% to 27%, effective for years of assessment ending on or after 31 March 2023. The group views this change in tax rate as substantively enacted from the time that it was announced by the Minister of Finance as it is not inextricably linked to other changes in the tax laws. Deferred tax balances at year end have accordingly been calculated at 27%.

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	R'000	**R'000**	**R'000**	**R'000**
9. INVESTMENT SECURITIES				
Unit trust investments				
Fair value at beginning of year	**12 704**	9 546	**12 704**	9 546
Additions at cost	**121**	115	**121**	115
Fair value gain/(loss)	**(883)**	3 043	**(883)**	3 043
Disposals	**(11 942)**	-	**(11 942)**	-
Fair value at end of year	-	12 704	-	12 704
Unlisted investments				
Kiliminjaro Investment Proprietary Limited at fair value	**5 339**	5 190	**5 339**	5 190
Earthstone Investments Proprietary Limited at fair value	**10 663**	10 686	**10 663**	10 686
Ahmed Al Kadi Private Hospital Limited at fair value	**1 435**	1 248	**1 435**	1 248
	17 437	29 828	**17 437**	29 828

10. ADVANCES AND OTHER RECEIVABLES

	2022	2021	**2022**	2021
		(Restated)*		(Restated)*
	R'000	**R'000**	**R'000**	**R'000**
10.1 Sectoral analysis				
Advances to customers				
Property (Musharaka and Murabaha)	5 418 666	4 506 874	5 418 666	4 506 874
Instalment sale	**1 054 977**	693 577	**1 054 977**	693 577
Ijarah	**74 658**	54 414	**74 658**	54 414
Trade	608 332	527 319	608 332	527 319
Other	3 177	2 940	3 177	2 940
Gross advances to customers	**7 159 811**	**5 785 124**	**7 159 811**	**5 785 124**
Provision for credit loss expense	(35 732)	(32 324)	(35 732)	(32 324)
Net advances to customers after provisions	**7 124 079**	5 752 800	7 124 079	5 752 800
Advances to banks				
Gross equity finance and Mudaraba deposits	**480 237**	2 069 311	**480 237**	2 069 311
Provision for credit loss expense	**(864)**	(1 993)	**(864)**	(1 993)
Net advances to banks after provisions	**479 373**	2 067 318	**479 373**	2 067 318
Net advances	7 603 452	7 820 118	7 603 452	7 820 118
Other receivables	56 016	30 799	55 846	30 634
	7 659 468	7 850 917	7 659 298	7 850 752

Included under property are Musharaka advances amounting to R5,4 billion (2021: R4,5 billion)
Included in other receivables is R5,03 million (2021: R6,35 million) receivable for the agreed sale of foreign currency.

*2021 figures have been restated. Refer to Note 37 for detailed disclosure on the restatement.

	GROUP		COMPANY	
	2022	2021 (Restated)*	2022	2021 (Restated)*
	R'000	R'000	R'000	R'000
10.2 Maturity analysis				
Advances to customers				
Within 1 month	**297 230**	223 549	**297 230**	223 549
From 1 month to 3 months	**391 159**	338 925	**391 159**	338 925
From 3 months to 1 year	**995 474**	818 920	**995 474**	818 920
From 1 year to 5 years	**2 770 029**	2 292 162	**2 770 029**	2 292 162
More than 5 years	**2 705 919**	2 111 568	**2 705 919**	2 111 568
	7 159 811	5 785 124	**7 159 811**	5 785 124
Equity finance and Mudaraba deposits				
Within 1 month	**60 309**	687 665	**60 309**	687 665
From 1 month to 3 months	**-**	982 548	**-**	982 548
From 3 months to 1 year	**419 928**	-	**419 928**	-
From 1 year to 5 years	**-**	399 098	**-**	399 098
	480 237	2 069 311	**480 237**	2069 311

*2021 figures have been restated. Refer Note 37 for further disclosure.

	GROUP		COMPANY	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
10.3 Expected credit loss				
Advances to customers				
Stage 1	**12 987**	9 138	**12 987**	9 138
Stage 2	**6 997**	5 623	**6 997**	5 623
Stage 3	**15 748**	17 563	**15 748**	17 563
	35 732	32 324	**35 732**	32 324
Inter-bank and sovereign exposures				
Stage 1	**864**	1 993	**864**	1 993
Total expected credit loss	**36 596**	34 317	**36 596**	34 317
10.4 Credit loss expense				
(Release of)/charge to impairment relating to Stage 3	**(1 816)**	(3 505)	**(1 816)**	(3 505)
Credit impaired profits and write-offs	**799**	2 340	**799**	2 340
Charge to/(release of) impairment relating to Stage 1 & 2	**4 095**	114	**4 095**	114
Bad debts recovered	**(780)**	(668)	**(780)**	(668)
	2 298	(1 719)	**2 298**	(1 719)

The release of impairment relating to Stage 3 of R1,8 million is mainly due to the settlement of arrears and/or exposures for deals residing in this category.

10.5 Gross carrying amount and ECL

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

GROUP AND COMPANY

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
2022				
Expected credit loss				
Opening balance	9 534	7 212	17 571	34 317
Impact on stage classification	(23)	(4 240)	(1 286)	(5 549)
*Transfer (out)/in of stage 1	(369)	260	109	-
*Transfer in/(out) of stage 2	1 474	(1 744)	270	-
*Transfer in/(out) of stage 3	491	1 812	(2 303)	-
*Impact of stage transfers	(1 619)	(4 567)	638	(5 549)
Settlement/write-off of advances	(3 229)	(3 977)	(3 328)	(10 533)
New advances	7 569	8 002	2 791	18 362
Closing ECL	13 851	6 997	15 748	36 596
Exposure				
Gross carrying amount as at 1 January 2022	6 903 842	710 807	239 786	7 854 435
New financial assets	1 406 366	215 633	36 692	1 658 691
Transfers (out)/in of stage 1	(108 745)	84 726	24 019	-
Transfers in/(out) of stage 2	310 457	(326 290)	15 833	-
Transfers in/(out) of stage 3	15 972	78 749	(94 721)	-
Settlements	(1 464 250)	(339 143)	(68 860)	(1 872 253)
Written-off	-	-	(825)	(825)
Gross carrying amount as at 31 December 2022	7 063 642	424 483	151 924	7 640 048

*Transfers out of stages 1, 2 and 3 represent the ECL of deals that have moved to a different stage from the prior year, at their original ECL value (this excludes the impact of a change in PD, LGD and EAD). Impact of stage transfers represent the changes in PD, LGD and EAD, as a result of new curing rules and transfers between stages.

The increase in the ECL is due to the increase in the gross advances to customers at R7,2 billion (2021: R5,8 billion). The overall gross carrying amount decreased to R7,6 billion (2021: R7,9 billion) due to a decrease in the gross advances to banks at R480 million (2021: R2,1 billion).

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
2021				
Expected credit losses				
Opening balance	9 643	6 996	21 069	37 708
Impact on stage classification	(10 462)	(3 148)	1 468	(12 142)
*Transfer (out)/in of stage 1	(939)	774	165	-
*Transfer in/(out) of stage 2	4 530	(4 745)	215	-
*Transfer in/(out) of stage 3	14 587	1 703	(16 290)	-
*Impact of stage transfers	(28 640)	(880)	17 378	(12 142)
Settlement/write-off of advances	(2 336)	(1 107)	(9 004)	(12 447)
New advances	12 689	4 471	4 038	21 198
Closing ECL	9 534	7 212	17 571	34 317
Exposure (restated)				
Gross carrying amount as at 1 January 2021**	6 891 245	823 701	207 232	7 922 178
New financial assets	1 314 144	347 921	30 010	1 692 075
Transfers (out)/in of stage 1	(322 420)	203 560	118 860	-
Transfers in/(out) of stage 2	210 284	(243 160)	32 876	-
Transfers in/(out) of stage 3	67 329	7 013	(74 342)	-
Settlements**	(1 256 723)	(428 208)	(72 339)	(1 757 270)
Written-off	(17)	(20)	(2 511)	(2 548)
Gross carrying amount as at 31 December 2021	6 903 842	710 807	239 786	7 854 435

*Transfers out of stages 1, 2 and 3 represent the ECL of deals that have moved to a different stage from the prior year, at their original ECL value (this excludes the impact of a change in PD, LGD and EAD). Impact of stage transfers represent the changes in PD, LGD and EAD, as a result of updated model assumptionsand transfers between stages.

**2021 figures have been restated. Refer to Note 37 for detailed disclosure on the restatement.

10.6 Product exposure by stage

2022				
Legal charges	-	-	**1 446**	**1 446**
Ijarah motor vehicle	**74 022**	**445**	**191**	**74 658**
Musharaka commercial	**2 892 296**	**100 695**	**52 557**	**3 045 548**
Murabaha equipment	**405 909**	**39 064**	**3 470**	**448 443**
Murabaha property	**593**	-	-	**593**
Murabaha motor vehicle	**534 103**	**69 292**	**3 139**	**606 535**
Musharaka residential	**2 205 736**	**91 471**	**77 050**	**2 374 257**
Murabaha trade	**470 745**	**123 516**	**14 071**	**608 332**
Equity finance	**480 237**	-	-	**480 237**
Total exposure	**7 063 642**	**424 483**	**151 924**	**7 640 048***

GROUP AND COMPANY

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
2021 (restated)				
Legal charges	-	-	1 189	1 189
Ijarah motor vehicle	53 572	598	244	54 414
Musharaka commercial**	2 118 404	217 844	118 688	2 454 936
Murabaha equipment**	201 306	27 392	8 364	237 062
Murabaha property	838	214	-	1 052
Murabaha motor vehicle**	356 193	95 934	4 388	456 515
Musharaka residential**	1 723 534	238 716	90 387	2 052 637
Murabaha trade	380 684	130 109	16 526	527 319
Equity finance	2 069 311	-	-	2 069 311
Total exposure	6 903 842	710 807	239 786	7 854 435*

*The amounts included above include current outstanding principal and profit receivable less profits suspended.
**2021 figures have been restated. Refer to Note 37 for detailed disclosure on the restatement.

10.7 Internal credit risk grades

The Bank currently uses rating agency scoring and past due information to assess if credit risk has increased significantly since initial recognition. The rating agency scores have been developed into risk bands that are used within the model to determine significant increase in credit risk. These bands and past due information however are not used to compute internal credit risk rating grades to report internally to key management personnel for internal credit risk management purposes. Although the Bank does not solely use the past due status to assess whether the credit risk has increased significantly since initial recognition, it is a major variable in this assessment. The table below depicts the past due status of financial assets assessed for significant increase in credit risk since initial recognition.

	Stage 1	Stage 2	Stage 3	Total
Past due status				
2022				
<1 day	**6 297 461**	**323 908**	**30 607**	**6 651 976**
Transfers from stage 1	-	**52 502**	**5 361**	**57 862**
1-30 days	**766 181**	**24 057**	**18 116**	**808 354**
Transfers from stage 1	-	**825**	**6 303**	**7 128**
31-60 days	-	**7 108**	**6 703**	**13 810**
Transfers from stage 1	-	**6 848**	**210**	**7 059**
61-90 days	-	**2 878**	**2 804**	**5 682**
Transfers from stage 1	-	**6 357**	**414**	**6 771**
90+ days	-	-	**62 725**	**62 725**
Transfers from stage 1	-	-	**10 054**	**10 054**
Transfers from stage 2	-	-	**8 627**	**8 627**
	7 063 642	**424 483**	**151 924**	**7 640 048**

The stage transitions during the year were from stage 1 to 2: R66,5 million; from stage 1 to 3: R22,3 million and from stage 2 to 3: R8,6 million.

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2021 (restated)*				
<1 day	6 342 128	494 791	23 185	6 860 104
Transfers from stage 1	-	134 849	41 626	176 475
1-30 days	561 714	48 030	15 162	624 906
Transfers from stage 1	-	7 408	1 870	9 278
31-60 days	-	2 518	5 666	8 184
Transfers from stage 1	-	12 319	20 135	32 454
61-90 days	-	4 369	12 751	17 120
Transfers from stage 1	-	6 523	2 516	9 039
90+ days	-	-	67 044	67 044
Transfers from stage 1	-	-	38 952	38 952
Transfers from stage 2	-	-	10 879	10 879
	6 903 842	710 807	239 786	7 854 435

The stage transitions during the year were from stage 1 to 2: R161 million; from stage 1 to 3: R105 million and from stage 2 to 3: R10,8 million.

*2021 figures have been restated. Refer to Note 37 for detailed disclosure on the restatement.

	GROUP		COMPANY	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
11. SOUTH AFRICAN REVENUE SERVICE RECEIVABLE				
Income tax	-	-	-	-
Value Added Taxation	-	1 259	-	1 485
	-	1 259	-	1 485
12. REGULATORY BALANCES				
Government and other stock	**342 639**	273 459	**342 639**	273 459
Balances with Central Bank	**175 077**	141 190	**175 077**	141 190
	517 716	414 649	**517 716**	414 649

These balances represent mandatory reserve deposits for liquidity requirements and are therefore not available for use in the Bank's daily operations.

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	R'000	**R'000**	**R'000**	**R'000**
13 . CASH AND CASH EQUIVALENTS				
Cash on hand	**10 974**	14 465	**9 343**	14 460
Balances with Central Bank	**68 567**	57 609	**68 567**	57 609
Placements with other banks	**44 841**	35 913	**44 841**	35 913
	124 382	107 987	**122 751**	107 982
The following banking facilities are available to the group:				
Settlement facilities	**87 167**	81 637	**87 167**	81 637
	87 167	81 637	**87 167**	81 637

Settlement facilities of $5,1 million are held with ABSA Bank in respect of Foreign Exchange Contracts.

	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
14. SHARE CAPITAL AND SHARE PREMIUM				
Authorised share capital				
100 000 000 (2021: 100 000 000) ordinary shares of R10 each	**1 000 000**	1 000 000	**1 000 000**	1 000 000
Issued and fully paid share capital				
32 240 260 (2021: 32 240 260) ordinary shares of R10 each	**322 403**	322 403	**322 403**	322 403
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

	GROUP		COMPANY	
	2022	2021 (Restated)*	2022	2021 (Restated)*
	R'000	R'000	R'000	R'000
15. WELFARE AND CHARITABLE FUNDS				
Gross income from non-Islamic activities during the year (note 23)	**18 625**	10 370	**18 625**	10 370
Normal tax thereon*	**(1 708)**	(1 666)	**(1 708)**	(1 666)
Net income from non-Islamic activities during the year*	**16 917**	8 704	**16 917**	8 704
Donations	**(4 565)**	(4 913)	**(4 565)**	(4 913)
Repayment**	**5 000**	-	**5 000**	-
Balance at beginning of year*	**26 030**	22 239	**26 030**	22 239
Balance at end of year	**43 382**	26 030	**43 382**	26 030
Comprising:				
Amounts placed in treasury bills	**25 108**	20 052	**25 108**	20 052
Bank balances & other	**18 274**	5 978	**18 274**	5 978
	43 382	26 030	**43 382**	26 030

* 2021 figures have been restated. Refer to Note 37 for detailed disclosure on the restatement.
**During 2022 The Giving for Hope Foundation Trust repaid the profit-free loan granted to the trust in 2020.
Included in the balance for the year are placements in treasury bills as part of the Bank's liquidity requirements.

	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
16. ACCOUNTS PAYABLE				
Sundry creditors	**33 519**	20 620	**33 491**	20 591
Accruals	**17 654**	21 125	**18 377**	22 303
	51 173	41 745	**51 868**	42 894

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.
- Also included in accruals is an amount of R4,9 million (2021: R6,3 million) payable for foreign currency purchased.

	2022	2021 (Restated)*	2022	2021 (Restated)*
	R'000	R'000	R'000	R'000
17. SOUTH AFRICAN REVENUE SERVICE PAYABLE				
Income tax	**2 255**	4 232	**2 294**	4 365
Value Added Taxation	**344**	-	**102**	-
	2 599	4 232	**2 396**	4 365

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

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	R'000	**R'000**	**R'000**	**R'000**
18. PROVISION FOR LEAVE PAY				
Balance at beginning of year	**6 668**	8 936	**6 668**	8 936
Accrued during the year	**9 665**	9 827	**9 665**	9 827
Utilised during the year	**(10 043)**	(12 095)	**(10 043)**	(12 095)
Balance at end of year	**6 290**	6 668	**6 290**	6 668

19. DEPOSITS FROM CUSTOMERS

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

The Bank measures deposits from customers at amortised cost as both of the following conditions are met:
- The financial liability is held within a business model with the objective to hold financial liabilities in order to collect contractual cash flows;
- The contractual terms of the financial liability give rise on specified dates to cash flows that are solely payments of principal and profit (SPPP) on the principal amount outstanding

20. SUKUK HOLDERS/ALBARAKA SUKUK TRUST

20.1 Sukuk holders/Albaraka Sukuk Trust

	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
Sukuk capital – Tier 2	**307 700**	307 700	**307 700**	307 700
Sukuk profit payable – Tier 2	**1 923**	1 667	**-**	-
Sukuk profit payable – Additional Tier 1	**982**	-	**-**	-
	310 605	309 367	**307 700**	307 700

The Sukuk investment product qualifies as a Tier 2 capital instrument in terms of Basel III with a 10-year maturing period. 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 R1,9 million (2021: R1,7 million) profit payable balance represents the December profit accrual which was paid in January 2023 (2021: January 2022). The Tier 2 Sukuk has been issued in tranches with the latest tranche issued in December 2019 of R107,7 million.

20.2 Sukuk holders/Albaraka Sukuk Trust – Additional Tier 1 Instruments

The Bank received approval from the Prudential Authority to issue R500 million of an Additional Tier 1 Sukuk by March 2023. To this effect, the Bank issued R124 million worth of Basel III compliant Additional Tier 1 Sukuk Instruments effective on 01 August 2022.

The AT1 capital represents perpetual, subordinated Sukuk instruments, with no redemption date. The instruments are redeemable subject to regulatory approval at the sole discretion of the issuer from the applicable call date and following a regulatory or a tax event. The monthly payment of profit on a Mudarabah basis is at the discretion of the issuer and such profit payments are non-cumulative in nature. If certain conditions are reached, the regulator may prohibit Albaraka Bank Limited from making profit payments. Accordingly, the instruments are classified as equity instruments and disclosed as a separate category of equity.

	GROUP 2022 R'000	GROUP 2021 R'000	COMPANY 2022 R'000	COMPANY 2021 R'000
Sukuk capital – Additional Tier 1	**124 000**	-	**124 000**	-
	124 000	-	**124 000**	-

21. 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	
	2022	2021	**2022**	2021
	R'000	**R'000**	**R'000**	**R'000**

22. INCOME PAID TO TIER 2 SUKUK HOLDERS

	2022	2021	**2022**	2021
Income paid from deposit pool – Tier 2	**19 405**	17 134	**19 405**	17 134
Hiba – Tier 2	**1 907**	2 866	**1 907**	2 866
Total income paid – Tier 2	**21 312**	20 000	**21 312**	20 000

Income paid to Sukuk holders is based on the profit-sharing ratio agreed upon between the investor and the Bank at the time of the initial investment. During the financial year the Bank paid Hiba (a voluntary payment) on the Tier 2 Sukuk product to compensate for the significant decrease in rates due to market conditions in 2021 and 2022. For more information on Hiba visit our website: https://www.albaraka.co.za/products/what-is-islamic-banking

23. NET NON-ISLAMIC INCOME

	2022	2021	**2022**	2021
Non-Islamic income	**18 625**	10 370	**18 625**	10 370
Amount transferred to welfare and charitable funds (note 15)	**(18 625)**	(10 370)	**(18 625)**	(10 370)
	-	-	**-**	-

24. FEE AND COMMISSION INCOME

	2022	2021	**2022**	2021
Service fees	**33 317**	30 540	**33 317**	30 540
Commission received on sale of unit trusts	**13 299**	8 633	**13 299**	8 633
Profit from foreign currency trading	**8 300**	5 915	**8 300**	5 915
Management fee from subsidiary	**-**	-	**268**	268
	54 916	45 088	**55 184**	45 356

25. OTHER OPERATING INCOME

	2022	2021	**2022**	2021
Net parking income from investment property	**-**	73	**-**	-
Dividend income	**1 530**	1 478	**6 530**	8 478
Other	**1 058**	528	**1 058**	528
	2 588	2 079	**7 588**	9 006

26. OPERATING EXPENDITURE

	2022	2021	**2022**	2021
Operating expenditure includes:				
Auditor's remuneration				
Audit fees				
• current year	**4 913**	4 058	**4 861**	4 008
Fees for other services				
• Other	**731**	273	**731**	273
	5 644	4 331	**5 592**	4 281

	GROUP		COMPANY	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
Consultancy fees	**10 782**	9 815	**10 715**	9 733
Depreciation of property and equipment	**9 072**	11 885	**7 228**	9 921
Amortisation of intangible assets	**12 188**	9 721	**12 188**	9 721
Depreciation of right of use assets	**4 505**	4 980	**8 734**	9 210
Early settlement of lease gain	**(494)**	(311)	**(494)**	(311)
Early settlement of lease charge	**-**	549	**-**	549
Short-term lease expense	**26**	-	**1 453**	1 427
Staff costs	**124 581**	117 979	**124 581**	117 979
Staff costs - other	**105 829**	100 245	**105 829**	100 245
Staff costs - medical aid	**6 152**	6 185	**6 152**	6 185
Staff costs - provident fund	**12 600**	11 549	**12 600**	11 549
Shariah Board Members fees	**1 316**	968	**1 316**	968
Directors' emoluments	**10 161**	9 873	**10 161**	9 873
Executive services	**7 116**	6 753	**7 116**	6 753
Non-executive directors' fees	**3 045**	3 120	**3 045**	3 120

26.1 Executive services

Company only

	2022			2021		
	Salary	Other benefits	Total	Salary	Other benefits	Total
	R'000	R'000	R'000	R'000	R'000	R'000
SAE Chohan – Chief executive	**3 092**	**3**	**3 095**	2 915	24	2 939
A Ameed – Financial director	**1 824**	**4**	**1 828**	1 734	-	1 734
M Kaka – Chief operating officer	**2 189**	**4**	**2 193**	2 068	12	2 080
	7 105	**11**	**7 116**	6 717	36	6 753

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

	COMPANY	
	2022	2021
	R'000	R'000
26.2 Non-executive directors' fees		
AA Yousif	**-**	114
M Manna	**218**	32
SA Randeree	**-**	425
JMA Cane	**478**	416
MJD Courtiade	**407**	373
ZH Fakey	**434**	419
MS Paruk	**-**	428
YGH Suleman	**670**	463
SM Nyasulu	**381**	303
FA Randeree	**355**	147
HBH Amor	**51**	-
MM Khemira	**51**	-
	3 045	3 120

	GROUP		COMPANY	
	2022	2021 (Restated)*	**2022**	2021 (Restated)*
27. TAXATION	**R'000**	R'000	**R'000**	R'000
Normal tax				
• current year	**31 117**	14 256	**26 840**	10 226
• prior year	**(157)**	910	**(207)**	910
Attributable to income from non-Islamic activities (refer to accounting policy 12 and note 23)				
• current year	**(1 782)**	(1 768)	**(1 782)**	(1 768)
• prior year	**75**	101	**75**	101
Deferred tax				
• current year	**(8 888)**	3 120	**(6 551)**	4 614
• prior year	**(16)**	(1 031)	**(16)**	(1 031)
• Change in tax rate adjustment	**23**	-	**830**	-
Taxation attributable to Islamic activities	**20 372**	15 588	**19 189**	13 052

	GROUP		COMPANY	
	2022	2021 (Restated)*	2022	2021 (Restated)*
	%	%	%	%
Effective tax rate	**28,5**	29,0	**27,7**	25,3
Adjustable items:				
Non-taxable income	**0,3**	0,2	**2,3**	4,0
Non-deductible expenditure	**(0,9)**	(1,3)	**(1,0)**	(1,4)
Current tax adjustment - prior year	**0,1**	(1,7)	**0,2**	(1,8)
Deferred tax adjustment - prior year	**-**	1,8	**-**	1,9
Change in tax rate adjustment	**-**	-	**(1,2)**	-
South African companies tax rate	**28,0**	**28,0**	**28,0**	**28,0**

Non-taxable income is exempt income from dividends and non-deductible expense items that are capital in nature and where the depreciation is not allowed for tax purposes. The Minister of Finance in his budget speech, on 23 February 2022, announced that the corporate income tax rate would reduce from 28% to 27%, effective for years of assessment ending on or after 31 March 2023. The group views this change in tax rate as substantively enacted from the time that it was announced by the Minister of Finance as it is not inextricably linked to other changes in the tax laws. Deferred tax balances at year end have accordingly been calculated at 27%.

*2021 figures have been restated. Refer to Note 37 for detailed disclosure on the restatement.
**Amounts have been rounded to one decimal point.

28. FAIR VALUE GAIN/(LOSS)

	Group 2022	Group 2021	Company 2022	Company 2021
Fair value gain/(loss) on FVOCI	**314**	751	**314**	751
Deferred tax on FVOCI	**(32)**	(166)	**(32)**	(166)
Fair value (adjustment)/gain on forward exchange contract	**(8)**	(415)	**(8)**	(415)
Deferred tax on forward exchange contract	**2**	116	**2**	116
	276	286	**276**	286

	GROUP	
	2022	2021 Restated*

29. EARNINGS PER SHARE

	2022	2021 Restated*
Basic and diluted earnings per share are calculated on after tax income attributable to ordinary shareholders and a weighted average number of 32 240 260 (2021: 32 240 260) ordinary shares in issue during the year (cents)	**158,35**	118,15
Headline earnings per share are calculated on headline earnings and a weighted number of 32 240 260 (2021: 32 240 260) ordinary shares in issue during the year (cents)	**158,35**	118,15
Headline earnings per share are derived from:		
Profit for the year	**51 051**	38 091
Profit arising on disposal of property and equipment	**-**	-
	51 051	38 091

*2021 figures have been restated. Refer to Note 37 for detailed disclosure on the restatement.

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	R'000	R'000	**R'000**	R'000
30. DIVIDENDS				
Dividend of 30 cents per share declared in the 2022 financial year (2021: nil)	**9 672**	-	**9 672**	-

	2022	2021 (Restated)*	**2022**	2021 (Restated)*
	R'000	R'000	**R'000**	R'000
31. STATEMENT OF CASH FLOWS				
31.1 Cash generated from operations				
Profit before taxation	**78 078**	53 679	**75 961**	51 622
Adjustment for non-cash items and investment income:				
Income earned not yet received	**(5 995)**	49 806	**(5 995)**	49 806
Profits payable to depositors	**5 323**	(12 882)	**5 323**	(12 882)
Profits payable to Tier 2 Sukuk holders	**256**	-	**-**	-
Depreciation of property and equipment	**9 072**	11 885	**7 228**	9 921
Dividend income	**(1 530)**	(1 478)	**(6 530)**	(8 478)
Unrealised forex losses/(gains)	**(1 173)**	(595)	**(1 173)**	(595)
Amortisation of intangible assets	**12 188**	9 721	**12 188**	9 721
Depreciation on right of use assets	**4 505**	4 980	**8 734**	9 210
Deemed interest on leases	**458**	836	**5 718**	7 628
Net loss arising on disposal of property and equipment	**21**	476	**21**	415
Provision for leave pay	**(378)**	(2 268)	**(378)**	(2 268)
Credit loss expense	**2 279**	(1 719)	**2 279**	(1 719)
Assets written-off	**(454)**	(299)	**(454)**	(299)
Reversals and write-offs	**19**	-	**19**	-
Fair value (gain)/loss on financial instruments	**883**	(3 043)	**883**	(3 043)
Net transactions with group companies	**-**	-	**7 353**	7 035
	103 552	109 099	**111 177**	116 074
31.2 Changes in working capital				
Increase in deposits from customers	**(283 403)**	(87 332)	**(283 403)**	(87 332)
Increase/(decrease) in accounts payable	**9 525**	(30 307)	**9 070**	(25 305)
Increase in welfare and charitable funds	**19 390**	3 783	**19 390**	3 783
Decrease in advances and other receivables	**196 768**	14 684	**196 757**	14 627
Decrease in capital reserves	**(276)**	(337)	**(276)**	(337)
Increase in regulatory balances	**(103 066)**	(58 934)	**(103 066)**	(58 934)
	(161 062)	(158 443)	**(161 528)**	(153 498)

*2021 figures have been restated. Refer to Note 37 for detailed disclosure on the restatement.

	GROUP		COMPANY	
	2022	2021 (Restated)*	2022	2021 (Restated)*
	R'000	R'000	R'000	R'000
31.3 Taxation paid				
Amount (payable)/receivable at beginning of year	**(4 231)**	(4 178)	**(4 365)**	(2 882)
Amount charged to profit for the year	**(29 253)**	(13 498)	**(24 926)**	(9 468)
Amount charged to welfare and charitable funds	**(2 038)**	(1 667)	**(2 038)**	(1 667)
Amount payable at end of year	**2 255**	4 231	**2 294**	4 365
	(33 268)	(15 112)	**(29 035)**	(9 652)

*2021 figures have been restated. Refer to Note 37 for detailed disclosure on the restatement.

	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
31.4 Dividends paid				
Amount outstanding at beginning of year	**(1 288)**	(1 289)	**(1 288)**	(1 289)
Dividends declared	**(9 672)**	-	**(9 672)**	-
Amount outstanding at end of year	**1 441**	1 288	**1 441**	1 288
	(9 519)	(1)	**(9 519)**	(1)
31.5 Profit paid to Additional Tier 1 Sukuk instrument holders				
Amount outstanding at beginning of year	**-**	-	**-**	-
Profit after tax	**(6 655)**	-	**(6 655)**	-
Amount outstanding at end of year	**982**	-	**-**	-
	(5 673)	-	**(6 655)**	-
31.6 Purchase of property and equipment				
Land and buildings	**(270)**	-	**-**	-
Equipment and computers	**(2 064)**	(2 699)	**(2 064)**	(2 699)
Leasehold improvements	**3**	(166)	**3**	(166)
Work in progress	**(261)**	(37)	**(261)**	(25)
	(2 592)	(2 902)	**(2 322)**	(2 890)
31.7 Purchase of intangible assets				
Computer software	**-**	(239)	**-**	(239)
Capitalised project costs	**(3 388)**	(1 237)	**(3 388)**	(1 237)
Work in progress	**(5 208)**	(17 963)	**(5 208)**	(17 963)
	(8 596)	(19 439)	**(8 596)**	(19 439)

	GROUP		COMPANY	
	2022	2021	**2022**	2021
	R'000	**R'000**	**R'000**	**R'000**
32. LETTERS OF CREDIT, GUARANTEES AND CONFIRMATIONS				
Guarantees and confirmations	**321 649**	606 550	**321 649**	606 550
Letters of credit	**1 668**	1 631	**1 668**	1 631
	323 317	608 181	**323 317**	608 181

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.

33. CAPITAL COMMITMENTS

Authorised and contracted for - Property and equipment	**48**	35	**48**	35
	48	35	**48**	35

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

	2022	2021 (Restated)*	**2022**	2021 (Restated)*
	R'000	**R'000**	**R'000**	**R'000**
34. FINANCIAL INSTRUMENTS				
34.1 Credit risk - maximum exposure to credit risk				
Advances to customers (Note 10.1)	7 159 811	5 785 124	7 159 811	5 785 124
Advances and balances with banks	525 079	2 105 223	525 079	2 105 223
Advances and balances with central bank	586 283	472 258	586 283	472 258
Letters of credit, guarantees and confirmations	323 317	608 181	323 317	608 181
	8 594 490	8 970 786	**8 594 490**	8 970 786

*2021 figures have been restated. Refer to Note 37 for detailed disclosure on the restatement.

34.2 Currency risk				
Cash and cash equivalents				
- EUR	**635**	886	**635**	886
- GBP	**269**	578	**269**	578
- SAR	**46**	145	**46**	145
- USD	**14 783**	16 569	**14 783**	16 569
- AED	**138**	227	**138**	227
- AUD	**98**	369	**98**	369
- Other	**26**	27	**26**	27
	15 995	18 801	**15 995**	18 801

Based on the Bank's year end foreign currency holdings a 1% fluctuation in the exchange rate will result in a R160 000 (2021: R188 000) foreign exchange gain or loss. The Bank does not speculate in currency fluctuations and therefore does not hold any stock for this purpose.

34.3 Liquidity risk

The following table 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						
2022						
Assets						
Advances and other receivables	7 659 468	365 356	407 832	1 438 322	2 755 870	2 692 088
Investment securities	17 437	-	-	-	-	17 437
Cash and cash equivalents and regulatory balances	642 097	145 373	193 167	128 480	-	175 077
	8 319 002	**510 729**	**600 999**	**1 566 802**	**2 755 870**	**2 884 602**
Group						
2022						
Liabilities						
Deposits from customers	7 061 016	2 795 827	1 148 706	2 896 714	1 974	217 795
Sukuk	310 605	2 905	-	-	307 700	-
Accounts payable	51 173	46 183	3 327	1 663	-	-
Letters of credit, guarantees and confirmations	323 317	30 796	143 365	56 628	25 347	67 181
	7 746 111	**2 875 711**	**1 295 398**	**2 955 005**	**335 021**	**284 976**
Net liquidity gap	**572 891**	**(2 364 982)**	**(694 399)**	**(1 388 203)**	**2 420 849**	**2 599 626**
Group						
2021 (Restated)						
Assets						
Advances and other receivables	7 850 917	915 085	1 329 725	829 453	2 677 636	2 099 018
Investment securities	29 828	-	-	-	-	29 828
Cash and cash equivalents and regulatory balances	522 636	117 984	145 306	118 156	-	141 190
	8 403 381	1 033 069	1 475 031	947 609	2 677 636	2 270 036
Group						
2021 (Restated)						
Liabilities						
Deposits from customers	7 339 095	2 575 680	1 327 608	3 140 356	9 565	285 886
Sukuk	309 367	1 667	-	-	307 700	-
Accounts payable	41 745	39 636	1 406	703	-	-
Letters of credit, guarantees and confirmations	608 181	43 326	276 534	185 000	18 893	84 428
	8 298 388	2 660 309	1 605 548	3 326 059	336 158	370 314
Net liquidity gap	104 993	(1 627 240)	(130 517)	(2 378 450)	2 341 478	1 899 722

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

34.4 Intrinsic rate risk

Loans and borrowings subject to intrinsic rate risk

	Intrinsic rate	Maturity	2022	2021
			R'000	R'000
	14,3%	2024		
Current portion - less than 12 months			15 556	12 189
Non-current portion - greater than 12 months			15 879	31 435
Total obligations under lease (Note 4)			31 435	43 624

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

34.5 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 7 for information regarding details of balances of amounts owing between the company and the subsidiary.

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 below 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.

	Fair value through other comprehensive income	Amortised cost	Fair value through profit and loss	Carrying amount
	R'000	R'000	R'000	R'000
Group				
2022				
Assets				
Advances	-	7 603 452	-	7 603 452
Forward exchange contract	-	-	5 033	5 033
Investment securities	17 437	-	-	17 437
Cash and cash equivalents	-	124 382	-	124 382
Regulatory balances	-	517 716	-	517 716
	17 437	**8 245 550**	**5 033**	**8 268 020**

	Fair value through other comprehensive income	Amortised cost	Fair value through profit and loss	Carrying amount
	R'000	R'000	R'000	R'000
Liabilities				
Deposits from customers	-	**7 061 016**	-	**7 061 016**
Sukuk	-	**310 605**	-	**310 605**
Accounts payable	-	**46 244**	-	**46 244**
Forward exchange contract	-	-	**4 929**	**4 929**
	-	**7 417 865**	**4 929**	**7 422 794**
Group				
2021				
Assets				
Advances	-	7 850 917	-	7 850 917
Forward exchange contract	-	-	6 350	6 350
Investment securities	17 124	-	12 704	29 828
Cash and cash equivalents	-	107 987	-	107 987
Regulatory balances	-	414 649	-	414 649
	17 124	8 373 553	19 054	8 409 731
Liabilities				
Deposits from customers	-	7 339 095	-	7 339 095
Sukuk	-	309 367	-	309 367
Accounts payable	-	35 404	-	35 404
Forward exchange contract	-	-	6 341	6 341
	-	7 683 866	6 341	7 720 207

34.6 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, Earthstone Investments Proprietary Limited and Ahmed Al Kadi Private Hospital 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				
2022				
Financial assets				
- Fair value through other comprehensive income	-	17 437	-	17 437
- Fair value through profit and loss	5 033	-	-	5 033
	5 033	**17 437**	**-**	**22 470**
Financial liabilities				
- Fair value through profit and loss	4 929	-	-	4 929
	4 929	**-**	**-**	**4 929**
2021				
Financial assets				
- Fair value through other comprehensive income	-	17 124	-	17 124
- Fair value through profit and loss	19 054	-	-	19 054
	19 054	17 124	-	36 178
Financial liabilities				
- Fair value through profit and loss	6 341	-	-	6 341
	6 341	-	-	6 341

35. 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 R12.6 million (2021: R11.6 million). Executives' portion of the contribution amounted to R1 027 354 for the year (2021: R964 249).

36. RELATED PARTY INFORMATION

The holding company of Albaraka Bank Limited at 31 December 2022 is Al Baraka Group B.S.C. which is a company registered in the Kingdom of Bahrain and which holds 64,5% (2021: 64,5%) of the company's ordinary shares.

Dominion (South Africa) Proprietary Limited previously named DCD Holdings (SA) Proprietary Limited together with DCD London & Mutual Plc, a company incorporated in England and Wales, jointly hold 12,6% (2021: 12,6%) of the company's ordinary shares.

Timewest Investments Proprietary Limited, a company incorporated in South Africa, holds 7,7% (2021: 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. One of the bank's directors are also trustees of the trust. The Iqraa Trust is not consolidated.

Giving for Hope Foundation Trust is a registered trust, established in 2020 as a Covid-19 disaster relief fund. The sole intention of the Trust is to carry-on relief activities to assist qualifying Small, Medium and Micro Enterprises (SMMEs) negatively impacted by the pandemic. The Trust appointed Albaraka Bank Limited as agent and administrator to manage and administrate the Trust Funds on a Shariah compliant basis. Albaraka Bank Limited renders such services without charge as part of its social contribution in supporting SMMEs. One of the Bank's directors is also trustee of the trust. The Giving for Hope Foundation Trust is not consolidated.

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 of an institutional trustee, a chartered accountant, an individual from the business community, an advocate, as well as one of the Bank's directors. The only exposure between the Albaraka Sukuk Trust and the Bank currently relates to the Sukuk investment as disclosed under note 20.

The subsidiary of the Bank, Albaraka Properties (Proprietary) Limited, and the related inter-company balances are identified in note 7. The Bank also made lease repayments amounting to R17 448 827 (2021: R16 156 321) 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 24. A dividend of R5 000 000 (2021: R7 000 000) was declared during the year.

The executives are considered the key management personnel and the remuneration paid to the executives is disclosed in note 26. 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 advances to executive and non-executive directors, are disclosed below:

	COMPANY	
	2022	2021
	R'000	**R'000**
Property finance - Musharaka and Murabaha		
Balance outstanding at beginning of year	**19 294**	11 210
Advances granted during the year	**-**	11 650
Repayments during the year	**(6 527)**	(4 780)
Profit earned	**1 110**	1 214
	13 877	19 294
Profit mark-up range for the year	**7%-10,25%**	5%-7,5%

The profit mark-up of 5% is in respect of new advances to executive directors at subsidised rates which, at year end amounted to nil (2021: R1 013 947).

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

	2022	2021
Instalment sale		
Balance outstanding at beginning of year	**1 694**	1 012
Advances granted during the year	**4 376**	1 230
Repayments during the year	**(2 937)**	(622)
Profit earned	**172**	74
	3 305	1 694
Profit mark-up range for the year	**5,75%-9%**	7,7%-11%

	2022 R'000	2021 R'000
Trade finance		
Balance outstanding at beginning of year	**2 152**	1 521
Advances granted during the year	**3 951**	4 230
Repayments during the year	**(5 064)**	(3 689)
Profit earned	**152**	90
	1 190	2 152
Profit mark-up range for the year	**6,5%**	6,5%-7%

Iqraa Trust
During the year, the Bank donated an amount of R3 000 000 (2021: R3 000 000) to the trust.

At 31 December 2022 funds deposited by the trust with the Bank amounted to R22 346 9511 (2021: R24 711 439).

Giving for Hope Foundation Trust
At 31 December 2022 funds deposited by the trust with the bank amounted to R2 688 221 (2021: R4 228 234)

	2022 R'000	2021 R'000
Albaraka Sukuk Trust		
Sukuk capital – Tier 2	**307 700**	307 700
Sukuk capital – Additional Tier 1	**124 000**	-
Total exposure to related parties	**450 072**	330 840
Staff		
Staff advances are conducted at subsidised profit rates.		
The total staff advances outstanding at the end of the period amounted to:	**78 838**	78 178

Allowance for credit losses related to related party balances (inclusive of staff) amounted to R157 000 (2021: R104 000)

37. CORRECTION OF PRIOR PERIOD ERROR - RECOGNITION OF REVENUE ON CREDIT-IMPAIRED ADVANCES

Historically the Bank has recognised income by applying the EPR (Effective Profit Rate) to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank stops recognition of income from the date of classification. If the financial assets cures and is no longer credit-impaired, the Bank then recognises in income the amounts previously not recognised.

Prior to the implementation of IFRS 9, the Bank adopted a method in line with credit policy of suspending profits for an account that is in arrears for more than 90 days, on the full gross value.

With the implementation of IFRS 9, the Bank continued this historically conservative approach of suspending profits on the full gross value for accounts that have been classified as 'Stage 3'.

However, IFRS 9 paragraph 5.4.1 states that *"in the case of a financial asset that is not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired, interest revenue is calculated by applying the effective interest rate to the amortised cost balance, which comprises the gross carrying amount adjusted for any loss allowance."*

Accordingly, the Bank has restated its results for financial years 2021 and 2020 based on the accounting treatment contained within IFRS9.5.4.1 and has commenced to apply these requirements as of the 2022 financial year. The effect on prior period amounts is illustrated herewith:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Previously Reported	Adjustment	Restated Balance
	R'000	R'000	R'000
Impact on the Statement of Financial Position			
Group			
2020			
Increase in advances and other receivables	7 902 172	11 327	7 913 499
Decrease in deferred tax liability	10 104	(1 660)	8 444
Increase in charitable and welfare funds	21 917	322	22 239
Increase in SARS payable	1 505	2 896	4 401
Increase in deposits from customers	7 433 546	5 763	7 439 309
Net increase in retained earnings	**400 344**	**4 006**	**404 350**
2021			
Increase in advances and other receivables	7 839 671	11 246	7 850 917
Decrease in deferred tax liability	12 335	(1 752)	10 583
Increase in charitable and welfare funds	25 700	330	26 030
Increase in SARS payable	1 264	2 968	4 232
Increase in deposits from customers	7 333 371	5 724	7 339 095
Net increase in retained earnings	**438 465**	**3 976**	**442 441**
Company			
2020			
Increase in advances and other receivables	7 901 953	11 327	7 913 280
Increase in deferred tax asset	18 648	1 660	20 308
Increase in charitable and welfare funds	21 917	322	22 239
Increase in SARS payable	1	2 896	2 897
Increase in deposits from customers	7 433 546	5 763	7 439 309
Net increase in retained earnings	**387 667**	**4 006**	**391 673**
2021			
Increase in advances and other receivables	7 839 506	11 246	7 850 752
Increase in deferred tax asset	14 922	1 752	16 764
Increase in charitable and welfare funds	25 700	330	26 030
Increase in SARS payable	1 397	2 968	4 365
Increase in deposits from customers	7 333 371	5 724	7 339 095
Net increase in retained earnings	426 267	3 976	430 243

	Previously Reported	Adjustment	Restated Balance
	R'000	R'000	R'000
Impact on the Statement of Comprehensive Income			
Group			
2021			
Decrease in income earned from advances	391 992	(81)	391 911
Decrease in income paid to depositors	215 867	(39)	215 828
Decrease in profit before tax	53 721	(42)	53 679
Decrease in taxation expense	15 600	(12)	15 588
Decrease in profit after tax	**38 121**	**(30)**	**38 091**
Company			
2021			
Decrease in income earned from advances	391 992	(81)	391 911
Decrease in income paid to depositors	215 867	(39)	215 828
Decrease in profit before tax	51 664	(42)	51 622
Decrease in taxation expense	13 064	(12)	13 052
Decrease in profit after tax	**38 600**	**(30)**	**38 570**
Impact on the Statement of Cash Flows			
Group			
2021			
Decrease in cash generated from operations	109 141	(42)	109 099
Increase in changes in working capital	(158 485)	42	(158 443)
Company			
2021			
Decrease in cash generated from operations	116 116	(42)	116 074
Increase in changes in working capital	(153 540)	42	(153 498)
Impact on basic, diluted and headline earnings per share			
Group			
2021			
Decrease in earnings per share	118,24	0,09	118,15

38. EVENTS AFTER THE REPORTING PERIOD

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

AAOIFI STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	GROUP		COMPANY	
	2022	2021 (Restated)*	2022	2021 (Restated)*
	R'000	R'000	R'000	R'000
Assets				
Cash and cash equivalents	**642 098**	522 636	**640 466**	522 631
Sales receivables	**2 120 998**	3 270 555	**2 120 998**	3 270 555
Musharaka financing	**5 407 848**	4 495 224	**5 407 848**	4 495 224
Ijarah financing	**71 290**	52 002	**71 290**	52 002
Investment securities	**17 437**	29 828	**17 437**	29 828
Investment in subsidiary company	**-**	-	**41 376**	36 682
Total investments	**8 259 671**	8 370 245	**8 299 416**	8 406 921
Other assets	**59 579**	38 945	**89 545**	67 664
Property and equipment	**89 285**	95 826	**12 637**	17 604
Investment properties	**10 339**	10 339	**-**	-
Intangible assets	**73 390**	76 983	**73 390**	76 983
Total assets	**8 492 264**	8 592 338	**8 474 988**	8 569 172
Liabilities, unrestricted investment accounts and owners' equity				
Liabilities				
Customer current accounts and other	**1 315 377**	1 160 698	**1 315 377**	1 160 698
Payables	**65 845**	71 106	**64 606**	61 805
Other liabilities	**43 382**	26 030	**43 382**	26 030
Total liabilities	**1 424 604**	1 257 834	**1 423 365**	1 248 533
Equity of unrestricted investment account holders	**5 708 195**	6 149 871	**5 708 195**	6 149 871
Sukuk	**310 605**	309 367	**307 700**	307 700
Profits distributable to depositors	**37 444**	28 527	**37 444**	28 527
Total liabilities and unrestricted investment accounts	**7 480 848**	7 745 598	**7 476 704**	7 734 631
Owners' equity	**1 011 417**	846 741	**998 284**	834 542
Share capital	**322 403**	322 403	**322 403**	322 403
Share premium	**82 196**	82 196	**82 196**	82 196
Other reserve	**2 313**	2 037	**2 313**	2 037
Retained income	**480 505**	440 105	**467 372**	427 906
Additional Tier 1 Sukuk Instruments	**124 000**	-	**124 000**	-
Total liabilities, unrestricted investment accounts and owners' equity	**8 492 264**	8 592 338	**8 474 988**	8 569 172

AAOIFI STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	GROUP		COMPANY	
	2022	2021 (Restated)*	**2022**	2021 (Restated)*
	R'000	**R'000**	**R'000**	**R'000**
Income from sales receivables	**159 616**	173 388	159 616	173 388
Income from Musharaka financing	**366 193**	305 298	**366 193**	305 298
Income from Ijarah financing	**38 552**	20 355	**38 552**	20 355
Return on unrestricted investment accounts before the Bank's share as mudarib	**564 361**	499 042	**564 361**	499 042
Less: Bank's share as mudarib	**(313 646)**	(263 216)	**(313 646)**	(263 216)
Return on unrestricted accounts	**250 715**	235 826	**250 715**	235 826
Bank's share in income from investment (as a mudarib and as a fund owner)	**313 646**	263 216	**313 646**	263 216
Bank's income from its own investments	**1 530**	1 478	**6 530**	8 478
Revenue from banking services	**33 316**	30 540	**33 316**	30 540
Other revenue	**22 658**	15 149	**22 926**	15 344
Total Bank revenue	**371 149**	310 384	**376 417**	317 579
Administrative and general expenditure	**(244 849)**	(218 236)	**(254 078)**	(229 452)
Depreciation of property and equipment	**(9 072)**	(11 884)	**(7 228)**	(9 920)
Amortisation of intangible assets	**(12 188)**	(9 721)	**(12 188)**	(9 721)
Depreciation of Ijarah	**(34 596)**	(17 551)	**(34 596)**	(17 551)
Profit before taxation	**70 444**	52 992	68 327	50 935
Taxation	**(20 372)**	(15 588)	(19 189)	(13 052)
Profit for the period	**50 072**	37 404	49 138	37 883

AL BARAKA GROUP GLOBAL NETWORK

Al Baraka Group Headquarters
Bahrain Bay
PO Box 1882, Manama, Kingdom of Bahrain

Web: www.albaraka.com

Al Baraka Group has operations in:

Algeria	Pakistan	**Al Baraka Group also has:** Two branches in Iraq; and a Representative office in Libya.
Bahrain	South Africa	
Egypt	Sudan	
Germany	Syria	
Jordan	Tunisia	
Lebanon	Turkey	
Morocco		

Contact details for the subsidiary units of Al Baraka Group are available on our website. Should you wish to access individual subsidiary contact information, please visit: www.albaraka.co.za and select 'Al Baraka Group'

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