ANNUAL REPORT 2023

Your Partner Bank

alBaraka Bank

35 YEARS

South Africa

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.

VISION

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

MISSION

To fulfil the financial needs of the South African community 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 employees, our shareholders and our communities at large.

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 proactive 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 2023 integrated annual report; a document which provides insights to our 01 January to 31 December 2023 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 2023 Chairman and Chief Excutive's 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 global 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.

"AL BARAKA BANK IS A COMMERCIAL BANKING INSTITUTION AND IS SOUTH AFRICA'S ONLY FULLY-FLEDGED ISLAMIC BANK."

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 by IFRS, the Banks Act, Act No. 94 of 1990, the Companies Act, Act No. 71 of 2008, and the King Code of Corporate Governance for South Africa and other applicable legislation. 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.

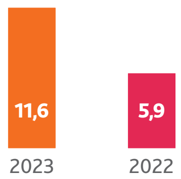
Yunus Suleman
Chairman

02 April 2024

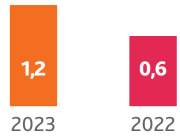
Shabir Chohan
Chief executive

KEY PERFORMANCE INDICATORS

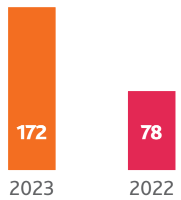
ROE
IN PERCENTAGE



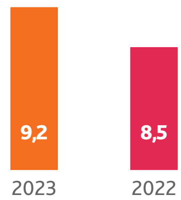
ROA
IN PERCENTAGE



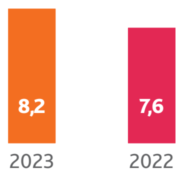
NET PROFIT BEFORE TAXATION
IN MILLIONS



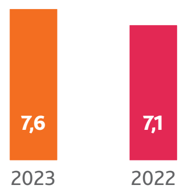
ASSETS
IN BILLIONS



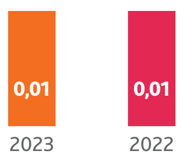
ADVANCES
IN BILLIONS



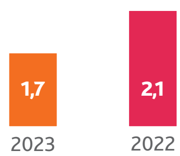
DEPOSITS
IN BILLIONS



BAD DEBT
IN PERCENTAGE



NON-PERFORMING
IN PERCENTAGE



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) (Islamic Principles), effective 22 March 2022 and was renamed Al Baraka Group. In line with this change, the Group also redeveloped its Vision and Mission statements and values, 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.

ABG is a leading international Islamic financial Group with a presence in 14 countries as at 31 December 2023. Through its banking subsidiaries and associates, the Group provides services in retail, corporate, treasury and investment banking, all strictly in accordance with Shariah principles, through more than 600 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 maintain 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 2023, Al Baraka Bank's primary shareholders included the Bahrain-based Al Baraka Group B.S.C. (64,51%), Johannesburg-based Timewest Investments (Pty) Ltd (7,67%), DCD London and Mutual plc (6,60%), Dominion (SA) (Pty) Ltd (6,01%), 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 and professionals, 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).

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.

"THE BANK HAS DEVELOPED AND HONED AN ENVIABLE STANDING IN SOUTH AFRICA'S FINANCIAL SECTOR."

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.

Three years post-COVID-19, 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.

TEN-YEAR REVIEW

	2023	2022	2021 (Restated)	2020 (Restated)	2019	2018	2017	2016	2015	2014
Statement of Financial Position (Rm)										
Share capital	322	322	322	322	322	322	322	322	322	322
Shareholders’ interest	979	891	849	811	771	713	662	627	601	560
Total Equity	1 103	1 015	849	811	771	713	662	627	601	560
Deposits from customers	7 598	7 061	7 339	7 439	6 180	5 844	5 078	4 634	4 426	4 230
Advances and other receivables	8 156	7 659	7 851	7 913	6 522	5 976	5 111	4 646	4 473	4 242
Total assets	9 157	8 496	8 595	8 685	7 363	6 834	5 880	5 329	5 058	4 814
Statement of Comprehensive Income (Rm)										
Profit before taxation	172	78	54	51	102	87	74	58	76	55
Total comprehensive income for the year	109	51	38	36	75	65	51	41	56	40
Share Statistics (Cents)										
Basic and diluted earnings per share	336	158	118	112	231	203	158	128	171	154
Dividend per share	62	30	-	-	55	55	50	50	45	45
Net asset value per share	3 037	2 763	2 634	2 515	2 390	2 201	2 052	1 943	1 866	1 736
Ratios (%)										
Return on average shareholders’ interest	11,6	5,9	4,6	4,6	10,1	9,5	7,9	6,7	9,6	8,5
Return on average total assets	1,2	0,6	0,4	0,4	1,1	1,0	0,9	0,8	1,1	0,9
Shareholders’ interest to total assets	10,7	10,5	9,9	9,3	10,5	10,4	11,3	11,8	11,9	11,6

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

RETURN ON AVERAGE SHAREHOLDERS’ INTEREST
Total comprehensive income for the year, expressed as a percentage of the weighted average shareholders’ interest adjusted relative to the timing of the introduction of any additional capital in a particular year.

RETURN ON AVERAGE TOTAL ASSETS
Total comprehensive income for the year, expressed as a percentage of the weighted average total assets in a particular year.

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

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

OUR LEADERSHIP

As at 31 December 2023, 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 (66) - South African
Chairman of the Board

CA (SA), Chartered Director (SA)
Joined the board in 2016
Board committee memberships
■ DAC ☐ REMCO

Adv. JMA Cane SC (57) - South African
Lead independent director

LLB, LLM
Joined the board in 2018
Board committee memberships
☐ DAC ☐ AC ■ REMCO

MJD Courtiade (70) - French
Independent, with effect from 2021

CA (SA)
Joined the board in 2004
Board committee memberships
☐ R, CM & CC ■ BCC ☐ REMCO

ZH Fakey (49) - South African
Independent non-executive director

CA (SA) , CISA
Joined the board in 2019
Board committee memberships
■ AC ■ R, CM & CC ☐ SEC

SM Nyasulu (41) - South African
Independent non-executive director

LLB
Joined the board in 2020
Board committee memberships
■ SEC ☐ R, CM & CC ☐ AC

NON-INDEPENDENT, NON-EXECUTIVE DIRECTORS

Mr H Ben Haj Amor (48) - Tunisian
Group Chief Executive - Al Baraka Group

Bachelor in Accounting and Finance
Joined the board in 2022
Board committee memberships
☐ DAC ☐ REMCO

Dr M Khemira (60) - Canadian

PhD (Engineering)
Joined the board in 2022
Board committee memberships
☐ BCC ☐ R, CM & CC

FA Randeree (49) - British

BA (Hons), MBA
Joined the board in 2021
Board committee memberships
☐ BCC ☐ DAC

EXECUTIVE DIRECTORS

SAE Chohan (58) - South African
Chief executive

CA (SA)
Joined the board in 2004
Board committee memberships
☐ BCC ☐ SEC

A Ameed (42) - 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

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
Mohammed Kaka

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

RETAIL BRANCHES
General manager: retail and wealth
Nasir Seedat

KWAZULU-NATAL

Regional branch administration manager:
Saabera 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:
Anisa 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:
Shaheen Majiet

Cnr. 42 Klipfontein and Belgravia Roads
Athlone, 7764
PO Box 228, Athlone, 7760

RETAIL SALES
KWAZULU-NATAL

Regional Sales manager:
Zaithoon 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:
Aadila Soni

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:
Raghma Carr

Cnr. 42 Klipfontein and Belgravia Roads
Athlone, 7764
PO Box 228, Athlone, 7760

SME
KWAZULU-NATAL

Regional SME manager:
Reyaz Karodia

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

GAUTENG

Regional SME manager:
Zain Patel

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

CAPE TOWN

Regional SME manager:
Imraan Modack (acting)

Cnr. 42 Klipfontein and Belgravia Roads, Athlone, 7764
PO Box 228, Athlone, 7760

CORPORATE
KWAZULU-NATAL

Corporate manager:
Mohammed Ameen

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

GAUTENG

Corporate manager:
Sayed Abed Ali Mia

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

CAPE TOWN

Corporate manager:
Imraan 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

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

I – in my first statement as Chairman of Al Baraka Bank South Africa – together with the Chief Executive, are delighted to report a record performance in the 2023 financial year.

The company exceeded budget, whilst increasing net profit before tax by 121%, from R78 million in 2022 to R172 million in 2023.

The Bank's return on average equity increased to 11,5% which we are sure will be very pleasing to our shareholders. The Bank also registered an 8% growth in advances, interbank placements and other receivables to R8,2 billion, 9% growth in deposits to R7,6 billion and total assets growth of 8% to R9,2 billion in the review period resulting in a return on average total assets of 1,2%.

Such phenomenal growth in profitability after the difficulties associated with the state of the economy and associated challenges (such as ongoing loadshedding and logistics concerns), in the past several years comes on the back of robust strategies implemented by the Bank, not least of which included our comprehensive process of restructuring.

The outcomes achieved have yielded a highly significant improvement to our financial performance. Critically, too, the impressive financial performance in 2023 has had a positive impact on our stubbornly high cost to income ratio, which reduced to a far healthier 64,5% by the close of the period under review.

Importantly, and following our appointment of two new directors affiliated to Al Baraka Group, we held a strategy session early in 2023, charting a new approach to achieving our business objectives, in alignment with the Group. Such alignment contributed appreciably to our notable improved financial results in the review period.

Last year, we reported that we had engaged with National Government regarding a prospective Domestic Sovereign Sukuk (Shariah-compliant Government bond). Such engagement has paid off handsomely, with National Treasury issuing a R20 billion Domestic Sovereign Sukuk in November 2023. This Sukuk gained immediate traction, being over-subscribed by 74%. The issuance has immense benefits for Al Baraka Bank.

Historically, the Bank was required to invest in Treasury Bills, which attracted interest – deemed impermissible income for a Shariah-compliant organisation such as ours. This necessarily resulted in our having to donate such interest income to charity. However, the advent of National Government's Shariah-compliant Sukuk has afforded us the opportunity to invest in this financial instrument, further boosting our levels of profitability.

We take this opportunity to commend National Treasury for its implementation of said Domestic Sovereign Sukuk, an initiative which has effectively and fundamentally changed South Africa's financial industry landscape.

From a broader economic perspective, it should be noted that whilst our 2023 financial results have significantly boosted our growth trajectory, 2024 heralds an election year which could alter the country's fragmented and delicate political environment. The general election outcome could give effect to further economic and social shifts, with new objectives for the country coming to the fore.

In the face of such a contested landscape, attendant constrained economic growth and investment, we remain cautiously optimistic about the outcome and are projecting continued profitability during the 2024 financial year.

ACHIEVEMENTS IN 2023

The Bank's 2023 financial year witnessed the realisation of a number of key achievements, not least of which included the most successful strategic alignment in January 2023 of our business objectives to those of the Group, empowering us to better focus on sustainable growth and improved profitability.

"SUCH PHENOMENAL GROWTH IN PROFITABILITY AFTER THE DIFFICULTIES ASSOCIATED WITH THE STATE OF THE ECONOMY AND ASSOCIATED CHALLENGES (SUCH AS ONGOING LOADSHEDDING AND LOGISTICS CONCERNS), IN THE PAST SEVERAL YEARS COMES ON THE BACK OF ROBUST STRATEGIES IMPLEMENTED BY THE BANK"

As is the trend within the banking industry, implementation of digitalisation strategies remains a priority. As per Al Baraka Group's focus, we increased our investment in digitalisation initiatives during the review period, bolstering our Bank's ability to remain relevant in the highly competitive South African banking industry.

Following our successful launch of a Mobile Banking App in 2022, the review period saw our Corporate App 'go live', with immediate benefits accruing to both the Bank and our clients.

In addition, we introduced digital signatures; a major initiative and one whose immediate up-take by staff and clients alike exceeded our expectations. The move has greatly enhanced our service to clients and improved the overall client experience journey.

There can be no doubt, the age of financial digitalisation is well and truly upon us and by fully embracing its advantages, we are intent on continuing investment in this innovative approach to serving our customers with banking products and services.

The 2023 financial year also heralded our commencement of three exciting new products, intended to boost the Bank's suite of offerings and further enhancing the overall client experience.

Products to be introduced includes distribution of Takaful (insurance), a Shariah-compliant credit card and a foreign exchange card, onto which selected currency of a client's choice may be loaded for use internationally.

The triple product launch will assist – in the short-term – in boosting non-funding income, which had remained unsatisfactorily low in recent times. Additional efforts will be made to further increase non-funding income going forward.

In answer to the changing dynamics prevalent in this country's banking industry – and, indeed, world-wide – we critically reviewed our branch network model during the 2023 financial year and took the decision to adopt a new approach, converting one of our outlets in Durban, into a cashless branch.

Further options are currently under consideration, all of which are geared to maintaining optimal efficiency, whilst continuing to meet and exceed client service expectations.

In related initiatives, we ramped-up our presence in the marketplace, undertaking a series of highly successful visits to areas across South Africa in which we currently have no branch representation.

The objective was to take our banking offering to the people, exposing both existing and prospective new clients to the undoubted benefits of Shariah-compliant banking with Al Baraka Bank.

We also hosted regular Digital Days in a range of areas nationally, aimed at introducing people to a new way of banking and familiarising clients with online banking and demonstrating how to conduct digital transactions.

Finally, we held a major entrepreneurial event in Johannesburg to promote the importance to the economy of the small business sector in South Africa.

The event afforded an innovative approach for small business entrepreneurs and owners to showcase their various products and services to a broader market. This event, which is set to help stimulate the creation of additional employment opportunities, is to be staged annually going forward.

Al Baraka Bank was gratified and humbled by being the recipient of an award during the 2023 financial year; recognition that we are indeed successfully achieving our business objectives. We were honoured in the IFN Best Banks Poll 2023 to receive the Best Islamic Bank in South Africa award.

DIVIDEND

The Bank was pleased to be in a position to declare a dividend of 62c for shareholders in the 2023 financial year. This followed a difficult period, given the global health crisis and the detrimental effects it had on our local economy.

We thank our shareholders for their understanding in this regard and look forward to increasing dividends in 2024, subject to all statutory requirements.

HUMAN RESOURCES

The South African business community has successfully adapted to necessary societal alterations to the world of work.

Al Baraka Bank has efficaciously transitioned to the new norm, with members of staff settled into the hybrid work model – a mix of in-office and remote working.

The adoption by the Bank of this model has given effect to greater levels of workplace flexibility, reduced costs, and an improvement in levels of staff productivity, without compromising either business efficiency or superior client service. However, and as with other organisations who have adopted this approach, challenges do exist.

Al Baraka Bank is fully cognisant of the potential for detrimental mental health issues amongst staff.

We have taken steps to mitigate any such mental health issues by introducing regular wellness workshops for our valued members of staff – always regarded as our company's most important assets. These workshops, which are proving most worthwhile, are designed to address all concerns staff may have or symptoms they might display in terms of working remotely.

Such is the importance we attach to our members of staff, we set out to nurture their talent, so as to provide for effective managerial succession planning. We have in place an effective succession planning strategy; one that enables us to identify and foster selected staff at recruitment level for prospective career advancement and enhancement.

We strive to continuously develop a future leadership conduit by affording members of staff technical and soft skills training opportunities to improve their knowledge, skills and competence, so as to thrive at the next level of work.

CORPORATE SOCIAL INVESTMENT

South Africa continues to be beset by a plethora of socio-economic challenges; challenges Government cannot on its own resolve. Without resolution, however, the existing poverty cycle cannot and will not be broken. Business, therefore, must and does intervene. Corporate social responsibility is today a matter of critical importance to the business community.

Al Baraka Bank recognises this and has long had in place a comprehensive programme of action designed to assist in meeting some of the challenges the country faces in the fields of education and welfare.

We subscribe to the principles embodied in the United Nations Development Plan (UNDP) and, following an agreement between Al Baraka Group and the UNDP, we have signed a Memorandum of Understanding, so aligning our social responsibility endeavours with the UNDP's Sustainable Development Goals.

Accordingly, during the 2023 review period we donated R4,9 million to support a range of education and welfare initiatives. In addition, a further R3,0 million was donated to a charitable trust.

ECONOMIC REVIEW

The South African economy weakened further through the course of 2023, although not as steeply as had been feared.

Intense load-shedding earlier in the year led to fears of recession, fortunately, however, the intensity of load-shedding has diminished slightly. There has also been an encouraging pick-up in fixed capital formation which, one suspects, is linked to investment in renewable energy projects, as well as in information technology.

Such investment is counter-balancing a slowdown in the growth of consumer spending caused by interest rates that are 4,75% higher than they were through much of 2020 and 2021. Reduced global economic growth and falling commodity prices have also weighed down on revenues accruing from the diminishing profits of mining companies.

The associated increase in the budget deficit and public debt, together with the country being grey listed, have resulted in a diminished appetite for South African Government debt, leading to ever higher long-term interest rates and further increases in debt servicing costs which are projected to continue in coming years. More recently, the economy has been severely beset by logistical problems, with difficulty moving products in and out of South African ports.

Fortunately, Government and big business have started meeting on a regular basis to find ways in which private businesses can assist the State in resolving the key problems of energy, logistics and crime.

Whilst apprehension ahead of the general election is also likely to constrain economic growth and investment in the months ahead, such elections could prove to be the watershed that might just unleash developments that could reverse the downward trend in economic growth of the past decade.

Currently however, economic growth is still woefully weak and insufficient to generate employment at a rate that exceeds the entrance of new employees into the job market.

The country's economy remains somewhat resilient in spite of weak governance and ordinary South Africans are trying to forge ahead to make a reasonably adequate living for themselves in spite numerous challenges.

THE FUTURE

The year 2024 – an election year – is expected to be difficult given prevailing political uncertainty, an unstable energy supply – with continued and crippling levels of loadshedding – logistics issues, growing unemployment and high levels of crime.

On a positive note, however, inflation has dipped significantly, back within target levels, giving rise to optimism regarding

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT (CONTINUED)

the prospect of a drop in interest rates, which will assist in stimulating economic growth, supported by the resilience being displayed by South African society.

In view of this and on the back of the impressive 2023 financial results, the Bank anticipates continued growth in the 2024 financial year, all things remaining equal.

AL BARAKA GROUP

Al Baraka Bank in South Africa is a subsidiary of the Bahrain-based Al Baraka Group which provides, through its global units, Shariah-compliant retail, corporate, treasury and investment banking services. Al Baraka Group, an investment and business firm – Category (1), is supervised and regulated by the Central Bank of Bahrain ("CBB").

The Group posted positive financial results in the 2023 financial year. Total net income for the period amounted to US$283 million, while net income attributable to shareholders amounted to US$143,5 million. Total assets as at 31 December 2023 totalled US$25,26 billion.

Importantly, too, the 2023 financial year saw the Group's South African subsidiary execute an inter-branch initiative with its counterpart subsidiary in Pakistan, with the objective of promoting two-way trade. So successful was this endeavour that efforts are to be made to extend its scope, rolling-out the initiative to other international subsidiaries within Al Baraka Group.

APPRECIATION

In closing, we are most grateful to the Al Baraka Group for its expert leadership, support and wise counsel during the 2023 financial year. Its acclaimed international Islamic banking reputation has, in no small measure, enabled our South African subsidiary to mature appreciably within the competitive South African banking industry and overall finance environment.

We must, of course, also thank all the members of our board and Shariah Supervisory Board – past and present – for their leadership, business acumen, strategic aptitude and dedication in driving Al Baraka Bank forward, enabling it to become an ever greater and more important force in this country's banking industry.

Further, we are most appreciative of the professional contribution our valued members of staff have made towards ensuring the financial success we have enjoyed in the 2023 financial year. Our talented team takes great pride in effective, efficient delivery at every level, whilst simultaneously living the ideal of client service excellence on a daily basis.

Last, but not least, we express our most grateful thanks to both our shareholders and clients of the Bank for your ongoing belief in Al Baraka Bank and for your continued support of our business endeavours in creating sound returns and in providing an appropriate product and service offering.

You are our esteemed partners in banking and we look forward to further strengthening our mutually beneficial relationships with you all into the future.

To all our stakeholders, we assure you of our commitment to forming strong bonds of trust, innovation, agility, partnership and development, thus ensuring the peace-of-mind that we will always manage the financial interests of those we exist to serve to the highest ethical standards.

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

Yunus Suleman
Chairman

Shabir Chohan
Chief executive

02 April 2024

HUMAN RESOURCES REPORT

HUMAN RESOURCE STRATEGY

At the centre of Al Baraka Bank's business strategy lies a robust people strategy which is intrinsically linked to the overall organisational Mission, Vision and Values.

We acknowledge that our employees form our most valued intellectual capital and, therefore, their development, engagement and retention is essential to achieve our business goals and to propel the organisation forward on our growth trajectory.

HUMAN RESOURCE TECHNOLOGY

In keeping with our digitalisation journey, we have invested in a new and innovative payroll and HR Information System, resulting in significantly improved efficiencies.

The system is designed to enhance employee communication and engagement through an integrated self-service application and to radically elevate our performance management processes.

It further boasts a wide range of features and benefits that will contribute to the automation of functions, thus ultimately improving HR service delivery within the organisation.

HIGH PERFORMANCE CULTURE

Al Baraka Bank is passionate about inculcating a high-performance work environment; one in which employees are provided challenging opportunities to grow and develop.

The implementation of a novel performance management system, which is aligned to HR digital transformation, is designed to encourage partnerships between employees and leadership to work together in the pursuit of achieving strategic organisational goals.

In keeping with the Bank's change management strategy, our 360-degree performance appraisals will be closely linked to the Bank's value-driven behaviours so as to ensure that our employees proactively live the brand.

Our enhanced performance management process has a direct correlation to our employee recognition, remuneration and reward strategies.

SUCCESSION PLANNING

We take pride in the development of home-grown talent. The organisation and our employees have earned the rewards of this investment through the various internal promotions of employees into managerial positions during the 2023 review period.

It is our on-going mission to build a leadership pipeline and to equip our employees with the knowledge, skills and competencies to succeed at the next level of work.

This process starts as early as the initial recruitment phase, where our employees are carefully hand-picked and cultivated for future career development.

TRAINING AND DEVELOPMENT

It is our vision to create an Al Baraka training structure, where our learning and development standards are comparable to those of higher academic institutions.

Al Baraka Bank is an accredited South African Institute of Chartered Accountants training provider. We have successfully qualified an internal candidate as a Chartered Accountant and are currently investing in a second graduate who has embarked on her journey towards joining the fraternity.

A management development programme has been launched to ensure that our various levels of leadership are aligned to the culture of the organisation and are able to execute their leadership duties competently.

Our Accelerated Development Programme had yielded great success in fast-tracking careers within the organisation, which has translated into excellent levels of talent retention.

ORGANISATIONAL DEVELOPMENT

The Bank has adopted a phased approach to organisational restructuring, with the intention of improving efficiency, enhancing customer service and increasing profitability.

The realignment of job functions and organisational redesign has effectively reshaped the organisation to meet its strategic objectives.

ENHANCEMENT OF THE ORGANISATIONAL CLIMATE AND CULTURE

A comprehensive change management strategy was implemented to ensure that all our employees are on-board adopting the Bank's transformation trajectory.

Our efforts to improve the organisational climate have resulted in a significant improvement in our employee satisfaction survey results for 2023.

Our focus now is to foster work-life balance through a hybrid working environment and to encourage staff to maintain a healthy lifestyle through various employee wellness initiatives.

HUMAN RESOURCES REPORT (CONTINUED)

Workforce profile as at 31 December 2023

	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	15	3	2	30	17	47
Skilled technical and academically-qualified workers, junior management and supervisors	69	95	1	1	70	96	166
Semi-skilled and discretionary decision-making	18	60	0	0	18	60	78
Unskilled and defined decision-making	0	0	0	0	0	0	0
Total	**118**	**170**	**4**	**3**	**122**	**173**	**295**

AIC* = AFRICAN, INDIAN AND COLOURED

INFORMATION TECHNOLOGY REPORT

The period under review reinforced the adoption of technology strategies designed to support digitalisation objectives aligned to the business strategy. Additionally, focus was placed on selecting strategic cloud partners to accelerate the Bank's cloud adoption journey.

Cyber security risks continued to evolve with advancements in technologies, prompting frequent user awareness, enhancing security layers and updating business continuity plans. From a regulatory perspective, planning centred around operational resilience, cyber security and joint IT standards which promote alignment of IT governance and risk management with sound practices and processes.

CORE BANKING SYSTEMS

No significant changes occurred with regard to the Core Banking environment, with continued operations and support of system integrations for various Reporting, Analytics, Mobile App and Apply-for-Finance functions. Enhancements to the Electronic Document Management system included a modernised user interface, new operational features and security updates.

CLOUD ADOPTION

The number of cloud-based and hosted applications have increased, the result of a greater appetite for adoption of cloud-native and cloud-first solutions. During the review period, the Bank selected a strategic cloud partner for the AWS Infrastructure-as-a-Service (IaaS) platform to facilitate the development of custom applications in addition to the capability to potentially migrate existing systems.

Consultations for the Azure platform were similarly held with recognised vendors, with a view to short-listing a strategic cloud partner. This process is nearing conclusion and we expect to finalise a suitable vendor in the ensuing period to help accelerate the Bank's cloud journey. A risk-based approach is maintained with independent reviews conducted for significant implementations to ensure alignment with security best practices and good governance.

HYBRID WORKSPACES

The benefits of in-person collaboration, team-building and spontaneous interactions are undeniable, noting that the experiences of widespread remote work during the pandemic highlighted the advantages of flexible operations.

The Bank has adopted a hybrid approach with the necessary technological and logistical support to enable it. With the growing trend for teams to return to the office, the availability of adaptable technologies, hybrid workspaces and operational support remains for both onsite and remote collaboration.

CYBER SECURITY

The persistent challenges of phishing, its variants, and diverse forms of malware continue to impact organisations globally with ongoing advancements in technologies like ChatGPT, AI, ML and RPA having further exacerbated the threat landscape, extending its reach across a broader attack surface.

Fortunately, the very technologies leveraged by malicious threat actors are also being harnessed to mitigate against such attacks. There is a noticeable trend of more systems, including some of those utilised by the Bank, integrating these technologies into their application environments as a proactive measure.

To address these challenges and promote a security-conscious environment, the Bank regularly conducts cyber security awareness training through e-learning programmes, staff awareness sessions, communications and simulated phishing exercises. Additionally, the Bank leverages independent security monitoring services to ensure continuous 24/7 surveillance of crucial security end-points.

Access to threat advisory services, cyber liability insurance and ongoing initiatives are in line with the Bank's Cyber Resilience Framework, aimed at fortifying defences.

> **"TO ENSURE THE SEAMLESS CONTINUATION OF ESSENTIAL OPERATIONS IN THE FACE OF POTENTIAL BUSINESS DISRUPTIONS, COMPREHENSIVE DISASTER RECOVERY AND CONTINUITY PLANS HAVE BEEN IMPLEMENTED."**

Al Baraka Bank is a member of the South African Banking Risk Information Centre (SABRIC) and actively participates in multiple forums dedicated to industry-wide initiatives.

These initiatives encompass crucial activities, such as identifying key risks impacting the banking services industry, analysing cyber security events, responding to incidents, developing frameworks and drafting position papers. Additionally, SABRIC collaborates with both local and global threat intelligence agencies, as well as cyber security hubs and organisations.

BUSINESS CONTINUITY

To ensure the seamless continuation of essential operations in the face of potential business disruptions, comprehensive disaster recovery and continuity plans have been implemented. These plans incorporate the deployment of High Availability Systems replicated to an off-site Data Centre situated in Gauteng.

Additionally, provisions have been made for access to cold-recovery Data Centres strategically positioned in key locations across the country. Disaster recovery testing, conducted during the review period, demonstrated the successful failover of critical systems, thereby fortifying the operational resilience of the organisation. In an ongoing effort to further refine and strengthen these plans, consideration is being given to the inclusion of additional systems within the High Availability environment.

While initiatives for solar powered alternatives are continuing, existing UPS devices that integrate into Generators were complemented with extended battery capacities. Additionally, the Bank acquired a pilot satellite device to assess its suitability for continued communications in the event of a sustained power outage resulting from a potential grid failure. This strategic approach aims to continuously enhance the Bank's preparedness for unforeseen events and reinforces its ability to maintain crucial functions with minimal disruption.

STRATEGIC OUTLOOK

Al Baraka Bank plans to build momentum regarding its cloud adoption journey so as to complement digitalisation efforts with technology-enabled agility, in collaboration with strategic partners.

The positive impact of popular automation tools has already been evident in pilot projects and this capability is expected to create new opportunities for back-office operations and digital transformation initiatives going forward.

To ensure a secure environment, continued focus will be placed on employee education and awareness, emphasising security threats and best practices. Ongoing improvements in resilience capabilities will remain a priority to enhance preparedness against emerging threats.

The Bank is committed to planning and executing regulatory directives, incorporating operational resilience, cyber security and joint IT standards with a lens of proportionality and a risk-based approach. The foundation of a business and IT culture will continue to revolve around customer-centricity, technology risk, cyber security and corporate governance, inclusive of ongoing enhancements to align with industry standards and best practices.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FRAMEWORK

Our board is dedicated to upholding robust governance practices, aimed at generating value for Al Baraka Bank's stakeholders By maintaining an effective and suitable corporate governance framework, the Bank has been able to achieve consistent performance and fulfil its corporate and regulatory obligations.

The board remains focused on ensuring the Bank's adherence to the principles outlined in the King IV Report on Corporate Governance, with a central focus on leading ethically and efficiently, and guiding the business in a sustainable and co-operative manner.

In response to the evolving business landscape in which the bank operates, the board has actively embraced change and worked to align the approach between adherence to regulations and business performance, aiming to conduct the Bank's operations in a responsible, effective and streamlined manner. The board's dedication to ethical leadership is characterised by integrity, accountability, fairness, transparency and competence.

The board recognises the challenges posed by the VUCA (Volatility, Uncertainty, Complexity and Ambiguity) environment and is committed to adapting the Bank's governance practices in order to effectively navigate these challenges. The board furthermore acknowledges the importance of digitalisation in the business environment and is committed to integrating digital strategies into the Bank's governance framework, so enhancing efficiency, transparency and accountability.

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 and ensuring that its long and short-term strategy is aligned with the Vision, Mission and core Values of the Bank. Through its corporate governance model, the board 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 said charter for the period under review. During 2023, the board held four meetings. In addition, it conducted a strategy session 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 2023. 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 consist of the chief executive and the financial director. The independence summary is set out below:

„THROUGH ITS CORPORATE GOVERNANCE MODEL, THE BOARD ESTABLISHED A BUSINESS-APPROPRIATE RISK PROFILE THROUGH WHICH PROFITABILITY MAY BE OPTIMISED. "

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

Mr YGH Suleman's term as Interim Chairman, from 14 January 2022, ended when he was confirmed as the independent, non-executive chairperson, with effect from 13 October 2023.

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, technical banking skills, 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 steer and set 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 separated.

The directors' affairs committee, in accordance with its terms of reference, conducts an annual review of the composition of the board and respective board committees.

This process focuses on ensuring that the board possesses the requisite skills for transitioning into the future.

DIRECTOR EXPERTISE

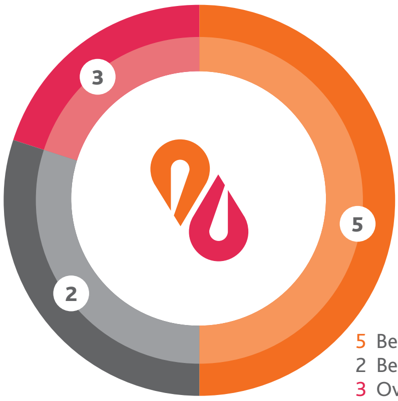
Expertise is as follows:

- 5 CA's;
- 2 Senior Counsel/Attorney;
- 1 PHD mechanical engineering;
- 1 MBA; and
- 1 CPA

INDEPENDENCE

5 Independent Non-Executive
3 Non-Independent, Non-Executive
2 Executive

DIRECTOR AGE ANALYSIS



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

FUTURE PLANNING

The board acknowledges the importance of succession planning with an appropriate succession plan in place, 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 the report.

The implementation of the ongoing process of review serves as a strategic tool to ensure that the board consists of an appropriate balance of independent and non-independent directors.

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 the directors are kept abreast of the latest developments pertaining to legislation, regulation, risk and changes in the external environment impacting on 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 is monitored by the directors' affairs committee.

With the Bank's strategic focus being on digitalisation, and in line with its core value of innovation, the board will be further monitoring and assessing governance-related issues regarding the adoption of new technologies in the Artificial Intelligence (AI) space, with appropriate training to be rolled-out to the board in order to ensure that sound data and information governance is in place.

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 2023 performance evaluations have been 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 table below records the attendance of the board and board committee members in respect of meetings held in 2023:

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

1 = Chairman of Board
2 = Chairperson of Board Committee
3 = Lead Independent Director

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, as set out below:

- 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 internal audit function.

The audit committee held six meetings during 2023 and confirms that it has fulfilled its responsibilities, as set-out in its charter for the year under review.

....

Z Fakey
Chairman: audit committee

RISK, CAPITAL MANAGEMENT & 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 four occasions during 2023 and confirms that it has fulfilled its responsibilities, as set-out in its charter for the year under review.

....

Z Fakey
Chairman: risk, capital management & 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 of advances in terms of 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 deemed 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 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 2023 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 2023 and confirms that it has fulfilled its responsibilities, as set-out in its charter for the year under review.

....

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 relating to 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 according to the board-approved policy, in line with Directive 4 of 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 chairperson 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 periodically the format and content of the board and other sub-committee mandates.

The committee met five times during 2023 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.

....

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 which 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 three times during 2023 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 per invitation, in accordance with the recommendations of the King IV Report on Corporate Governance.

....

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 in terms of organisational ethics, sustainability and stakeholder management, having due 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 way 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 to its Black Economic Empowerment objectives;
- Approval of 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 2023 and is satisfied that it has fulfilled its responsibilities, as set-out in its charter for the year under review.

....

S Nyasulu
Chairman: social and ethics committee

GOVERNANCE INDICATORS

ETHICAL CONDUCT

Ethical conduct remains the non-negotiable basis upon which Al Baraka Bank conducts its business operations. All employees 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 Al Baraka Bank 2023 digitalisation report reflects its journey of innovation and transformation.

INTRODUCTION

In the dynamic landscape of 2023, Al Baraka Bank continued a bold and ambitious journey of digital transformation. This was a year where strategy and innovation converged, aligning with Al Baraka Group's visionary directives.

The Bank's initiatives in digital banking, Robotic Process Automation (RPA) and Business Intelligence (BI) were not merely steps towards adopting new technologies; they represented a continuing paradigm shift in operational excellence and customer engagement.

Crafting the Digital Blueprint: As the year unfolded, Al Baraka Bank laid the foundational stones of its digital odyssey.

The Bank's digitalisation strategy underwent a holistic revamp, ensuring alignment with the Group's futuristic vision. This period witnessed the blossoming of RPA, with the team's enhanced skills leading to ground-breaking automation solutions.

The PowerBI Factory (Business Intelligence) emerged as a beacon of robust reporting, scaling new heights in data intelligence. The mobile banking app's acceptance by more than 5 000 users symbolised the Bank's successful pivot towards a more intuitive and customer-friendly digital experience.

Expanding Horizons, Touching Milestones: The second quarter was a testament to the Bank's growing digital footprint and its unwavering commitment to operational efficiency as evidenced by the implementation of a property valuation solution on RPA and the BI team's triumph in High Availability.

The corporate banking re-platforming and the Apply for Finance Portal's success, handling significant deals, mirrored the Bank's prowess in digital customer service. The introduction of a customer relationship system marked a new era in customer support, revolutionising the manner in which the Bank interacts with its clients.

Celebrating Success, Setting New Benchmarks: The Bank achieved significant milestones with the full-scale launch of its corporate banking re-platforming and the impressive performance of the Apply for Finance Portal.

The completion of the SWIFT funds transfer automation in RPA and the BI team's advancements in real-time fraud transaction alerts were pivotal in enhancing the Bank's operational agility. The migration of mobile app hosting to Mendix Cloud South Africa from Mendix Cloud Ireland was a strategic move, significantly elevating app performance and enriching the user experience.

> **"THE BANK'S DIGITALISATION STRATEGY UNDERWENT A HOLISTIC REVAMP, ENSURING ALIGNMENT WITH THE GROUP'S FUTURISTIC VISION."**

Reinforcing Leadership in the Digital Arena: The final quarter was a period of consolidation and recognition.

Al Baraka Bank's achievements in digital banking were celebrated at the Al Baraka Group's Conference in Cairo.

The upgrade of the Mendix platform and the advent of real-time account verification services marked significant strides in strengthening the Bank's digital infrastructure.

The foray into generative AI technologies heralded a new chapter in the Bank's innovative journey.

Throughout 2023, the Bank redefined the contours of Islamic digital banking. With its strategic initiatives in RPA, BI and generative AI, the Bank not only kept pace with the digital revolution, but more importantly, led from the front.

As the Bank strides into the future, it is poised to continue its growth trajectory, leveraging cutting-edge technology to deliver unparalleled value to customers and shareholders alike.

SUSTAINABILITY REPORT

"Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship, and strengthen governance"
– Ban Ki-Moon (Former UN Secretary General)

PREFACE

In the face of a dynamic and challenging operating environment, Al Baraka Bank has remained committed to fostering resilience and sustainable value for its key stakeholders.

Within the South African banking industry, sustainability reporting involves the responsible management of financial, social, environmental and ethical risks, thereby generating economic value, fostering community development and promoting environmental well-being.

Through its efforts, the Bank aims to make a positive impact on the future of society and the economy.

AL BARAKA BANK'S SUSTAINABILITY FRAMEWORK

At the core of our sustainability framework are robust and ethical economic practices and principles, a philosophy that embraces all stakeholders, and a steadfast dedication to environmental responsibility.

We believe that a fully engaged workforce and the cultivation of strong relationships with our diverse stakeholder groups are essential for sustained business growth and value creation.

The aim of this sustainability report is to clearly communicate and foster an understanding of our triple-context management objectives, which encompass financial performance, our social impact, environmental management practices and our ethical culture.

CORE VALUES

Al Baraka Bank strictly adheres to its set of core values, as contained at the beginning of this document.

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 an organisation.

For this reason, the Bank's risk management framework, which serves to identify and evaluate the risks that 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 Bank in setting and implementing our strategic objectives.

The Bank has additionally embraced technology, using the platform to actively promote greater efficiencies through digitalisation and the application of robotics development, whilst also drawing on technological advances for an effective defence against the 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

Being the only fully-fledged Islamic Bank operating in South Africa, we comply fully with the standards set out by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

"AT THE CORE OF OUR SUSTAINABILITY FRAMEWORK ARE ROBUST AND ETHICAL ECONOMIC PRACTICES AND PRINCIPLES, A PHILOSOPHY THAT EMBRACES ALL STAKEHOLDERS, AND A STEADFAST DEDICATION TO ENVIRONMENTAL RESPONSIBILITY."

Through this commitment, it must be noted that Al Baraka Bank is prohibited from undertaking several banking practices, which are considered non-Shariah-compliant. In line with the governance philosophy engendered 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 has, accordingly, created an intrinsic sense of accountability towards our key stakeholders and the broader society.

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

In the generation in which we currently live, stakeholders have taken a keen interest in how organisations have aided the improvement and development of both society and the environment, in addition to the enterprise's own gradual growth and profitability.

Education:

Education is regarded as being integral to the progress of society. It helps eradicate poverty and hunger and affords people the opportunity of achieving better lives. Taking this into account, education is a high priority focus area for the Bank, facilitating many impactful initiatives throughout the year.

In recognising the importance of education, schools were identified nationally with which to collaborate and execute initiatives.

This has aided the improvement of school infrastructure, as well as adding value to the benefits enjoyed by learners in terms of financial and social awareness.

One such initiative included our National Shoe Drive, whereby brand new shoes were presented to under-privileged children. Additionally, Arbor Day was celebrated nationally with trees being planted with the support of participating schools.

This created awareness amongst both learners and teachers regarding the importance of creating and ensuring a sustainable environment. As part of the Bank's legacy project, which was established in 2014, the Bank had adopted Sinevuso Secondary School, based in Ixopo on the KwaZulu-Natal South Coast. Contributions close to R700 000 have been made in this time towards improvements to infrastructure, tuition fees, stationery and consultants to guide the school.

SUSTAINABILITY REPORT (CONTINUED)

This has dramatically assisted the school in improving its Matric results from 2014, then just 39%, to 83% in 2022. In addition, during 2023, the Bank introduced a Careers Day Programme whereby the Bank collaborated with the Durban University of Technology to advise learners on career options and introduce them to mediums to further their tertiary education.

An Accelerator Educational Learnership Programme was also offered to gear learners with strategies and techniques to use to improve their results. The Banking Association South Africa plays an active role in guiding its member banks to become involved in programmes that uplift communities.

Accordingly, consumer finance education is a key focus area, with structured programmes being staged throughout the year, so allowing member banks to participate. Al Baraka Bank participates in these programmes, reaching out to a number of schools. In addition and as part of this programme, an empowerment initiative was held for seven women-owned small businesses.

Welfare:
The Al Baraka Group (ABG) has recognised the importance of being socially responsible and lending support to the socio-economic needs of societies. The Group and its subsidiaries celebrate International Al Baraka Bank Day annually on 11 November.

This is aimed at creating a universal impact; the consequence of the combined efforts and contribution of each of the respective units around the world. In 2023, the selected theme aligned to the Social Development Goals (SDG) of Poverty Alleviation.

Al Baraka Bank in South Africa considered the impact of loadshedding on disadvantaged households and provided gas stoves, gas tanks and solar lights to worthy beneficiaries' country-wide. The Bank also participated in preparing meals for disadvantaged communities.

The Bank commemorates the Legacy of Nelson Mandela annually by actively participating in Mandela Day on 18 July. It celebrated Mandela Day 2023 by contributing towards making the lives of the elderly more comfortable, reflecting the need for care and support to this often-neglected component of South African society. South Africa's cold weather is daunting and difficult to survive for the homeless and other disadvantaged members of society.

Al Baraka Bank annually distributes blankets to the country's most needy in an effort to bring a degree of comfort to those exposed to Winter's chill. During the 2023 review period, we donated R4,9 million to support education and welfare initiatives. In addition, a further R3,0 million was donated to a charitable trust.

Geographical distribution

Province	Amount R'000
Western Cape	102
Gauteng	613
KwaZulu-Natal	4 939
Total	**4 954**

Sectoral Distribution

Category	Amount R'000
Education	2 914
Welfare	2 039
Total	**4 954**

ECONOMIC ISSUES
Al Baraka Bank, being a fully-fledged commercial financial institution, which adheres to strict Islamic principles, continues to maintain a positive 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 all legislation governing the financial sector.

In 2023, banks continued embracing digital transformation in the quest to meet the increasing demands of tech-savvy customers. Through technological advancements in digital banking, banks now offer customised customer experiences, enhanced convenience and improved security measures to provide customers with faster, more reliable services. Al Baraka Bank is part of this digital journey. Coming off the back of the negative effects of the COVID-19 pandemic, the 2023 financial year saw an improvement in the results of financial institutions. In line with this, Al Baraka Bank's total advances portfolio increased steadily during the year and the total deposit portfolio reflected a marginal increase, whilst transactional banking reflected an encouraging growth.

The country remains under-whelmed due to loadshedding, with many businesses continuing to experience serious operational challenges during 2023; the result of ongoing power cuts leading to serious disruptions in trading. Accordingly, Al Baraka Bank has introduced commercial and residential solar power financing products to help combat the effects of loadshedding and to assist in ensuring society is able to continue as normal during the energy crisis. The 2023 year 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.

CLIMATE RISK
In our commitment to addressing climate change, a pressing global and national issue, we have taken significant strides in integrating climate risk management into our governance structures and operations. Recognising the imperative role of corporate entities, particularly in the financial sector, in contributing to the reduction of domestic greenhouse gas (GHG) emissions, our bank has proactively aligned with South Africa's efforts towards environmental sustainability.

In line with this, our social ethics committee has been entrusted with the crucial responsibility of overseeing climate risk, with direct reporting mechanisms established with the risk, capital management and compliance committee. The Bank has established a climate risk management framework which governs its approach towards the implementation and embedment of climate change within the Bank. This has resulted in the creation of an internal committee specifically focused on applying climate risk guidance from the Reserve Bank and other regulatory bodies.

Our commitment to transparency and collaborative action in tackling climate challenges is further demonstrated by our active participation in climate risk stakeholder engagements through the Banking Association South Africa (BASA). This engagement facilitates valuable exchanges on best practices and strategies for addressing climate change within the banking sector. Furthermore, our initiatives align with the Task Force on Climate-related Financial Disclosures (TCFD) guidelines, enabling us to not only address climate risks but also seize the opportunities arising from the transition to a more sustainable economy. As we observe and learn from the responses of other banks to the adoption of climate change measures, we remain committed to being at the forefront of this crucial journey, ensuring that our operations contribute positively to our planet's health and resilience.

OCCUPATIONAL HEALTH AND SAFETY
In the dynamic and ever-evolving landscape of occupational health and safety in South Africa, it is essential to remain vigilant and responsive to the current day events and issues that impact the well-being of our members of staff. We are acutely aware of the unprecedented challenges and opportunities that have emerged in recent times. There are significant events and issues shaping occupational health and safety in South Africa. We aim to facilitate informed discussions and proactive measures that will help ensure the safety and prosperity of our staff.

Through collaborative engagement, we set out to navigate these complexities and chart a course toward a safer and more secure work environment for all. Our commitment to a safe and secure work environment remains unwavering, and this report serves as a vital tool to assess our performance and identify areas for improvement. The Albaraka Bank Occupational Health and Safety Report reflects our dedication to maintaining a safe and secure workplace. The positive trends in reducing reportable incidents, along with our ongoing commitment to legal compliance and safety initiatives, underscore our mission to protect the health and well-being of our staff and community.

Status of OHS Committee

We have seen significant developments at branch level with staff being reassigned, as well as space reduction of existing branches taking effect. The report highlights key safety initiatives, incident data, and overall performance in alignment with the legal and regulatory requirements governing occupational health and safety in South Africa. During the reporting period, Albaraka Bank remained dedicated to fostering a culture of safety and ensuring the well-being of our employees and stakeholders. The following sections provide an overview of our safety performance:

Incident Summary: Total Number of Reportable Incidents: 0
It is important to note that the team successfully reduced the number of reportable incidents compared to the previous reporting period, signifying encouraging progress in our safety efforts.

Initiatives and Training: Implemented a comprehensive safety training program for all employees.

Conducted regular safety drills and emergency response exercises. Invested in safety equipment and infrastructure enhancements. Promoted safety awareness through employee engagement programmes and incentives.

Legal Compliance and Regulations: Maintained full compliance with South African Occupational Health and Safety regulations throughout the reporting period.

We continually monitored and updated our practices to ensure alignment with current laws and standards. We remains committed to continuous improvement in occupational health and safety and our plans for the upcoming period include:

- Expanding safety training and awareness programmes;
- Ongoing assessment of workplace hazards and mitigation strategies;
- Strengthening safety reporting and incident investigation processes; and
- Collaborating with employees and stakeholders to ensure a safer work environment.

Monthly meetings are held with branches to discuss issues relating to working conditions at branches and head office. The OHS committee is constantly updating the OHS representative schedules at branches due to the new staff structures implemented with SME consultants, and the movements of staff within the bank structure. Training for newly appointed representatives is managed by the Human Resources department.

Department of Labour visits: The Department of Labour (DoL) had sent notifications of site visits to our Rosebank regional office; a clean report was issued on receipt of our documentation requested.

OHS Committee Meetings: Committee meetings are held on a quarterly basis and Minutes are recorded.

Energy Management

Energy Performance Certification (EPC): In line with government regulation regarding the adoption and certification of an Energy Performance Certificate, we had engaged engineering firm, Zutari, in conjunction with Durban University of Technology (DUT) for an assessment for certification. The South African National Energy Development Institute (SANEDI) have issued an EPC certificate which is valid for 5 years. The validity of report lasts until 29 June 2028. The EPC assessment report places the Kingsmead building on the lowest energy assessment at being not energy efficient. The building had not been designed with sustainability as a design point. However, improvements in energy usage will allow for an improvement in ratings at the next assessment. Improvement in current energy use is in progress with a solar initiative currently in progress.

Solar Initiative: The final design for a steel structure to house the proposed solar panels has been completed. The structure spans the area on the fourth-floor roof top between the cooling towers, for maximum coverage.

Fuel Usage: Petrol Usage Report- January 2023 to December 2023: The total cost of fuel used for the period amounts to R590 060, with the Bank's fleet vehicles consuming fuel equating to approximately 23 356 litres. For the period January to December 2022, we consumed fuel to the value of R544 409 equating to approximately 24 746 litres. Due to the ongoing loading shedding affecting the country, our generators have consumed diesel fuel from January to December 2023 to the value of R382 063 equating to approximately 15 920 litres. For the period January to December 2022, we consumed diesel fuel to the value of R190 610 equating to approximately 10 250 litres.

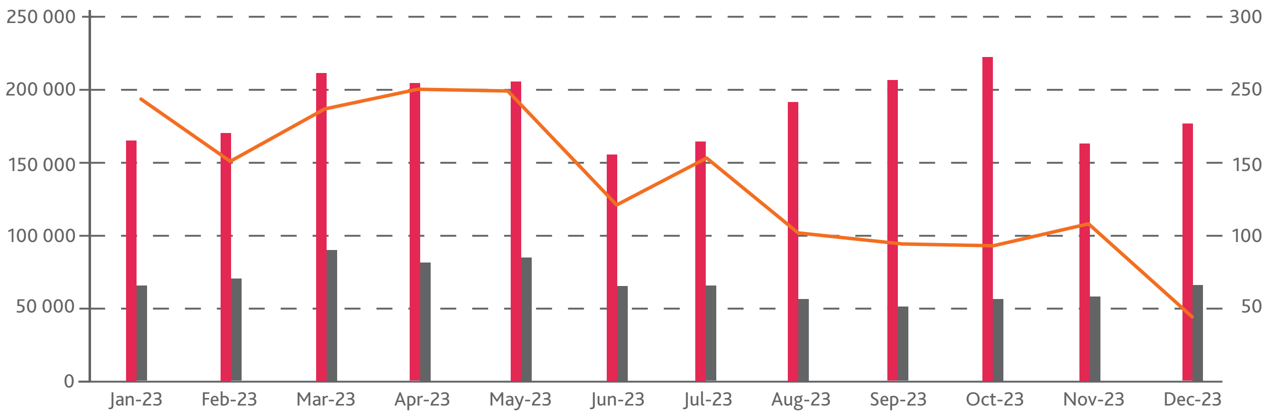
Travel Stats: The Carbon Emission Report for local travel is detailed in the table below:

Departure month	Aviation group	Co_2e kg total
January 2023	Economy	888
	Total	**888**
February 2023	Economy	3 309
	Total	**3 309**
March 2023	Economy	1 967
	Total	**1 967**
April 2023	Economy	528
	Total	**528**
May 2023	Economy	3 934
	Total	**3 934**
June 2023	Business	394
	Economy	2 568
	Total	**2 962**
July 2023	Business	263
	Economy	8 930
	Total	**9 193**
August 2023	Economy	10 606
	Total	**10 606**
September	Business	263
	Economy	16 109
	Total	**16 372**
October	Business	131
	Economy	5 004
	Total	**5 135**
November	Business	263
	Economy	16 629
	Total	**16 892**
December	Economy	4 144
	Total	**4 144**
Total		75 930

SUSTAINABILITY REPORT (CONTINUED)

Monthly Electrical Consumption: The graph below indicates usage of electricity in Kilowatts as well as Rand Value for the current financial period for all locations.

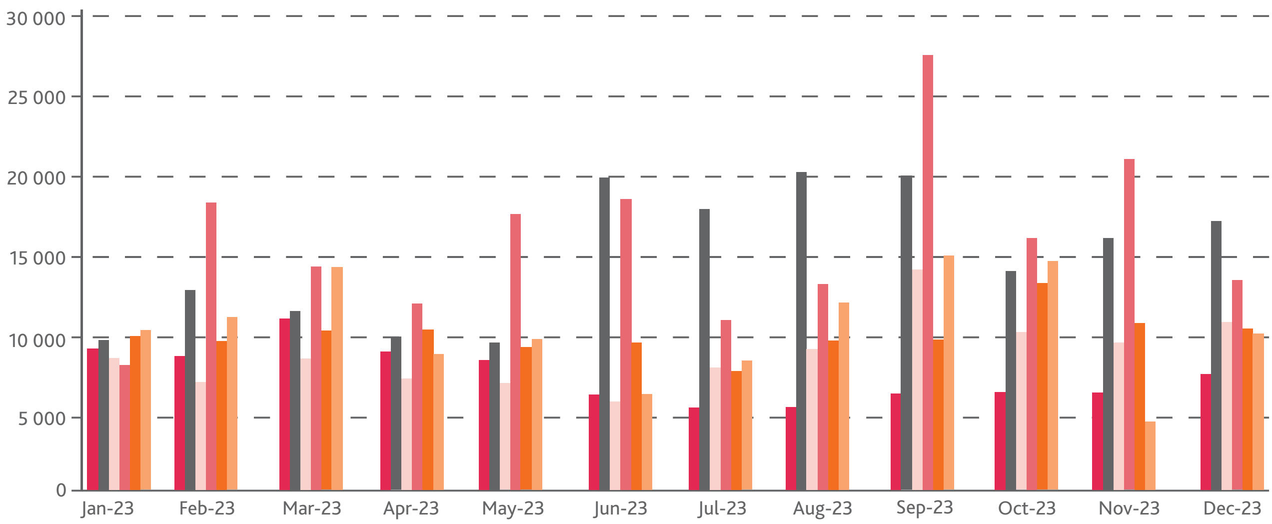
KINGSMEAD INCLUDING RAND VALUE, KW & KL CONSUMPTION



	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
E & W Rand Value Incl Vat	168 726	173 779	216 075	208 876	210 116	158 775	167 993	195 583	203 734	227 368	166 440	180 400
Kw-Kingsmead	66 700	71 609	91 639	83 083	86 481	66 425	66 687	57 456	51 861	57 435	59 212	67 177
Kl-Kingsmead	227	183	220	244	242	151	187	123	111	109	129	55

E & W Rand Value Incl Vat　Kw-Kingsmead　Kl-Kingsmead

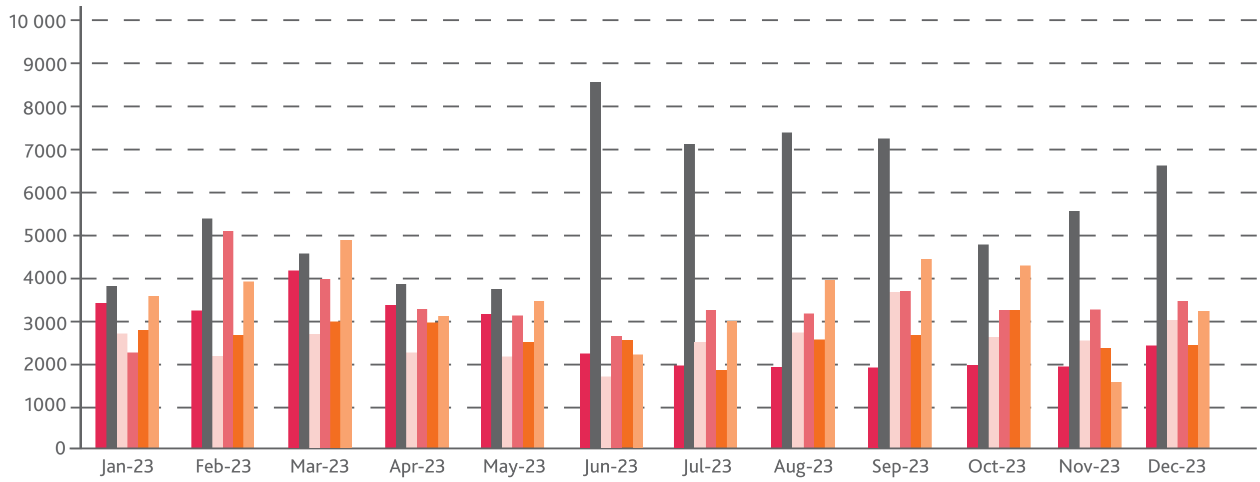
RAND VALUE FOR BRANCHES



	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Overport	9 206	8 738	11 174	9 011	8 464	6 084	5 360	5 243	6 015	6 169	6 061	7 522
Athlone	9 766	13 029	11 660	9 966	9 591	19 993	18 320	20 132	20 052	13 811	15 675	17 521
Fordsburg	8 576	7 031	8 556	7 242	6 950	5 625	7 957	8 919	13 743	9 948	9 288	10 942
GRO	8 131	18 727	14 570	12 155	17 987	18 597	11 083	13 041	27 116	15 903	20 581	13 669
Laudium	10 041	9 697	10 365	10 454	9 284	9 398	7 726	9 565	9 836	13 026	10 363	10 499
Lenasia	10 385	11 256	14 541	8 849	9 837	6 125	8 411	11 878	14 994	14 410	4 302	10 202

Overport　Athlone　Fordsburg　GRO　Laudium　Lenasia

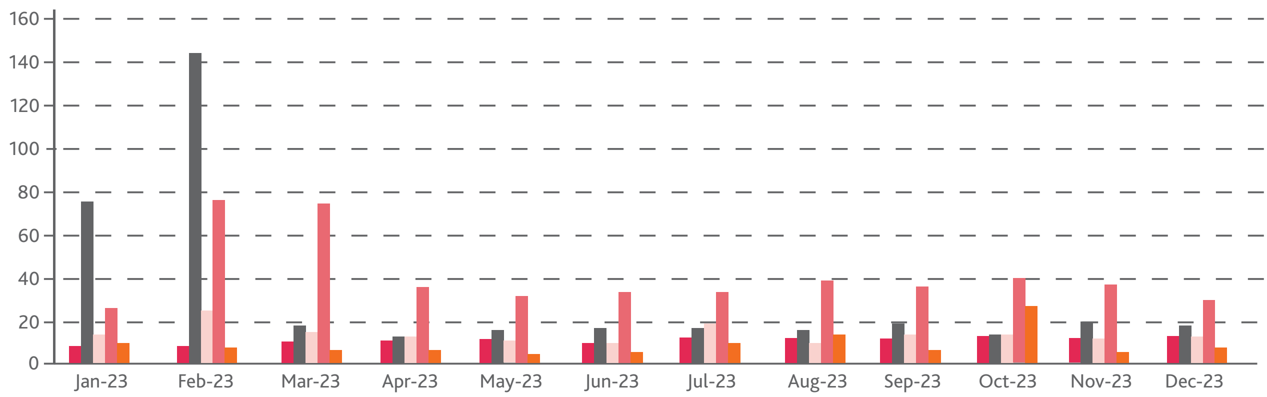
KW CONSUMPTION FOR BRANCHES



	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
	3 505	3 320	4 282	3 428	3 212	2 272	1 986	1 940	1 933	1 986	1 949	2 450
	3 914	5 549	4 688	3 944	3 826	8 830	7 128	7 599	7 320	4 905	5 700	6 798
	2 753	2 219	2 746	2 292	2 191	1 723	2 539	2 776	3 745	2 661	2 581	3 076
	2 298	5 238	4 072	3 339	3 174	2 692	3 313	3 226	3 774	3 311	3 327	3 535
	2 845	2 718	3 048	3 016	2 540	2 591	1 877	2 606	2 715	3 314	2 393	2 472
	3 678	4 032	5 011	3 167	3 528	2 256	3 056	4 046	4 552	4 398	1 574	3 289

Overport Athlone Fordsburg GRO Laudium Lenasia

KL CONSUMPTION FOR BRANCHES



	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
	8	8	10	10	11	9	12	11	11	12	11	12
	74	142	17	12	15	16	16	15	18	13	19	17
	13	24	14	12	10	9	18	9	13	13	11	12
	25	75	73	35	31	32	33	38	35	39	36	29
	9	7	6	6	4	5	9	13	6	26	5	7

Overport Athlone Fordsburg Laudium Lenasia

SUSTAINABILITY REPORT (CONTINUED)

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 our long-term business 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 a 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 business.

There have been ongoing engagements 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 advent of remote working and regular feedback from board and board committee meetings.

SHAREHOLDERS
Shareholder communication has been conducted through the means of email and the postal services, in terms of which shareholders have received copies of relevant information pertaining to the Bank and which has an impact on them as shareholders.

Shareholder Functions were held in Durban and Cape Town during the year, as well as the Annual General Meeting, which was attended by a number of major shareholders. In addition, a 62c dividend was approved for shareholders, which was paid on 28 July 2023.

COMMUNITY
Al Baraka Bank has in place a dedicated programme of social outreach, which spans the disciplines of 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 a 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 most regulated sectors of the South African 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 said 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, together with the chief executive, meet with the Prudential Authority on an annual basis, which serves 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 media plays in the promotion of business.

SUPPLIERS AND CONTRACTORS
The Bank has, throughout the year, promoted the 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
Looking to the future, Al Baraka Bank recognises the immense importance of sustainability reporting within the context of our strategic vision, viewing it as a substantial representation of our comprehensive business presence.

Our objective is to integrate the management of our United Nations Development Plan to align with our social impact, economic performance and dedication to environmental conservation to enhance the well-being of both people and the planet.

Acknowledging that there is still significant progress to be made in refining sustainability reporting, we aim to elevate our governance standards, business transparency, responsibility and accountability to even higher levels as we navigate an increasingly volatile and uncertain operating environment.

COMPLIANCE REPORT

Compliance has been high on the agenda for most organisations during the review period, with increased emphasis being placed on compliance functions and their importance in organisations, more especially banks.

The regulatory landscape continues to demand from financial institutions a strong compliance and corporate governance culture and achieving regulatory compliance has become a daily focus for financial institutions.

Al Baraka Bank consistently applies the highest level of ethical standards and ensures that the Bank complies with all regulatory and supervisory requirements.

IMPORTANT REGULATORY REQUIREMENTS IN 2023
The common trend for regulatory updates in 2023 focused on enhancing measures to combat money laundering, terrorist financing and proliferation financing.

Several directives, guidelines and amendments were introduced to strengthen and enhance transparency, accountability and compliance across various sectors. These updates encompassed provisions concerning reporting requirements for electronic transfers.

Focusing on the accountable institution's dedication to monitoring and regulating international fund transfers, these changes aimed to prevent the misuse of legal structures for illicit activities and to ensure transparency in beneficial ownership.

Additionally, they stressed the importance of countering evolving methods of financial crime.

The regulations also highlighted the significance of accountable institutions being able to understand and assess risks related to money laundering, terrorist financing and proliferation financing. This also involved the screening of employees for competence and integrity.

The regulatory updates also placed great emphasis on transparency in ownership, control and the fight against terrorism financing in the context of trust structures and high-risk non-profit organisations.

Further guidance was offered regarding the combating of corruption and money laundering, whilst greater disclosure of the ultimate owner of shares was also addressed.

Another key focus area was anti-fraud and cyber security. Al Baraka Bank has ensured that continuous improvements are being made to systems and controls in order to protect our customers and the financial system. During 2023, the Regulators issued a Joint Standard on Information Technology (IT) Governance and Risk Management. At a high level, the proposed Joint Standard seeks to:
- Ensure that financial institutions establish sound and robust processes for managing cyber risks;
- Promote the adoption of cyber security fundamentals and hygiene practices to preserve confidentiality, integrity and availability of data and IT systems;
- Ensure that financial institutions undertake systematic testing and assurance regarding the effectiveness of their security controls;
- Ensure that financial institutions establish and maintain a cyber resilience capability, so as to be adequately prepared to deal with cyber threats; and
- Provide for notification by the regulated entities of material cyber incidents to the authorities.

TRAINING AND DEVELOPMENT
The continuously changing regulatory requirements demand that staff, management, executives and the board be kept well-informed about the impact that these changes may bring, as well as the affected policies and processes that need to be invoked to give effect to the changes.

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

> " **AL BARAKA BANK CONSISTENTLY APPLIES THE HIGHEST LEVEL OF ETHICAL STANDARDS AND ENSURES THAT THE BANK COMPLIES WITH ALL REGULATORY AND SUPERVISORY REQUIREMENTS."**

In fulfilling this role, compliance independently facilitates training programmes and maintains an ongoing and collaborative relationship with human resources to ensure that training remains adaptive, relevant and responsive to the evolving needs of the staff.

INTER-DEPARTMENTAL RELATIONSHIPS
It is also a major function of compliance to interact with the range of divisions to ensure that appropriate controls are in place for compliance with various legislative requirements, regulations, supervisory requirements and international best practice.

The compliance department also works in conjunction with other assurance providers to ensure adequate observance of corporate governance by the Bank. This gives effect to the 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 regulatory and reputational risk matters.

COMPLIANCE MONITORING
Compliance monitoring serves as a powerful tool to ensure that ethics and compliance processes continue to work and improve. Compliance also adheres to a robust monitoring programme which assists in maintaining a watchful eye on the level of compliance by various line management within the organisation.

Monitoring in respect of the Financial Advisory and Intermediary Services Act, Anti-Money Laundering and Counter-Terrorist Financing, National Credit Act and Protection of Personal Information Act, as well as various other legislation, remains at the top of the list of compliance priorities for the Bank.

This ensures a sophisticated banking system, backed by a sound regulatory and legal framework aimed at ensuring systemic stability, institutional safety and soundness and the promotion of consumer protection.

The Bank continues to adopt a zero-tolerance policy on non-compliance with any legislation. Compliance plays a pivotal role in identifying regulatory non-compliance and reporting same to relevant management and the board.

INDUSTRY REPRESENTATION
The compliance department actively engages with the various committees of the Banking Association South Africa (BASA), the South African Banking Risk Identification Centre (SABRIC) and other ad hoc committees to afford our Bank the opportunity to make an impact on regulatory reform affecting the industry and country.

In terms of our membership with the Banking Association South Africa, we have enjoyed vigorous interaction and have actively utilised said representation to make recommendations and provide feedback in terms of various issues which formed part of the relevant meeting agendas for various committees.

The Bank also launched a Compliance Forum which comprises compliance officers from other institutions and this forum is overseen by the compliance department.

The forum seeks to foster collaboration and knowledge-sharing in respect of compliance matters and, thus, assists in strengthening compliance within each institution.

The forum also focuses on exchanging insights and experiences concerning compliance, risk management and regulatory best practices within the banking industry.

SHARIAH COMPLIANCE

Al Baraka Bank adheres stringently to Shariah and we apply a hard-line regarding ethical banking. This affords our clients the peace-of-mind that all their affairs are managed by us to the highest ethical standards.

COMPLIANCE CULTURE

The Bank maintains a strict balance between compliance to laws and regulations and the needs and desires of its clients, with customer satisfaction being at the core of the Bank's objectives.

The compliance department continues to strive to maintain a strong compliance culture within the organisation, which is driven at board level and is entrenched in the foundation on which the business is built.

Al Baraka Bank continues to make great strides in the banking and financial services industry and is characterised by a sense of responsibility, as well as the highest ethical principles. Our Bank is driven by its values, ensuring that the organisation grows in strength and delivers greater service to our clients.

SHARIAH REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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

To the shareholders of Al Baraka Bank Limited

We have reviewed the principles and the contracts relating to the transactions and products introduced by Al Baraka Bank Limited, South Africa, during the year ended 31 December 2023. Our review was conducted to form an opinion as to whether Al Baraka Bank has complied with 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 on a test basis, which included examining, directly or indirectly through the Internal Shariah Audit Function, each type of transaction, the relevant documentation, and internal controls adopted by the Bank to ensure Shariah compliance, and interviewing 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 & Administration of Estates
7. Profit Distribution
8. Management Accounts
9. Disposal of Impermissible Income
10. Calculation of Zakah
11. Foreign Exchange Transactions
12. Banking and Finance Fees

We planned our review and obtained all relevant information and explanations that we considered necessary to provide sufficient evidence and reasonable assurance that Al Baraka Bank has not violated any applicable Shariah Rules and Principles.

In addition, an Independent Shariah Compliance Audit is conducted periodically by the Shariah Audit Department of the Albaraka Group (ABG), which assesses the effectiveness of the Bank's Shariah Governance Framework and related controls.

In our opinion:
1. The contracts, transactions and dealings concluded by Al Baraka Bank during the year under review are generally in compliance with 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 applicable Shariah Rules and Principles.
3. An amount of incidental impermissible income has been designated to be paid to charity (refer to the relevant note to the "Welfare and Charitable Funds" in the annual financial statements of the Bank).
4. In relation to certain transactions which were erroneously concluded, we directed management to rectify same.
5. The Zakah on shareholders' equity was calculated at 69 cents per share. Shareholders are advised to discharge this Zakah individually, as the Bank does not have the mandate to discharge the Zakah on their behalf.
6. The Bank has in place an effective Shariah governance framework that comprises Shariah Advisory, Internal Shariah Audit, ABG Independent Shariah Audit, and the Shariah Supervisory Board, which is designed to ensure 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 Khalawi
Deputy Chairman

Mufti Zubair Bayat
Member

Mufti Shafique Jakhura
Member

5 February 2024

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 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 the 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 several 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 HASSAN KHALAWI (DEPUTY CHAIRMAN)

Shaykh Yousef Hassan 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 Hassan Khalawi has been on the faculty staff at various universities in the Kingdom of Saudi Arabia.

He has taught, during his teaching career, 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 Hassan Khalawi has been a panelist at many conferences around the world and has delivered lectures on various topics in his field of expertise.

"THE SHARIAH SUPERVISORY BOARD'S RULINGS AND RESOLUTIONS ARE BINDING ON THE BANK."

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.

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 Kwa-Dukuza (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 numerous 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
Mufti Shafique Ahmed Jakhura

The Shariah Supervisory Board meets at least four times a year. The Shariah Supervisory Board ensures that all investments made by the Bank and the Old Mutual Albaraka Shariah funds comply with its directives, which are issued in line with the applicable Shariah principles and rules 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 2023

GENERAL INFORMATION

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 South African Companies Act.

Rishaad Bismilla CA (SA), General Manager: Finance and Mohammed Jadwat 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 2023 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 33 to 95 were approved by the board of directors on 02 April 2024 and signed on their behalf by:

Yunus Goolam Hoosen Suleman
Chairman

Shabir Ahmed Essop Chohan
Chief executive

COMPANY SECRETARY STATEMENT

In terms of the provisions of the Companies Act, 71 of 2008 of South Africa, I certify that to the best of my knowledge and belief, Albaraka Bank Limited has lodged all returns required in terms of the Companies Act, 71 of 2008, with the Registrar of Companies for the financial year ended 31 December 2023 and that the returns are true, correct and up to date.

Colin Breeds
Company secretary
Durban
2 April 2024

REPORT OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2023, 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 28 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 internal audit management;
- 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. (EY) 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 EY'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 EY may provide to the company/group;
- Regularly met separately in confidence with EY;
- At the invitation of the Prudential Authority, attended the trilateral meeting together with the external auditors;
- Through enquiry, ascertained that EY has not identified any irregularity that required reporting thereof to IRBA;
- Evaluated and were satisfied with the independence of EY; 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.

....
Zahid Fakey
Chairman of the Audit Committee
2 April 2024

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 annual financial statements of Albaraka Bank Limited and its subsidiaries ('the group') set out on pages 38 to 94, which comprise the consolidated and separate statement of financial position as at 31 December 2023, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate annual financial statements, including material accounting policy information.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2023, 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 Annual 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 obtained at the date of this auditor's report comprises the information included in the 106-page document titled "Albaraka Bank Limited Consolidated and Separate Audited Annual Financial Statements for the year ended 31 December 2023", which includes the Directors Responsibility Statement, Directors' Report, Report of the Audit Committee and the Company Secretary Statement as required by the Companies Act of South Africa. The other information does not include the consolidated and separate annual financial statements and our auditor's reports thereon.

Our opinion on the consolidated and separate annual 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 on the other information obtained prior to the date of this auditor's report, 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 Annual Financial Statements

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

In preparing the consolidated and separate annual 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.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual 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 annual 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 annual 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 annual 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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 annual 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 & Young Inc. has been the auditor of Albaraka Bank Limited for 16 years.

Ernst & Young Inc

……………………………..

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

02 April 2024
Durban

DIRECTORS' REPORT

THE DIRECTORS HAVE PLEASURE IN PRESENTING THEIR REPORT FOR THE YEAR ENDED 31 DECEMBER 2023.

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 (2022: 100 million) ordinary shares of R10 each, amounting to R1 billion (2022: R1 billion).

The issued share capital of the company comprises 32,2 million (2022: 32,2 million) ordinary shares of R10 each, amounting to R322,4 million (2022: R322,4 million).

Financial results
The results of the group and the company for the year ended 31 December 2023 are set out on pages 38 to 95.

Dividends
On 30 March 2023 the directors declared a dividend of 62 cents (2022: 30 cents) per share amounting to R19,9 million (2022: R9,7 million) paid to shareholders registered as at close of business on 07 July 2023.

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, there are Tier 2 Sukuk instruments of R307,7 million in issue as at 31 December 2023 (2022: R307,7 million), the Bank has a total Sukuk issuance of R431,7 million as at 31 December 2023 (2022: R431,7 million). Qualifying capital and reserves was positively impacted during 2023 as a result of increased profitability.

Group results post-COVID-19
Recovering from the significant impact that Covid-19 had on the banking industry over the past few years, the Bank achieved a substantial improvement in performance over the 2023 financial year.

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 increased towards the end of the year.

As a result, the Bank's deposit-taking activities improved by R537 million or 8% for the 2023 financial year with advances to customers increasing by R408 million or 6%.

The increase in the deposit book, coupled with the slower growth in the advances business, created additional liquidity that was invested in Shariah-compliant Murabaha and Mudaraba placements, resulting in advances to banks increasing by R96 million or 20% for the year.

The increase in advances to customers resulted in additional credit provisions of R12 million or 34% being raised for the 2023 period.

Income earned from advances to customers increased by 51% or R244 million. This was due to an increase in the advances book as well as the increase in profit rates during the 2023 financial year.

Income earned from advances to banks decreased by 48% or R26 million due to the reduction in funds placed with other banks for much of the 2023 year.

In November 2023, the Bank participated in the Sovereign Sukuk programme and replaced its Treasury Bill holdings with Sukuk investments.

This resulted in permissible income of R4,5 million being recognised in the 2023 financial year.

This return replaces the impermissible income generated on Treasury Bills, where the associated benefits are to be shared with depositors according to Islamic profit distribution processes.

Taking the above into consideration and after profit sharing with depositors and Sukuk holders the Bank's net income from financing activities increased by R122 million or 44% for 2023.

Income from non-funding activities being foreign exchange, unit trust sales, electronic banking fees and other fee income, decreased year-on-year by R3 million or 5% due largely to reduced income from Unit Trust activity.

Total operating expenditure increased by R39 million or 15% for 2023 driven due to increases in employment costs, technology-related costs and transactional banking costs related to the growth of this product. The group achieved a net profit after tax of R109 million representing an improvement of R57 million or 112% compared to 2022. This resulted in basic and diluted earnings per share also increasing by 112% from 158,36 cents to 336,21 cents for the period.

Events after the reporting period
On 2 April, the board declared a dividend of R32 240 260 (100 cents per share) payable on 26 July 2024 to shareholders registered on the books of the Bank at the close of business on 5 July 2024.

There are no other 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

FA Randeree	(British)
H Ben Haj Amor	(Tunisian)
Dr MM Khemira	(Canadian)

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
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 2023

	Notes	GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
Assets					
Property and equipment	3	**90 050**	89 285	**13 952**	12 637
Right of use asset	4	**6 003**	3 563	**9 527**	11 318
Investment properties	5	**10 339**	10 339	**-**	-
Intangible assets	6	**61 798**	73 390	**61 798**	73 390
Investment in and amount due by subsidiary company	7	**-**	-	**43 358**	41 376
Deferred tax asset	8	**-**	-	**16 439**	22 381
Investment securities	9	**17 567**	17 437	**17 567**	17 437
Advances and other receivables	10	**8 156 059**	7 659 468	**8 155 886**	7 659 298
Regulatory balances	11	**615 432**	517 716	**615 432**	517 716
Cash and cash equivalents	12	**199 796**	124 382	**193 026**	122 751
Total assets		**9 157 044**	8 495 580	**9 126 985**	8 478 304
Equity and liabilities					
Equity					
Share capital	13	**322 403**	322 403	**322 403**	322 403
Share premium	13	**82 196**	82 196	**82 196**	82 196
Other reserves		**2 440**	2 313	**2 440**	2 313
Retained income		**572 224**	483 820	**554 715**	470 688
Shareholders' interests		**979 263**	890 732	**961 754**	877 600
Additional Tier 1 Sukuk Instrument Holders	19.2	**124 000**	124 000	**124 000**	124 000
Total equity		**1 103 263**	1 014 732	**1 085 754**	1 001 600
Liabilities					
Deferred tax liability	8	**4 941**	1 731	**-**	-
Welfare and charitable funds	14	**60 565**	43 382	**60 565**	43 382
Sukuk holders/Albaraka Sukuk Trust	19.1	**311 247**	310 605	**307 700**	307 700
Provision for leave pay	17	**6 968**	6 290	**6 968**	6 290
Lease liabilities	4	**6 234**	4 052	**6 234**	4 052
Accounts payable	15	**59 272**	51 173	**55 411**	51 868
South African Revenue Service	16	**6 650**	2 599	**6 449**	2 396
Deposits from customers	18	**7 597 904**	7 061 016	**7 597 904**	7 061 016
Total liabilities		**8 053 781**	7 480 848	**8 041 231**	7 476 704
Total equity and liabilities		**9 157 044**	8 495 580	**9 126 985**	8 478 304

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

		GROUP		COMPANY	
		2023	2022	2023	2022
	Notes	R'000	R'000	R'000	R'000
Revenue					
Income earned from advances		720 140	475 967	720 140	475 967
Income earned from equity finance		14 147	30 701	14 147	30 701
Income earned from Mudaraba deposits		14 340	24 076	14 340	24 076
Income from Sovereign Sukuk		4 506	-	4 506	-
		753 133	530 744	753 133	530 744
Credit loss expense	10	(12 441)	(2 298)	(12 441)	(2 298)
Gross income after credit loss expense		740 692	528 446	740 692	528 446
Income paid to depositors	20	(293 050)	(222 749)	(293 050)	(222 749)
Income paid to Tier 2 Sukuk holders/Albaraka Sukuk Trust	21	(28 621)	(21 312)	(28 621)	(21 312)
Net income earned		419 021	284 385	419 021	284 385
Net non-Islamic income	22	-	-	-	-
Fee and commission income	23	52 565	54 916	52 833	55 184
Other operating income	24	2 339	2 588	2 339	7 588
Net income from operations		473 925	341 889	474 193	347 157
Operating expenditure	25	(301 079)	(263 353)	(304 213)	(265 478)
Finance costs	4.2	(386)	(458)	(3 674)	(5 718)
Profit before taxation		172 460	78 078	166 306	75 961
Taxation	26	(44 233)	(20 372)	(42 456)	(19 189)
Profit for the year attributable to equity shareholders		128 227	57 706	123 850	56 770
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Other comprehensive income net of tax	27	127	276	127	276
Total comprehensive income		128 354	57 982	123 977	57 046
Comprehensive income, attributable to ordinary shareholders		108 521	51 327	104 144	50 391
Comprehensive income, attributable to Tier 1 Sukuk Instrument Holders		19 833	6 655	19 833	6 655
		128 354	57 982	123 977	57 046
Weighted average number of shares in issue ('000)		32 240	32 240		
Basic earnings per share					
Basic and diluted earnings per share (cents)	28	336,21	158,35		

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital	Share premium	Other reserves	Retained income	Shareholders' interest	AT 1 Sukuk Instrument Holders	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group							
Balance at 1 January 2022	322 403	82 196	2 037	442 441	849 077	-	849 077
Additional Tier 1 Instrument issued						124 000	124 000
Profit attributable to equity holders	-	-	-	51 051	51 051	6 655	57 706
Other comprehensive income	-	-	276	-	276	-	276
Total comprehensive income for the year	-	-	276	51 051	51 327	6 655	57 982
Dividends declared	-	-	-	(9 672)	(9 672)	-	(9 672)
Profit paid to Additional Tier 1 Sukuk Instrument Holders	-	-	-	-	-	(6 655)	(6 655)
Balance at 31 December 2022	322 403	82 196	2 313	483 820	890 732	124 000	1 014 732
Balance at 1 January 2023	**322 403**	**82 196**	**2 313**	**483 820**	**890 732**	**124 000**	**1 014 732**
Changes in equity							
Profit for the year	-	-	-	**108 393**	**108 393**	**19 833**	**128 226**
Other comprehensive income for the year	-	-	**127**	-	**127**	-	**127**
Total comprehensive income	-	-	**127**	**108 393**	**108 520**	**19 833**	**128 353**
Dividend recognised as distributions to shareholders	-	-	-	**(19 989)**	**(19 989)**		**(19 989)**
Profit paid to Additional Tier 1 Sukuk Instrument Holders	-	-	-	-	-	**(19 833)**	**(19 833)**
Balance at 31 December 2023	**322 403**	**82 196**	**2 440**	**572 224**	**979 263**	**124 000**	**1 103 263**
Company							
Balance at 1 January 2022	322 403	82 196	2 037	430 243	836 879	-	836 879
Additional Tier 1 Instrument issued	-	-	-	-	-	124 000	124 000
Profit attributable to equity holders	-	-	-	50 117	50 117	6 655	56 772
Other comprehensive income	-	-	276	-	276	-	276
Total comprehensive income	-	-	276	50 117	50 393	6 655	57 048
Dividends declared	-	-	-	(9 672)	(9 672)	-	(9 672)
Profit paid to Additional Tier 1 Sukuk Instrument Holders	-	-	-	-	-	(6 655)	(6 655)
Balance at 31 December 2022	322 403	82 196	2 313	470 688	877 600	124 000	1 001 600
Balance at 1 January 2023	**322 403**	**82 196**	**2 313**	**470 688**	**877 600**	**124 000**	**1 001 600**
Changes in equity							
Profit for the year	-	-	-	**104 016**	**104 016**	**19 833**	**123 849**
Other comprehensive income	-	-	**127**	-	**127**	-	**127**
Total comprehensive income	-	-	**127**	**104 016**	**104 143**	**19 833**	**123 976**
Dividend recognised as distributions to shareholders	-	-	-	**(19 989)**	**(19 989)**	-	**(19 989)**
Profit paid to Additional Tier 1 Sukuk Instrument Holders	-	-	-	-	-	**(19 833)**	**(19 833)**
Balance at 31 December 2023	**322 403**	**82 196**	**2 440**	**554 715**	**961 754**	**124 000**	**1 085 754**

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

		GROUP		COMPANY	
		2023	2022	**2023**	2022
	Notes	**R'000**	**R'000**	**R'000**	**R'000**
Cash flow from operating activities					
Cash generated from operations	30.1	**198 168**	103 552	**206 633**	111 177
Changes in working capital	30.2	**(29 427)**	(161 062)	**(33 990)**	(161 528)
Taxation paid	30.3	**(43 571)**	(33 268)	**(39 048)**	(29 035)
Dividends paid	30.4	**(19 763)**	(9 519)	**(19 763)**	(9 519)
Net cash flow from/(used in) operating activities		**105 407**	(100 297)	**113 832**	(88 905)
Cash flows from investing activities					
Purchase of property and equipment	30.6	**(6 440)**	(2 592)	**(6 440)**	(2 322)
Purchase of intangible assets	30.7	**(1 955)**	(8 596)	**(1 955)**	(8 596)
Purchase of investment securities	9	**-**	(121)	**-**	(121)
Proceeds from disposal of investment securities	9	**-**	11 942	**-**	11 942
Proceeds from disposal of property and equipment		**101**	-	**101**	-
Dividend income	24	**1 656**	1 530	**1 656**	1 530
(Increase)/decrease in investment in and amount due by subsidiary	7	**-**	-	**(13 306)**	(12 306)
Net cash flows from/(used in) investing activities		**(6 638)**	2 163	**(19 944)**	(9 873)
Cash flows from financing activities					
Settlement of lease liabilities – capital	4	**(4 283)**	(4 514)	**(4 283)**	(4 514)
Settlement of lease liabilities – lease charges	4	**(386)**	(458)	**(386)**	(458)
AT1 Sukuk instrument issuance	19.2	**-**	124 000	**-**	124 000
Profit paid to AT1 Sukuk holders	30.5	**(19 575)**	(5 673)	**(19 833)**	(6 655)
Net cash flows from/(used in) financing activities		**(24 244)**	113 355	**(24 502)**	112 373
Net increase/(decrease) for the year		**74 525**	15 222	**69 386**	13 595
Net forex exchange difference on cash on hand		**889**	1 173	**889**	1 173
Cash and cash equivalents at beginning of year		**124 382**	107 987	**122 751**	107 982
Cash and cash equivalents at end of year	12	**199 796**	124 382	**193 026**	122 751
Additional information on operational cash flows from profit received/paid					
Profit received		**745 537**	524 749	**745 537**	524 749
Profit paid		**317 968**	238 481	**318 353**	238 737

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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, Durban, 4001. The audited consolidated and separate annual financial statements of the group for the year ended 31 December 2023 comprise the company, it's 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 audited consolidated and separate annual 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 audited consolidated and separate annual financial statements have been prepared on the historical cost basis except for certain financial assets measured at fair value.

Functional and presentation currency

The audited consolidated and separate financial statements have been 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:

Leases
- 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 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).

Deferred tax
- 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).

Property, plant and equipment
- In determining the useful lives of property and equipment, management has exercised judgement as further detailed in accounting policy note 5, 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 nto 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 Stage 2 and Stage 3 and periods of probation have been applied to the curing methodology.

New and amended standards and interpretations effective 01 January 2023 (unless stated otherwise)

The following amendments and interpretations apply for the first time in 2023, but did not have an impact on the Bank's consolidated financial statements:

- IFRS 17 – Insurance Contracts.
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.
- Definition of Accounting Estimates – Amendments to IAS 8.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.
- International Tax Reform – Pillar Two Model Rules.

Standards and amendments not yet effective

At the date of authorisation of the annual financial statements for the year ended 31 December 2023, 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.

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

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 (effective 01 January 2024)

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Lack of Exchangeability – Amendments to IAS 21 (effective 01 January 2025)

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

3. BASIS OF CONSOLIDATION

The audited consolidated and separate annual financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2023 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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 asset cures and is no longer credit-impaired, the Bank reverts to calculating profit on a gross basis and any adjustment previously not recognised 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.

There are two main approaches to applying the ECL model. The general approach involves a three-stage approach and contain 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 the 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 shortfall 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 shortfalls 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) is 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:

Undrawn loan commitments

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 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.

Financial guarantee contracts

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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.

Where the Bank does repossess property, the Bank takes possession of this collateral as full or part settlement of amounts due by the counterparty. Such repossessed properties are reported in "other receivables". The repossessed properties are recognised when the risks and rewards of ownership have transferred to the Bank. The properties are initially measured at cost and are subsequently measured at the lower of carrying amount or net realisable value. No depreciation is charged in respect of such properties.

The Bank seeks to dispose of such property as soon as the market for the relevant asset permits.

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 macro-economic 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 macro-economic conditions.

Probability of cure

An allowance for the probability of cure out of 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 arrears 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 losses expected 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) or 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 has exercised judgement in determining useful lives and residual values of each category of property and equipment as required by International Accounting Standard (IAS) 16 - Property, plant and equipment. These judgements have been based on historical trends and the expected future economic benefits to be derived from the assets. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. 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 the time value of money and the risks specific to the asset. An impairment loss is recognised in profit for the year in the statement of 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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 is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. See note 33.5: 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 initially measured at fair value and subsequently 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. 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 straight-line basis;

Fee and commission income for services rendered to customers. The income is recognised when earned; and

Other operating income relating mainly to rental income earned on properties. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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 recognise 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 recognises 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 asset 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 this is the borrowing rate obtainable from external lenders.

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 our holdings in Sovereign Sukuk, 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 2023 (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

	2023 R'000	2022 R'000
Tier 1		
Share capital	**322 403**	322 403
Share premium	**82 196**	82 196
Retained income	**554 106**	470 688
Less: unappropriated profits	**(26 006)**	(11 529)
Unrealised gains and losses on fair value through other comprehensive income items net of tax	**2 441**	2 313
Total capital and reserves	**935 140**	866 071
Less: prescribed deductions against capital and reserve funds	**(52 897)**	(58 302)
Total common equity Tier 1 capital	**882 243**	807 769
Additional Tier 1 Sukuk	**124 000**	124 000
Total Tier 1 capital	**1 006 243**	931 769
Tier 2		
Stage 1 and stage 2	**29 187**	20 848
Sukuk*	**252 540**	292 540
Total eligible capital	**1 287 970**	1 245 157
Capital adequacy ratios (Tier 1 %)	**13,79%**	13,19%
Capital adequacy ratios (Total %)	**17,65%**	17,63%
Base minimum regulatory ratios (Total %)	**9,00%**	9,00%

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

*The first nine tranches of the Tier 2 Sukuk issued between 2016 and 2018 totalling R200 million exceeded 5 years as at 31 December 2023. In line with Regulation 38(12) R55,16 million (2022: R15,16 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; and
- 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; and
- Peer group analysis.

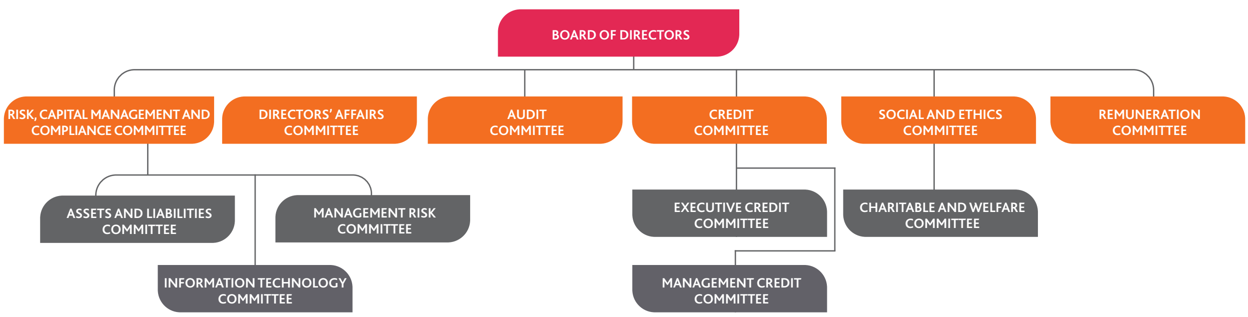
At 31 December 2023, the minimum capital requirements and risk-weighted assets of the Bank for credit risk, equity risk, market risk and other risks as calculated under the standardised approach and for operational risk as calculated under the basic indicator approach in terms of the Banks Act and Regulations were as follows:

	CAPITAL REQUIREMENTS		RISK-WEIGHTED ASSETS	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**
Credit risk	**574 714**	558 678	**6 385 706**	6 207 534
Operational risk	**61 900**	55 707	**687 773**	618 968
Equity risk	**1 581**	1 569	**17 567**	17 437
Market risk	**2 872**	1 440	**31 912**	15 995
Other risk	**15 848**	18 299	**176 091**	203 321
	656 915	635 693	**7 299 049**	7 063 255

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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

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.

	2023 R'000	2022 R'000
Maximum credit risk exposure		

The below table represents the group's maximum exposure to credit risk before the consideration of collateral.

	2023 R'000	2022 R'000
Advances to customers	**7 578 110**	7 159 811
Advances and balances with banks	**670 022**	525 079
Advances, treasury bills, sovereign Sukuk and regulatory balances	**708 650**	586 283
Letters of credit, guarantees and confirmations	**326 199**	323 317
Total exposure	**9 282 981**	8 594 490
Provision for credit loss expense on advances to customers	**(47 296)**	(35 732)
Provision for credit loss expense on inter-bank and sovereign exposures	**(1 339)**	(864)
Total provision for credit loss expense	**(48 635)**	(36 596)
Net exposure	**9 234 346**	8 557 894

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

Geographical distribution of exposures

	2023 R'000	2022 R'000
Customer exposure		
KwaZulu-Natal	**3 921 318**	3 811 162
Gauteng	**2 533 688**	2 412 875
Western Cape	**1 449 303**	1 259 091
Total customer exposure	**7 904 309**	7 483 128
Bank exposure		
KwaZulu-Natal	**14 844**	15 301
Gauteng	**1 354 265**	1 086 834
United States of America	**9 563**	9 227
Total bank exposure	**1 378 672**	1 111 362
Total exposure	**9 282 981**	8 594 490

Industry distribution of exposures

	2023 R'000	2022 R'000
Banks and financial institutions	**1 378 672**	1 111 362
Individuals	**1 431 235**	1 508 251
Business and trusts	**6 473 074**	5 974 877
Total exposure	**9 282 981**	8 594 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

GROUP AND COMPANY

		2023 R'000	2022 R'000
Product distribution analysis			
Property (Musharaka and Murabaha)		**5 566 908**	5 418 666
Equity finance and Mudaraba deposits		**575 838**	480 237
Instalment sales		**1 288 527**	1 054 977
Ijarah		**67 640**	74 658
Trade		**650 240**	608 332
Balances with local and central banks		**378 329**	631 124
Sovereign Sukuk		**424 506**	-
Letters of credit		**1 668**	1 668
Guarantees and confirmations		**324 531**	321 649
Other		**4 794**	3 179
Total exposure		**9 282 981**	8 594 490
Residual contractual maturity of book			
Within 1 month	- equity finance and Mudaraba deposits	**191 506**	60 309
	- other	**537 069**	462 427
From 1 to 3 months	- equity finance and Mudaraba deposits	**384 331**	-
	- other	**469 074**	727 692
From 3 months to 1 year	- equity finance and Mudaraba deposits	**-**	419 928
	- other	**1 193 476**	1 180 582
From 1 year to 5 years	- equity finance and Mudaraba deposits	**-**	-
	- other	**3 008 961**	2 795 376
More than 5 years	- other	**3 498 564**	2 948 176
Total exposure		**9 282 981**	8 594 490

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, where a trigger in SICR or a default event has not occurred, no credit loss allowance is recognised. The following table sets out information about credit exposure and collateral held.

GROUP AND COMPANY

	Credit exposure	Collateral cover	Credit exposure	Collateral cover
	2023		2022	
	R'000	R'000	R'000	R'000
Standard asset	**6 538 656**	**5 124 456**	5 950 849	4 989 413
Special mention asset	**910 160**	**756 746**	1 057 039	901 217
Sub-standard asset	**76 711**	**63 452**	93 748	75 369
Doubtful asset	**6 636**	**6 288**	35 282	29 491
Loss asset	**45 946**	**32 774**	22 893	18 787
	7 578 109	**5 983 716**	7 159 811	6 014 277

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

	2023	2022
	R'000	R'000
Past due and individually impaired		
- Individuals	**11 927**	7 867
- Business and trusts	**48 774**	42 008
	60 701	49 875
Past due but not impaired*		
- Individuals	**206 169**	186 836
- Business and trusts	**950 725**	693 785
	1 156 894	880 621

*Past due but not impaired advances are advances that are in arrears greater than 0 days and for which no ECL has been raised due to the advance being sufficiently collateralised.

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 R17 million (2022: R49,4 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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

	Less than 30 days		30 to 60 days		60 to 180 days		Greater than 180 days		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Individuals	**175 308**	148 507	**17 932**	18 913	**5 162**	10 117	**9 188**	9 299	**207 590**	186 836
Business and trusts	**757 962**	555 451	**53 313**	62 607	**71 885**	50 655	**66 143**	25 072	**949 303**	693 785
	933 270	703 958	**71 245**	81 520	**77 047**	60 772	**75 331**	34 371	**1 156 893**	880 621

2.1. 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. As a result, fluctuations in market prices of securities held for liquid asset purposes, do not affect the value of these holdings.

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

		GROUP AND COMPANY	
		2023	2022
		R'000	**R'000**
Assets held under interest rate risk	- Treasury bills	**-**	342 639
Assets held under profit rate risk	- Sovereign Sukuk	**424 506**	-
Assets held under exchange rate risk	- Foreign currency held	**12 996**	15 995
		437 502	358 634

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 2.4. The Treasury Bills disclosed above are held for statutory liquidity requirements and thus interest earned on these bills are included in the amounts donated as per note 14.

In the 2023 financial year, the Bank sold it's Treasury Bill holdings and purchased government issued Sukuk. The income from the Sukuk is recognised by the Bank as it is Shariah-compliant whilst the Sukuk holding serves the same purpose as Treasury Bills for statutory liquidity purposes. The Sukuk is disclosed in Note 11: Regulatory Balances.

2.2. 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.

2.3 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 Sovereign Sukuk holdings 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 33.3 for details relating to liquidity risk management.

2.4 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 pre-determined basis on their deposits based on their proportionate share of the profits earned from customers, by the Bank. There is thus no mismatch in terms of the earning profile of depositors and that of the Bank as the Bank will only be able to share profits which are earned. As such the Bank is not at risk of earning less from advances than it would be required to pay to its depositors.

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

The Sovereign Sukuk purchased during the 2023 financial year earns profit at a fixed rate and hence is not subject to profit rate risk as the return is unaffected by changes in the market profit rates.

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

	GROUP AND COMPANY			
	2023		2022	
	R'000		R'000	
	1% increase	1% decrease	1% increase	1% decrease
Impact on profit before tax (R'm)	3 563	(3 563)	3 333	(3 333)

2.5 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

2.6 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 a 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.

2.7 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.

2.8 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	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**
3. PROPERTY AND EQUIPMENT				
Cost				
Land and buildings	**76 507**	76 507	**-**	-
Leasehold improvements	**20 567**	19 396	**19 859**	18 688
Vehicles	**7 240**	7 251	**7 240**	7 251
Fittings, equipment and computers	**77 536**	72 550	**68 371**	63 384
Capital work in progress	**12**	12	**-**	-
	181 862	175 716	**95 470**	89 323
Accumulated depreciation and impairment				
Leasehold improvements	**(19 325)**	(18 513)	**(18 196)**	(17 503)
Vehicles	**(6 898)**	(6 670)	**(6 898)**	(6 670)
Fittings, equipment and computers	**65 589)**	(61 248)	**(56 424)**	(52 513)
Total	**(91 812)**	(86 431)	**(81 518)**	(76 686)
Carrying amount	**90 050**	89 285	**13 952**	12 637

	GROUP 2023 R'000	GROUP 2022 R'000
Land and buildings comprise the following commercial properties presented at their carrying amount as described below:		
1. Commercial property in Cape Town described as Erf no. 178610 (being a consolidation of Erf no. 178609 and Erf no. 33983) Cape Town in extent 610 square metres independently valued at R18,25 million in 2023. 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 3316 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 R130,1 million in 2023. Commercial property comprises land at a cost of R3,5 million (2022: R3,5 million) and buildings thereon at a cost of R69,4 million (2022: R69,4 million).	**72 552**	72 552
3. Commercial property comprising land in Cape Town described as Erf no. 178609 Cape Town	**270**	270
Carrying amount at beginning of year	**76 507**	**76 237**
Additions	**-**	270
Depreciation	**-**	-
Carrying amount at end of year	**76 507**	76 507

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	Land and buildings	Leasehold improvements	Vehicles	Fittings, equipment and computers	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000
3.1 Movement in property and equipment: Carrying amount						
Reconciliation for the year ended 31 December 2023 - Group Balance at 1 January 2023						
At cost	**76 507**	**19 396**	**7 251**	**72 550**	**12**	**175 716**
Accumulated depreciation	**-**	**(18 514)**	**(6 670)**	**(61 248)**	**-**	**(86 432)**
Carrying amount	**76 507**	**882**	**581**	**11 302**	**12**	**89 284**
Movements for the year ended 31 December 2023						
Additions from acquisitions	**-**	**1 171**	**270**	**4 999**	**-**	**6 440**
Depreciation	**-**	**(811)**	**(509)**	**(4 354)**	**-**	**(5 674)**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Property, plant and equipment at end of the year	**76 507**	**1 242**	**342**	**11 947**	**12**	**90 050**
Closing balance at 31 December 2023						
At cost	76 507	20 567	7 240	77 537	12	181 863
Accumulated depreciation	-	(19 325)	(6 898)	(65 590)	-	(91 813)
Carrying amount	76 507	1 242	342	11 947	12	90 050
Reconciliation for the year ended 31 December 2022 - Group Balance at 1 January 2022						
At cost	76 237	19 399	7 251	71 309	77	174 273
Accumulated depreciation	-	(17 364)	(6 132)	(54 951)	-	(78 447)
Carrying amount	76 237	2 035	1 119	16 358	77	95 826
Movements for the year ended 31 December 2022						
Additions from acquisitions	270	-	-	2 063	261	2 594
Depreciation	-	(1 149)	(538)	(7 384)	-	(9 071)
Increase (decrease) through transfers from construction in progress	-	-	-	285	(285)	-
Disposals	-	-	-	(15)	(41)	(56)
Assets written-off	-	(3)	-	(5)	-	(8)
Property, plant and equipment at end of the year	76 507	883	581	11 302	12	89 285
Closing balance at 31 December 2022						
At cost	76 507	19 389	7 251	72 550	12	172 716
Accumulated depreciation	-	(18 513)	(6 670)	(61 248)	-	(86 431)
Carrying amount	76 507	883	581	11 302	12	89 285

	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
Reconciliation for the year ended 31 December 2023 - Company						
Balance at 1 January 2023						
At cost	-	**18 688**	**7 251**	**63 385**	-	**89 324**
Accumulated depreciation	-	**(17 503)**	**(6 670)**	**(52 514)**	-	**(7 687)**
Carrying amount	-	**1 185**	**581**	**10 871**	-	**12 637**
Movements for the year ended 31 December 2023						
Additions from acquisitions	-	**1 171**	**270**	**4 999**	-	**6 440**
Depreciation	-	**(693)**	**(509)**	**(3 923)**	-	**(5 125)**
Property, plant and equipment at end of the year	-	**1 663**	**342**	**11 947**	-	**13 952**
Closing balance at 31 December 2023						
At cost	-	**19 859**	**7 240**	**68 371**	-	**95 470**
Accumulated depreciation	-	**(18 196)**	**(6 898)**	**(56 424)**	-	**(81 518)**
Carrying amount	-	**1 663**	**342**	**11 947**	-	**13 952**
Reconciliation for the year ended 31 December 2022 - Company						
Balance at 1 January 2022						
At cost	-	18 691	7 251	62 143	65	88 150
Accumulated depreciation	-	(16 472)	(6 132)	(47 942)	-	(70 546)
Carrying amount	-	2 219	1 119	14 201	65	17 604
Movements for the year ended 31 December 2022						
Additions from acquisitions	-	-	-	2 063	260	2 323
Depreciation	-	(1 031)	(538)	(5 658)	-	(7 227)
Increase (decrease) through transfers from construction in progress	-	-	-	285	(285)	-
Disposals	-	-	-	(15)	(40)	(55)
Property, plant and equipment at end of the year	-	1 185	581	10 871	-	12 637
Closing balance at 31 December 2022						
At cost	-	18 688	7 251	63 384	-	89 323
Accumulated depreciation	-	(17 503)	(6 670)	(52 513)	-	(76 686)
Carrying amount	-	1 185	581	10 871	-	12 637

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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 entered into a short-term lease for its ATM site situated at Ahmed Al-Kadi Private Hospital.

4.1 Right of use assets

	GROUP		
	Office building	ATM sites	Total
	R'000	R'000	R'000
2023			
Cost at beginning of year	22 849	325	23 174
Accumulated depreciation at beginning of year	(19 286)	(325)	(19 611)
Net carrying amount at beginning of year	3 563	-	3 563
Lease modifications/additions	6 860	-	6 860
Terminations	(357)	-	(357)
Depreciation for the year	(4 063)	-	(4 063)
Net carrying amount at end of year	6 003	-	6 003
Cost at end of year	29 352	325	29 677
Accumulated depreciation at end of year	(23 349)	(325)	(23 674)
	6 003	-	6 003
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
Lease modifications/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)
	3 563	-	3 563

	Office building	ATM sites	Total
	R'000	R'000	R'000
2023			
Cost at beginning of year	**86 293**	**325**	**86 618**
Accumulated depreciation at beginning of year	**(74 975)**	**(325)**	**(75 300)**
Net carrying amount at beginning of year	**11 318**	**-**	**11 318**
Lease modifications/additions	**6 860**	**-**	**6 860**
Terminations	**(358)**	**-**	**(358)**
Depreciation for the year	**(8 293)**	**-**	**(8 293)**
Net carrying amount at end of year	**9 527**	**-**	**9 527**
Cost at end of year	**92 795**	**325**	**93 120**
Accumulated depreciation at end of year	**(8 268)**	**(325)**	**(83 593)**
	9 527	**-**	**9 527**
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
Lease modifications/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)
	11 318	-	11 318

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	Group and Company	Company Per Note 7 *	Company Total
	2023	2023	2023
	R'000	R'000	R'000
4.2 Lease liabilities			
Long-term portion of lease liabilities	**4 056**	**-**	**4 056**
Office building	**4 056**	**-**	**4 056**
Short-term portion of lease liabilities	**2 178**	**15 878**	**18 056**
Office building	**2 178**	**15 878**	**18 056**
Carrying amount of lease liabilities	**6 234**	**15 878**	**22 112**
As at 1 January 2023	**4 052**	**31 435**	**35 487**
Lease modifications/additions	**6 860**	**-**	**6 860**
Terminations	**(394)**	**-**	**(394)**
Deemed interest	**386**	**3 288**	**3 674**
Payments	**(4 669)**	**(18 845)**	**(23 514)**
As at 31 December 2023	**6 234**	**15 878**	**22 112**

	Group and Company	Company Per Note 7 *	Company Total
	2022	2022	2022
	R'000	R'000	R'000
Long-term portion of lease liabilities	677	15 879	16 556
Office building	677	15 879	16 556
Short-term portion of lease liabilities	3 375	15 556	18 931
Office building	3 375	15 556	18 931
Carrying amount of lease liabilities	4 052	31 435	35 487
As at 1 January 2022	7 878	43 624	51 502
Lease modifications/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

*The lease liability as per the lease recognised at company level between the Bank and Albaraka Properties Proprietary Limited is offset in note 7 against the intercompany loan account between the Bank and the property company. Accordingly the total lease liability at the company level is R22,1 million (2022: R35,5 million) split between the investment in and amount due by subsidiary company: R15,9 million (2022: R31,4 million) and lease liability: R6,2 million (2022: R4,1 million) on the statement of financial position.

	GROUP	
	Office building	Total
	R'000	R'000
Maturity analysis - contractual undiscounted cash flow of lease liability		
2023		
Less than one year	**2 688**	**2 688**
One to five years	**4 733**	**4 733**
	7 421	**7 421**

	COMPANY	
	Office building	Total
	R'000	R'000
Less than one year	**19 426**	**19 426**
One to five years	**4 733**	**4 733**
	24 159	**24 159**

	GROUP	
	Office building	Total
	R'000	R'000
2022		
Less than one year	3 517	3 517
One to five years	693	693
	4 210	4 210

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**
4.2.1 Amounts recoginised in the statements of profit or loss and other comprehensive income				
Depreciation expense of right-of-use assets	**4 063**	4 505	**8 293**	8 734
Deemed interest expense on lease liabilities	**386**	458	**3 674**	5 718
Early settlement of lease gain	**(36)**	(494)	**(36)**	(494)
*Expense relating to short-term leases	**-**	26	**1 706**	1 453
Total amount recognised in profit or loss	**4 413**	4 495	**13 637**	15 411

4.2.2 Additional disclosures

The Bank and group had total cash outflows for leases of R4,7 million (2022: R5 million) and R4,7 million (2022: 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 intercompany 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 intercompany leases eliminate on consolidation they are only applicable at the company level.

5. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**
5.1 Balances at year end and movements for the year				
Reconciliation for the year				
Balance at beginning of year				
Carrying amount at the beginning of the year	**10 339**	10 339	-	-
Movements for the year				
Closing balance at the end of the year				
Carrying amount at the end of the year	**10 339**	10 339	-	-

5.2 Detail of properties

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 2140 square metres and Portion 5 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 1528 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 R13,07 million as at 01 November 2023 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. Furthermore, the valuations are carried out by an independent valuator who holds suitable qualifications, has relevant experience and is a member of the Institute of Valuers of South Africa. 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 2023 financial year relating to investment properties amounted to R1,3 million (2022: R1,03 million)

GROUP AND COMPANY

	2023 R'000	2022 R'000
6. INTANGIBLE ASSETS		
Cost		
Computer software	**7 532**	7 532
Capitalised project costs	**100 812**	98 795
Capital work in progress	**3 341**	3 403
	111 685	109 730
Accumulated amortisation and impairment		
Computer software	**(5 611)**	(4 517)
Capitalised project costs	**(44 276)**	(31 823)
	(49 887)	(36 340)
Net carrying amount	**61 798**	73 390

	Computer software R'000	Capitalised project costs* R'000	Capital work in progress R'000	Total R'000
6.1 Reconciliation of changes in intangible assets				
Group and Company				
2023				
Cost at beginning of year	7 532	98 795	3 403	109 730
Accumulated amortisation at beginning of year	(4 517)	(31 823)	-	(36 340)
Net carrying amount at beginning of year	3 015	66 972	3 403	73 390
Movements for the year ended 31 December 2023				
Additions	-	1 211	744	1 955
Amortisation for the year	(1 094)	(12 453)	-	(13 547)
Transfers	-	806	(806)	-
Net carrying amount at end of year	1 921	56 536	3 341	61 798
Cost at end of year	7 532	100 812	3 341	111 685
Accumulated amortisation at end of year	(5 611)	(44 276)	-	(49 887)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	Computer software	Capitalised project costs	Capital work in progress	Total
	R'000	R'000	R'000	R'000
Reconciliation of changes in intangible assets				
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
Movements for the year ended 31 December 2022				
Additions	-	3 387	5 208	8 595
Amortisation for the year	(1 267)	(10 921)	-	(12 188)
Transfers	-	21 771	(21 771)	-
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 with carrying amount of R36,8 million (2022: R42, 8 million), mobile banking application with a carrying amount of R10,3 million (2022: R16,7 million) and apply for finance portal with a carrying amout of R2,3 million (2022: R3,0 million).

7. INVESTMENT IN AND AMOUNT DUE BY SUBSIDIARY COMPANY

Albaraka Properties Proprietary Limited is 100% (2020: 100%) owned by Albaraka Bank Limited.

The issued share capital of Albaraka Properties Proprietary Limited comprises 1 000 shares of R1 each (2020: 1 000 shares of R1 each).

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	R'000	R'000	R'000
Shares at cost	-	-	**1**	1
Due by subsidiary	-	-	**43 357**	41 375
• Amounts owing by subsidiary	-	-	**59 235**	72 810
• Lease liability (note 4)	-	-	**(15 878)**	(31 435)
Investment in subsidiaries, joint ventures and associates	-	-	**43 358**	41 376

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 R3,29 million (2022: R5,26 million).

8. DEFERRED TAX

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**
Balance at beginning of year	**(1 732)**	(10 583)	**22 381**	16 674
Tax income recognised in profit or loss	**(3 209)**	8 888	**(5 942)**	6 551
Tax (expensed) recognised in other comprehensive income	**(21)**	(31)	**(21)**	(31)
Deffered tax prior year (under-provision)/over-provision recognised in profit or loss	**21**	16	**21**	16
Effect of tax rate change (P/L)	**-**	(23)	**-**	(830)
Effect of tax rate change (OCI)	**-**	1	**-**	1
Balance at end of year	**(4 941)**	(1 731)	**16 439**	22 381

The deferred tax asset comprises the following:

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Lease liabilities	**-**	-	**3 335**	6 394
Impairment for doubtful advances	**(1 663)**	(1 045)	**(1 663)**	(1 045)
Leave pay provision	**1 881**	1 698	**1 881**	1 698
Portfolio impairment	**7 880**	5 629	**7 880**	5 629
Profit not paid to depositors	**4 646**	10 110	**4 646**	10 110
Other	**10 692**	4 691	**10 680**	4 679
Ijarah receivables	**6 241**	11 089	**6 241**	11 089
Prepaid expenses	**(776)**	(665)	**(762)**	(652)
Intangible assets, property and equipment	**(33 316)**	(32 731)	**(15 273)**	15 014)
Fair value on investments	**(528)**	(507)	**(528)**	(507)
	(4 941)	(1 731)	**16 439**	22 381

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**
9. INVESTMENT SECURITIES				
9.1 Unit trust investments				
Fair value at beginning of year	-	12 704	-	12 704
Additions at cost	-	121	-	121
Fair value (loss)/gain	-	(883)	-	(883)
Disposals	-	(11 942)	-	(11 942)
Fair value at end of year	-	-	-	-
9.2 Investment securities comprise the following unlisted investments				
Investment Kiliminjaro	**5 435**	5 339	**5 435**	5 339
Investment Earthstone	**10 800**	10 663	**10 800**	10 663
Investment Ahmed Al Kadi	**1 332**	1 435	**1 332**	1 435
	17 567	17 437	**17 567**	17 437

The above equity investments are designated at fair value through other comprehensive income as these investments are not held for trading. An annual internal valuation exercise is performed to determine value. Management considers the net equity of the investee and the proportionate shareholding in arriving at a fair value. Dividends of R1,656 million was received for the year (2022: R1,530 million). Refer to Note 3,.4 and 33,5 for further disclosure.

	GROUP		COMPANY	
	2023	2022	**2023**	2022
10. ADVANCES AND OTHER RECEIVABLES				
10.1 Sectoral analysis				
Advances to customers				
Property (Musharaka and Murabaha)	**5 566 907**	5 418 666	**5 566 907**	5 418 666
Instalment sale	**1 288 527**	1 054 977	**1 288 527**	1 054 977
Ijarah	**67 640**	74 658	**67 640**	74 658
Trade receivabbles	**650 239**	608 332	**650 239**	608 332
Other	**4 793**	3 177	**4 793**	3 177
Gross advances to customers	**7 578 106**	7 159 811	**7 578 106**	7 159 811
Provision for credit loss expense	**(47 296)**	(35 732)	**(47 296)**	(35 732)
Net advances to customers after provisions	**7 530 810**	7 124 079	**7 530 810**	7 124 079
Advances to banks				
Gross equity finance and Mudaraba deposits	**575 838**	480 237	**575 838**	480 237
Provision for credit loss expense	**(1 339)**	(864)	**(1 339)**	(864)
Net advances to banks after provisions	**574 499**	479 373	**574 499**	479 373
Net advances	**8 105 309**	7 603 452	**8 105 309**	7 603 452
Other receivables	**50 750**	56 016	**50 577**	55 846
Total	**8 156 059**	7 659 468	**8 155 886**	7 659 298

Included under property are Musharaka advances amounting to R5,6 billion (2022: R5,4 billion).
Included in other receivables is R nil (2022: R5,03 million) receivable for the agreed sale of foreign currency (FEC Receivable) and R1,23 million for repossessed properties (2022: R nil).

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**
10.2 Maturity analysis				
Within 1 month	**334 090**	297 230	**334 090**	297 230
From 1 month to 3 months	**422 716**	391 159	**422 716**	391 159
From 3 months to 1 year	**1 005 046**	995 474	**1 005 046**	995 474
From 1 year to 5 years	**2 982 545**	2 770 029	**2 982 545**	2 770 029
More than 5 years	**2 833 713**	2 705 919	**2 833 713**	2 705 919
	7 578 110	7 159 811	**7 578 110**	7 159 811
Equity finance and Mudaraba deposits				
Within 1 month	**191 506**	60 309	**191 506**	60 309
From 1 month to 3 months	**384 331**	-	**384 331**	-
From 3 months to 1 year	**-**	419 928	**-**	419 928
From 1 year to 5 years	**-**	-	**-**	-
	575 837	480 237	**575 837**	480 237
10.3 Expected credit loss				
Advances to customers				
Stage 1	**15 942**	12 987	**15 942**	12 987
Stage 2	**11 906**	6 997	**11 906**	6 997
Stage 3	**19 448**	15 748	**19 448**	15 748
	47 296	35 732	**47 296**	35 732
Inter-bank and sovereign exposures				
Stage 1	**1 339**	864	**1 339**	864
	48 635	36 596	**48 635**	36 596
10.4 Credit loss expense				
(Release of)/charge to impairment relating to Stage 3	**3 701**	(1 816)	**3 701**	(1 816)
Credit impaired profits and write-offs	**844**	799	**844**	799
Charge to/(release of) impairment relating to Stage 1 & 2	**8 338**	4 095	**8 338**	4 095
Bad debts recovered	**(442)**	(780)	**(442)**	(780)
	12 441	2 298	**12 441**	2 298

The charge of impairment relating to Stage 3 of R3,7 million is mainly due to the increase of arrears and/or exposures for deals residing in this category.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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
2023				
Expected credit loss				
Opening balance	13 851	6 998	15 747	36 596
Impact on stage classification	(146)	1 037	4 037	4 928
Transfer (out)/in of Stage 1	(2 167)	1 254	914	-
Transfer in/(out) of Stage 2	98	(195)	96	-
Transfer in/(out) of Stage 3	153	27	(180)	-
Impact of Stage transfers	1 770	(49)	3 207	4 928
Settlements	(8 811)	(6 138)	(2 729)	(17 678)
Write-offs	(75)	-	(769)	(844)
New advances	12 463	10 008	3 162	25 633
Closing ECL	17 282	11 905	19 448	48 635
Gross carrying amount				
Gross carrying amount as at 01 January 2023	7 063 642	424 482	151 924	7 640 048
New financial assets	2 701 971	415 177	13 651	3 130 799
Transfers (out)/in of Stage 1	(163 402)	130 752	32 650	-
Transfers in/(out) of Stage 2	117 727	(120 930)	3 203	-
Transfers in/(out) of Stage 3	27 599	9 740	(37 339)	-
Settlements	(2 369 551)	(212 478)	(34 028)	(2 616 057)
Written-off	(74)	-	(769)	(843)
Gross carrying amount as at 31 December 2023	7 377 912	646 743	129 292	8 153 947

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 R7,6 billion (2022: R7,2 billion). The overall gross carrying amount increased to R8,1 billion (2022: R7,6 billion) due to an increase in the gross advances to banks at R576 million (2022: R480 million).

	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)	(4 239)	(1 286)	(5 548)
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	(5 548)
Settlements	(3 229)	(3 977)	(2 504)	(9 710)
Write-offs	-	-	(825)	(825)
New advances	7 569	8 002	2 791	18 362
Closing ECL	13 851	6 998	15 747	36 596
Gross carrying amount				
Gross carrying amount as at 01 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	424 482	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).

10.6 Product exposure by stage

2023				
Legal charges	**-**	**-**	**2 350**	**2 350**
Ijarah motor vehicle	**67 541**	**99**	**-**	**67 640**
Musharaka commercial	**3 043 983**	**49 287**	**60 732**	**3 154 002**
Murabaha equipment	**445 893**	**68 753**	**1 400**	**516 046**
Murabaha property	**144**	**-**	**-**	**144**
Murabaha motor vehicle	**546 872**	**223 699**	**1 911**	**772 482**
Musharaka residential	**2 248 501**	**112 570**	**54 135**	**2 415 206**
Murabaha trade	**449 139**	**192 335**	**8 765**	**650 239**
Equity finance	**575 838**	**-**	**-**	**575 838**
	7 377 911	**646 743**	**129 293**	**8 153 947**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

GROUP AND COMPANY

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
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	606 534
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
	7 063 641	424 483	151 924	7 640 048

The amounts included above include current outstanding principal and profit receivable less profits suspended.

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.

Internal rating grade: Past due status

	Stage 1	Stage 2	Stage 3	Total
2023				
<1 day	**6 348 313**	**460 607**	**21 496**	**6 830 416**
Transfers from Stage 1	-	**101 514**	**4 515**	**106 029**
1-30 days	**1 029 597**	**47 028**	**10 388**	**1 087 013**
Transfers from Stage 1	-	**10 927**	**21 428**	**32 355**
31-60 days	-	**8 142**	**7 275**	**15 417**
Transfers from Stage 1	-	**12 567**	**777**	**13 344**
61-90 days	-	**214**	**4 725**	**4 939**
Transfers from Stage 1	-	**5 745**	**1 153**	**6 898**
90+ days	-	-	**50 538**	**50 538**
Transfers from Stage 1	-	-	**4 776**	**4 776**
Transfers from Stage 2	-	-	**2 222**	**2 222**
	7 377 910	**646 744**	**129 293**	**8 153 947**

The stage transitions during the year were from Stage 1 to 2: R103,7 million; from Stage 1 to 3: R32,6 million and from Stage 2 to 3: R2,2 million.

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
Internal rating grade: Past due status				
2022				
<1 day	6 297 461	323 908	30 607	6 651 976
Transfers from Stage 1	-	52 502	5 361	57 863
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	13 811
Transfers from Stage 1	-	6 848	210	7 058
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	7 640 049

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.

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	R'000	R'000	R'000
11. REGULATORY BALANCES				
Government and other stock - Treasury Bills	-	342 639	-	342 639
Government and other stock - Sovereign Sukuk	**424 506**	-	**424 506**	-
Balances with central bank	**190 926**	175 077	**190 926**	175 077
	615 432	517 716	**615 432**	517 716

These balances represent mandatory reserve deposits for liquidity requirements and are therefore not available for use in the Bank's daily operations. Refer to Note 10.3 for related ECL disclosure.

12. Cash and cash equivalents

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Cash on hand	**12 394**	10 974	**5 624**	9 343
Balances with central bank	**93 218**	68 567	**93 218**	68 567
Placements with other banks	**94 184**	44 841	**94 184**	44 841
	199 796	124 382	**193 026**	122 751

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**
The following banking facilities are available to the group:				
Settlement facilities	**93 330**	87 167	**93 330**	87 167
	93 330	87 167	**93 330**	87 167

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

13. SHARE CAPITAL AND SHARE PREMIUM

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Authorised share capital				
100 000 000 (2022: 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 (2022: 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

14. WELFARE AND CHARITABLE FUNDS

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Gross income from non-Islamic activities	**30 829**	18 625	**30 829**	18 625
Normal tax thereon	**(5 968)**	(1 708)	**(5 968)**	(1 708)
Net income from non-Islamic activities	**24 861**	16 917	**24 861**	16 917
Donations	**(7 681)**	(4 565)	**(7 681)**	(4 565)
Repayment	**-**	5 000	**-**	5 000
Balance at beginning of year	**43 382**	26 030	**43 382**	26 030
Balance at end of year	**60 562**	43 382	**60 562**	43 382
Comprising:				
Amounts placed in treasury bills	**-**	25 108	**-**	25 108
Bank balances & other	**60 562**	18 274	**60 562**	18 274
	60 562	43 382	**60 562**	43 382

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**

15. ACCOUNTS PAYABLE

Trade and other payables comprise:

Accruals	**40 522**	17 654	**36 692**	18 377
Sundry creditors	**18 750**	33 519	**18 719**	33 491
Total trade and other payables	**59 272**	51 173	**55 411**	51 868

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 R nil (2022: R4,9 million) payable for foreign currency purchased.

16. SOUTH AFRICAN REVENUE SERVICE PAYABLE

Income tax	**5 668**	2 255	**5 731**	2 294
Value Added Taxation	**982**	344	**718**	102
	6 650	2 599	**6 449**	2 396

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

17. PROVISION FOR LEAVE PAY

Balance at beginning of year	**6 290**	6 668	**6 290**	6 668
Accrued during the year	**12 112**	9 665	**12 112**	9 665
Utilised during the year	**(11 434)**	(10 043)	**(11 434)**	(10 043)
Balance at end of year	**6 968**	6 290	**6 968**	6 290

18. DEPOSITS FROM CUSTOMERS

18.1 Deposits from customers comprise:

Mudarabah deposits	**6 249 970**	5 789 558	**6 249 970**	5 789 558
Current a ccounts	**1 347 934**	1 271 458	**1 347 934**	1 271 458
	7 597 904	7 061 016	**7 597 904**	7 061 016

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 financial liability is held within a business model with the objective to hold financial liabilities in order to collect contractual cash flows; and
- 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**

19. SUKUK HOLDERS/ALBARAKA SUKUK TRUST

19.1 Sukuk holders/Albaraka Sukuk Trust comprise:

	2023	2022	**2023**	2022
Sukuk capital - Tier 2	**307 700**	307 700	**307 700**	307 700
Sukuk profit payable - Tier 2	**2 307**	1 923	**-**	-
Sukuk profit payable - Additional Tier 1	**1 240**	982	**-**	-
	311 247	310 605	**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 R2,3 million (2022: R1,9 million) profit payable balance represents the December profit accrual which was paid in January 2023 (2022: January 2022). The Tier 2 Sukuk has been issued in tranches with the latest tranche issued in December 2019 of R107,7 million.

19.2 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.

	2023	2022	**2023**	2022
Sukuk Capital - Additional Tier 1	**124 000**	124 000	**124 000**	124 000
	124 000	124 000	**124 000**	124 000

20. INCOME PAID TO DEPOSITORS

Income paid to depositors is based on the profit-sharing ratio agreed upon between the depositor and the Bank at the time of the initial investment. On maturity, this income is either paid out to the depositor on instruction or reinvested on the depositors' behalf within the category of the initial deposit. During the 2023 financial year, the Bank paid Hiba (a voluntary payment) to certain deposit holders. A total of R1,07 million (2022: R nil) was paid to depositors in this regard.

21. INCOME PAID TO TIER 2 SUKUK HOLDERS

	2023	2022	**2023**	2022
Income paid from deposit pool – Tier 2	**28 621**	19 405	**28 621**	19 405
Hiba – Tier 2	**-**	1 907	**-**	1 907
Total income paid – Tier 2	**28 621**	21 312	**28 621**	21 312

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 2022 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. The Bank did not pay Hiba on the Tier 2 Sukuk product in 2023.

For more information on Hiba visit our website: https://www.albaraka.co.za/products/what-is-islamic-banking.

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**

22. NET NON-ISLAMIC INCOME

Non-Islamic income	**30 829**	18 625	**30 829**	18 625
Amount transferred to welfare and charitable funds (note 14)	**(30 829)**	(18 625)	**(30 829)**	(18 625)
	-	-	**-**	-

23. FEE AND COMMISSION INCOME

Service fees	**33 815**	33 317	**33 815**	33 317
Commission received on sale of unit trusts	**10 941**	13 299	**10 941**	13 299
Profit from foreign currency trading	**7 809**	8 300	**7 809**	8 300
Management fee from subsidiary	**-**	-	**268**	268
	52 565	54 916	**52 833**	55 184

24. OTHER OPERATING INCOME

Other operating income comprises:				
Dividend income	**1 656**	1 530	**1 656**	6 530
Other	**683**	1 058	**683**	1 058
Total other income	**2 339**	2 588	**2 339**	7 588

25. OPERATING EXPENDITURE

25.1 Operating expenditure includes:

Auditor's remuneration				
Audit fees				
• current year	**5 182**	4 913	**5 126**	4 861
Fees for other services				
• Other	**785**	731	**785**	731
	5 967	5 644	**5 911**	5 592

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	GROUP		COMPANY	
	2023	2022	2023	2022
	R'000	R'000	R'000	R'000
Consultancy fees	**7 932**	10 782	**7 890**	10 715
Depreciation of property and equipment	**5 674**	9 072	**5 125**	7 228
Amortisation of intangible assets	**13 547**	12 188	**13 547**	12 188
Depreciation of right of use assets	**4 063**	4 505	**8 293**	8 734
Early settlement of lease gain	**-**	494	**-**	494
Short-term lease expense	**-**	26	**1 706**	1 453
Staff costs	**145 190**	124 581	**145 150**	124 581
Staff costs - other	**124 191**	105 829	**124 151**	105 829
Staff costs - medical aid	**7 134**	6 152	**7 134**	6 152
Staff costs - provident fund	**13 865**	12 600	**13 865**	12 600
Shariah Board Members fees	**2 113**	1 316	**2 113**	1 316
Directors' emoluments	**12 997**	10 161	**12 997**	10 161
Executive services	**9 226**	7 116	**9 226**	7 116
Non-executive directors' fees	**3 771**	3 045	**3 771**	3 045

25.2 Executive services

Company only

	2023				2022		
	Salary	Other benefits	Management incentive	Total	Salary	Other benefits	Total
	R'000	R'000		R'000	R'000	R'000	R'000
SAE Chohan – Chief executive	**3 289**	**14**	**709**	**4 012**	3 092	3	3 095
A Ameed – Financial director	**1 939**	**13**	**418**	**2 370**	1 824	4	1 828
M Kaka – Chief operating officer	**2 327**	**15**	**502**	**2 844**	2 189	4	2 193
	7 555	**42**	**1 629**	**9 226**	7 105	11	7 116

Salary and other benefits are short-term benefits as classified per IAS 19.

	COMPANY	
	2023	2022
	R'000	**R'000**
25.3 Non-executive directors' fees		
M Manna	**-**	218
FA Randaree	**392**	355
JMA Cane	**478**	478
MJD Courtiade	**449**	407
ZH Fakey	**514**	434
YGH Suleman	**687**	670
SM Nyasulu	**466**	381
HBH Amor	**382**	51
MM Khemira	**403**	51
	3,771	3,045

	GROUP		COMPANY	
	2023	2022	**2023**	2022
26. INCOME TAX EXPENSE	**R'000**	**R'000**	**R'000**	**R'000**
Normal tax				
• current year/(over) provision	**47 076**	31 117	**42 556**	26 840
• prior year under	**(92)**	(157)	**(94)**	(207)
Attributable to income from non-Islamic activities (refer to accounting policy 14 and note 21)				
• current year	**(5 777)**	(1 782)	**(5 777)**	(1 782)
• prior year under/(over) provision	**(191)**	75	**(191)**	75
Deferred tax				
• current year	**3 211**	(8 888)	**5 942**	(6 551)
• prior year under/(over) provision	**6**	(16)	**21**	(16)
• change in tax rate adjustment	**-**	23	**-**	830
Taxation attributable to Islamic activities	**44 233**	20 372	**42 456**	19 189

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	%	**%**	**%**	**%**
Effective tax rate	**29,0**	28,5	**29,0**	27,7
Adjustable items:				
Non-taxable income	**0,1**	0,3	**0,2**	2,3
Non-deductible expenditure	**(2,3)**	(0,9)	**(2.4)**	(1,0)
Current tax adjustment - prior year	**0,2**	0,1	**0.2**	0,2
Change in tax rate adjustment	**-**	-	**-**	(1,2)
South African Companies tax rate	**27,0**	28,0	**27,0**	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.

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**
27. FAIR VALUE GAIN/(LOSS)				
Fair value gain/(loss) on FVOCI	**129**	314	**129**	314
Deferred tax on FVOCI	**(2)**	(32)	**(2)**	(32)
Fair value (adjustment)/gain on forward exchange contract	**-**	(8)	**-**	(8)
Deferred tax on forward exchange contract	**-**	2	**-**	2
	127	276	**127**	276

	GROUP	
	2023	2022
	R'000	**R'000**
28. EARNINGS PER SHARE		
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 (2022: 32 240 260) ordinary shares in issue during the year (cents).	**336 21**	158 35
Basic and diluted earnings per share are derived from:		
Profit for the year	**108 393**	51 051
	108 393	51 051

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	R'000	**R'000**	R'000
29. DIVIDENDS				
Dividend paid is calculated as follows:				
Dividend of 62 cents per share declared in the 2023 financial year (2022: 30 cents)	**19 989**	9 672	**19 989**	9 672

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	R'000	**R'000**	R'000
30. STATEMENT OF CASH FLOWS				
30.1 Cash generated from operations				
Profit before taxation	**172 460**	78 078	**166 306**	75 961
Adjustment for non-cash items:				
Income earned but not received	**(7 596)**	(5 995)	**(7 596)**	(5 995)
Profits payable to depositors	**3 318**	5 323	**3 318**	5 323
Profits payable to Tier 2 Sukuk holders	**385**	256	**-**	-
Depreciation of property and equipment	**5 674**	9 072	**5 125**	7 228
Dividend income	**(1 656)**	(1 530)	**(1 656)**	(6 530)
Unrealised forex gains	**(889)**	(1 173)	**(889)**	(1 173)
Amortisation of intangible assets	**13 547**	12 188	**13 547**	12 188
Depreciation on right of use assets	**4 063**	4 505	**8 292**	8 734
Deemed finance costs on leases	**386**	458	**3 674**	5 718
Net (profit)/loss arising on disposal of property and equipment	**(100)**	21	**(100)**	21
Provision for leave pay	**678**	(378)	**678**	(378)
Credit loss expense	**12 039**	2 279	**12 039**	2 279
Assets written-off/gain on lease termination	**(36)**	(454)	**(36)**	(454)
Reversals and write-offs	**401**	19	**401**	19
Fair value loss/(gain) on financial instruments	**-**	883	**-**	883
Sovereign Sukuk profit accrual	**(4 506)**	-	**(4 506)**	-
Net transactions with group companies	**-**	-	**8 036**	7 353
	198 168	103 552	**206 633**	111 177

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	R'000	**R'000**	R'000
30.2 Changes in working capital				
Increase/(decrease) in deposits from customers	**533 572**	(283 403)	**533 572**	(283 403)
Increase in accounts payable	**8 226**	9 525	**3 659**	9 070
Increase in welfare and charitable funds	**23 149**	19 390	**23 149**	19 390
(Increase)/decrease in advances and other receivables	**(501 037)**	196 768	**(501 033)**	196 757
Decrease in capital reserves	**(127)**	(276)	**(127)**	(276)
Increase in regulatory balances	**(93 210)**	(103 066)	**(93 210)**	(103 066)
	(29 427)	(161 062)	**(33 990)**	(161 528)
30.3 Taxation paid				
Amount outstanding at beginning of year	**(2 255)**	(4 231)	**(2 294)**	(4 365)
Amount charged to profit for the year	**(41 015)**	(29 253)	**(36 517)**	(24 926)
Amount charged to welfare and charitable funds	**(5 968)**	(2 038)	**(5 968)**	(2 038)
Amount outstanding at end of year	**5 667**	2 255	**5 731**	2 294
	(43 571)	(33 268)	**(39 048)**	(29 035)
30.4 Dividends paid				
Amount outstanding at beginning of year	**(1 441)**	(1 288)	**(1 441)**	(1 288)
Dividends declared	**(19 989)**	(9 672)	**(19 989)**	(9 672)
Amount outstanding at end of year	**1 667**	1 441	**1 667**	1 441
	(19 763)	(9 519)	**(19 763)**	(9 519)
30.5 Profit paid to Additional Tier 1 Sukuk Instrument Holders				
Amount outstanding at beginning of year	**(982)**	-	**-**	-
Profit after tax	**(19 833)**	(6 655)	**(19 833)**	(6 655)
Amount outstanding at end of year	**1 240**	982	**-**	-
	(19 575)	(5 673)	**(19 833)**	(6 655)
30.6 Purchase of property and equipment				
Vehicles	**(270)**	-	**(270)**	-
Equipment and computers	**(4 999)**	(2 064)	**(4 999)**	(2 064)
Leasehold improvements	**(1 171)**	3	**(1 171)**	3
Land and buildings	**-**	(270)	**-**	-
Work in progress	**-**	(261)	**-**	(261)
	(6 440)	(2 592)	**(6 440)**	(2 322)
30.7 Purchase of intangible assets				
Capitalised project costs	**(1 211)**	(3 388)	**(1 211)**	(3 388)
Work in progress	**(744)**	(5 208)	**(744)**	(5 208)
	(1 955)	(8 596)	**(1 955)**	(8 596)

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**

31. LETTERS OF CREDIT, GUARANTEES AND CONFIRMATIONS

Guarantees and confirmations	**324 531**	321 649	**324 531**	321 649
Letters of credit	**1 668**	1 668	**1 668**	1 668
	326 199	323 317	**326 199**	323 317

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.

32. CAPITAL COMMITMENTS

Authorised and contracted for				
- Property and equipment	**101**	48	**101**	48
	101	48	**101**	48

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

33. FINANCIAL INSTRUMENTS

33.1 Credit risk - maximum exposure to credit risk

Advances to customers	**7 578 110**	7 159 811	**7 578 110**	7 159 811
Advances and balances with banks	**670 022**	525 079	**670 022**	525 079
Advances, treasury bills, Sovereign Sukuk and regulatory balances	**708 650**	586 283	**708 650**	586 283
Letters of credit, guarantees and confirmations	**326 199**	323 317	**326 199**	323 317
	9 282 981	8 594 490	**9 282 981**	8 594 490

33.2 Currency risk

Cash and cash equivalents				
- EUR	**239**	635	**239**	635
- GBP	**1 104**	269	**1 104**	269
- SAR	**58**	46	**58**	46
- USD	**11 370**	14 783	**11 370**	14 783
- AED	**61**	138	**61**	138
- AUD	**142**	98	**142**	98
- Other	**21**	26	**21**	26
	12 995	15 995	**12 995**	15 995

Based on the Bank's year end foreign currency holdings a 1% fluctuation in the exchange rate will result in a R130 000 (2022: R160 000) foreign exchange gain or loss. The Bank does not speculate in currency fluctuations and therefore does not hold any stock for this purpose.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

33.3 Liquidity risk

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

	Carrying amount	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 Years	More than 5 years
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2023						
Assets						
Advances and other receivables	8 156 059	531 910	821 251	1 023 970	2 963 402	2 815 526
Investment securities	17 567	-	-	-	-	17 567
Cash and cash equivalents and regulatory balances	815 230	199 798	-	-	-	615 432
	8 988 856	731 708	821 251	1 023 970	2 963 402	3 448 525
Group						
2023						
Liabilities						
Deposits from customers	7 597 906	2 800 600	1 144 688	3 383 082	3 383	266 153
Sukuk	311 248	3 548	-	-	307 700	-
Accounts payable	59 272	57 613	1 106	553	-	-
Letters of credit, guarantees and confirmations	326 199	15 576	46 358	188 430	26 417	49 418
	8 294 625	2 877 337	1 192 152	3 572 065	337 500	315 571
Net liquidity gap	694 231	(2 145 629)	(370 901)	(2 548 095)	2 625 902	3 132 954
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

	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
33.3 Liquidity risk (continued)						
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

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

33.4 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.

The following is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments in the financial statements:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	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				
2023				
Assets				
Advances	-	8 105 312	-	8 105 312
Forward exchange contract	-	-	-	-
Investment securities	17 567	-	-	17 567
Cash and cash equivalents	-	199 798	-	199 798
Regulatory balances	-	615 432	-	615 432
	17 567	8 920 542	-	8 938 109
Group				
2023				
Liabilities				
Deposits from customers	-	7 597 906	-	7 597 906
Sukuk	-	311 248	-	311 248
Accounts payable	-	59 272	-	59 272
Forward exchange contract	-	-	-	-
	-	7 968 426	-	7 968 426
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
Group				
2022				
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

33.5 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				
2023				
Financial assets				
- Fair value through other comprehensive income	-	**17 567**	-	**17 567**
- Fair value through profit and loss	-	-	-	-
	-	**17 567**	-	**17 567**
Financial liabilities				
- Fair value through profit and loss	-	-	-	-
	-	-	-	-
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

34. 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 R13,9 million (2022: R12,6 million). Executives' portion of the contribution amounted to R1 115 954 for the year (2022: R1 027 354).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

35. RELATED PARTY INFORMATION

The holding company of Albaraka bank Limited at 31 December 2023 is Al Baraka Group B.S.C. which is a company registered in the Kingdom of Bahrain and which holds 64,5% (2022: 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% (2022: 12,6%) of the company's ordinary shares.

Timewest Investments Proprietary Limited, a company incorporated in South Africa, holds 7,7% (2022: 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 is also a trustee 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 a 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 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 19.

The subsidiary of the Bank, Albaraka Properties (Proprietary) Limited, and the related intercompany balances are identified in note 7. The Bank also made lease repayments amounting to R18 844 733 (2022: R17 448 827) 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 intercompany account.

The management fee charged to the subsidiary is disclosed in note 23. A dividend of R nil (2022: R5 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 25.

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.

	2023	2022
	R'000	R'000

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

	2023 R'000	2022 R'000
Property finance - Musharaka and Murabaha		
Balance outstanding at beginning of year	**13 877**	19 294
Advances granted during the year	**-**	-
Repayments during the year	**(5 051)**	(6 527)
Profit earned	**1 042**	1 110
	9 868	13 877
Profit mark-up range for the year	**5% to 12,25%**	7% to 10,25%

The profit mark-up of 5% is in respect of advances to executive directors at subsidised rates which, at year end was R415 000 (2022: Rnil).

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

	2023 R'000	2022 R'000
Instalment sale		
Balance outstanding at beginning of year	**3 305**	1 694
Advances granted during the year	**-**	4 376
Repayments during the year	**(970)**	(2 937)
Profit earned	**224**	172
	2 559	3 305
Profit mark-up range for the year	**5,75% to 10,75%**	5,75% to 9%
Trade finance		
Balance outstanding at beginning of year	**1 191**	2 152
Advances granted during the year	**1 818**	3 951
Repayments during the year	**(2 437)**	(5 064)
Profit earned	**64**	152
	636	1 191
Profit mark-up range for the year	**11,25%**	6,5%

Iqraa Trust
During the year, the Bank donated an amount of R3 000 000 (2022: R3 000 000) to the trust.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	COMPANY	
	2023	2022
	R'000	**R'000**

At 31 December 2023 funds deposited by the trust with the Bank amounted to R13 362 874 (2022: R22 346 951).

Giving for Hope Foundation Trust
At 31 December 2023 funds deposited by the trust with the Bank amounted to R1 636 878 (2022: R2 688 221).

	2023 R'000	2022 R'000
Albaraka Sukuk Trust		
Sukuk capital – Tier 2	**307 700**	307 700
Sukuk capital – Additional Tier 1	**124 000**	124 000
Total exposure to related parties	**444 763**	450 073
Staff		
Staff advances are conducted at subsidised profit rates.		
The total staff advances outstanding at the end of the period amounted to:	**89 044**	78 838

Allowance for credit losses related to related party balances (inclusive of staff) amounted to R 116 000 (2022: R157 000)

36. EVENTS AFTER THE REPORTING PERIOD

On 2 April 2024, the board declared a dividend of R32 240 260 (100 cents per share) payable on 26 July 2024 to shareholders registered on the books of the Bank at the close of business on 5 July 2024.

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

AAOIFI STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	R'000	**R'000**	R'000
Assets				
Cash and cash equivalents	**815 230**	642 098	**808 459**	640 466
Sales receivables	**2 487 588**	2 120 998	**2 487 588**	2 120 998
Musharaka financing	**5 550 110**	5 407 848	**5 550 110**	5 407 848
Ijarah financing	**63 905**	71 290	**63 905**	71 290
Investment securities	**17 567**	17 437	**17 567**	17 437
Investment in subsidiary company	**-**	-	**43 358**	41 376
Total investments	**8 934 400**	8 259 671	**8 970 987**	8 299 416
Other assets	**56 752**	59 579	**76 544**	89 545
Property and equipment	**90 050**	89 285	**13 951**	12 637
Investment properties	**10 339**	10 339	**-**	-
Intangible assets	**61 798**	73 390	**61 798**	73 390
Total assets	**9 153 339**	8 492 264	**9 123 280**	8 474 988
Liabilities, unrestricted investment accounts and owners' equity				
Liabilities				
Customer current accounts and other	**1 458 146**	1 315 377	**1 458 146**	1 315 377
Payables	**84 065**	65 845	**75 062**	64 606
Other liabilities	**60 563**	43 382	**60 563**	43 382
Total liabilities	**1 602 774**	1 424 604	**1 593 772**	1 423 365
Equity of unrestricted investment account holders	**6 122 553**	5 708 195	**6 122 553**	5 708 195
Sukuk	**311 248**	310 605	**307 700**	307 700
Profits distributable to depositors	**17 206**	37 444	**17 206**	37 444
Total liabilities and unrestricted investment accounts	**8 053 782**	7 480 848	**8 041 231**	7 476 704
Owners' equity	**1 099 557**	1 011 417	**1 082 049**	998 284
Share capital	**322 403**	322 403	**322 403**	322 403
Share premium	**82 196**	82 196	**82 196**	82 196
Other reserve	**2 441**	2 313	**2 441**	2 313
Retained income	**568 518**	480 505	**551 010**	467 372
Additional Tier 1 Sukuk Instruments	**124 000**	124 000	**124 000**	124 000
Total liabilities, unrestricted investment accounts and owners' equity	**9 153 339**	8 492 264	**9 123 280**	8 474 988

AAOIFI STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	GROUP		COMPANY	
	2023	2022	**2023**	2022
	R'000	**R'000**	**R'000**	**R'000**
Income from sales receivables	**202 281**	159 616	**202 281**	159 616
Income from Musharaka financing	**544 053**	366 193	**544 053**	366 193
Income from Ijarah financing	**42 248**	38 552	**42 248**	38 552
Return on unrestricted investment accounts before the Bank's share as mudarib	**788 583**	564 361	**788 583**	564 361
Less: Bank's share as mudarib	**(447 079)**	(313 646)	**(447 079)**	(313 646)
Return on unrestricted accounts	**341 504**	250 715	**341 504**	250 715
Bank's share in income from investment (as a mudarib and as a fund owner)	**447 079**	313 646	**447 079**	313 646
Bank's income from its own investments	**1 656**	1 530	**1 656**	6 530
Revenue from banking services	**33 815**	33 316	**33 815**	33 316
Other revenue	**19 434**	22 658	**19 702**	22 926
Total Bank revenue	**501 983**	371 149	**502 252**	376 417
Administrative and general expenditure	**(294 685)**	(244 849)	**(301 653)**	(254 078)
Depreciation of property and equipment	**(5 674)**	(9 072)	**(5 125)**	(7 228)
Amortisation of intangible assets	**(13 547)**	(12 188)	**(13 547)**	(12 188)
Depreciation of Ijarah	**(35 843)**	(34 596)	**(35 843)**	(34 596)
Profit before taxation	**152 234**	70 444	**146 083**	68 327
Taxation	**(44 233)**	(20 372)	**(42 456)**	(19 189)
Profit for the period	**108 002**	50 072	**103 627**	49 138

AL BARAKA BANKING GROUP GLOBAL NETWORK

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

Web: www.albaraka.com

Al Baraka Group has operations in:

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

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 'Group Website'

NOTES

alBaraka
Bank